UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

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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, 2019 and 2018, 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, 2019 and 2018, 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

Emphasis of Matter

As discussed in Note 1(p) to the consolidated financial statements, University at Buffalo Foundation, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Not for Profit Entities (Topic 958) Presentation of Financial Statements of Not for Profit Entities*, Accounting Standard Codification (ASC) Topic No. 606, *Revenue from Contracts with Customers*, and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, during the year ended June 30, 2019. Our opinion is not modified with respect to these matters.

KPMG LLP

October 23, 2019

UNIVERSITY AT BUFFALO FOUNDATION, INC. AND AFFILIATES

Consolidated Statements of Financial Position

June 30, 2019 and 2018

Assets	2019	2018
Accounts receivable, net of allowance for uncollectible accounts of $1,070,000 in 2019 and $955,000 in 2018	$ 4,704,091	7,431,007
Contributions receivable, net (note 3)	48,393,193	44,911,057
Investments (notes 4 and 5)	1,066,185,619	1,026,077,878
Property, plant, and equipment, net (note 6)	103,256,162	109,391,678
Fine art collection	15,776,361	12,193,190
Other assets	342,894	188,031
Total assets	$ 1,238,658,320	1,200,192,841
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 14,124,708	12,583,837
Accrued interest expense	907,683	933,381
Other accrued liabilities	7,913,164	4,892,880
Fair value of interest rate swaps (notes 5 and 7)	6,235,808	4,715,510
Demand note payable (note 7)	9,608,047	9,608,047
Long-term debt, net (note 7)	115,701,948	120,331,895
Funds held in custody for others (notes 11 and 15)	13,457,091	13,863,657
Annuity and life income obligations	7,862,195	8,630,047
Total liabilities	175,810,644	175,559,254
Net assets (notes 8 and 9):		
Without donor restrictions	318,001,332	293,538,556
With donor restrictions:		
Time or purpose	186,398,850	192,397,764
Endowment returns subject to future appropriation	341,260,660	334,415,746
Perpetual	212,444,781	196,231,470
Split interest	4,742,053	8,050,051
Total with donor restrictions	744,846,344	731,095,031
Total net assets	1,062,847,676	1,024,633,587
Total liabilities and net assets	$ 1,238,658,320	1,200,192,841

See accompanying notes to consolidated financial statements.

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Gifts, bequests, and private grants	$ 5,883,819	32,842,721	38,726,540
Investment return, net	13,092,552	42,340,441	55,432,993
Rental (note 6)	27,766,359	—	27,766,359
Uniform Data System for Medical Rehabilitation	8,209,859	—	8,209,859
Loss on disposal of property, plant, and equipment, and write down	(41,480)	—	(41,480)
Loss on interest rate swaps (note 7)	(1,520,298)	—	(1,520,298)
Other support and gains:			
Faculty practice	9,413,628	—	9,413,628
Continuing education	6,163,887	—	6,163,887
Dental student training programs	1,776,954	—	1,776,954
Center for the Arts	2,140,605	—	2,140,605
Student orientation	1,479,391	—	1,479,391
Other activities and services	7,574,011	—	7,574,011
Change in value of split interest agreements	10,973	1,248,980	1,259,953
Net assets released from restrictions	62,680,829	(62,680,829)	—
Total revenues, gains and other support	144,631,089	13,751,313	158,382,402
Expenses (note 10):			
Program expenses:			
Program services	84,204,920	—	84,204,920
Real estate	22,004,306	—	22,004,306
Fundraising	9,510,073	—	9,510,073
Total program expenses	115,719,299	—	115,719,299
Business office administration	4,449,014	—	4,449,014
Total expenses	120,168,313	—	120,168,313
Total change in net assets	24,462,776	13,751,313	38,214,089
Net assets at beginning of year	293,538,556	731,095,031	1,024,633,587
Net assets at end of year	$ 318,001,332	744,846,344	1,062,847,676

See accompanying notes to consolidated financial statements.

