UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Financial Statements

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Table of Contents

KPMG LLP
500 Seneca Street
Suite 600
Buffalo, New York 14204

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, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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

October 25, 2018

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

Consolidated Statements of Financial Position

June 30, 2018 and 2017

Assets		**2018**	**2017**
Accounts receivable, net of allowance for uncollectible accounts of $955,000 in 2018 and $874,000 in 2017	$	7,431,007	7,529,188
Contributions receivable, net (note 2)		44,911,057	54,758,391
Investments (notes 3 and 4)		1,026,077,878	940,368,077
Property, plant, and equipment, net (note 5)		109,391,678	121,537,979
Fine art collection		12,193,190	12,409,178
Other assets		188,031	195,315
Total assets	$	1,200,192,841	1,136,798,128
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	12,583,837	10,506,713
Accrued interest expense		933,381	1,054,517
Other accrued liabilities		4,892,880	4,814,827
Fair value of interest rate swaps (notes 4 and 6)		4,715,510	6,780,873
Demand note payable (note 6)		9,608,047	11,555,047
Long-term debt, net (note 6)		120,331,895	121,405,957
Funds held in custody for others (notes 9 and 13)		13,863,657	14,594,185
Annuity and life income obligations		8,630,047	10,849,750
Total liabilities		175,559,254	181,561,869
Net assets (notes 7 and 8):			
Unrestricted		293,538,556	277,077,145
Temporarily restricted		530,542,839	495,126,531
Permanently restricted		200,552,192	183,032,583
Total net assets		1,024,633,587	955,236,259
Total liabilities and net assets	$	1,200,192,841	1,136,798,128

See accompanying notes to consolidated financial statements.

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2018

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support:				
Gifts, bequests, and private grants	$ 2,713,449	20,901,052	14,009,481	37,623,982
Investment return, net (note 3)	26,972,652	59,743,397	467,816	87,183,865
Loss on disposal of property, plant, and equipment, and write down	(1,281,259)	—	—	(1,281,259)
Gain on interest rate swaps	2,065,363	—	—	2,065,363
Other revenues:				
Faculty practice	7,949,988	—	—	7,949,988
Rental (note 5)	26,246,036	—	—	26,246,036
Continuing education	7,232,761	—	—	7,232,761
Uniform Data System for Medical Rehabilitation	9,686,036	—	—	9,686,036
Dental student training programs	1,826,517	—	—	1,826,517
Center for the Arts	2,427,766	—	—	2,427,766
Student orientation	1,346,674	—	—	1,346,674
Other activities and services	8,430,674	—	—	8,430,674
Change in value of split interest agreements	—	(40,870)	3,042,312	3,001,442
Net assets released from restrictions	45,187,271	(45,187,271)	—	—
Total revenues, gains and other support	140,803,928	35,416,308	17,519,609	193,739,845
Expenses:				
Program expenses:				
Program services	80,346,543	—	—	80,346,543
Real estate	21,811,125	—	—	21,811,125
Fundraising	8,661,484	—	—	8,661,484
Total program expenses	110,819,152	—	—	110,819,152
Business office administration	4,601,934	—	—	4,601,934
Total expenses	115,421,086	—	—	115,421,086
Nonoperating losses:				
Loss on defeasance of debt	8,921,431	—	—	8,921,431
Total nonoperating losses	8,921,431	—	—	8,921,431
Total expenses and nonoperating losses	124,342,517	—	—	124,342,517
Total change in net assets	16,461,411	35,416,308	17,519,609	69,397,328
Net assets at beginning of year	277,077,145	495,126,531	183,032,583	955,236,259
Net assets at end of year	$ 293,538,556	530,542,839	200,552,192	1,024,633,587

See accompanying notes to consolidated financial statements.

