



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

Consolidated Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
265 Clinton Square
Rochester, NY 14604-1701

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, 2021 and 2020, 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, 2021 and 2020, 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 27, 2021

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

Consolidated Statements of Financial Position

June 30, 2021 and 2020

Assets	2021	2020
Accounts receivable, net of allowance for uncollectible accounts of \$1,705,000 in 2021 and \$1,244,000 in 2020	\$ 4,238,669	4,145,452
Contributions receivable, net (note 3)	45,505,736	43,016,647
Investments (notes 4 and 5)	1,333,835,397	1,048,426,429
Right-of-use asset (note 6)	1,256,753	—
Property, plant, and equipment, net (note 7)	102,482,588	101,899,198
Fine art collection	18,213,401	16,486,681
Other assets	335,925	845,821
Total assets	\$ 1,505,868,469	1,214,820,228
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 6,829,406	10,410,238
Accrued interest expense	839,299	877,066
Other accrued liabilities	9,575,432	8,660,126
Fair value of interest rate swaps (notes 5 and 8)	6,087,437	8,089,643
Right-of-use liability (note 6)	1,236,776	—
Demand note payable (note 8)	6,886,705	7,719,954
Long-term debt, net (note 8)	106,588,054	111,207,194
Funds held in custody for others (notes 12 and 15)	16,966,165	13,790,216
Annuity and life income obligations	9,630,381	10,094,792
Total liabilities	164,639,655	170,849,229
Net assets (notes 9 and 10):		
Without donor restrictions	408,959,312	307,862,481
With donor restrictions:		
Time or purpose	209,357,089	190,420,752
Endowment returns subject to future appropriation	483,726,869	321,152,736
Perpetual	233,463,076	221,095,396
Split interest	5,722,468	3,439,634
Total with donor restrictions	932,269,502	736,108,518
Total net assets	1,341,228,814	1,043,970,999
Total liabilities and net assets	\$ 1,505,868,469	1,214,820,228

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Activities

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Gifts, bequests, and private grants, net	\$ 3,208,703	30,431,374	33,640,077
Investment return, net	124,953,554	193,263,752	318,217,306
Rental (note 6)	20,284,681	—	20,284,681
Uniform Data System for Medical Rehabilitation	14,142,236	—	14,142,236
Other support and gains (losses):			
Faculty practice	9,767,610	—	9,767,610
Continuing education	2,606,495	—	2,606,495
Student health insurance	5,594,482	—	5,594,482
Dental student training programs	4,389,887	—	4,389,887
Center for the Arts	11,836	—	11,836
Student orientation	454,189	—	454,189
Other activities and services	3,995,825	—	3,995,825
Change in value of split interest agreements	—	2,713,242	2,713,242
Loss on disposal of property, plant, and equipment	(607,010)	—	(607,010)
Gain on interest rate swaps (note 8)	2,002,206	—	2,002,206
Net assets released from restrictions	30,247,384	(30,247,384)	—
	221,052,078	196,160,984	417,213,062
Expenses (note 11):			
Program expenses:			
Program services	86,490,413	—	86,490,413
Real estate	20,503,606	—	20,503,606
Fundraising	8,229,123	—	8,229,123
Total program expenses	115,223,142	—	115,223,142
Business office administration	4,732,105	—	4,732,105
Total expenses	119,955,247	—	119,955,247
Total change in net assets	101,096,831	196,160,984	297,257,815
Net assets at beginning of year	307,862,481	736,108,518	1,043,970,999
Net assets at end of year	\$ 408,959,312	932,269,502	1,341,228,814

See accompanying notes to consolidated financial statements.