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Gifts, bequests, and private grants	$ 2,713,449	34,910,533	37,623,982
Investment return, net	26,972,652	60,211,213	87,183,865
Rental (note 6)	26,246,036	—	26,246,036
Uniform Data System for Medical Rehabilitation	9,686,036	—	9,686,036
Loss on disposal of property, plant, and equipment, and write down	(1,281,259)	—	(1,281,259)
Gain on interest rate swaps (note 7)	2,065,363	—	2,065,363
Other support and gains:			
Faculty practice	7,949,988	—	7,949,988
Continuing education	7,232,761	—	7,232,761
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	—	3,001,442	3,001,442
Net assets released from restrictions	45,187,271	(45,187,271)	—
Total revenues, gains and other support	140,803,928	52,935,917	193,739,845
Expenses (note 10):			
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 (note 7)	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	52,935,917	69,397,328
Net assets at beginning of year	277,077,145	678,159,114	955,236,259
Net assets at end of year	$ 293,538,556	731,095,031	1,024,633,587

See accompanying notes to consolidated financial statements.

UNIVERSITY AT BUFFALO FOUNDATION, INC.
AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	38,214,089	69,397,328
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Property transfer to New York State		—	2,015,316
Depreciation		7,297,613	7,435,422
Amortization		(375,926)	182,515
Net realized and unrealized gains on investments		(51,985,603)	(73,172,889)
Change in value of split interest arrangements		(1,259,953)	(3,001,442)
Loss (gain) on interest rate swaps		1,520,298	(2,065,363)
Loss on defeasance of debt		—	8,921,431
Loss on disposal of property, plant and equipment and write down		41,481	1,281,259
Gifts of fine art		(3,491,485)	(476,986)
Contributions and other revenues restricted for long-term purposes		(20,413,274)	(16,695,614)
Receipt of funds held in custody for others		6,292,095	5,199,391
Disbursements of funds held in custody for others		(6,698,661)	(5,929,919)
Cash provided (used) by changes in:			
Contribution receivables		3,613,211	11,738,569
Accounts receivable, net		2,726,916	98,181
Other assets		(177,794)	2,099
Accounts payable		1,540,871	2,077,124
Accrued liabilities		2,994,586	(43,083)
Net cash (used in) provided by operating activities		(20,161,536)	6,963,339
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment and fine arts		225,000	3,071,677
Purchase of property, plant and equipment and fine arts		(1,520,264)	(964,400)
Proceeds from sale of investments		615,065,780	497,764,841
Purchase of investments		(601,748,989)	(507,353,215)
Net cash provided by (used in) investing activities		12,021,527	(7,481,097)
Cash flow from financing activities:			
Proceeds from long term debt		—	71,487,667
Repayments of long term debt		(4,231,090)	(79,976,156)
Repayments of demand note payable		—	(1,947,000)
Investments subject to annuity agreements		1,174,983	1,210,243
Payments and maturities of annuity obligations		(2,121,811)	(3,377,041)
Collections of contributions restricted for long-term purposes		13,317,927	14,804,379
Cost of long-term debt issuance		—	(1,684,334)
Net cash provided by financing activities		8,140,009	517,758
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	$	4,602,329	5,319,237
Noncash investing activities:			
Gifts of fine art		3,491,485	476,986
Property, plant, and equipment acquired by assuming liabilities		68,875	15,028

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 and other support 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 revenues, other support, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

The Foundation classifies its net assets and changes into two categories of net assets: without donor restrictions and with donor restrictions. A donor-imposed restriction is a donor stipulation that specifies a use for a contributed asset that is more specific than broad limits resulting from the nature of the Foundation, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws. These two net asset categories are further defined as follows:

Without Donor Restrictions — Net assets that are not subject to donor-imposed restrictions. Included in this net asset category are program service revenues and other support net of related expenses as well as property revenues net of related expenses.

In addition to these exchange transactions, this category of net assets includes philanthropic support received without restrictions as well as funds designated by the Board of Trustees (the Board) to function as endowment and the related investment return from these funds functioning as endowment.