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support:				
Gifts, bequests, and private grants	$ 304,710	27,449,563	10,235,669	37,989,942
Loss on uncollectible contributions	—	(1,260,696)	(450,870)	(1,711,566)
Investment return, net (note 3)	35,549,306	70,368,744	436,440	106,354,490
Loss on disposal of property, plant, and equipment	(192,894)	—	—	(192,894)
Gain on interest rate swaps	2,975,267	—	—	2,975,267
Other revenues:				
Faculty practice	8,163,516	—	—	8,163,516
Rental (note 5)	25,383,422	—	—	25,383,422
Continuing education	6,674,857	—	—	6,674,857
Uniform Data System for Medical Rehabilitation	9,168,026	—	—	9,168,026
Dental student training programs	2,262,319	—	—	2,262,319
Center for the Arts	2,886,149	—	—	2,886,149
Student orientation	1,367,753	—	—	1,367,753
Other activities and services	7,835,622	—	—	7,835,622
Change in value of split interest agreements	—	(233,070)	1,374,914	1,141,844
Net assets released from restrictions	42,345,086	(42,345,086)	—	—
Total revenues, gains and other support	144,723,139	53,979,455	11,596,153	210,298,747
Expenses:				
Program expenses:				
Program services	75,272,849	—	—	75,272,849
Real estate	22,845,168	—	—	22,845,168
Fundraising	8,218,611	—	—	8,218,611
Total program expenses	106,336,628	—	—	106,336,628
Business office administration	4,149,214	—	—	4,149,214
Total expenses	110,485,842	—	—	110,485,842
Total expenses and nonoperating losses	110,485,842	—	—	110,485,842
Total change in net assets	34,237,297	53,979,455	11,596,153	99,812,905
Net assets at beginning of year	242,839,848	441,147,076	171,436,430	855,423,354
Net assets at end of year	$ 277,077,145	495,126,531	183,032,583	955,236,259

See accompanying notes to consolidated financial statements.

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	69,397,328	99,812,905
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Property transfer to New York State		2,015,316	—
Depreciation		7,435,422	7,467,882
Amortization		182,515	241,610
Net realized and unrealized gains on investments		(73,172,889)	(95,758,087)
Change in value of split interest arrangements		(3,001,442)	(1,141,844)
Gain on interest rate swaps		(2,065,363)	(2,975,267)
Loss on defeasance of debt		8,921,431	—
Loss on disposal of property, plant and equipment and write down		498,285	192,894
Loss on write down of fine arts		782,974	—
Gifts of fine art		(476,986)	(135,611)
Contributions and other revenues restricted for long-term purposes		(16,695,614)	(14,003,808)
Receipt of funds held in custody for others		5,199,391	6,478,179
Disbursements of funds held in custody for others		(5,929,919)	(6,567,297)
Cash provided (used) by changes in:			
Contribution receivables		11,738,569	(11,479,048)
Accounts receivable, net		98,181	(5,829,388)
Other assets		2,099	(41,667)
Accounts payable		2,077,124	4,290,365
Accrued liabilities		(43,083)	288,663
Net cash provided by (used in) operating activities		6,963,339	(19,159,519)
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment and fine arts		3,071,677	—
Purchase of property, plant and equipment and fine arts		(964,400)	(1,584,706)
Proceeds from sale of investments		497,764,841	748,945,257
Purchase of investments		(507,353,215)	(749,636,316)
Net cash used in investing activities		(7,481,097)	(2,275,765)
Cash flow from financing activities:			
Proceeds from long term debt		71,487,667	—
Repayments of long term debt		(79,976,156)	(3,853,647)
Proceeds from demand note payable		—	16,128,387
Repayments of demand note payable		(1,947,000)	(10,362,903)
Investments subject to annuity agreements		1,210,243	2,662,564
Payments and maturities of annuity obligations		(3,377,041)	(1,725,199)
Collections of contributions restricted for long-term purposes		14,804,379	18,586,082
Cost of long-term debt issuance		(1,684,334)	—
Net cash provided by financing activities		517,758	21,435,284
Net increase (decrease) 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	$	5,213,094	5,634,072
Noncash investing activities:			
Gifts of fine art		476,986	135,611
Property, plant, and equipment acquired by assuming liabilities		15,028	48,826

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 affiliate entity:

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

UB Foundation Activities, Inc. (UBFA) – Processes program service revenue for the betterment of 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 certain 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 betterment of the University.

