UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

**UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES**

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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 financial statements of University at Buffalo Foundation, Inc. and affiliates (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 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, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

September 30, 2014

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statements of Financial Position

June 30, 2014 and 2013

Assets		2014	2013
Accounts receivable, net of allowance for uncollectible accounts of $821,000 in 2014 and $794,000 in 2013	$	2,410,331	3,090,310
Contributions receivable, net (note 2)		40,492,239	35,818,634
Investments (notes 3 and 4)		864,361,120	761,482,520
Property, plant, and equipment, net (note 5)		133,785,010	149,476,971
Fine art collection		10,226,296	10,021,196
Other assets		5,793,495	5,804,029
Total assets	$	1,057,068,491	965,693,660
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	8,247,691	8,087,103
Accrued interest expense		1,132,794	1,157,823
Deferred rental revenue		50,349	503,581
Other accrued liabilities		4,244,859	3,970,692
Fair value of interest rate swaps (notes 4 and 6)		6,827,158	6,625,711
Demand note payable (note 6)		5,789,563	25,000,000
Long-term debt, net (note 6)		137,218,309	140,636,414
Funds held in custody for others (notes 9 and 13)		15,233,139	14,493,201
Annuity and life income obligations		6,888,468	7,488,290
Total liabilities		185,632,330	207,962,815
Net assets (notes 7 and 8):			
Unrestricted:			
Undesignated		15,814,160	15,059,480
Designated for specific operating units		82,992,363	68,641,686
Designated for investment purposes		155,996,532	126,853,891
Total unrestricted		254,803,055	210,555,057
Temporarily restricted		455,320,218	395,152,069
Permanently restricted		161,312,888	152,023,719
Total net assets		871,436,161	757,730,845
Total liabilities and net assets	$	1,057,068,491	965,693,660

See accompanying notes to consolidated financial statements.

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2014

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support:				
Gifts, bequests, and private grants	$ 2,946,726	24,431,733	6,468,992	33,847,451
Investment return, net (note 3)	43,112,927	67,889,461	260,444	111,262,832
Gain (loss) on interest rate swaps	(201,447)	—	—	(201,447)
Gain (loss) on sale of property, plant and equipment	4,279,397	—	—	4,279,397
Other revenues:				
Faculty practice	9,450,234	—	—	9,450,234
Rental (note 5)	24,954,516	—	—	24,954,516
Continuing education	5,314,683	—	—	5,314,683
Computer store sales	1,082	—	—	1,082
Uniform Data System for Medical Rehabilitation	8,071,038	—	—	8,071,038
Dental student training programs	3,580,954	—	—	3,580,954
Center for the Arts	2,898,796	—	—	2,898,796
Student orientation	1,239,681	—	—	1,239,681
Other activities and services	10,575,040	—	—	10,575,040
Change in value of split interest agreements	—	403,020	2,559,733	2,962,753
Net assets released from restrictions	32,556,065	(32,556,065)	—	—
Total revenues, gains and other support	148,779,692	60,168,149	9,289,169	218,237,010
Expenses:				
Program expenses:				
Academic divisions	55,164,796	—	—	55,164,796
Administrative divisions	13,792,611	—	—	13,792,611
Real estate management	24,815,843	—	—	24,815,843
Fundraising	7,600,643	—	—	7,600,643
Total program expenses	101,373,893	—	—	101,373,893
Business office administration	3,157,801	—	—	3,157,801
Total expenses	104,531,694	—	—	104,531,694
Total change in net assets	44,247,998	60,168,149	9,289,169	113,705,316
Net assets at beginning of year	210,555,057	395,152,069	152,023,719	757,730,845
Net assets at end of year	$ 254,803,055	455,320,218	161,312,888	871,436,161

See accompanying notes to consolidated financial statements.

