UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

KPMG LLP
12 Fountain Plaza, Suite 601
Buffalo, NY 14202

Independent Auditors' Report

The Board of Trustees
University at Buffalo Foundation, Inc.:

We have audited the accompanying consolidated statements of financial position of University at Buffalo Foundation, Inc. and affiliates (the Foundation) as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University at Buffalo Foundation, Inc. and affiliates as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 3, 2012

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statements of Financial Position

June 30, 2012 and 2011

Assets		2012	2011
Accounts receivable, net of allowance for uncollectible accounts of $644,000 in 2012 and $586,000 in 2011	$	3,344,856	3,367,059
Contributions receivable, net (note 2)		30,946,397	54,960,512
Investments (notes 3 and 4)		736,267,504	685,234,015
Property, plant, and equipment, net (note 5)		147,158,629	134,577,924
Fine art collection		9,777,418	9,500,927
Other assets		6,985,222	6,745,175
Total assets	$	934,480,026	894,385,612
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	13,877,418	10,049,047
Accrued interest expense		1,909,323	1,938,884
Deferred rental revenue		728,131	645,061
Other accrued liabilities		3,994,616	3,798,649
Fair value of interest rate swaps (note 4)		10,424,089	6,514,128
Demand note payable (note 6)		25,000,000	21,022,983
Long-term debt, net (note 6)		177,953,260	147,969,257
Funds held in custody for others (notes 3 and 11)		13,719,879	12,969,356
Annuity and life income obligations		10,327,293	9,168,528
Total liabilities		257,934,009	214,075,893
Net assets (note 7):			
Unrestricted:			
Undesignated		9,334,539	15,012,352
Designated for specific operating units		60,867,770	64,234,262
Designated for investment purposes		100,635,428	95,399,346
Temporarily restricted		359,071,925	365,288,835
Permanently restricted		146,636,355	140,374,924
Total net assets		676,546,017	680,309,719
Total liabilities and net assets	$	934,480,026	894,385,612

See accompanying notes to consolidated financial statements.

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support:				
Gifts, bequests, and private grants	$ 742,109	29,345,648	7,990,271	38,078,028
Investment return, net	1,139,500	(4,203,972)	200,063	(2,864,409)
Loss on interest rate swaps	(3,909,961)	—	—	(3,909,961)
Other revenues:				
Faculty practice	8,334,014	—	—	8,334,014
Rental (note 5)	23,802,360	—	—	23,802,360
Continuing education	4,325,956	—	—	4,325,956
Computer store sales	7,535,223	—	—	7,535,223
Uniform Data System for Medical Rehabilitation	6,975,210	—	—	6,975,210
Dental student training programs	3,699,376	—	—	3,699,376
Center for the Arts	2,711,845	—	—	2,711,845
Student orientation	1,110,273	—	—	1,110,273
Other activities and services	12,107,074	—	—	12,107,074
Change in value of split interest agreements	—	187,548	(1,928,903)	(1,741,355)
Net assets released from restrictions	35,546,134	(35,546,134)	—	—
Total revenues, gains and other support	104,119,113	(10,216,910)	6,261,431	100,163,634
Expenses:				
Program expenses:				
Academic divisions	56,923,326	—	—	56,923,326
Administrative divisions	19,496,508	—	—	19,496,508
Fundraising expense	6,883,491	—	—	6,883,491
Total program expenses	83,303,325	—	—	83,303,325
Administration and other:				
Business office administration	3,183,634	—	—	3,183,634
Property expense	21,440,377	—	—	21,440,377
Total administration and other	24,624,011	—	—	24,624,011
Total expenses	107,927,336	—	—	107,927,336
Change in net assets from operations	(3,808,223)	(10,216,910)	6,261,431	(7,763,702)
Net asset transfer (notes 1 and 11)	—	4,000,000	—	4,000,000
Total change in net assets	(3,808,223)	(6,216,910)	6,261,431	(3,763,702)
Net assets at beginning of year	174,645,960	365,288,835	140,374,924	680,309,719
Net assets at end of year	$ 170,837,737	359,071,925	146,636,355	676,546,017

See accompanying notes to consolidated financial statements.

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support:				
Gifts, bequests, and private grants	$ 720,792	58,767,032	6,787,188	66,275,012
Investment return, net	49,064,922	56,167,128	273,022	105,505,072
Gain on interest rate swaps	336,574	—	—	336,574
Other revenues:				
Faculty practice	8,423,745	—	—	8,423,745
Rental (note 5)	18,582,762	—	—	18,582,762
Continuing education	3,445,855	—	—	3,445,855
Computer store sales	12,303,194	—	—	12,303,194
Uniform Data System for Medical Rehabilitation	7,050,127	—	—	7,050,127
Dental student training programs	1,981,858	—	—	1,981,858
Center for the Arts	2,092,493	—	—	2,092,493
Student orientation	984,924	—	—	984,924
Other activities and services	11,457,235	—	—	11,457,235
Change in value of split interest agreements	—	630,746	3,709,755	4,340,501
Net assets released from restrictions	28,504,493	(28,504,493)	—	—
Total revenues, gains and other support	144,948,974	87,060,413	10,769,965	242,779,352
Expenses:				
Program expenses:				
Academic divisions	47,726,236	—	—	47,726,236
Administrative divisions	30,459,939	—	—	30,459,939
Fundraising expense	5,965,556	—	—	5,965,556
Total program expenses	84,151,731	—	—	84,151,731
Administration and other:				
Business office administration	3,259,904	—	—	3,259,904
Property expense	20,264,609	—	—	20,264,609
Total administration and other	23,524,513	—	—	23,524,513
Total expenses	107,676,244	—	—	107,676,244
Change in net assets in operations	37,272,730	87,060,413	10,769,965	135,103,108
Net asset reclassification based on change in law (note 1(e))	(20,291,249)	20,291,249	—	—
Total change in net assets	16,981,481	107,351,662	10,769,965	135,103,108
Net assets at beginning of year	157,664,479	257,937,173	129,604,959	545,206,611
Net assets at end of year	$ 174,645,960	365,288,835	140,374,924	680,309,719

See accompanying notes to consolidated financial statements.