FNUB, Inc. – Owns and operates a variety of off-campus real estate for the betterment 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 2,798 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 investments, valuation of allowance for uncollectible accounts, contributions receivable, the valuation of interest rate swaps and annuity and life income obligations. Actual results could differ from those estimates.

(d) 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.

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 for (1) chairs/professorships, research, scholarships/fellowships and campus programs and (2) 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.

(e) 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. The spending rate is determined and approved annually by the Foundation's Investment Committee. The desired result is to achieve a year to year spending increase for individual endowment funds that approximates the Inflation Rate, not to exceed 3%. 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, 2018 was subject to legal restrictions relating to endowed funds where the fair value is less than their original donated value. Per the Foundation's policy, 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%.

(f) 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.

(g) 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.

(h) Investments

Investments in marketable securities are recorded at fair value based on exchange or third-party quoted market prices where available, with realized and unrealized gains and losses included in the consolidated statements of activities. In addition to traditional equity securities 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 that are valued using current net asset value as a practical expedient to approximate fair values.

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.

(i) 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.

(Continued)

(j) 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.

(k) 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 3.4% and 2.4% at June 30, 2018 and 2017, 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.

(l) 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*. The change in fair value of the swap is reported in the consolidated statements of activities as gain or loss on interest rate swaps.

(m) 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.

(n) Program Expenses

Program expenses consist of expenses related to the academic divisions, administrative divisions, real estate management and fundraising expenses paid to support the mission of the University.

(o) Recent Accounting Pronouncements

The FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which among other things, changes how not-for-profit entities report net asset classes, expenses and liquidity in their financial statements. The significant requirements of the new ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; and quantitative and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the

Statement of Financial Position. The Foundation plans to adopt ASU 2016-14 for the year ending June 30, 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. ASC Topic 842 (ASC 842) establishes a right of use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The ASU is effective for the Foundation for annual periods beginning after December 15, 2019 and interim periods thereafter. Early adoption is permitted. The Foundation is in the process of evaluating the impact of the ASU.

(p) Reclassifications

Certain reclassifications were made to the 2017 consolidated financial statements to conform to the 2018 presentation.

(2) Contributions Receivable

Contributions receivable, representing unconditional promises to give, as of June 30, 2018 and 2017, are summarized below:

	2018	2017
Unconditional promises expected to be collected in:		
Less than one year	$ 14,432,238	23,251,141
One year to five years	23,318,287	23,011,643
Greater than five years	10,606,950	13,051,409
	48,357,475	59,314,193
Less:		
Discount	(1,508,523)	(1,549,992)
Allowance for uncollectible contributions receivable	(1,937,895)	(3,005,810)
	$ 44,911,057	54,758,391

Discount rates utilized ranged from 0.60% to 2.73% based upon the rates reflected at the time of the gift.

As of June 30, 2018, UBF has also received bequest intentions and revocable trusts that management estimates will approximate $108.5 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, 2018 and 2017, the five largest outstanding pledge balances represented 57.2% and 62.8% respectively, of UBF’s gross contribution receivable.

(Continued)

(3) Investments

Investments at June 30, 2018 and 2017 are comprised of the following:

	2018	Percentage	2017	Percentage
Cash and cash equivalents	$ 16,768,004	1.6%	8,396,200	0.9%
Fixed income securities	133,607,136	13.0	107,508,180	11.4
Equity securities	435,132,653	42.4	427,874,872	45.5
Alternative investments:				
Real assets	99,338,407	9.7	95,943,191	10.2
Venture capital/private Equity partnerships	155,039,221	15.1	124,810,481	13.3
Hedge funds	185,728,031	18.1	173,890,249	18.5
Other	464,426	0.1	1,944,904	0.2
	$ 1,026,077,878	100.0%	940,368,077	100.0%

Investment return, net, on the statements of activities is comprised of net realized and unrealized gains of $73,172,889 and $95,758,087 in 2018 and 2017, respectively, as well as interest and dividend income, of $20,802,772 and $16,728,406 in 2018 and 2017, respectively, less asset management fees of $6,791,796 and $6,135,003 in 2018 and 2017, respectively.