With Donor Restrictions — Net assets that are subject to donor-imposed restrictions are the resources to be used for particular programs or services or by a specified date. Included in this net asset category are gifts and pledges for which a time or purpose restriction exists that has not been satisfied as well as gifts, pledges and investment return on “true” endowment funds and split interest agreements. Expiration of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that are to be maintained permanently by the Foundation, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and related investment return subject to future appropriation. Other permanently restricted items in this net asset category include split interest agreements for which the ultimate purpose of the proceeds has perpetual donor restrictions.

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.

(Continued)

(e) Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment and certain spendable reserves 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 and certain spendable reserves. 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 spendable reserves, as well as to provide additional growth through new gifts and investment return. The application of the formula for the year ended June 30, 2019 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, 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. Private equity investments employ buyout and venture capital strategies as well as special situation investments. Real asset investments generally hold interests in commercial real estate, infrastructure, and other hard assets. 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 without donor restriction unless an explicit donor stipulations exists. 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 with donor restriction. 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.

(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, 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 2.8% and 3.4% at June 30, 2019 and 2018, 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 Support and Gains

Other support and gains reflect resources generated from authorized activities enumerated in the agreement between the Foundation and SUNY and the University. Such activities generate support and gains and include educational and training programs, various student activities, laboratory testing and other educational, research and public service related initiatives supported by the University and provided in conjunction with the Foundation. Support provided to the Foundation for these activities is recognized as received from the University or other resource providers.

(n) Uniform Data System for Medical Rehabilitation

UBFA's Uniform Data System for Medical Rehabilitation (UDSmr) is engaged in the creation and maintenance of measurement instruments, as well as the compilation and distribution of data which measures the progress of patients undergoing medical rehabilitation. These services are typically provided over a fixed period of time (generally a year) and are recognized as revenue over the period for which such services are provided.

(o) 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. All expenses are directly attributable to a specific functional program and no allocation of expenses are made.

(p) Recently Adopted 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. ASU 2016-14 is effective for the year ending June 30, 2019. The ASU was implemented retrospectively and the effects are included in these financial statements. As the result of the adoption of this ASU, unrestricted net assets of $293,538,556 are now reported as net assets without donor restriction, and temporarily restricted net assets and permanently restricted net assets of

$530,542,839 and $200,552,192 respectively, have been combined to be reported as net assets with donor restrictions.

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, which is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition guidance in GAAP. The Foundation's adoption of the ASU in fiscal 2019 on a modified retrospective basis did not have a material effect on the Foundation's consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Foundation's adoption of the ASU in fiscal 2019 on a modified prospective basis did not have a material effect on the Foundation's consolidated financial statements.

(q) Reclassifications

Certain reclassifications were made to the 2018 consolidated financial statements to conform to the 2019 presentation.

(2) Financial Assets and Liquidity Resources

The Foundation's financial assets and liquidity resources available within one year for general and university unit expenditures including operating expenditures and principal payments on debt included the following as of June 30, 2019 and 2018, respectively:

		2019	2018
Total assets at year end	$	1,238,658,320	1,200,192,841
Less:			
Contributions due in more than one year		(33,780,243)	(31,060,187)
Donor-restricted endowment funds		(359,952,123)	(344,601,724)
Board-designated endowment funds		(404,283,220)	(348,651,070)
Property, plant and equipment		(103,256,162)	(109,391,678)
Fine art collection		(15,776,361)	(12,193,190)
Other assets		(342,894)	(188,031)
Capital reserves		(10,655,151)	(10,125,680)
Pledged assets		(1,056,772)	(1,007,748)
Funds held for others		(13,457,091)	(13,863,657)
Annuity and life income obligations		(7,862,195)	(8,630,047)
Total financial assets available within one year		288,236,108	320,479,829
Liquidity resources:			
Unused bank lines of credit		15,391,953	15,391,953
Total financial assets and liquidity resources available within one year	$	303,628,061	335,871,782

As part of the Foundation's liquidity management, there is a policy to structure financial assets to be available as its general expenditures, liabilities and other obligations come due. The Foundation maintains sufficient liquidity in its investment portfolio to meet anticipated spending needs (see note 5). To assist in managing liquidity needs, the Foundation maintains a $25 million line of credit. Further details regarding the line of credit are included in note 7.