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ (3,763,702)	135,103,108
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net asset transfer	(4,000,000)	—
Transfer of property to the State University of New York	—	2,998,200
Depreciation and amortization	5,558,857	6,092,981
Net realized and unrealized gains (losses)	10,107,808	(96,377,466)
Change in value of split interest agreements	1,741,355	(4,340,501)
(Loss) gain on interest rate swaps	3,909,961	(336,574)
Loss on sale of property, plant and equipment	—	1,047
Gifts of fine art	(276,491)	(153,963)
Contributions restricted for long-term purposes	(9,185,785)	(11,446,472)
Cash provided (used) by changes in:		
Contributions receivable	22,778,509	(39,157,611)
Accounts receivable, net	22,203	94,597
Other assets	(259,587)	(305,308)
Accounts payable	3,828,371	(127,876)
Accrued interest expense, deferred rental revenue, and other accrued liabilities	249,476	213,666
Funds held in custody for others	750,523	1,149,057
Net cash provided by (used in) operating activities	31,461,498	(6,593,115)
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	—	7,400
Purchase of property, plant, and equipment	(18,120,022)	(40,643,765)
Proceeds from sale of investments	189,063,174	475,699,272
Purchase of investments	(250,293,452)	(428,596,620)
Net cash (used in) provided by investing activities	(79,350,300)	6,466,287
Cash flows from financing activities:		
Proceeds from net asset transfer	4,000,000	—
Net proceeds from demand note payable	3,977,017	7,337,224
Proceeds from long-term debt	32,465,000	23,975,000
Repayments of long-term debt	(2,480,997)	(44,133,909)
Investments subject to annuity agreements	1,183,042	3,312,213
Payments and maturities of annuity obligations	(1,676,651)	(1,282,573)
Collections of contributions restricted for long-term purposes	10,421,391	10,918,873
Net cash provided by financing activities	47,888,802	126,828
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of year	—	—
Cash and cash equivalents at end of year	$ —	—
Supplemental disclosure of cash flow information:		
Interest paid during the year	$ 7,348,382	7,121,354
Noncash investing activities:		
Gifts of fine art	276,491	153,963
Property, plant and equipment acquired by assuming liabilities	50,662	659,749

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

University at Buffalo Foundation, Inc. (UBF) was granted a charter as an education corporation in 1962 by the Board of Regents of the State of New York to promote the education, research, and public service mission of the State University of New York (SUNY) at Buffalo (University).

(b) Principles of Consolidation

UBF consolidates its financial statements with those of its affiliated entities to reflect all activities supporting UBF. The accompanying consolidated financial statements include the accounts of: UBF; UBF Corporation; FNUB, Inc.; University at Buffalo Foundation Incubator, Inc. (UBFI); UBF Faculty-Student Housing Corp. (UBFFSH); UB Foundation Activities, Inc. (UBFA); and UB Foundation Services, Inc. (UBFS), collectively referred to herein as the "Foundation." All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Use of Estimates

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. The Foundation's significant estimates include the valuation of its investments, valuation of allowance for uncollectible accounts, contributions receivable and the valuation of its interest rate swaps. Actual results could differ from those estimates.

(d) Risks and Uncertainties

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the value of investments in the near term would materially affect the amounts reported in the consolidated statements of financial position and statements of activities.

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(e) Basis of Accounting

The accompanying consolidated financial statements of the Foundation are presented consistent with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, which addresses the presentation of financial statements for not-for-profit organizations. In accordance with the provisions of ASC 958, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

The Foundation classifies its net assets and changes therein in the categories described below:

Unrestricted

Unrestricted net assets represent resources whose use is not restricted by donor-imposed stipulations; thus, these resources are available for the general support of the Foundation's activities.

Unrestricted net assets are further classified as undesignated and designated resources. Undesignated net assets include the Foundation's net investment in property, plant, and equipment including the fine art collection and amounts set aside for maintenance of properties. Designated net assets represent amounts set aside by the Foundation to be used (1) for the support of specific operating units of the University and (2) for investment purposes in order to maintain the purchasing power of the Foundation's resources.

Temporarily Restricted

Temporarily restricted net assets represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or are met by specific actions of the Foundation. Specific actions most often involve completion of expenditures for purposes consistent with donor stipulations. Temporarily restricted net assets of the Foundation are comprised of resources (1) for chairs/professorships, research, scholarships/fellowships and campus programs and (2) for investment purposes in order to maintain the purchasing power of the Foundation's resources. When such donor-imposed stipulations are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

When temporarily restricted net assets and unrestricted net assets are available for the same purpose, the Foundation uses the temporarily restricted net assets first.

Permanently Restricted

Permanently restricted net assets, including split interest agreements, represent resources that donors have stipulated must be maintained permanently. The Foundation is permitted to expend part or all of the investment return derived from the donated assets, restricted only by the donor stipulations.

Donor restrictions placed on the use of investment return derived from permanently restricted net assets relate principally to the use of the investment return to support chairs/professorships, research, scholarships/fellowships and campus programs.

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New York State law permits the use of net gains on investments of permanently restricted net assets, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity. Accordingly, such realized and unrealized gains and losses, as well as gains and losses on temporarily restricted and unrestricted net assets, are reported as temporarily restricted or unrestricted, based on the existence or absence of donor stipulations as to their use.

In June 2010, the New York State Senate and Assembly passed the New York Prudent Management of Institutional Funds Act (NYPMIFA), which is the New York State version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The bill was signed into law by the Governor of the State of New York in September 2010. The most significant change is the elimination of the concept of historic dollar value thresholds, the amount below which an organization could not spend from the fund in favor of a more robust set of guidelines about what constitutes prudent spending. The Act was adopted by the Foundation in 2011. Under FASB ASC 958-205, *Not-for-Profit Entities–Presentation of Financial Statements*, once UPMIFA is effective, the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until appropriated for expenditure. This requirement resulted in a reclassification of $20,291,249 in 2011 from unrestricted net assets designated for investment to temporarily restricted net assets. This represented the unappropriated portion of permanently restricted endowments whose earnings are designated by donors for the unrestricted use of the University. No reclassification was necessary for the unappropriated portion of permanently restricted endowments whose earnings are temporarily restricted by donors for various units of the University.