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2013

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support:				
Gifts, bequests, and private grants	$ 1,841,302	24,970,159	1,523,158	28,334,619
Investment return, net (note 3)	30,600,765	46,606,635	210,851	77,418,251
Gain (loss) on interest rate swaps	3,798,378	—	—	3,798,378
Other revenues:				
Faculty practice	10,339,810	—	—	10,339,810
Rental (note 5)	24,531,821	—	—	24,531,821
Continuing education	5,739,928	—	—	5,739,928
Computer store sales	4,693,785	—	—	4,693,785
Uniform Data System for Medical Rehabilitation	7,996,011	—	—	7,996,011
Dental student training programs	4,169,544	—	—	4,169,544
Center for the Arts	2,967,686	—	—	2,967,686
Student orientation	1,136,320	—	—	1,136,320
Other activities and services	11,701,511	—	—	11,701,511
Change in value of split interest agreements	—	434,753	3,653,355	4,088,108
Net assets released from restrictions	35,931,403	(35,931,403)	—	—
Total revenues, gains and other support	145,448,264	36,080,144	5,387,364	186,915,772
Expenses:				
Program expenses:				
Academic divisions	57,459,095	—	—	57,459,095
Administrative divisions	13,651,503	—	—	13,651,503
Real estate management	23,757,978	—	—	23,757,978
Fundraising	7,603,768	—	—	7,603,768
Total program expenses	102,472,344	—	—	102,472,344
Business office administration	3,258,600	—	—	3,258,600
Total expenses	105,730,944	—	—	105,730,944
Total change in net assets	39,717,320	36,080,144	5,387,364	81,184,828
Net assets at beginning of year	170,837,737	359,071,925	146,636,355	676,546,017
Net assets at end of year	$ 210,555,057	395,152,069	152,023,719	757,730,845

See accompanying notes to consolidated financial statements.

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2014 and 2013

		2014	2013
Cash flows from operating activities:			
Change in net assets	$	113,705,316	81,184,828
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation		6,825,069	6,683,584
Amortization		236,135	1,444,997
Net realized and unrealized gains		(100,928,813)	(67,585,343)
Change in value of split interest agreements		(2,962,754)	(4,088,108)
Loss (gain) on interest rate swaps		201,447	(3,798,378)
Gain on sale of property, plant and equipment		(4,279,397)	—
Gifts of fine art		(104,100)	(190,975)
Contributions restricted for long-term purposes		(16,325,271)	(5,472,438)
Cash (used) provided by changes in:			
Contributions receivable		1,977,677	(4,614,716)
Accounts receivable, net		679,979	254,546
Other assets		(225,601)	35,178
Accounts payable		(1,960)	(6,300,041)
Accrued interest expense, deferred rental revenue, and other accrued liabilities		(204,094)	(999,974)
Funds held in custody for others		739,937	773,322
Net cash (used in) provided by operating activities		(666,430)	(2,673,518)
Cash flows from investing activities:			
Proceeds from sale of property, plant, and equipment and fine arts		19,323,324	—
Purchase of property, plant, and equipment and fine arts		(6,115,488)	(8,545,003)
Proceeds from sale of investments		205,584,790	291,278,419
Purchase of investments		(204,919,386)	(246,541,649)
Net cash provided by (used in) investing activities		13,873,240	36,191,767
Cash flows from financing activities:			
Repayment of demand note payable		(19,210,437)	—
Repayments of long-term debt		(3,418,105)	(37,316,846)
Debt issuance costs		—	(298,982)
Investments subject to annuity agreements		1,097,008	827,841
Payments and maturities of annuity obligations		(1,349,265)	(1,945,179)
Collections of contributions restricted for long-term purposes		9,673,989	5,214,917
Net cash (used in) provided by financing activities		(13,206,810)	(33,518,249)
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	$	6,352,947	7,283,246
Noncash investing activities:			
Gifts of fine art		104,100	190,975
Property, plant and equipment acquired by assuming liabilities		162,547	509,726

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).

UBF and each of its six affiliates perform an important role in supporting and promoting the mission of the University. The following summarizes the most important roles and responsibilities of each entity:

UBF – Supports the University's fund raising initiatives by providing advice and counsel regarding philanthropy. UBF also processes and manages gift revenues on behalf of the University and manages long term investments.