The Foundation's endowment consist of donor-restricted and board-designated endowment funds. Donor and board-designated amounts above are reported in the table net of the amounts allocated to be spent in the next year. The board-designated endowment is valued at $421,179,076 and $364,869,394 as of June 30, 2019 and 2018, respectively. While the Foundation does not intend to liquidate board-designated endowment funds in excess of the annual spending allocation, amounts could be made available within one year if necessary in accordance with the policy on board-designated endowments. Further details regarding investments are included in notes 4 and 5.

(3) Contributions Receivable

Contributions receivable, representing unconditional promises to give, as of June 30, 2019 and 2018, are summarized below:

		2019	2018
Unconditional promises expected to be collected in:			
Less than one year	$	15,181,198	14,432,238
One year to five years		29,646,086	23,318,287
Greater than five years		7,169,867	10,606,950
		51,997,151	48,357,475
Less:			
Discount		(1,644,482)	(1,508,523)
Allowance for uncollectible contributions receivable		(1,959,476)	(1,937,895)
	$	48,393,193	44,911,057

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, 2019, UBF has also received bequest intentions and revocable trusts that management estimates will approximate $114.4 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 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, 2019 and 2018, the five largest outstanding pledge balances represented 57.5% and 57.2% respectively, of UBF’s gross contribution receivable.

(Continued)

(4) Investments

Investments at June 30, 2019 and 2018 are comprised of the following:

	2019	Percentage	2018	Percentage
Cash and cash equivalents	$ 12,126,103	1.1%	16,768,004	1.6%
Fixed income securities	130,421,709	12.2	133,607,136	13.0
Equity securities	441,453,706	41.8	435,132,653	42.4
Alternative investments:				
Real assets	108,901,382	10.2	99,338,407	9.7
Venture capital/private Equity partnerships	181,435,901	17.0	155,039,221	15.1
Hedge funds	191,239,120	17.9	185,728,031	18.1
Other	607,698	0.1	464,426	0.1
	$ 1,066,185,619	100.0%	1,026,077,878	100.0%

Investments held under split interest agreements, included above, were approximately $12,317,356 and $16,577,764 at June 30, 2019 and 2018, respectively.

Included in investments presented in the statement of financial position as of June 30, 2019 and 2018, respectively, is $3,319,109 and $4,766,711 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 $1,057,000 at June 30, 2019, and $1,003,000 at June 30, 2018. Also, the South Lake Village swap agreement (see note 7) requires assets to be pledged to the counterparty to serve as collateral in an amount equal to or greater than the outstanding market value swap. At June 30, 2019 and 2018, UBF pledged the assets held with one of its fixed asset managers valued at approximately $21,138,000 and $20,176,000, respectively.

(5) 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.

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, 2019 and 2018 that are measured at fair value on a recurring basis along with a summary of investment redemption/liquidation terms and days notice for redemption/liquidation unless not applicable (N/A):

	June 30, 2019				
	Level 1	Level 2	Total	Redemption/ liquidation	Days notice
Financial assets:					
Cash and cash equivalents	$ 12,126,103	—	12,126,103	Daily	One
Fixed income securities:					
U.S. fixed income	103,432,370	348,529	103,780,899	Daily/monthly	One
Global fixed income	29,455	—	29,455	Daily	One
U.S. inflation protected	21,881,682	—	21,881,682	Daily	One
	125,343,507	348,529	125,692,036		
Domestic equity:					
U.S. large blend	5,482,494	—	5,482,494	Daily	One
U.S. large quality	239,207,376	—	239,207,376	Daily	One
U.S. mid/small	392,708	—	392,708	Daily	One
	245,082,578	—	245,082,578		
International equity:					
International large	81,263,549	—	81,263,549	Daily	One
International emerging	56,660,123	—	56,660,123	Daily	One
	137,923,672	—	137,923,672		
Real assets:					
Natural resources	529,091	—	529,091	Daily/quarterly	One/N/A
Other	320,806	286,892	607,698		
	521,325,757	635,421	521,961,178		
Investments measured at net asset value:					
International equity:					
International large			52,383,618	Monthly	Six
Global Opportunity			6,063,838	Monthly/quarterly/tri-annual	25/45/65/180
			58,447,456		
Growth fixed income:					
Insurance Linked Strategies			4,729,673	Quarterly	90
Real assets:					
Global energy			27,733,753	Illiquid	N/A
Infrastructure			22,055,615	Quarterly/Illiquid	90/N/A
Natural resources			1,550,937	Daily/Illiquid	One/N/A
Real estate – debt			7,893,444	Illiquid	N/A
Real estate – equity			49,138,542	Quarterly/liquid	15/N/A
			108,372,291		
Private equity:					
Buyout			96,569,577	Illiquid	N/A
Fund of funds			23,733,496	Illiquid	N/A
Special situations			21,773,932	Illiquid	N/A
Venture capital			39,358,896	Illiquid	N/A
			181,435,901		