**UNIVERSITY AT BUFFALO FOUNDATION, INC.
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Consolidated Statement of Activities

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Gifts, bequests, and private grants, net	\$ 2,031,031	23,310,819	25,341,850
Investment return, net	2,769,344	9,060,715	11,830,059
Rental (note 6)	23,373,518	—	23,373,518
Uniform Data System for Medical Rehabilitation	10,970,376	—	10,970,376
Other support and gains (losses):			
Faculty practice	8,429,172	—	8,429,172
Continuing education	2,923,246	—	2,923,246
Student health insurance	6,583,509	—	6,583,509
Dental student training programs	4,496,112	—	4,496,112
Center for the Arts	773,064	—	773,064
Student orientation	1,255,757	—	1,255,757
Other activities and services	5,572,983	—	5,572,983
Change in value of split interest agreements	—	(1,649,538)	(1,649,538)
Loss on disposal of property, plant, and equipment	(956,466)	—	(956,466)
Loss on interest rate swaps (note 8)	(1,853,835)	—	(1,853,835)
Net assets released from restrictions	39,459,822	(39,459,822)	—
	105,827,633	(8,737,826)	97,089,807
Expenses (note 11):			
Program expenses:			
Program services	81,744,649	—	81,744,649
Real estate	21,540,276	—	21,540,276
Fundraising	8,096,609	—	8,096,609
Total program expenses	111,381,534	—	111,381,534
Business office administration	4,584,950	—	4,584,950
Total expenses	115,966,484	—	115,966,484
Total change in net assets	(10,138,851)	(8,737,826)	(18,876,677)
Net assets at beginning of year	318,001,332	744,846,344	1,062,847,676
Net assets at end of year	\$ 307,862,481	736,108,518	1,043,970,999

See accompanying notes to consolidated financial statements.

**UNIVERSITY AT BUFFALO FOUNDATION, INC.
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Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 297,257,815	(18,876,677)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	6,581,092	6,968,951
Amortization	(176,427)	(327,704)
Net realized and unrealized gains on investments	(297,923,722)	(9,076,665)
Change in value of split interest arrangements	(2,713,242)	1,649,538
(Gain)/loss on interest rate swaps	(2,002,206)	1,853,835
Loss on disposal of property, plant and equipment and write down	607,010	956,466
Gifts of fine art	(1,557,700)	(710,320)
Contributions and other revenues restricted for long-term purposes	(7,538,151)	(10,305,758)
Receipt of funds held in custody for others	8,478,655	6,714,897
Disbursements of funds held in custody for others	(5,302,706)	(6,381,772)
Changes in operating assets and liabilities:		
Contribution receivables	(1,052,874)	9,632,675
Accounts receivable, net	(93,217)	(441,361)
Other assets	509,896	474,140
Accounts payable	(4,272,117)	(3,913,704)
Accrued liabilities	877,539	716,345
Right-of-use liability	(143,584)	—
Net cash used in operating activities	(8,463,939)	(21,067,114)
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	—	1,100
Purchase of property, plant and equipment and fine arts	(7,249,227)	(6,370,319)
Proceeds from sale of investments	1,285,548,037	875,800,544
Purchase of investments	(1,272,401,884)	(848,684,715)
Net cash provided by investing activities	5,896,926	20,746,610
Cash flow from financing activities:		
Repayments of long term debt	(4,319,106)	(4,144,117)
Repayments of demand note payable	(833,249)	(1,888,093)
Investments subject to annuity agreements	2,687,944	1,079,483
Payments and maturities of annuity obligations	(1,070,512)	(776,398)
Collections of contributions restricted for long-term purposes	6,101,936	6,049,629
Net cash provided by financing activities	2,567,013	320,504
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	\$ 4,151,429	4,446,623
Noncash investing activities:		
Gifts of fine art	1,557,700	710,320
Property, plant, and equipment acquired by assuming liabilities	691,285	199,234

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

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(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

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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.

(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.

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 restricted items in this net asset category include split interest agreements for which the ultimate purpose of the proceeds has perpetual donor restrictions. Expiration of restrictions on net assets with donor restrictions are reported as net assets released from 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.

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(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, 2021 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. Conditional promises to give, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments), are not recognized until they become unconditional. 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

The Foundation generally considers short-term, highly liquid financial instruments to be cash equivalents. Cash equivalents consist of money market funds with an initial maturity of 90 days or less, except those included in investments. Temporary cash and money market accounts held in the investment portfolio, before making targeted investments or reinvestments, are considered a

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component of the Foundation's overall investment strategy and are included in investments on the consolidated statement of financial position.