UB Foundation Activities, Inc. (UBFA) – Processes program service revenue for all units of the University. UBFA is also responsible for expenditures of gift, program services and investment revenues to support operations of the University in accordance with donor restrictions where applicable. UBFA also provides payroll administration for employees of the University as well as the staff of UBF.

UB Foundation Services, Inc. (UBFS) – Administers sponsored program and other agency activity for the University.

UBF Corporation – Leases, develops, and operates on-campus real estate for the benefit of the University.

FNUB, Inc. – Owns and operates a variety of off-campus real estate for the benefit of the University.

University at Buffalo Foundation, Incubator, Inc. (UBFI) – Operates a technology incubator facility aimed at increasing interaction between the University and start-up businesses.

UBF Faculty – Student Housing Corp. (UBFFSH) – Constructs and operates housing for students of the University, which currently consists of six complexes totaling 2,780 beds.

(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; UBFA; UBFS; UBF Corporation; FNUB, Inc.; UBFI; and UBFFSH, 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.

(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.

The New York Prudent Management of Institutional Funds Act (NYPMIFA or Act) provides standards of fund management for those charged with governance of institutional or endowment funds. Among its various provisions, it requires that those responsible for managing institutional funds adopt a written investment policy; requires diversification of investments; and provides institutions with a process by which donor restrictions can be lifted. The Act allows an institution to determine the appropriate level of endowment expenditure, subject to donor-imposed restrictions expressed in the gift instrument. However, it establishes a rebuttable presumption of imprudence if such expenditure in any year is greater than 7% of the five year average fair market value of an endowment fund.

(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 investment 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

(Continued)

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, 2014 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 economic 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 such differences could be material. These valuations 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 35 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 2.2% and 1.2% at June 30, 2014 and 2013, 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.

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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 gain or loss 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) Program Expenses

Program expenses consist of expenses related to the academic divisions, administrative divisions (athletics, student orientation, Office of the President, Office of the Provost), real estate management and fundraising expenses incurred by the University.

(p) 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 (Level 2 fair value measurement), was approximately $140,046,000 and $143,501,000 at June 30, 2014 and 2013, respectively. The associated carrying amounts of long-term debt of $137,218,309 and $140,636,414 at June 30, 2014 and 2013, respectively, are included in the consolidated statements of financial position.

(q) Reclassifications

Certain reclassifications were made to the 2013 financial statements to conform to the 2014 presentation.

(2) Contributions

Contributions receivable, representing unconditional promises to give, as of June 30, 2014 and 2013, are summarized below:

		2014	2013
Unconditional promises expected to be collected in:			
Less than one year	$	14,837,218	27,154,975
One year to five years		23,073,316	8,033,039
Greater than five years		3,437,877	1,450,734
		41,348,411	36,638,748
Less:			
Discount		(606,172)	(570,114)
Allowance for uncollectible contributions receivable		(250,000)	(250,000)
	$	40,492,239	35,818,634

Discount rates utilized ranged from 0.08% to 5.65% based upon the rates reflected at the time of the gift.

As of June 30, 2014, UBF has also received bequest intentions and revocable trusts that management estimates will approximate $68.6 million. 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.

The UBF allowance for uncollectible contributions is estimated by using collections of contributions receivable as an indication of future collections. At June 30, 2014 and 2013, the five largest outstanding pledge balances represented 62.0% and 64.2% respectively, of UBF's gross contribution receivable.

(Continued)

(3) Investments

Investments at June 30, 2014 and 2013 are comprised of the following:

	2014	Percentage	2013	Percentage
Cash and cash equivalents	$ 22,522,127	2.6%	29,080,210	3.8%
Investment receivable	900,123	0.1	1,884,545	0.3
Fixed income securities	131,447,256	15.2	118,421,423	15.6
Equity securities	373,478,167	43.2	321,646,255	42.2
Alternative investments:				
Real assets	83,116,288	9.6	66,492,002	8.7
Venture capital/private equity partnerships	91,296,583	10.6	79,821,641	10.5
Hedge funds	159,200,719	18.4	141,662,316	18.6
Other	2,399,857	0.3	2,474,128	0.3
	$ 864,361,120	100.0%	761,482,520	100.0%

Investment return, net, on the statements of activities is comprised of net realized and unrealized gains of $100,928,813 and $67,585,343 in 2014 and 2013, respectively, as well as interest and dividend income, of $10,334,019 and $9,832,908 in 2014 and 2013, net of asset management fees, respectively.