	June 30, 2019				
	Level 1	**Level 2**	**Total**	**Redemption/ liquidation**	**Days notice**
Investments measured at net asset value :					
Hedge funds:					
Multi-strategy	$		50,264,003	Quarterly/annual/bi-annual	45/60/65/90
Long/short credit			44,355,119	Monthly/quarterly/semi/bi-annual	45/65/90
Long/short equity			65,526,916	Monthly/quarterly/semi-annual	45/60/180
Technology			13,207,646	Tri-Annually	90
Global macro			11,129,281	Quarterly	90
Short credit			6,756,155	Monthly	90
			191,239,120		
Total investments		$	1,066,185,619		
Financial liabilities:					
Interest rate swaps	—	6,235,808	6,235,808		

	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/N/A
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
Investments measured at net asset value :					
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		

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, 2019 and 2018.

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 or otherwise have readily determinable fair values.

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 or otherwise have readily determinable fair values.

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 if 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, 2019 and 2018, 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, 2019, the Foundation has committed to incrementally invest approximately $64,156,987 in such investments. The remaining lives of the Foundation's investments in illiquid real asset partnerships range from one to fifteen years at June 30, 2019.

- Investments in private equity partnerships and hedge funds are estimated using current information obtained from the general partner or investment manager for the respective funds. Typically investees provide 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 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, 2019, the Foundation has committed to incrementally invest approximately $165,943,082 in such investments. The remaining lives of the Foundation's investments in venture capital/private equity partnerships range from one to ten years at June 30, 2019.

  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 three years. Subject to the expiration of the "lock-up" period, the investor has the ability to liquidate its investments periodically from monthly to tri-annually, accompanied by notice periods ranging from thirty to one hundred eighty days at June 30, 2019 and 2018, 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, 2019 and 2018, no redemption gates or suspension provisions have been imposed on the Foundation's investments in hedge funds.

(Continued)

Liquidity

The following presents the fair value of the Foundation's investments as of June 30, 2019 and 2018 by redemption period.

	2019	2018
Daily	$ 522,092,831	444,690,730
Monthly	68,496,488	103,263,564
Quarterly	128,233,710	172,698,110
Semi-annual	15,153,827	14,474,590
Annual	144,694	751,727
Bi-annual	29,352,849	36,962,120
Tri-annual	36,594,585	28,697,335
Illiquid	266,116,635	224,539,702
	$ 1,066,185,619	1,026,077,878

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.

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.

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

Property, plant, and equipment at June 30, 2019 and 2018 is comprised of the following:

	2019	2018
Real property, principally rental property	$ 177,960,059	177,584,357
Furniture, fixtures and equipment	17,213,003	17,193,334
Less accumulated depreciation	(92,670,471)	(85,731,756)
	102,502,591	109,045,935
Work in process	753,571	120,743
Real estate held under split interest agreements	—	225,000
	$ 103,256,162	109,391,678

The Foundation leases to others approximately 93.6% of the carrying value of property, plant and equipment.