(f) Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment and certain working capital assets whose purpose is to provide a predictable stream of funding to programs supported by these assets, while seeking to maintain the purchasing power of these assets. The Foundation's investment and spending policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current objective is to earn an average annual total return, net of investment fees, equal to inflation plus 5.0% to 5.5%. Actual returns in any given year may vary significantly from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment return is achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters.

The Foundation's spending policy calculates the amount of funds annually distributed from the Foundation's various endowed funds. A formula governs the portion of total return made available each year for spending that allows spending to increase by the predetermined annual growth rate of 3.0% as long as spending stays within 4.0% and 6.0% of the three-year average market value of principal. This is consistent with the Foundation's objective to maintain the purchasing power of endowment and certain working capital assets, as well as to provide additional growth through new gifts and investment return. The application of the formula for the year ended June 30, 2012 was subject to legal restrictions relating to endowed funds where the fair value is less than their original donated value. In June 2011, the spending policy was revised to accommodate prudent spending measures provided by NYPMIFA. Under this revision, absent of donor direction to the contrary, a fund will receive a full spending distribution provided its value is at least 90% of historic dollar value. The fund will receive one-half spending distribution if its value is below 90% but at least 80% of historic dollar value and will receive no distribution if the fund's value is below 80%.

(g) Contributions

Contributions received, including unconditional promises to give, are generally recognized as revenues in the period received at their fair values. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. An allowance for uncollectible contributions receivable is recorded as deemed necessary by management based upon environmental factors and historical losses associated with pledges received.

(h) Cash and Cash Equivalents

Cash and money market accounts held for investment purposes are included in investments on the consolidated statements of financial position as management considers a significant portion of such balances as a component of the Foundation's overall investment strategy.

(i) Investments

Investments are recorded at fair value based on exchange or third-party quoted market prices, with realized and unrealized gains and losses included in the consolidated statements of activities. In addition to traditional stocks and fixed-income securities, the Foundation may also hold shares or units in commingled institutional funds as well as in alternative investment structures involving hedged strategies, venture capital/private equity and real assets strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued accordingly. Venture capital/private equity investments employ buyout and venture capital strategies and focus on investments in turn-around situations. Real asset investments generally hold interests in commercial real estate, infrastructure, and other hard assets. Venture capital/private equity and real assets strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

(j) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is recorded using the straight-line method over estimated useful lives of 20 to 30 years for real property and 5 to 8 years for furniture, fixtures and equipment.

The Foundation reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(k) Fine Art Collection

Fine art has been capitalized from inception at fair value at the date of donation. Fair value is generally determined by appraisal or a written opinion of value from an expert in the field. If fine art items are sold above or below the recorded amount, a gain or loss will be recognized. The fine art collection is not depreciated.

(l) Split Interest Agreements

The Foundation's split interest agreements with donors consist of gift annuities, lead trusts and charitable remainder unitrusts and annuity trusts. Assets held under these agreements are included in investments and property, plant, and equipment. Generally, contribution revenues are recognized on the dates of donation to the annuities or trusts and are established after recording liabilities for the present value of the estimated future payments to be made to the third-party beneficiaries. The discount rate utilized was 1.2% and 2.8% at June 30, 2012 and 2011, respectively. The liabilities, reflected as annuity and life income obligations on the consolidated statements of financial position, are adjusted during the term of the trusts and annuities for changes in the value of the assets and other changes in the estimates of future benefits. Upon termination of the income obligation, the residual value of the annuities or trusts is held by the Foundation in accordance with the donor's annuity or trust agreement.

(m) Derivatives

UBF has adopted an Interest Rate Swap Policy which provides guidance and authorization levels for entering into interest rate swaps and other derivative arrangements. The policy determines derivatives objectives and limitations, potential instruments, and a standard of prudence.

UBF records interest rate swaps at fair value in the consolidated statements of financial position in accordance with ASC Topic 815-10, *Derivatives and Hedging Overall*. The change in fair value of the swap is reported in the consolidated statements of activities as (loss) gain on interest rate swaps.

(n) Other Activities and Services

Other activities and services revenue, included in the consolidated statements of activities, reflect amounts generated from educational and training programs, various student activities, laboratory testing and other educational related initiatives, and administrative support provided through the Foundation. Revenue related to other activities and services is recognized as earned.

(o) Financial Instruments

Management believes that the recorded value of financial instruments approximates their fair value, except for long-term debt. The fair value of long-term debt, estimated by quoted market prices for similar debt, was approximately $182,029,000 and $144,438,000 at June 30, 2012 and 2011, respectively. The associated carrying amounts of long-term debt of $177,953,260 and $147,969,257 at June 30, 2012 and 2011, respectively, are included in the consolidated statements of financial position.

(p) Net Asset Transfers

Net asset transfers reflect assets transferred from SUNY to be administered as part of the board designated endowment for the University.

(q) Reclassifications

Certain reclassifications were made to the 2011 financial statements to conform to the 2012 presentation.

(2) Contributions

Contributions receivable, representing unconditional promises to give, as of June 30, 2012 and 2011, are summarized below:

		2012	2011
Unconditional promises expected to be collected in:			
Less than one year	$	13,433,985	46,549,244
One year to five years		17,363,287	8,390,565
Greater than five years		985,524	769,685
		31,782,796	55,709,494
Less:			
Discount		(636,399)	(548,982)
Allowance for uncollectible contributions receivable		(200,000)	(200,000)
	$	30,946,397	54,960,512

Discount rates utilized ranged from 0.16% to 6.40% based upon the rates reflected at the time of the gift.