Investments, included above, held under split interest agreements were approximately $24,483,000 and $21,645,000 at June 30, 2014 and 2013, 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 $1.5 million at both June 30, 2014 and 2013, respectively. 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, 2014 and 2013, UBF pledged the assets held with one of its fixed asset managers valued at approximately $14,043,000 and $13,444,000, respectively.

(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, 2014 and 2013, 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, 2014 and 2013 that are measured at fair value on a recurring basis:

	June 30, 2014					
	Level 1	**Level 2**	**Level 3**	**Total**	**Redemption/ liquidation**	**Days notice**
Cash and cash equivalents	$ 22,522,127	—	—	22,522,127	Daily	One
Investment receivable	900,123	—	—	900,123	Quarterly	N/A
Fixed income securities:						
U.S. fixed income	72,756,321	5,136,094	—	77,892,415	Daily/monthly	One
Global fixed income	22,999,493	15,434,551	—	38,434,044	Daily/quarterly	One/60
U.S. inflation protected	15,120,797	—	—	15,120,797	Daily	One
	110,876,611	20,570,645	—	131,447,256		
Domestic equity:						
U.S. large blend	98,010,194	—	—	98,010,194	Daily	One
U.S. large quality	88,842,721	—	—	88,842,721	Daily	One
U.S. mid/small	629,201	—	—	629,201	Daily	One
	187,482,116	—	—	187,482,116		
International equity:						
International large	46,753,170	64,737,411	—	111,490,581	Daily/monthly	One/fifteen
International large quality	30,301,849	—	—	30,301,849	Daily	One
International emerging	44,203,621	—	—	44,203,621	Daily	One
	121,258,640	64,737,411	—	185,996,051		
Real assets:						
Global energy	—	—	5,974,230	5,974,230	Illiquid	N/A
Infrastructure	—	11,992,612	863,357	12,855,969	Quarterly/illiquid	90/N/A
Natural resources	35,470,606	—	739,425	36,210,031	Daily/illiquid	One/N/A
Real estate – debt	—	—	7,400,723	7,400,723	Illiquid	N/A
Real estate – equity	—	9,440,939	11,234,396	20,675,335	Quarterly/illiquid	15/N/A
	35,470,606	21,433,551	26,212,131	83,116,288		
Private equity:						
Buyout	—	—	8,089,102	8,089,102	Illiquid	N/A
Fund of funds	—	—	62,781,210	62,781,210	Illiquid	N/A
Special situations	—	—	16,544,323	16,544,323	Illiquid	N/A
Venture capital	—	—	3,881,948	3,881,948	Illiquid	N/A
	—	—	91,296,583	91,296,583		

	June 30, 2014					
	Level 1	Level 2	Level 3	Total	Redemption/ liquidation	Days notice
Hedge funds:						
Multi-strategy	$ —	13,150,974	44,814,958	57,965,932	Quarterly/annual/bi-annual	45/60/65/90
Long/short credit	—	12,919,286	35,514,392	48,433,678	Mnly/qtrly/semi/bi-annual	45/65/90
Long/short equity	—	26,081,612	14,528,849	40,610,461	Mnly/qtrly	45/60/180
Global macro	—	—	10,412,827	10,412,827	Quarterly	90
Short credit	—	1,777,821	—	1,777,821	Monthly	30
	—	53,929,693	105,271,026	159,200,719		
Other	224,000	2,175,857	—	2,399,857	—	—
	$ 478,734,223	162,847,157	222,779,740	864,361,120		
Financial liabilities:						
Interest rate swaps	$ —	6,827,158	—	6,827,158		