Investments held under split interest agreements, included above, were approximately $12,860,718 and $21,953,224 at June 30, 2018 and 2017, respectively.

Included in investments presented in the statement of financial position as of June 30, 2018 and 2017, respectively, is $4,766,711 and $1,491,457 of cash and cash equivalents that are available for use in the Foundation’s operations. The remaining portion of cash and cash equivalents are designated as part of the Foundation’s investment program.

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 $1,003,000 at June 30, 2018, and $914,000 at June 30, 2017. Also, the South Lake Village swap agreement (see note 6) 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, 2018 and 2017, UBF pledged the assets held with one of its fixed asset managers valued at approximately $20,176,000 and $16,280,000, 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.

As provided by ASC 820, the Foundation also measures certain investments, including certain alternative and private equity investments using *Net Asset Value* (NAV) *per share (or its equivalent)*, as reported by the investment managers, as a practical expedient to measure the fair value of an investment. Such investments are not categorized in the fair value hierarchy. In addition, under this approach, certain attributes for the investment, such as restrictions on redemption and transaction prices from principal-to-principal or brokered transactions, are not considered in measuring the fair value of an investment.

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.

(Continued)

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, 2018 and 2017 that are measured at fair value on a recurring basis:

	June 30, 2018				
	Level 1	Level 2	Total	Redemption/ liquidation	Days notice
Financial assets:					
Cash and cash equivalents	$ 16,768,004	—	16,768,004	Daily	One
Fixed income securities:					
U.S. fixed income	95,823,930	363,035	96,186,965	Daily/monthly	One
Global fixed income	27,379	—	27,379	Daily	One
U.S. inflation protected	20,885,738	—	20,885,738	Daily	One
	116,737,047	363,035	117,100,082		
Domestic equity:					
U.S. large blend	4,999,299	—	4,999,299	Daily	One
U.S. large quality	189,914,891	—	189,914,891	Daily	One
U.S. mid/small	424,691	—	424,691	Daily	One
	195,338,881	—	195,338,881		
International equity:					
International large	67,872,437	—	67,872,437	Daily	One
International emerging	45,363,192	—	45,363,192	Daily	One
	113,235,629	—	113,235,629		
Real assets:					
Natural resources	655,425	—	655,425	Daily/quarterly	One/NA
Other	287,187	177,239	464,426		
	443,022,173	540,274	443,562,447		
Investments measured at net asset value:					
International equity:					
International large			53,812,784	Monthly	Six
Global Opportunity			72,745,359	Monthly/quarterly/tri-annual	25/45/65/180
			126,558,143		
Growth fixed income:					
Insurance Linked Strategies			16,507,054	Quarterly	90
Real assets:					
Global energy			24,326,180	Illiquid	N/A
Infrastructure			18,863,145	Quarterly/Illiquid	90/N/A
Natural resources			1,462,087	Daily/Illiquid	One/N/A
Real estate – debt			12,149,280	Illiquid	N/A
Real estate – equity			41,882,290	Quarterly/liquid	15/N/A
			98,682,982		
Private equity:					
Buyout			70,264,246	Illiquid	N/A
Fund of funds			31,214,909	Illiquid	N/A
Special situations			25,742,226	Illiquid	N/A
Venture capital			27,817,840	Illiquid	N/A
			155,039,221		

	June 30, 2018				
	Level 1	Level 2	Total	Redemption/ liquidation	Days notice
Hedge funds:					
Multi-strategy	$		59,170,679	Quarterly/annual/bi-annual	45/60/65/90
Long/short credit			44,508,450	Monthly/quarterly/semi/bi-annual	45/65/90
Long/short equity			52,288,986	Monthly/quarterly/semi-annual	45/60/180
Technology			11,952,588	Tri-Annually	90
Global macro			14,155,337	Quarterly	90
Short credit			3,651,991	Monthly	90
			185,728,031		
Total investments		$	1,026,077,878		
Financial liabilities:					
Interest rate swaps	—	4,715,510	4,715,510		