As of June 30, 2012, UBF has also received bequest intentions and revocable trusts that management estimates will approximate $51,000,000. These intentions and conditional promises to give are not recognized as assets in the accompanying consolidated financial statements. Amounts received under these conditional promises to give will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, and general operating support of particular departments and divisions of the University.

Included in contributions receivable at June 30, 2011 is one bequest receivable in the amount of $40,000,000, which is restricted for the UB School of Medicine and Biomedical Sciences. This bequest was collected during fiscal year ended June 30, 2012.

(3) Investments

Investments at June 30, 2012 and 2011 are comprised of the following:

	2012	2011
Cash and cash equivalents	$ 61,439,255	15,307,863
Fixed income securities	123,552,568	142,024,839
Equity securities	288,223,826	282,201,792
Alternative investments:		
Real assets	53,026,427	56,335,960
Venture capital/private equity partnerships	82,292,568	67,368,904
Hedge funds and funds of funds	125,285,848	119,273,624
Other	2,447,012	2,721,033
	$ 736,267,504	685,234,015

Investment return, net, on the statement of activities is comprised of net realized and unrealized (losses) gains of ($10,107,808) and $96,377,466 in 2012 and 2011 respectively, as well as interest and dividend income, net of asset management fees of $7,243,399 and $9,127,606 in 2012 and 2011, respectively.

Investments, included above, held under split interest agreements were approximately $21,533,000 and $21,744,000 at June 30, 2012 and 2011, respectively.

Certain investment assets have been pledged as security for a bank line of credit for the specific use of a University Department. The value of the pledged assets was approximately $1.3 million for both the years ended June 30, 2012 and 2011. Also, the South Lake Village swap agreement requires assets to be pledged to the counterparty to serve as collateral in an amount equal to or greater than the outstanding swap. At June 30, 2012 and 2011, UBF pledged the assets held with one of its fixed asset managers valued in excess of the swap liability.

(4) Fair Value Measurements

According to ASC 820, fair value is defined as the price that the Foundation would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 also establishes a fair value hierarchy that distinguishes between (1) inputs that reflect the assumptions market participants would use in pricing assets or liabilities based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about what other market participants would use in pricing assets or liabilities that are based on the best information available in the circumstances (unobservable inputs). ASC 820 prioritizes these inputs into the following fair value hierarchy:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2 Inputs – Inputs other than quoted prices in active markets that are observable for the assets or liabilities, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities, or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs – Unobservable inputs for determining the fair value of the assets or liabilities and are based on the entity's own assumptions about what market participants would use to price the assets or liabilities.

Investments are reported at estimated fair value. If an investment is held directly by the Foundation and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in registered commingled funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Foundation's interests in alternative investment structures are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the Foundation's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2012 and 2011, the Foundation had no plans or intentions to sell investments at amounts different from NAV.

Because each fund's reported NAV is used as a practical expedient to estimate the fair value of the Foundation's interest therein, the level in which a fund's fair value measurement is classified is primarily based on the Foundation's ability to redeem its interest at or near the date of the statement of financial position. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy may be based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment.

The following table summarizes the valuation of the Foundation's financial assets and liabilities within the ASC 820 fair value hierarchy as of June 30, 2012 and 2011 that are measured at fair value on a recurring basis:

	June 30, 2012					
	Level 1	**Level 2**	**Level 3**	**Total**	**Redemption/ liquidation**	**Days notice**
Cash and cash equivalents	$ 61,439,255	—	—	61,439,255	Daily	One
Fixed income securities:						
U.S. fixed income	45,551,688	4,231,041	—	49,782,729	Daily	One
Global fixed income	19,066,041	19,863,432	—	38,929,473	Daily/monthly	One/ten
U.S. inflation protected	34,840,366	—	—	34,840,366	Daily	One
	99,458,095	24,094,473	—	123,552,568		
Domestic equity:						
U.S. large	47,394,500	—	—	47,394,500	Daily	One
U.S. large growth	32,579,293	—	—	32,579,293	Daily	One
U.S. large quality	66,760,335	—	—	66,760,335	Daily	One
U.S. mid/small	533,991	—	—	533,991	Daily	One
	147,268,119	—	—	147,268,119		
International equity:						
International large	29,460,290	44,322,345	—	73,782,635	Daily/monthly	One/fifteen
International large quality	29,160,181	—	—	29,160,181	Daily	One
International emerging	38,012,891	—	—	38,012,891	Daily	One
	96,633,362	44,322,345	—	140,955,707		
Real assets	24,350,030	—	28,676,397	53,026,427	Daily/quarterly/ illiquid	One/ninety
Private equity	—	—	82,292,568	82,292,568	Illiquid	N/A
Hedge funds:						
Multi-strategy	—	—	51,796,224	51,796,224	Quarterly/bi-annual	60/90
Long/short credit	—	—	36,257,393	36,257,393	Monthly/annual	45/90
Long/short equity	—	—	25,792,188	25,792,188	Monthly/quarterly	30/60
Global macro	—	—	7,660,776	7,660,776	Bi-annual	90
Short credit	—	3,779,267	—	3,779,267	Monthly	30
	—	3,779,267	121,506,581	125,285,848		
Other	190,744	2,256,268	—	2,447,012	—	—
	$ 429,339,605	74,452,353	232,475,546	736,267,504		
Financial liabilities:						
Interest rate swaps	$ —	10,424,089	—	10,424,089		