(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 (NAV) 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) Right of Use Assets and Liabilities

The Foundation determines if an arrangement is a lease at inception. The Foundation has both leases under which it is obligated as a lessee and leases for which it is a lessor. Operating leases in which the Foundation is a lessee are included in right-of-use (ROU) assets and right-of-use liabilities on the consolidated statements of financial position. Right-of-use assets represent the Foundation's right to use an underlying asset for the lease term. Right-of-use liabilities represent the Foundation's contractual obligation to make payments arising from the lease. These assets and liabilities are initially recognized based on the present value of the future minimum lease payments over the lease term at commencement date discounted using an appropriate risk-free borrowing rate. The value of an option to extend or terminate a lease is reflected to the extent the Foundation is reasonably certain the Foundation will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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(j) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is recorded using the straight-line method over estimated useful lives of 20 to 35 years for real property and 5 to 13 years for furniture, fixtures and equipment.

The Foundation reports gifts of property, plant, and equipment as without donor restriction unless an explicit donor stipulation 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.

(k) Fine Art Collection

Fine art has been capitalized from inception at fair value at the date of donation. Fair value is generally determined by appraisal or a written opinion of value from an expert in the field. If fine art items are sold above or below the recorded amount, a gain or loss will be recognized. No fine arts were deaccessioned during the current fiscal year. If such disposition occurs a decision as to use of proceeds will be determined at the time of deaccessioning in accordance with donor restrictions. The fine art collection is not depreciated.

(l) Debt Issuance Costs

Debt issuance costs in connection with issuances of long-term debt are capitalized and are amortized using the effective interest method over the life of the related debt obligation and are presented as a deduction of long-term debt.

(m) 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. Generally, contribution revenues are recognized on the dates of donation to the annuities or trusts and are established after recording liabilities for the present value of the estimated future payments to be made to the third-party beneficiaries. The discount rate utilized was 1.2% and 0.6% at June 30, 2021 and 2020, 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.

(n) Derivatives

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

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

(o) 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.

(p) 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.

(q) 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.

(r) Recently Adopted Accounting Pronouncements

The FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* that requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a right-of-use liability for lease payments on the statement of financial position. On July 1, 2020, the Foundation adopted Topic 842 by applying the guidance at adoption date. As permitted by the ASU, for leases with a term of twelve months or less as a lessee, the Foundation has elected not to recognize lease assets and liabilities and account for the lease similar to existing guidance for operating leases. Additionally, the Foundation elected the package of practical expedients permitted under the transition guidance within Topic 842, which allowed the Foundation to carry forward its identification of contracts that are or contain leases. The Foundation's adoption of the ASU did not have a material impact on the Foundation's consolidated statements of position, activities or cash flows for the year ended June 30, 2021. In addition, the comparative information as of June 30, 2020, has not been adjusted.

(s) Reclassifications

Certain reclassifications were made to the 2020 consolidated financial statements to conform to the 2021 presentation.

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(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, 2021 and 2020, respectively:

	2021	2020
Total assets at year end	\$ 1,505,868,469	1,214,820,228
Less:		
Contributions due in more than one year	(30,341,932)	(32,182,399)
Donor-restricted endowment funds	(461,726,090)	(354,568,305)
Board-designated endowment funds	(518,797,954)	(396,439,850)
Property, plant and equipment	(102,482,588)	(101,899,198)
Fine art collection	(18,213,401)	(16,486,681)
Right-of-use assets	(1,256,753)	—
Other assets	(335,925)	(845,821)
Capital reserves	(11,490,383)	(11,132,711)
Pledged assets	(1,303,414)	(1,052,013)
Funds held for others	(16,966,165)	(13,790,216)
Annuity and life income obligations	(9,630,381)	(10,094,792)
Total financial assets available within one year	333,323,483	276,328,242
Liquidity resources:		
Unused bank lines of credit	18,113,295	17,280,046
Total financial assets and liquidity resources available within one year	\$ 351,436,778	293,608,288

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 \$25,000,000 line of credit of which \$18,113,295 and \$17,280,046 is available at June 30, 2021 and 2020, respectively.