	June 30, 2017				
	Level 1	Level 2	Total	Redemption/ liquidation	Days notice
Financial assets:					
Cash and cash equivalents	$ 8,396,200	—	8,396,200	Daily	One
Fixed income securities:					
U.S. fixed income	85,109,089	5,072,737	90,181,826	Daily/monthly	One
Global fixed income	27,226	—	27,226	Daily	One
U.S. inflation protected	17,299,128	—	17,299,128	Daily	One
	102,435,443	5,072,737	107,508,180		
Domestic equity:					
U.S. large blend	8,955,420	—	8,955,420	Daily	One
U.S. large quality	186,220,546	—	186,220,546	Daily	One
U.S. mid/small	395,122	—	395,122	Daily	One
	195,571,088	—	195,571,088		
International equity:					
International large	76,442,603	—	76,442,603		
International emerging	41,462,366	—	41,462,366	Daily	One
	117,904,969	—	117,904,969		
Real assets:					
Natural resources	962,899	—	962,899	Daily/quarterly	One/N/A
Other	296,976	1,647,928	1,944,904		
	425,567,575	6,720,665	432,288,240		
Investments measured at net asset value:					
International equity:					
International large			50,524,445	Daily/monthly	One/15
Global Opportunity			63,874,370	Monthly/quarterly/tri-annual	25/45{65/180
			114,398,815		
Real assets:					
Global energy			19,638,888	Illiquid	N/A
Infrastructure			18,029,039	Quarterly/Illiquid	90/N/A
Natural resources			1,455,334	Daily/Illiquid	One/N/A
Real estate – debt			17,027,299	Illiquid	N/A
Real estate – equity			38,829,732	Quarterly/liquid	15/N/A
			94,980,292		

	June 30, 2017				
	Level 1	Level 2	Total	Redemption/ liquidation	Days notice
Private equity:					
Buyout	$		51,465,466	Illiquid	N/A
Fund of funds			37,410,328	Illiquid	N/A
Special situations			19,176,812	Illiquid	N/A
Venture capital			16,757,875	Illiquid	N/A
			124,810,481		
Hedge funds:					
Multi-strategy			56,046,819	Quarterly/annual/bi-annual	45/60/65/90
Long/short credit			44,968,588	Monthly/quarterly/semi/bi-annual	45/65/90
Long/short equity			45,038,105	Monthly/quarterly/semi-annual	45/60/180
Technology			11,059,994	Quarterly	90
Global macro			12,741,534	Quarterly	90
Short credit			4,035,209	Monthly	90
			173,890,249		
Total investments		$	940,368,077		
Financial liabilities:					
Interest rate swaps	—	6,780,873	6,780,873		

The Foundation does not have any investments classified as Level 3. There were no transfers into or out of Level 1 and Level 2 as a result of changes in fair value measurements for the years ended June 30, 2018 and 2017.

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 are available, and are classified as Level 2 if the observable inputs are from other than quoted prices 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 are available, and are classified as Level 2 if invested in closed end investment companies.

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 estimated using the NAV basis. At June 30, 2018 and 2017, notice periods for real assets generally range from one day to being illiquid, according to the provisions of the respective investment agreements. At June 30, 2018, the Foundation has committed to incrementally invest approximately $64,079,020 in such investments.

- Investments in venture capital/private equity partnerships and hedge funds 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 measurement principles of ASC 946 *Financial Service 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. At June 30, 2018, the Foundation has committed to incrementally invest approximately $151,160,419 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, 2018.

  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, 2018 and 2017, 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, 2018 and 2017, no redemption gates or suspension provisions have been imposed on the Foundation's investments in hedge funds of funds.