	June 30, 2011					
	Level 1	**Level 2**	**Level 3**	**Total**	**Redemption/ liquidation**	**Days notice**
Cash and cash equivalents	$ 15,307,863	—	—	15,307,863	Daily	One
Fixed income securities:						
U.S. fixed income	42,490,166	19,858,462	—	62,348,628	Daily	One
Global fixed income	18,552,506	17,870,972	696,071	37,119,549	Daily/monthly	One/ten
U.S. inflation protected	42,556,662	—	—	42,556,662	Daily	One
	103,599,334	37,729,434	696,071	142,024,839		
Domestic equity:						
U.S. large	43,888,075	—	—	43,888,075	Daily	One
U.S. large growth	24,782,364	—	—	24,782,364	Daily	One
U.S. large quality	60,387,006	—	—	60,387,006	Daily	One
U.S. mid/small	861,112	—	—	861,112	Daily	One
	129,918,557	—	—	129,918,557		
International equity:						
International large	31,916,110	51,492,903	—	83,409,013	Daily/monthly	One/fifteen
International large quality	30,370,378	—	—	30,370,378	Daily	One
International emerging	38,503,844	—	—	38,503,844	Daily	One
	100,790,332	51,492,903	—	152,283,235		
Real assets	33,947,468	—	22,388,492	56,335,960	Daily/quarterly/ illiquid	One/ninety
Private equity	—	—	67,368,904	67,368,904	Illiquid	N/A
Hedge funds:						
Multi-strategy	—	—	47,445,793	47,445,793	Quarterly/bi-annual	60/90
Long/short credit	—	—	34,167,912	34,167,912	Monthly/annual	45/90
Long/short equity	—	—	25,866,754	25,866,754	Monthly/quarterly	30/60
Global macro	—	—	8,087,403	8,087,403	Bi-annual	90
Short credit	—	3,705,762	—	3,705,762	Monthly	30
	—	3,705,762	115,567,862	119,273,624		
Other	151,011	2,570,022	—	2,721,033	—	—
	$ 383,714,565	95,498,121	206,021,329	685,234,015		
Financial liabilities:						
Interest rate swap	$ —	6,514,128	—	6,514,128		

There were no significant transfers into or out of Level 1, Level 2 and Level 3 for the years ended June 30, 2012 and 2011.

The changes in investments measured at fair value for which the Foundation has used Level 3 inputs to determine fair value for 2012 and 2011 are as follows:

		Hedge funds and funds of funds	Venture capital/ private equity partnerships	Real assets	Fixed income securities	Total
Balance as of June 30, 2011	$	115,567,862	67,368,904	22,388,492	696,071	206,021,329
Purchases		12,754,000	23,317,309	4,191,786	—	40,263,095
Sales		(120,412)	(12,971,085)	(254,035)	(675,454)	(14,020,986)
Settlements		(4,319,485)	—	—	—	(4,319,485)
Net realized and unrealized gains		(2,375,384)	4,577,440	2,350,154	(20,617)	4,531,593
Balance as of June 30, 2012	$	121,506,581	82,292,568	28,676,397	—	232,475,546

		Hedge funds and funds of funds	Venture capital/ private equity partnerships	Real assets	Fixed income securities	Total
Balance as of June 30, 2010	$	23,703,795	48,160,137	8,612,857	1,628,655	82,105,444
Purchases, sales, issuances, and settlements, net		83,681,939	7,178,080	11,189,018	(1,136,239)	100,912,798
Net realized and unrealized gains		8,182,128	12,030,687	2,586,617	203,655	23,003,087
Balance as of June 30, 2011	$	115,567,862	67,368,904	22,388,492	696,071	206,021,329

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Cash and Cash Equivalents – The fair value of cash and cash equivalents, consisting primarily of cash and money market funds, is classified as Level 1, as these financial instruments are highly liquid.

Fixed Income Securities – Investments in certain fixed income securities represent investments in commingled funds consisting primarily of fixed income securities. These investments are classified as Level 1 if they are traded in an active market for which daily closing prices, measured primarily on a NAV basis, are available, and are classified as Level 2 or Level 3 if they are subject to certain restrictive provisions relating to redemptions from the investment. At June 30, 2012 and 2011, notice periods generally range from daily liquidity to ten days, according to the provisions of the respective investment agreements.

Investments in other fixed income securities that are not considered commingled funds are comprised primarily of mortgage-backed securities issued by government sponsored agencies. These fixed income securities are classified as Level 2 based on multiple sources of information, which may include quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Equity Securities – Equity securities include both domestic equity and international equity asset classes. Investments in certain equity securities represent investments in commingled funds consisting primarily of equity securities. These investments are classified as Level 1 if they are traded in an active market for which daily closing prices, measured primarily on a NAV basis, are available, and are classified as Level 2 or Level 3 if they are subject to certain restrictive provisions relating to redemptions from the investment. At June 30, 2012 and 2011, notice periods generally range from daily liquidity to fifteen days, according to the provisions of the respective investment agreements.

Investments in other equity securities that are not considered commingled funds are measured at fair value using quoted market prices on active exchanges. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Alternative Investments – The alternative investment portion of the portfolio is comprised of the following:

- Real assets include investments in commingled funds, limited partnerships and limited liability companies. These investments are classified as Level 1 if they are traded in an active market for which daily closing prices, measured primarily on a NAV basis, are available, and are classified as Level 2 or Level 3 if they are subject to certain restrictive provisions relating to redemptions from the investment. At June 30, 2012 and 2011, notice periods for real assets generally range from one day to illiquid, according to the provisions of the respective investment agreements. At June 30, 2012, the Foundation has committed to incrementally invest approximately $18,459,000 in such investments.
- Investments in venture capital/private equity partnerships and hedge funds are classified as Level 3 in the fair value hierarchy as they are based on the presence of significant unobservable inputs. These securities are estimated using current information obtained from the general partner or investment manager for the respective funds. Investments in venture capital/private equity partnerships are generally estimated using partner’s capital balances, and the fair value of investments in hedge funds are generally estimated using NAVs. In cases where the investee has provided its investors with a NAV per share or partner capital balances that have been calculated in accordance with the AICPA Audit and Accounting Guide, *Investment Companies*, the Foundation has estimated its fair value by using the NAV provided by the investee as of June 30th.
- Investments in venture capital/private equity partnerships are generally made through limited partnerships. Under the terms of such agreements, the Foundation may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund’s strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The Foundation cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain. Such investments generally do not provide redemption options for investors and, subsequent to final closing, do not permit subscriptions by new or existing investors. As June 30, 2012, the Foundation has committed to incrementally invest approximately $44,070,000 in such investments. The remaining lives of the Foundation’s investments in venture capital/private equity partnerships range from two to twelve years at June 30, 2012.