	June 30, 2013					
	Level 1	Level 2	Level 3	Total	Redemption/ liquidation	Days notice
Cash and cash equivalents	$ 29,080,210	—	—	29,080,210	Daily	One
Investment receivable	1,884,545	—	—	1,884,545	Quarterly	N/A
Fixed income securities:						
U.S. fixed income	64,569,182	5,275,791	—	69,844,973	Daily	One
Global fixed income	20,481,888	13,668,700	—	34,150,588	Daily/monthly	One/ten
U.S. inflation protected	14,425,862	—	—	14,425,862	Daily	One
	99,476,932	18,944,491	—	118,421,423		
Domestic equity:						
U.S. large blend	85,523,756	—	—	85,523,756	Daily	One
U.S. large quality	76,711,438	—	—	76,711,438	Daily	One
U.S. mid/small	602,497	—	—	602,497	Daily	One
	162,837,691	—	—	162,837,691		
International equity:						
International large	38,761,774	55,744,308	—	94,506,082	Daily/monthly	One/fifteen
International large quality	25,348,323	—	—	25,348,323	Daily	One
International emerging	38,954,159	—	—	38,954,159	Daily	One
	103,064,256	55,744,308	—	158,808,564		

	June 30, 2013					
	Level 1	**Level 2**	**Level 3**	**Total**	**Redemption/ liquidation**	**Days notice**
Real assets:						
Global energy	$ —	—	3,388,669	3,388,669	Illiquid	N/A
Infrastructure	—	—	11,644,107	11,644,107	Quarterly/illiquid	90/N/A
Natural resources	32,059,993	—	295,066	32,355,059	Daily/illiquid	One/N/A
Real estate – debt	—	—	2,518,235	2,518,235	Illiquid	N/A
Real estate – equity	—	—	16,585,932	16,585,932	Quarterly/illiquid	15/N/A
	32,059,993	—	34,432,009	66,492,002		
Private equity:						
Buyout	—	—	4,038,896	4,038,896	Illiquid	N/A
Fund of funds	—	—	60,768,290	60,768,290	Illiquid	N/A
Special situations	—	—	12,980,548	12,980,548	Illiquid	N/A
Venture capital	—	—	2,033,907	2,033,907	Illiquid	N/A
	—	—	79,821,641	79,821,641		
Hedge funds:						
Multi-strategy	—	—	57,526,526	57,526,526	Quarterly/semi-annual/bi-annual	60/90
Long/short credit	—	—	42,592,296	42,592,296	Monthly/semi-annual/annual	45/90
Long/short equity	—	7,321,202	22,873,581	30,194,783	Monthly/quarterly/semi-annual	30/60
Global macro	—	—	8,736,668	8,736,668	Bi-annual	90
Short credit	—	2,612,043	—	2,612,043	Monthly	30
	—	9,933,245	131,729,071	141,662,316		
Other	204,812	2,269,316	—	2,474,128	—	—
	$ 428,608,439	86,891,360	245,982,721	761,482,520		
Financial liabilities:						
Interest rate swaps	$ —	6,625,711	—	6,625,711		

During the year ended June 30, 2014, $59,918,423 was transferred from Level 3 to Level 2 to reflect the Foundation’s policy for determining the level classification of investment funds with certain restrictive provisions valued at Net Asset Value. Funds that are available for redemption at June 30, have a notice period of 90 days or less, and can achieve 90% or greater payout within 30 days of the redemption date are considered Level 2. During the year ended June 30, 2013, $7,321,202 was transferred from Level 3 to Level 2 to reflect expiration of an applicable lock-up period. There were no other significant transfers into or out of Level 1, Level 2 and Level 3 for the years ended June 30, 2014 and 2013.

The changes in investments measured at fair value for which the Foundation has used Level 3 inputs to determine fair value for 2014 and 2013 are as follows:

		Hedge funds	Venture capital/ private equity partnerships	Real assets	Fixed income securities	Total
Balance as of June 30, 2013	$	131,729,071	79,821,641	34,432,009	—	245,982,721
Purchases		7,000,000	12,995,244	12,000,013	—	31,995,257
Sales		—	(17,677,509)	(3,270,362)	—	(20,947,871)
Settlements		(4,914,618)	—	—	—	(4,914,618)
Transfers to Level 2		(40,235,008)	—	(19,683,415)	—	(59,918,423)
Net realized and unrealized gains		11,691,581	16,157,207	2,733,886	—	30,582,674
Balance as of June 30, 2014	$	105,271,026	91,296,583	26,212,131	—	222,779,740