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 \$539,670,211 and \$416,592,985 as of June 30, 2021 and 2020, 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.

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(3) Contributions Receivable

Contributions receivable, representing unconditional promises to give, as of June 30, 2021 and 2020, are summarized below:

	2021	2020
Unconditional promises expected to be collected in:		
Less than one year	\$ 15,474,698	11,367,306
One year to five years	27,621,762	28,602,525
Greater than five years	4,331,806	6,589,109
	47,428,266	46,558,940
Less:		
Discount	(969,673)	(1,321,217)
Allowance for uncollectible contributions receivable	(952,857)	(2,221,076)
	\$ 45,505,736	43,016,647

Discount rates utilized ranged from 0.07% to 2.73% based upon the rates reflected at the time of the gift.

As of June 30, 2021, UBF has also received bequest intentions and revocable trusts that management estimates will approximate \$127,000,000. These intentions and conditional promises to give are not recognized as assets in the accompanying consolidated financial statements. Amounts received under these conditional promises to give will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, and 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, 2021 and 2020, the five largest outstanding pledge balances represented 58.0% and 61.5%, respectively, of UBF's gross contribution receivable.

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(4) Investments

Investments at June 30, 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>Percentage</u>	<u>2020</u>	<u>Percentage</u>
Cash and cash equivalents	\$ 25,540,422	1.9%	10,629,128	1.0%
Investments receivable	1,647,222	0.1	32,571,701	3.1
Fixed income securities	150,419,912	11.3	137,607,085	13.1
Equity securities	541,652,481	40.7	417,000,510	39.8
Alternative investments:				
Real assets	129,372,247	9.7	106,173,791	10.1
Private equity	316,545,733	23.7	198,463,841	18.9
Private debt	23,012,397	1.7	10,545,251	1.0
Hedge funds	145,157,581	10.9	133,680,142	12.8
Other	487,402	0.0	1,754,980	0.2
	<u>\$ 1,333,835,397</u>	<u>100.0%</u>	<u>1,048,426,429</u>	<u>100.0%</u>

Investments held under split interest agreements, included above, were \$15,029,614 and \$13,219,007 at June 30, 2021 and 2020, respectively.

Included in investments presented in the statement of financial position as of June 30, 2021 and 2020, respectively, is \$2,252,481 and \$2,684,614 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 \$1,303,000 at June 30, 2021 and \$1,052,000 at June 30, 2020. Also, the South Lake Village swap agreement (see note 8) 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, 2021 and 2020, pledged assets were valued at approximately \$7,938,000 and \$7,945,000, respectively.

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(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 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.

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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, 2021 and 2020 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, 2021			Redemption/ liquidation	Days notice
	Level 1	Level 2	Total		
Financial assets:					
Cash and cash equivalents	\$ 25,540,422	—	25,540,422	Daily	One
Investments receivable	1,647,222	—	1,647,222	Quarterly	N/A
Fixed income securities:					
U.S. fixed income	148,019,166	312,725	148,331,891	Daily/monthly	One
Global fixed income	38,447	—	38,447	Daily	One
	148,057,613	312,725	148,370,338		
Domestic equity:					
U.S. large blend	7,295,786	—	7,295,786	Daily	One
U.S. large quality	306,302,435	—	306,302,435	Daily	One
U.S. mid/small	414,334	—	414,334	Daily	One
	314,012,555	—	314,012,555		
International equity:					
International large	90,067,174	—	90,067,174	Daily	One
International emerging	74,555,980	—	74,555,980	Daily	One
	164,623,154	—	164,623,154		
Real assets:					
Natural resources	961,572	—	961,572	Daily/quarterly	One/N/A
Other	164,167	323,235	487,402	Daily/illiquid	One/N/A
	655,006,705	635,960	655,642,665		
Investments measured at net asset value:					
International equity:					
International large			63,016,772	Monthly	Six
Growth fixed income:					
Insurance Linked Strategies			2,049,574	Quarterly	90
Real assets:					
Global energy			29,548,350	Illiquid	N/A
Infrastructure			27,780,934	Quarterly/illiquid	90/N/A
Natural resources			1,025,071	Daily/illiquid	One/N/A
Real estate – debt			12,555,653	Illiquid	N/A
Real estate – equity			57,500,667	Quarterly/liquid	15/N/A
			128,410,675		