- Investments in hedge funds have numerous provisions which may restrict the redemptive nature of the investment. Certain of the hedge funds are subject to initial "lock-up" provisions, ranging up to two years. Subject to the expiration of the "lock-up" period, the investor has the ability to liquidate its investments periodically from monthly to bi-annually, accompanied by notice periods ranging from thirty to ninety days at June 30, 2012 and 2011, according to the provisions of the respective investment fund agreements. A portion or all of the hedge funds investment may be held as "side-pocket" investments, as determined by such investment fund's investment manager. The investor's ability to redeem its interest in the side-pocket investments is restricted until the occurrence of a realization event with respect to the underlying investment positions in such side-pockets per the terms of the respective investment fund's agreement.
- In addition, certain investments in hedge funds are subject to redemption "gate" or redemption suspension provisions as defined in the respective investment funds' agreements. The investment manager of the investment funds may restrict or suspend redemption requests for various reasons, including, but not limited to, insufficient liquidity at the investment fund to satisfy redemption requests or to preserve the interests of the shareholders not redeeming from the investment funds. At June 30, 2012 and 2011, no redemption gates or suspension provisions have been imposed on the Foundation's investments in hedge funds of funds.

Interest Rate Swaps – The fair value of the Foundation's swaps were estimated using primarily Level 2 inputs. However, Level 3 inputs were used to determine credit valuation adjustments, such as estimates of current credit spreads to evaluate the likelihood of default. The Foundation has determined that the impact of these credit valuation adjustments are not a significant input to the overall valuations. Therefore, the Foundation has classified the interest rate swaps in Level 2 of the fair value hierarchy.

The Foundation obtains fair value measurements of swaps from a third party. The fair value measurements are determined using the market standard methodology of netting discounted future fixed cash payments and the discounted expected variable cash payments. Variable cash payments are based on an expectation of future interest rates derived from observable market interest rate curves. Credit valuation adjustments are incorporated to appropriately reflect the Foundation's nonperformance risk as well as the counterparty's nonperformance risk.

Liquidity

The following presents the fair value of the Foundation's investments as of June 30, 2012 and 2011 by redemption period.

		2012	2011
Daily	$	433,379,902	404,118,087
Monthly		93,276,284	94,652,367
Quarterly		61,702,336	61,410,451
Semi-annual		22,495,604	18,137,426
Annual		15,619,370	15,913,071
Bi-annual		14,828,636	14,960,204
Illiquid		94,965,372	76,042,409
	$	736,267,504	685,234,015

The limitation on the Foundation's ability to redeem or sell these investment positions vary by each individual investment and may be subject to notice periods and redemption restrictions.

(5) Property, Plant, and Equipment and Operating Leases

Property, plant, and equipment at June 30, 2012 and 2011 is comprised of the following:

		2012	2011
Real property, principally rental property	$	185,193,473	125,118,378
Furniture, fixtures and equipment		13,052,509	10,950,981
Less accumulated depreciation		(51,962,353)	(46,423,037)
		146,283,629	89,646,322
Real estate held under split interest agreements		875,000	875,000
Construction in progress		—	44,056,602
	$	147,158,629	134,577,924

Construction in progress in 2011 consisted of expenditures related to the Greiner Hall Project, which was completed in August 2011. As discussed in note 6, financing of $67,660,000 for the Greiner Hall Project was provided through the issuance of the Greiner Hall Project and Hadley Village Refunding bonds in May 2010.

UBF Corporation leases land from the State University of New York under an operating lease agreement with an initial term expiring in 2021, renewable to 2037. The base annual rent is $20,476, adjustable based on the UBF Corporation's net cash flow from this parcel, as defined in the agreement. UBFA leases office space under an operating lease entered into in 2002 and expiring in 2012. The base annual rent is $156,904 for the first five years and $168,281 per year for the remaining term. Rental expense incurred under all operating leases was $573,904 in 2012 and $656,207 in 2011.

(Continued)

FNUB, Inc., UBF Corporation, UBFFSH, UBFI, and UBFA are the lessor or sublessor under several real estate operating leases. Minimum future rental revenues and expenses under operating leases with original terms in excess of one year as of June 30, 2012 are as follows:

		Revenues	Expenses
Year ending June 30:			
2013	$	2,633,918	154,378
2014		2,170,145	116,311
2015		2,054,985	11,811
2016		1,939,973	11,811
2017		1,457,167	11,811
Thereafter		3,828,649	238,180

Total operating revenue and expense related to UBFFSH was approximately $21,768,000 and $18,559,000, respectively, in 2012 and approximately $17,239,000 and $16,521,000, respectively, in 2011.

(6) Debt Financing

A summary of long-term debt at June 30, 2012 and 2011 follows:

		2012	2011
Village of Kenmore Housing Authority bonds payable in monthly installments of $47,516 through January 2028, including fixed interest at 4.95%. (Flickinger Project)	$	6,154,224	6,407,734
Town of Amherst Industrial Development Agency bonds payable in annual principal installments that escalate through maturity in August 2031, plus interest ranging from 4.30% to 5.25% adjusted annually, net of discount of $72,184 in 2012 and $75,950 in 2011. (Flint Village Projects)		22,142,816	22,769,050
Town of Amherst Industrial Development Agency bonds payable in annual principal installments that escalate through maturity in August 2032, plus interest ranging from 3.00% to 5.00% adjusted annually, net of discount of $115,343 in 2012 and $121,062 in 2011. (Creekside Village Projects)		11,899,657	12,223,938

(Continued)