UBF Corporation leases land from the State University of New York under an operating lease agreement with an initial term expiring in 2021, renewable to 2037. The base annual rent is $20,476, adjustable based on the UBF Corporation's net cash flow from this parcel, as defined in the agreement. UBFA leases office space under an operating lease entered into in 2002, and expiring in 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 $433,640 and $431,740 in 2019 and 2018, 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, 2019 are as follows:

	Revenues	Expenses
Year ending June 30:		
2020	1,909,966	182,436
2021	1,868,385	182,436
2022	195,226	174,190
2023	52,519	38,804
2024	32,165	11,811
Thereafter	153,541	155,506

Total operating revenue and expense related to UBFFSH was approximately $27,026,000 and $20,130,000, respectively, in 2019 and approximately $25,390,000 and $19,974,000, respectively, in 2018.

At June 30, 2019 and 2018, the Foundation held replacement reserve funds for the purposes of capital replacement for the student housing complexes owned and operated by UBFFSH of $7,360,118 and $6,381,925, respectively. The reserve funds are included in investments in the consolidated statements of financial position.

(Continued)

(7) Debt Financing

A summary of long-term debt at June 30, 2019 and 2018 follows:

		2019	2018
Village of Kenmore Housing Authority bonds payable in monthly installments of $47,516 through 2028 including interest at 4.95%. Outstanding principal is $3,968,865 and $4,329,956 at June 30, 2019 and 2018, respectively, net of unamortized debt issuance costs of $126,231 in 2019 and $139,650 in 2018. (Flickinger)	$	3,842,634	4,190,306
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 $19,530,000 and $20,200,000, at June 30, 2019 and 2018, respectively, net of unamortized debt issuance costs of $632,218 in 2019 and $670,422 in 2018. (South Lake Village Replacement Bonds)		18,897,782	19,529,578
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 $27,135,000 and $27,975,000 at June 30, 2019 and 2018, respectively, net of unamortized debt issuance costs of $744,154 in 2019 and $777,222 in 2018. (Flint Village and Creekside Village Refunding Bonds)		26,390,846	27,197,778
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 $62,945,000 and $65,305,000 at June 30, 2019 and 2018, respectively, net of unamortized debt issuance costs of $1,548,453 and $1,626,099 in 2019 and 2018, respectively, and inclusive of unamortized premium of $5,174,139 and $5,735,332 in 2019 and 2018, respectively. (Greiner Hall and Hadley Village Refunding Bonds)		66,570,686	69,414,233
	$	115,701,948	120,331,895

Interest expense was $4,587,130 and $4,750,767 in 2019 and 2018, 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 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 $10,655,151 and $10,125,680 at June 30, 2019 and 2018, 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 at both June 30, 2019 and June 30, 2018, respectively, and was used to acquire properties in the downtown area and to assist with construction of the athletics field house. Borrowings under the new line of credit are payable on demand and bear interest at 4.0% at June 30, 2019, and 3.5% at June 30, 2018, 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 mark to market value of the swap was $6,099,248 and $5,242,854 at June 30, 2019 and 2018, respectively.

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, 2019 and 2018, 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. The mark to market value of the swap was $136,560 and ($527,344) at June 30, 2019 and 2018, respectively.

In October 2017, UBFFSH issued $65,305,000 Town of Amherst Development Corporation Bonds (Greiner and Hadley Refunding Bonds). The Greiner and Hadley Refunding 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 in 2018 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.

Aggregate annual maturities of long-term debt at June 30, 2019 are as follows:

2020	$	4,144,117
2021		4,319,106
2022		4,534,603
2023		4,746,152
2024		4,978,528
Thereafter		90,856,359
Aggregate annual maturities		113,578,865
Less: Unamortized debt issuance costs		(3,051,056)
Plus: Unamortized bond premium		5,174,139
	$	115,701,948

(8) Endowment Net Assets

At June 30, 2019 and 2018, UBF’s endowment consists of 1,337 and 1,282 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. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor contribution amounts (deficit). When donor-restricted endowment fund deficits exist, they are classified as a reduction of donor-restricted net assets. At June 30, 2019, no funds with an original gift were “underwater”. At June 30, 2018, three funds with an original gift value of $225,000 were “underwater” by approximately $1,000. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted contributions and continued legally permitted appropriation for certain programs that were deemed prudent by UBF.

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 donor-restricted endowment funds (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, (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, and (d) accumulated gains (losses) on the permanent endowment.