		Hedge funds	Venture capital/ private equity partnerships	Real assets	Fixed income securities	Total
Balance as of June 30, 2012	$	121,506,581	82,292,568	28,676,397	—	232,475,546
Purchases		—	11,427,877	5,048,791	—	16,476,668
Sales		—	(20,594,165)	(2,933,798)	—	(23,527,963)
Settlements		(1,884,545)	—	—	—	(1,884,545)
Transfers to Level 2		(7,321,202)	—	—	—	(7,321,202)
Net realized and unrealized gains		19,428,237	6,695,361	3,640,619	—	29,764,217
Balance as of June 30, 2013	$	131,729,071	79,821,641	34,432,009	—	245,982,721

The amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at June 30, 2014 and 2013, was $59,015,845 and $44,660,656, respectively.

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, 2014 and 2013, notice periods generally range from daily liquidity to illiquid, 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, 2014 and 2013, 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, 2014 and 2013, notice periods for real assets generally range from one day to illiquid, according to the provisions of the respective investment agreements. At June 30, 2014, the Foundation has committed to incrementally invest approximately $37,490,000 in such investments.
- Investments in venture capital/private equity partnerships and hedge funds are classified as Level 2 or 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 30.

  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, 2014, the Foundation has committed to incrementally invest approximately $51,709,000 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, 2014.

- 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 one hundred eighty days at June 30, 2014 and 2013, 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, 2014 and 2013, 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 via 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. 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 of the swaps, and has therefore determined the swaps are most appropriately classified as Level 2.

Liquidity

The following presents the fair value of the Foundation's investments as of June 30, 2014 and 2013 by redemption period.

	2014	2013
Daily	$ 482,746,194	431,794,873
Monthly	83,958,043	100,349,363
Quarterly	135,193,679	73,225,115
Semi-annual	12,919,286	25,411,214
Annual	8,454,873	18,452,900
Bi-annual	21,180,474	17,291,275
Illiquid	119,908,571	94,957,780
	$ 864,361,120	761,482,520

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, 2014 and 2013 is comprised of the following:

	2014	2013
Real property, principally rental property	$ 181,018,867	192,686,250
Furniture, fixtures and equipment	13,117,317	11,960,741
Less accumulated depreciation	(61,226,174)	(56,045,020)
	132,910,010	148,601,971
Real estate held under split interest agreements	875,000	875,000
	$ 133,785,010	149,476,971

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, extended in 2012, and expiring in 2022. The base annual rent is $154,060 for the first five years of the extended term and $161,960 per year for the remaining extended term. Rental expense incurred under all operating leases was $497,884 and $447,756 in 2014 and 2013, respectively.

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, 2014 are as follows:

		Revenues	Expenses
Year ending June 30:			
2015	$	1,440,458	270,370
2016		1,186,636	165,870
2017		1,185,186	165,870
2018		1,183,286	172,454
2019		1,162,386	173,771
Thereafter		2,513,746	739,244

Total operating revenue and expense related to UBFFSH was approximately $23,143,000 and $20,677,000, respectively, in 2014 and approximately $22,076,000 and $20,916,000, respectively, in 2013.

At June 30, 2014 and 2013, the Foundation held replacement reserve funds for the purposes of capital replacement for the student housing complexes owned and operated by UBFFSH of $8,373,376 and $9,633,536, respectively. The reserve funds are included in investments in the consolidated statements of financial position.

On June 12, 2014 FNUB, Inc. completed a sale of land and building located in Buffalo, New York to the State of New York. The sale generated gross proceeds of $19,210,437 and a realized gain of $4,242,690.