		2012	2011
Town of Amherst Development Corporation bonds payable in annual principal installments that escalate through maturity in October 2045, plus interest ranging from 3.00% to 5.00% adjusted annually, net of discount of $13,438 in 2012 and $1,465 in 2011. (Greiner Hall and Hadley Village)	$	81,781,563	82,593,535
Town of Amherst Development Corporation bonds payable in annual principal installments that escalate through maturity in October 2035 plus variable rate interest. Interest rates ranged from 0.04% to 0.28% and 0.06% to 0.26% for the years ended June 30, 2012 and 2011, respectively. (South Lake Village)		23,510,000	23,975,000
Town of Amherst Development Corporation bonds payable in monthly principal installments that escalate through maturity in August 2042 plus variable rate interest. The interest rate from the date of issue through June 30, 2012 was 1.56%. (Flint Village and Creekside Village Refunding)		32,465,000	—
	$	177,953,260	147,969,257

In June 2012, UBFFSH issued $32,465,000 Town of Amherst Development Corporation Bonds (Flint Village and Creekside Village refunding). The Flint Village and Creekside Village Refunding Bonds were issued to provide funds for the refunding of the outstanding principal of the bonds used to finance the original construction, to provide payment of a portion of the costs incidental to their issuance, to create variable rate exposure corresponding with the mechanics of an interest rate swap, and to provide for significant debt service savings.

Management believes the Foundation complied with the terms of its debt covenants at June 30, 2012 and 2011.

Interest expense was $6,811,337 and $4,798,370 in 2012 and 2011, respectively.

The Flickinger Project bonds are secured by first mortgage interests in the property and the assignment of all related leases, subleases and rentals. For the remaining student housing projects, each bond issuance is secured by a first mortgage lien on UBFFSH’s ground leasehold interest for such project and by assignment of all leases, subleases and rentals related to such project. UBFFSH is required to make payments under leasing arrangements with the bond issuers sufficient to service the bonds.

Each respective bond insurer or letter of credit provider requires a surplus cash flow reserve fund to be maintained related to the Hadley Village, South Lake Village, Flint Village, Creekside Village, and Greiner Hall projects. The requirement provides that the reserve will be maintained by setting aside 50% of the net cash flow from each project to a maximum aggregate amount of 10% of the initial par amount of

(Continued)

the bonds financing that project. The surplus cash flow reserve fund will continue as long as the bond insurance policy or letter of credit is in full force and effect. The surplus cash flow reserve fund is designated for capital expenditures with the prior consent of the bond insurer. The amounts, included in investments, designated as surplus cash flow reserve were $7,669,100 and $5,952,935 at June 30, 2012 and 2011, respectively.

UBF has guaranteed UBFFSH’s regularly scheduled principal and interest payment obligations for the bonds issued for the Greiner Hall Project and Hadley Village Refunding debt obligation. This cash flow guarantee remains in effect until the end of the third consecutive year in which the debt service coverage ratio related to the Greiner Hall Project and Hadley Village Refunding debt obligation is 1.35 or better or when the obligations are irrevocably paid in full.

In August 2010, UBFA obtained a $25,000,000 operating line of credit. The outstanding balance amounted to $25,000,000 at June 30, 2012 and $21,022,983 at June 30, 2011. Borrowings under the new line of credit are payable on demand and bear interest at 1.5% below the bank’s prime rate (1.75% at both June 30, 2012 and 2011).

On August 26, 2010, UBFFSH issued $23,975,000 Town of Amherst Development Corporation Bonds. The South Lake Village Replacement Bonds (Replacement Bonds) were issued to provide funds for the refunding of the outstanding principal of the South Lake Village Original Bonds, to provide payment of a portion of the costs incidental to their issuance, and to create variable rate exposure to correspond with the mechanics of the swap. Under the Swap Agreement, UBFFSH is obligated to pay the counterparty a fixed rate per annum equal to 4.7755% on a notional amount approximately equal to the outstanding principal amount of the Replacement Bonds, subject to certain conditions. The counterparty, in turn, is obligated to pay to UBFFSH a variable rate per annum on an equal notional amount, which rate is defined as 67% of one-month LIBOR, also subject to certain conditions. The Swap Agreement matures on October 1, 2035. If the Swap Agreement is terminated prior to the maturity of the Replacement Bonds, UBFFSH may be required to make a termination payment. The amount of any termination payment would depend upon prevailing market conditions, and such amount could be substantial. The interest rate Swap agreement does not relieve UBFFSH of its obligations under the Replacement Bonds.

The swap agreement also requires that assets be pledged to the counterparty to serve as collateral in an amount equal to or greater than the outstanding swap liability. At June 30, 2012 and 2011, UBF pledged the assets held with one of its fixed asset managers valued in excess of the swap liability.

On June 12, 2012, UBFFSH entered into a swap agreement for the purpose of hedging the interest rate exposure of the Series 2012A Bonds (Flint Village and Creekside Village Refunding.) The effective date of the swap was June 15, 2012 and it terminates on June 1, 2022. The agreement requires that UBFFSH pay to the counterparty monthly payments based on a fixed interest equal to 2.634% and that the counterparty pay UBFFSH monthly payments based on a floating rate equal to 65% of LIBOR plus 140.4 basis points. The notional amortization of the swap matches the principal amortization of the bonds.

Amounts set aside for debt service and included in investments were approximately $5,455,000 at June 30, 2012 and $7,770,000 at June 30, 2011. UBFFSH capitalized interest costs of $507,598 in 2012 and $3,083,657 in 2011 related to the Greiner Hall Project.

(Continued)

Aggregate annual maturities of long-term debt at June 30, 2012 are as follows:

2013	$	37,316,846
2014		3,418,105
2015		3,577,544
2016		3,702,013
2017		3,853,647
Thereafter		126,085,105
	$	177,953,260

(7) Endowment Net Assets

At June 30, 2012 and 2011, UBF's endowment consists of approximately 1100 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the UBF board of trustees to function as endowments. At June 30, 2012, the fair values of 98 endowment accounts were less than their original donated value by a total of approximately $763,000. At June 30, 2011, the fair values of 44 endowment accounts were less than their original donated value by a total of approximately $169,000. The deficit between the original donated value and the fair value reduced by the prudent spending provisions of UBF's spending policy, are reported in unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued legally permitted appropriation for certain programs that was deemed prudent by UBF. The deficiency in unrestricted net assets will be restored with future market gains before any net appreciation above historical cost value increases temporarily restricted net assets.