The following is a summary of UBF's endowment net asset composition by type of fund as of June 30, 2019 and 2018:

	2019			
	Without Donor Restrictions	With Donor Restrictions: Original Gift	With Donor Restrictions: Accumulated Gains	Total
Donor-restricted endowment funds	$ —	199,019,495	177,696,118	376,715,613
Board-designated endowment funds	150,393,837	107,220,697	163,564,542	421,179,076
Total endowment net assets	$ 150,393,837	306,240,192	341,260,660	797,894,689

	2018			
	Without Donor Restrictions	With Donor Restrictions: Original Gift	With Donor Restrictions: Accumulated Gains	Total
Donor-restricted endowment funds	$ —	187,483,052	172,647,231	360,130,283
Board-designated endowment funds	96,776,685	106,324,194	161,768,515	364,869,394
Total endowment net assets	$ 96,776,685	293,807,246	334,415,746	724,999,677

Board-designated endowment funds include contributions from donors restricted to support a University unit or program that are subsequently designated by the Board to be treated as endowment.

Changes in UBF's endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 96,775,685	628,223,992	724,999,677
Investment return, net	6,947,283	33,243,424	40,190,707
Contributions	59,004	9,266,848	9,325,852
Appropriation of endowment assets for expenditure	(5,316,076)	(26,430,807)	(31,746,883)
Other additions	51,927,941	3,197,395	55,125,336
Endowment net assets, end of year	$ 150,393,837	647,500,852	797,894,689

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 91,427,147	567,729,009	659,156,156
Investment return, net	10,614,714	52,310,631	62,925,345
Contributions	63,765	21,069,532	21,133,297
Appropriation of endowment assets for expenditure	(5,329,526)	(24,971,029)	(30,300,555)
Other additions	585	12,084,849	12,085,434
Endowment net assets, end of year	$ 96,776,685	628,222,992	724,999,677

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

(9) Net Assets

Net assets with donor restrictions represent resources whose use is limited by donor imposed stipulations of time or purpose that either expire by the passage of time or are met by specific actions of the Foundation or the University. Specific actions most often involve completion of expenditures for purposes consistent with donor stipulations. When such donor-imposed stipulations are met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Net assets with donor restrictions that are classified as endowment returns subject to future appropriation represent investment returns retained in order to maintain the purchasing power of the Foundation's resources. Investment and spending policies govern when these resources might be reclassified to net assets without donor restrictions.

Net assets with donor restrictions that are perpetual represent resources that donors have stipulated must be maintained permanently as endowment net assets.

(Continued)

Net assets with donor restrictions comprised the following at June 30, 2019 and 2018:

	2019	2018
Amounts with time or purpose restrictions:		
Student financial aid	$ 13,299,751	13,230,991
Chairs and professorships	11,472,940	10,807,193
Capital and capital improvements	34,542,237	27,875,425
Research	31,866,023	33,354,076
Lectures	1,052,595	981,178
Libraries	590,392	600,901
Specified University support	93,574,912	105,548,000
	186,398,850	192,397,764
Endowment returns subject to future appropriation:		
Student financial aid	56,504,084	54,389,028
Chairs and professorships	46,219,805	43,742,154
Capital and capital improvements	1,147,275	1,097,095
Research	90,207,142	88,840,079
Lectures	4,271,205	4,172,480
Libraries	3,337,528	3,267,302
Specified University support	139,573,621	138,907,608
	341,260,660	334,415,746
Amounts with perpetual restrictions:		
Student financial aid	80,382,834	72,403,288
Chairs and professorships	32,597,650	30,312,143
Capital and capital improvements	1,430	1,430
Research	7,483,063	7,469,488
Lectures	3,798,081	3,633,697
Libraries	2,732,314	2,690,940
Specified University support	85,449,409	79,720,484
Total net assets with perpetual restrictions	212,444,781	196,231,470
Remainder interest in trusts	4,742,053	8,050,051
Total net assets with donor restrictions	$ 744,846,344	731,095,031

Included in specified University support with perpetual restrictions is contributions receivable of $13,425,341 and $8,748,435 at June 30, 2019 and 2018, respectively.