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June 30, 2021					
	Level 1	Level 2	Total	Redemption/ liquidation	Days notice
Private equity:					
Buyout	\$		176,224,732	Illiquid	N/A
Fund of funds			21,550,532	Illiquid	N/A
Special situations			21,383,885	Illiquid	N/A
Venture capital			<u>97,386,584</u>	Illiquid	N/A
			<u>316,545,733</u>		
Private debt:					
Tactical Opportunities			12,710,494	Semi-Annual	90
Opportunistic debt			5,400,312		
Opportunistic credit			<u>4,901,591</u>		
			<u>23,012,397</u>		
Hedge funds:					
Multi-strategy			41,741,314	Quarterly/annual/bi-annual	45/60/65/90
Long/short credit			56,424,429	Monthly/quarterly/semi/bi-annual	45/65/90
Long/short equity			31,098,418	Monthly/quarterly/semi-annual	45/60/180
Technology			10,707,404	Tri-Annually	90
Global macro			<u>5,186,016</u>	Quarterly	90
			<u>145,157,581</u>		
Total investments		\$	<u><u>1,333,835,397</u></u>		
Financial liabilities:					
Interest rate swaps	—	6,087,437	6,087,437		

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	June 30, 2020				
	Level 1	Level 2	Total	Redemption/ liquidation	Days notice
Financial assets:					
Cash and cash equivalents	\$ 10,629,128	—	10,629,128	Daily	One
Investments receivable	32,571,701	—	32,571,701	Quarterly	N/A
Fixed income securities:					
U.S. fixed income	135,044,447	322,505	135,366,952	Daily/monthly	One
Global fixed income	31,890	—	31,890	Daily	One
U.S. inflation protected	—	—	—	Daily	One
	135,076,337	322,505	135,398,842		
Domestic equity:					
U.S. large blend	5,963,485	—	5,963,485	Daily	One
U.S. large quality	215,637,155	—	215,637,155	Daily	One
U.S. mid/small	334,027	—	334,027	Daily	One
	221,934,667	—	221,934,667		
International equity:					
International large	89,975,665	—	89,975,665	Daily	One
International emerging	58,074,698	—	58,074,698	Daily	One
	148,050,363	—	148,050,363		
Real assets:					
Natural resources	421,457	—	421,457	Daily/quarterly	One/N/A
Other	179,561	1,575,419	1,754,980	Daily/illiquid	One/N/A
	548,863,214	1,897,924	550,761,138		
Investments measured at net asset value:					
International equity:					
International large			47,015,480	Monthly	Six
Global Opportunity			—	Monthly/quarterly/tri-annual	25/45/65/180
			47,015,480		
Growth fixed income:					
Insurance Linked Strategies			2,208,243	Quarterly	90
Real assets:					
Global energy			21,745,636	Illiquid	N/A
Infrastructure			24,166,566	Quarterly/illiquid	90/N/A
Natural resources			976,842	Daily/illiquid	One/N/A
Real estate – debt			8,793,542	Illiquid	N/A
Real estate – equity			50,069,748	Quarterly/liquid	15/N/A
			105,752,334		

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	June 30, 2020			Redemption/ liquidation	Days notice
	Level 1	Level 2	Total		
Private equity:					
Buyout	\$		112,298,510	Illiquid	N/A
Fund of funds			17,289,687	Illiquid	N/A
Special situations			19,459,244	Illiquid	N/A
Venture capital			49,416,400	Illiquid	N/A
			<u>198,463,841</u>		
Private debt:					
Tactical Opportunities			10,545,251	Semi-Annual	90
Hedge funds:					
Multi-strategy			43,260,684	Quarterly/annual/bi-annual	45/60/65/90
Long/short credit			49,322,321	Monthly/quarterly/semi/bi-annual	45/65/90
Long/short equity			22,438,544	Monthly/quarterly/semi-annual	45/60/180
Technology			14,846,525	Tri-Annually	90
Global macro			3,812,068	Quarterly	90
			<u>133,680,142</u>		
Total investments		\$	<u>1,048,426,429</u>		
Financial liabilities:					
Interest rate swaps	—	8,089,643	8,089,643		

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, 2021 and 2020.