In September 2010, NYPMIFA was signed into law. NYPMIFA requires prudent spending regarding the original gift of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, UBF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Appreciation, net of the underwater amount of endowment funds, is reported as either temporarily restricted or unrestricted net assets.

The following is a summary of UBF's endowment, and net asset composition by type of fund as of June 30, 2012 and 2011:

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ —	127,177,847	129,162,181	256,340,028
Board-designated endowment funds	71,485,419	183,194,371	—	254,679,790
Total endowment net assets	71,485,419	310,372,218	129,162,181	511,019,818
Contributions receivable, discounted	24,715	23,756,197	7,165,485	30,946,397
Split interest agreements	—	1,634,478	10,308,689	11,943,167
Other non-endowed funds	99,327,603	23,309,032	—	122,636,635
Total net assets	$ 170,837,737	359,071,925	146,636,355	676,546,017

	2011			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ —	142,364,371	121,233,448	263,597,819
Board-designated endowment funds	77,667,963	153,525,344	—	231,193,307
Total endowment net assets	77,667,963	295,889,715	121,233,448	494,791,126
Contributions receivable, discounted	12,886	47,161,025	7,786,601	54,960,512
Split interest agreements	—	1,957,512	11,354,875	13,312,387
Other non-endowed funds	96,965,111	20,280,583	—	117,245,694
Total net assets	$ 174,645,960	365,288,835	140,374,924	680,309,719

Changes in UBF's endowment net assets for the years ended June 30, 2012 and 2011 are as follows:

		2012			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	77,667,963	295,889,715	121,233,448	494,791,126
Investment return:					
Investment income		2,846,448	3,116,778	—	5,963,226
Net realized and unrealized losses on endowment funds		(1,458,952)	(4,899,860)	—	(6,358,812)
Total investment return		1,387,496	(1,783,082)	—	(395,586)
Contributions		149,448	34,428,519	7,544,233	42,122,200
Appropriation of endowment assets for expenditure		(7,719,488)	(22,162,934)	—	(29,882,422)
Other additions		—	4,000,000	384,500	4,384,500
Endowment net assets, end of year	$	71,485,419	310,372,218	129,162,181	511,019,818

		2011			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	79,774,454	235,013,696	114,062,948	428,851,098
Investment return:					
Investment income		1,898,140	4,689,773	—	6,587,913
Net realized and unrealized gains on endowment funds		22,485,130	52,896,532	—	75,381,662
Total investment return		24,383,270	57,586,305	—	81,969,575
Contributions		8,036	2,008,427	4,617,694	6,634,157
Appropriation of endowment assets for expenditure		(6,206,548)	(19,009,962)	—	(25,216,510)
Other additions		—	—	2,552,806	2,552,806
Net asset reclassification based on change in law		(20,291,249)	20,291,249	—	—
Endowment net assets, end of year	$	77,667,963	295,889,715	121,233,448	494,791,126

(8) Guarantees

UBF has guaranteed the payment of certain employee mortgages under the University Home Loan Guaranty Program in support of the efforts of the State University of New York at Buffalo to encourage the ownership and renovation of single-family and two-family homes within the City of Buffalo neighborhood known as University Heights. The maximum guarantee under the agreement is $5,000,000. The guarantee is for the entire amount. UBF is discharged from the guarantee upon the occurrence of certain qualifying events. If the employee defaults on the mortgage, UBF would have to perform under the guarantee. The maximum amount of undiscounted payments UBF would have to make in the event of default is $1,696,275 at June 30, 2012 and $1,904,122 at June 30, 2011, based upon aggregate outstanding loan balances.

(9) Retirement Plan

UBFA has a defined contribution retirement plan covering all individuals meeting certain requirements. Benefits are provided by purchase of retirement annuity contracts based upon a percentage of the participant's salary. Expense under the plan was $1,763,786 and $1,767,448 in 2012 and 2011, respectively.

(10) Income Taxes

The Internal Revenue Service has ruled that UBF, FNUB Inc., UBFI, UBFFSH, UBFA and UBFS are qualified under Section 501(c)(3) of the Internal Revenue Code and are therefore, generally not subject to tax on related income under present Federal income tax laws, and are also not private foundations within the meaning of Section 509(a)(1) or Section 509(a)(3) of the Internal Revenue Code. These entities follow the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*, whereby they recognize income tax positions when it is more-likely than-not that the position will be sustainable based on the merits of the position. Management has concluded that there are no material uncertain tax positions that need to be recorded.

(11) Related-Party Transactions

Effective July 1, 2009, UBFA rents office space on the University's campus at an annual rent of $104,500. UBFA provides certain accounting services to nonconsolidated affiliated entities. UBFA receives a fee for these services, which is included in other activities and services in the consolidated statements of activities. These fees amounted to $212,439 and $186,655 in 2012 and 2011, respectively.

The Foundation holds funds for certain research projects of the University and holds cash and manages certain investments for certain other SUNY campuses of portions of the SUNY endowment fund. These funds are reflected as funds held in custody for others in the consolidated statements of financial position, which amounted to $9,715,928 and $9,317,261 at June 30, 2012 and 2011, respectively.

In March 2012 SUNY transferred to UBF $4,000,000 of proceeds received from the sale of licenses and assets of certain radio broadcast stations owned and operated by the University. These assets have been added to the board designated endowment for the University and are reflected as a net asset transfer.

(12) Subsequent Events

The Foundation has evaluated subsequent events from the balance sheet date through October 3, 2012, the date at which the consolidated financial statements were issued. In August 2012, UBFFSH used funds generated from the June 2012 issuance of the Flint Village and Creekside Village Refunding Bonds to repay the remaining principal balance of the original Flint Village and Creekside Village bonds. The combined bonds amounted to $34 million and $35 million at June 30, 2012 and 2011, respectively.