(Continued)

During September 2015, UBF obtained a currency hedge position to offset the potential negative impact of foreign currency fluctuations on the portfolio. The currency hedge is currently designed to cover approximately 25% of the Morgan Stanley Capital International Europe, Australia, and Far East exposure in the portfolio. At the same time UBF entered into a program of systematically selling options based on movement of the S&P 500. An initial deposit of underlying cash in the amount of $10 million secures these strategies. The cash is equitized using futures and is reported as equity securities in notes 3 and 4. The currency hedge and the program of systematically selling options were both wound down and discontinued as of January 31, 2018.

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, 2018 and 2017 by redemption period.

	2018	2017
Daily	$ 444,690,730	433,510,565
Monthly	103,263,564	94,036,741
Quarterly	172,698,110	156,342,388
Semi-annual	14,474,590	13,956,699
Annual	751,727	720,081
Bi-annual	36,962,120	23,079,760
Tri-annual	28,697,335	26,993,499
Illiquid	224,539,702	191,728,344
	$ 1,026,077,878	940,368,077

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, 2018 and 2017 is comprised of the following:

	2018	2017
Real property, principally rental property	$ 177,584,357	182,428,639
Furniture, fixtures and equipment	17,193,334	16,854,765
Less accumulated depreciation	(85,731,756)	(78,534,155)
	109,045,935	120,749,249
Work in process	120,743	83,680
Real estate held under split interest agreements	225,000	705,050
	$ 109,391,678	121,537,979

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 $431,740 and $411,043 in 2018 and 2017, 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, 2018 are as follows:

	Revenues	Expenses
Year ending June 30:		
2019	1,719,129	288,430
2020	1,760,789	182,436
2021	1,722,322	182,436
2022	58,080	174,190
2023	52,519	11,811
Thereafter	197,517	179,127

Total operating revenue and expense related to UBFFSH was approximately $25,390,000 and $19,974,000, respectively, in 2018 and approximately $24,404,000 and $21,043,000, respectively, in 2017.

At June 30, 2018 and 2017, the Foundation held replacement reserve funds for the purposes of capital replacement for the student housing complexes owned and operated by UBFFSH of $6,381,925 and $5,136,326, respectively. The reserve funds are included in investments in the consolidated statements of financial position.

(Continued)

(6) Debt Financing

A summary of long-term debt at June 30, 2018 and 2017 follows:

	2018	2017
Village of Kenmore Housing Authority bonds payable in monthly installments of $47,516 through 2028 including interest at 4.95%. Outstanding principal is $4,329,956 and $4,673,407 at June 30, 2018 and 2017, respectively, net of unamortized debt issuance costs of $139,650 in 2018 and $153,069 in 2017. (Flickinger)	$ 4,190,306	4,520,338
Town of Amherst Development Corporation bonds payable in annual principal installments that escalate through maturity in October 2045 plus interest ranging from 3.25% to 5.00% adjusted annually. Outstanding principal is $71,875,000 at June 30, 2017, net of unamortized debt issuance costs of $3,007,160 in 2017, and net of unamortized discount of $73,301 in 2017. (Greiner Hall and Hadley Village)	—	68,794,539
Town of Amherst Development Corporation bonds payable in annual principal installments that escalate through maturity in October 2035 plus variable rate interest. Outstanding principal is $20,200,000 and $20,830,000, at June 30, 2018 and 2017, respectively, net of unamortized debt issuance costs of $670,422 in 2018 and $708,625 in 2017. (South Lake Village Replacement Bonds)	19,529,578	20,121,375
Town of Amherst Development Corporation bonds payable in monthly principal installments that escalate through maturity in August 2042 plus variable rate interest. Outstanding principal is $27,975,000 and $28,780,000 at June 30, 2018 and 2017, respectively, net of unamortized debt issuance costs of $777,222 in 2018 and $810,295 in 2017. (Flint Village and Creekside Village Refunding Bonds)	27,197,778	27,969,705
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. Outstanding principal is $65,305,000 at June 30, 2018, net of unamortized debt issuance costs of $1,626,099 in 2018, and inclusive of unamortized premium of $5,735,332 in 2018. (Greiner Hall and Hadley Village Refunding Bonds)	69,414,233	—
	$ 120,331,895	121,405,957

The Foundation complied with the terms of its financial debt covenants at June 30, 2018 and 2017.