Net assets without donor restrictions comprised the following at June 30, 2019 and 2018:

	2019	2018
Board designated endowment	$ 150,393,837	96,776,685
Academic unit resources	39,529,042	39,836,059
Academic support resources	28,795,133	27,083,618
Athletics	2,132,627	2,308,057
Property operations and reserves	20,039,067	14,766,913
Capital assets	15,856,699	14,815,461
Strategic reserves	61,254,927	97,951,763
	$ 318,001,332	293,538,556

(10) Functional Expenses

Expenses are presented by functional classification in accordance with the overall service missions of the university. Each functional classification displays all expenses related to the underlying operations by natural classification.

Expenses by functional classification for the year ended June 30, 2019 consist of the following:

	Program Services	Real Estate	Fundraising	Business Office Administration	Total
Salary and fringe:					
Paid to individuals	$ 24,584,904	70,000	6,258,158	3,006,700	33,919,762
Reimbursed to University	6,982,250	5,120,800	—	—	12,103,050
Reimbursed to University related entities	1,327,280	—	—	—	1,327,280
Scholarships and awards	17,102,133	—	—	—	17,102,133
Contractual services	13,134,382	140,972	1,324,128	759,453	15,358,935
Rent and occupancy	1,288,284	4,340,470	15,589	324,852	5,969,195
Travel and meetings	8,133,317	11,529	1,202,747	32,674	9,380,267
Supplies	6,380,685	55,817	521,353	58,816	7,016,671
Grants in support of University mission	4,293,490	—	—	—	4,293,490
Interest	73,009	4,514,121	—	—	4,587,130
Depreciation/amortization	—	7,256,960	—	225,921	7,482,881
Other	905,186	493,637	188,098	40,598	1,627,519
Total	$ 84,204,920	22,004,306	9,510,073	4,449,014	120,168,313

Expenses by functional classification for the year ended June 30, 2018 consist of the following:

	Program Services	Real Estate	Fundraising	Business Office Administration	Total
Salary and fringe:					—
Paid to individuals	$ 24,336,757	58,690	6,376,804	2,975,356	33,747,607
Reimbursed to University	4,435,730	4,766,796	—	—	9,202,526
Reimbursed to University related entities	1,424,541	—	—	—	1,424,541
Scholarships and awards	16,901,680	—	—	—	16,901,680
Contractual services	9,858,397	53,867	1,242,806	868,026	12,023,096
Rent and occupancy	897,147	4,338,656	10,698	315,893	5,562,394
Travel and meetings	7,396,649	10,766	651,080	26,042	8,084,537
Supplies	6,557,236	76,702	339,896	99,700	7,073,534
Grants in support of University mission	7,383,031	—	—	—	7,383,031
Interest	106,143	4,644,624	—	—	4,750,767
Depreciation/amortization	—	7,344,711	—	269,233	7,613,944
Other	1,049,232	516,313	40,200	47,684	1,653,429
Total	$ 80,346,543	21,811,125	8,661,484	4,601,934	115,421,086

(11) 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, 2019 and 2018 were as follows:

	2019	2018
Sponsored programs	$ 1,406,765	2,046,451
Other SUNY campuses	8,504,272	8,615,839
University affiliated campuses	2,194,437	2,156,848
Tenant security deposits	28,477	33,067
Other charities and University related programs	1,323,140	1,011,452
	$ 13,457,091	13,863,657

(12) 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 $110,741 at June 30, 2019 and $227,471 at June 30, 2018, based upon aggregate outstanding loan balances. No financial obligations were recorded at June 30, 2019, and 2018.

(13) 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 $2,064,838 and $2,000,154 in 2019 and 2018, respectively.

(14) 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, 2019 or 2018. UBF and UBFA have generated unrelated business income for the year ended June 30, 2019, but it is not material to the audited financial statements.

(15) 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 $224,494 and $253,171 in 2019 and 2018, 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 $9,911,037 and $10,662,290 at June 30, 2019 and 2018, respectively.

(16) Subsequent Events

The Foundation has evaluated subsequent events from the balance sheet date through October 23, 2019, the date that the consolidated financial statements were issued.