(6) Debt Financing

A summary of long-term debt at June 30, 2014 and 2013 follows:

		2014	2013
Village of Kenmore Housing Authority bonds payable in monthly installments of $47,516 through January 2028, including fixed interest at 4.95%. (Flickinger Project)	$	5,605,692	5,886,825
Town of Amherst Development Corporation bonds payable in annual principal installments that escalate through maturity in October 2045, plus interest ranging from 2.25% to 5.00% adjusted annually, net of discount of $37,383 in 2014 and $25,411 in 2013. (Greiner Hall and Hadley Village)		77,997,617	79,909,589
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 0.09% to 0.13% and 0.08% to 0.23% for the years ended June 30, 2014 and 2013, respectively. (South Lake Village/Replacement Bonds)		22,530,000	23,035,000
Town of Amherst Development Corporation bonds payable in monthly principal installments that escalate through maturity in August 2042 plus variable rate interest. Interest rates ranged from 1.50% to 1.53% for the year ended June 30, 2014 and 1.53% to 1.56% for the year ended June 30, 2013. (Flint Village and Creekside Village Refunding)		31,085,000	31,805,000
	$	137,218,309	140,636,414

The Foundation complied with the terms of its financial debt covenants at June 30, 2014 and 2013.

Interest expense was $6,327,918 and $6,531,747 in 2014 and 2013, respectively.

In June 2012, UBFFSH issued $32,465,000 Town of Amherst Development Corporation Bonds (Flint Village and Creekside Village). The Flint Village and Creekside Village Refunding Bonds were issued to provide funds for the refunding of the outstanding principal of the original bonds used to finance the respective projects including funds needed for the costs incidental to their issuance.

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 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 $9,063,220 and $8,578,107 at June 30, 2014 and 2013, 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 $5,789,563 at June 30, 2014 and $25,000,000 at June 30, 2013 and was used to acquire properties in the downtown area. 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, 2014 and 2013).

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 and to provide payment of a portion of the costs incidental to their issuance. Concurrent with the issuance of the Replacement Bonds, UBFFSH entered into an interest rate swap agreement. 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, 2014 and 2013, 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 an additional interest rate swap agreement for the purpose of hedging the interest rate exposure of the Series 2012A Bonds (Flint Village and Creekside Village Refunding.) This swap agreement matures on June 1, 2022. The swap 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 required by the bond documents to be set aside for debt service and included in investments were approximately $5,517,000 at June 30, 2014, and $5,423,000 at June 30, 2013. No interest costs were capitalized in 2014 or 2013.

Aggregate annual maturities of long-term debt at June 30, 2014 are as follows:

2015	$	3,577,544
2016		3,702,013
2017		3,853,647
2018		4,015,424
2019		4,158,063
Thereafter		117,911,618
	$	137,218,309

(7) Endowment Net Assets

At June 30, 2014 and 2013, UBF's endowment consists of 1151 and 1127 individual funds, respectively, 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, 2014, the fair values of one donor-restricted endowment account was less than its original donated value by a total of approximately $42,000. At June 30, 2013, the fair values of 41 donor-restricted endowment accounts were less than their original donated value by a total of approximately $132,000. 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.

UBF adopted the provisions of NYPMIFA, which 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, 2014 and 2013:

	2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (42,000)	150,768,915	140,956,811	291,683,726
Board-designated endowment funds	90,357,757	242,749,192	—	333,106,949
Total endowment net assets	90,315,757	393,518,107	140,956,811	624,790,675
Contributions receivable, discounted	10,558	36,088,232	4,393,449	40,492,239
Split interest agreements	—	2,369,556	15,962,628	18,332,184
Other non-endowed funds	164,476,740	23,344,323	—	187,821,063
Total net assets	$ 254,803,055	455,320,218	161,312,888	871,436,161

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (132,000)	123,371,002	134,108,902	257,347,904
Board-designated endowment funds	79,290,328	217,754,151	—	297,044,479
Total endowment net assets	79,158,328	341,125,153	134,108,902	554,392,383
Contributions receivable, discounted	12,676	30,743,185	5,062,773	35,818,634
Split interest agreements	—	2,041,442	12,852,044	14,893,486
Other non-endowed funds	131,384,053	21,242,289	—	152,626,342
Total net assets	$ 210,555,057	395,152,069	152,023,719	757,730,845

Changes in UBF's endowment net assets for the years ended June 30, 2014 and 2013 are as follows:

	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 79,158,328	341,125,153	134,108,902	554,392,383
Investment return:				
Investment income	1,388,397	6,391,090	—	7,779,487
Net realized and unrealized gains on endowment funds	14,099,153	63,083,812	—	77,182,965
Total investment return	15,487,550	69,474,902	—	84,962,452
Contributions	307,288	3,905,689	6,126,331	10,339,308
Appropriation of endowment assets for expenditure	(4,637,409)	(21,062,642)	—	(25,700,051)
Other additions	—	75,005	721,578	796,583
Endowment net assets, end of year	$ 90,315,757	393,518,107	140,956,811	624,790,675

	2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 70,722,419	311,135,218	129,162,181	511,019,818
Investment return:				
Investment income	1,346,314	6,066,286	—	7,412,600
Net realized and unrealized gains on endowment funds	10,180,745	41,982,984	—	52,163,729
Total investment return	11,527,059	48,049,270	—	59,576,329
Contributions	1,298,154	1,280,418	3,353,706	5,932,278
Appropriation of endowment assets for expenditure	(4,389,304)	(19,540,677)		(23,929,981)
Other additions	—	200,924	1,593,015	1,793,939
Endowment net assets, end of year	$ 79,158,328	341,125,153	134,108,902	554,392,383

Appropriation of endowment assets for expenditure includes administrative expenses incurred in connection with the support and management of the endowment funds.

(8) Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 were restricted for the following:

	2014	2013
General university support:		
Designated	$ 181,929,264	158,948,571
Undesignated	23,222,026	20,509,477
Student financial aid	60,874,599	50,659,616
Chairs and professorships	46,271,727	41,508,374
Capital and capital improvements	18,275,460	9,269,118
Research	114,443,380	105,456,344
Lectures	4,877,592	4,230,366
Libraries	3,056,615	2,528,761
Remainder interest in trusts	2,369,555	2,041,442
	$ 455,320,218	395,152,069

Permanently restricted (endowed) net assets at June 30, 2014 and 2013 were restricted for the following:

	2014	2013
General university support:		
Designated	$ 44,020,339	42,823,569
Undesignated	7,506,536	7,489,013
Student financial aid	52,801,171	50,595,836
Chairs and professorships	28,832,121	26,270,829
Research	7,152,651	7,102,351
Lectures	3,341,463	3,262,892
Libraries	1,695,980	1,627,185
Remainder interest in trusts	15,962,627	12,852,044
	$ 161,312,888	152,023,719

Included in general university support – designated is contributions receivable of $4,393,449 and $5,062,773 at June 30, 2014, and 2013, respectively.

(9) Funds Held for Others

The Foundation manages certain funds for various purposes, including privately funded sponsored programs as agent for the SUNY Research Foundation, endowment administration for other SUNY and University affiliated campuses, tenant security deposits and other charities or University related programs. Funds held at June 30, 2014 and 2013 were as follows:

		2014	2013
Sponsored programs	$	5,960,731	5,813,626
Other SUNY campuses		5,918,502	4,733,365
University affiliated campuses		2,050,397	1,824,256
Tenant security deposits		217,154	969,156
Other charities and University related programs		1,086,355	1,152,798
	$	15,233,139	14,493,201

(10) 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 $1,516,155 at June 30, 2014 and $1,553,165 at June 30, 2013, based upon aggregate outstanding loan balances.

(11) 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 $1,855,419 and $1,739,783 in 2014 and 2013, respectively.

(12) 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. UBF Corporation is qualified under Section 501(c)(2) of the Internal Revenue Code, and is, therefore, generally not subject to tax on related income under present Federal income tax laws as well. 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 at June 30, 2014 or 2013. UBF, UBFA, and UBF Corp. have generated unrelated business income for the year ended June 30, 2014, but it is not material to the audited financial statements.

(13) Related-Party Transactions

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 $203,981 and $201,311 in 2014 and 2013, 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 $11,879,233 and $10,546,990 at June 30, 2014 and 2013, respectively.

(14) Subsequent Events

The Foundation has evaluated subsequent events from the balance sheet date through September 30, 2014, the date that the consolidated financial statements were issued.