Interest expense was $4,644,624 and $5,605,559 in 2018 and 2017, respectively.

In June 2012, UBFFSH issued $32,465,000 Town of Amherst Development Corporation Refunding Bonds (Flint Village and Creekside Village Refunding Bonds). The 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 $10,125,680 and $9,681,421 at June 30, 2018 and 2017, 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 $9,608,047 and $11,555,047 at June 30, 2018 and June 30, 2017, respectively, 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 3.5% at June 30, 2018, and 2.75% at June 30, 2017, which are 1.5% below the bank's prime rate.

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, 2018 and 2017, 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 Bonds). 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.

In October 2017, UBFFSH issued $65,305,000 Town of Amherst Development Corporation Bonds (Greiner and Hadley Refunding Bonds). The Greiner and Hadley Replacement Bonds were issued to provide funds for the refunding of the outstanding principal on the Greiner Hall and Hadley Village debt obligation. Interest on the borrowing ranges from 3% to 5%.

The loss on defeasance of debt is comprised of the write-off of unamortized cost of issuance related to the original Greiner Hall and Hadley Village Bonds that were defeased in October, 2017 in the amount of $2,972,760 and an amount of $5,948,671 that was part of the proceeds received from the Greiner Hall and Hadley Village Refunding Bonds that was placed in escrow to meet the funding requirements of the now defeased original bonds that will be formally called in May of 2020.

Amounts required by the bond documents to be set aside for debt service and included in investments were $0 at June 30, 2018, and $5,472,974 at June 30, 2017.

Aggregate annual maturities of long-term debt at June 30, 2018 are as follows:

2019	$	4,231,090
2020		4,144,117
2021		4,319,106
2022		4,534,603
2023		4,721,152
Thereafter		95,859,888
Aggregate annual maturities		117,809,956
Less: Unamortized debt issuance costs		(3,213,393)
Plus: Unamortized bond premium		5,735,332
	$	120,331,895

(7) Endowment Net Assets

At June 30, 2018 and 2017, UBF's endowment consists of 1282 and 1245 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, 2018, the fair values of three donor-restricted endowment accounts were less than their original donated value by a total of approximately $1,000. At June 30, 2017, the fair values of one donor-restricted endowment account was less than its original donated value by a total of approximately $17,000. 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 applies 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, 2018 and 2017:

	2018			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (1,000)	172,648,231	187,483,052	360,130,283
Board-designated endowment funds	96,776,685	268,092,709	—	364,869,394
Total endowment net assets	96,775,685	440,740,940	187,483,052	724,999,677
Contributions receivable, discounted	87,853	36,074,769	8,748,435	44,911,057
Split interest agreements	—	3,729,329	4,320,705	8,050,034
Other non-endowed funds	196,675,018	49,997,801	—	246,672,819
Total net assets	$ 293,538,556	530,542,839	200,552,192	1,024,633,587

	2017			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (17,000)	156,969,427	162,753,549	319,705,976
Board-designated endowment funds	91,444,147	248,006,033	—	339,450,180
Total endowment net assets	91,427,147	404,975,460	162,753,549	659,156,156
Contributions receivable, discounted	3,658	47,437,626	7,317,107	54,758,391
Split interest agreements	—	2,413,567	12,961,927	15,375,494
Other non-endowed funds	185,646,340	40,299,878	—	225,946,218
Total net assets	$ 277,077,145	495,126,531	183,032,583	955,236,259

Changes in UBF's endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	2018			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 91,427,147	404,975,460	162,753,549	659,156,156
Investment return:				
Investment income	1,715,083	8,567,882	—	10,282,965
Net realized and unrealized gain on endowment funds	8,898,631	43,743,748	—	52,642,379
Total investment gain	10,613,714	52,311,630	—	62,925,344
Contributions	63,765	8,514,474	12,555,058	21,133,297
Appropriation of endowment assets for expenditure	(5,329,526)	(24,971,029)	—	(30,300,555)
Other additions/(distributions)	585	(89,595)	12,174,445	12,085,435
Endowment net assets, end of year	$ 96,775,685	440,740,940	187,483,052	724,999,677

	2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 82,992,999	361,832,807	156,135,019	600,960,825
Investment return:				
Investment income	1,381,125	6,495,261	—	7,876,386
Net realized and unrealized gains on endowment funds	12,163,417	57,329,281	—	69,492,698
Total investment gain	13,544,542	63,824,542	—	77,369,084
Contributions	9,688	3,796,646	6,013,179	9,819,513
Appropriation of endowment assets for expenditure	(5,120,082)	(24,443,348)	—	(29,563,430)
Other additions/(distributions)	—	(35,187)	605,351	570,164
Endowment net assets, end of year	$ 91,427,147	404,975,460	162,753,549	659,156,156

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, 2018 and 2017 were restricted for the following:

		2018	2017
General university support	$	244,212,802	236,182,591
Student financial aid		68,540,341	68,198,995
Chairs and professorships		54,549,348	46,407,218
Capital and capital improvements		28,869,247	18,074,209
Research		121,619,910	115,622,146
Lectures		5,153,659	4,978,449
Libraries		3,868,203	3,249,356
Remainder interest in trusts		3,729,329	2,413,567
	$	530,542,839	495,126,531

Permanently restricted net assets at June 30, 2018 and 2017 were restricted for the following:

		2018	2017
General university support	$	79,867,729	64,014,692
Student financial aid		72,451,615	62,478,730
Chairs and professorships		30,312,143	30,856,052
Research		7,275,346	7,220,239
Lectures		3,633,697	3,618,172
Libraries		2,690,940	1,882,771
Remainder interest in trusts		4,320,722	12,961,927
	$	200,552,192	183,032,583

Included in general university support is contributions receivable of $8,748,435 and $7,317,107 at June 30, 2018, and 2017, 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, 2018 and 2017 were as follows:

		2018	2017
Sponsored programs	$	2,046,451	2,749,268
Other SUNY campuses		8,615,839	8,249,658
University affiliated campuses		2,156,848	2,060,471
Tenant security deposits		33,067	37,768
Other charities and University related programs		1,011,452	1,497,020
	$	13,863,657	14,594,185

(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 $227,471 at June 30, 2018 and $346,359 at June 30, 2017, based upon aggregate outstanding loan balances. No financial obligations were recorded at June 30, 2018, and 2017.

(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 $2,000,154 and $1,997,372 in 2018 and 2017, 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), (a)(2), or (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, 2018 or 2017. UBF and UBFA have generated unrelated business income for the year ended June 30, 2018, but it is not material to the audited financial statements.

(Continued)

On December 22, 2017, the U.S. President signed into law H.R. 1, originally known as the Tax Cuts and Jobs Act. The new law (Public Law No. 115-97) includes substantial changes to the taxation of individuals, businesses, multinational enterprises and others. In addition to many generally applicable provisions, the law contains several specific provisions that result in changes to the tax treatment of tax-exempt organizations and their donors. The Foundation has reviewed these provisions and the potential impact and concluded the enactment of H.R. 1 will not have a material effect on the financial condition and operations of the Foundation.

(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 $253,171 and $189,230 in 2018 and 2017, respectively.

The Foundation holds funds for certain research projects of the University and manages investments for certain other SUNY campuses. These funds are reflected as funds held in custody for others in the consolidated statements of financial position, which amounted to $10,662,290 and $10,998,926 at June 30, 2018 and 2017, respectively.

(14) Subsequent Events

The Foundation has evaluated subsequent events from the balance sheet date through October 25, 2018, the date that the consolidated financial statements were issued.