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.

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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, 2021 and 2020, 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, 2021, the Foundation has committed to incrementally invest approximately \$40,445,000 in such investments. The remaining lives of the Foundation's investments in illiquid real asset partnerships range from one to thirteen years at June 30, 2021.
- Investments in private equity, private debt 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 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, 2021, the Foundation has committed to incrementally invest approximately \$144,100,000 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, 2021.

Investments in private debt are generally made through limited partnerships. The Foundation is currently invested in four private debt partnerships. For one of the partnerships, the partners' capital for this limited partnership is calculated by the administrator on the last business day of each calendar month. The partners' capital may also be calculated on a more frequent basis as required. The fund allows for semi-annual redemption with 90 days' notice. At June 30, 2021, the Foundation has fulfilled its commitment to such investment. The other three 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, 2021, the Foundation has committed to incrementally invest approximately

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\$21,500,000 in such investments. The remaining lives of the Foundation's investments in these particular private debt partnerships range from four to seven years at June 30, 2021.

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, 2021 and 2020, 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, 2021 and 2020, no redemption gates or suspension provisions have been imposed on the Foundation's investments in hedge funds.

Liquidity

The following presents the fair value of the Foundation's investments as of June 30, 2021 and 2020 by redemption period.

	<u>2021</u>	<u>2020</u>
Daily	\$ 654,155,476	516,949,096
Monthly	63,016,772	61,388,936
Quarterly	106,514,384	109,481,918
Semi-annual	30,118,937	24,292,061
Annual	22,862,164	44,000
Bi-annual	18,896,879	26,971,534
Tri-annual	11,239,978	31,736,912
Illiquid	<u>427,030,807</u>	<u>277,561,972</u>
	<u>\$ 1,333,835,397</u>	<u>1,048,426,429</u>

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.

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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.

In September 2021, the Foundation executed purchase and sale agreements to sell limited partnership holdings valued at approximately \$134,200,000 as of June 30, 2021. Prior to closing, net cash flows received as a result of capital calls paid to and distributions received from these holdings from July 1, 2021 through the date of sale, were approximately \$9,200,000. As a result of the liquidations, the Foundation received net proceeds of approximately \$94,800,000. Proceeds from all transactions will be invested in comparable asset classes. Existing unfunded capital commitments for these investments of approximately \$56,800,000 outstanding as of the date of sale are no longer due. In addition, as of October 27, 2021, certain other similar holdings in the private investment portfolio were pending sale in a secondary market.

(6) Leases

The Foundation is the lessee on several operating leases primarily for real estate and office space through fiscal 2037. Lease cost recorded under all operating leases was \$514,911 in 2021.

Maturities of lease liabilities as of June 30, 2021 are as follows:

Year ending June 30		
2022	\$	164,060
2023		164,060
2024		164,060
2025		51,903
2026		51,903
Thereafter		<u>743,779</u>
Total undiscounted lease payments (weighted average term 15.6 years)		1,339,765
Less impact of present value discount (weighted average discount rate 0.82%)		<u>(102,989)</u>
Total right of use liability	\$	<u><u>1,236,776</u></u>

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities was \$164,040 in 2021.

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The Foundation leases to others approximately 94.3% of the carrying value of its property, plant and equipment through several real estate operating leases. These leases are generally twelve months or less. Revenue earned under these leases was \$20,284,682 in 2021. Future minimum rental revenues due under these leases as of June 30, 2021 are as follows:

Year ending June 30		
2022	\$	192,538
2023		169,310
2024		11,811
2025		11,811
2026		11,811
Thereafter		<u>129,920</u>
Total	\$	<u><u>527,201</u></u>

(7) Property, Plant, and Equipment

Property, plant, and equipment at June 30, 2021 and 2020 is comprised of the following:

	<u>2021</u>	<u>2020</u>
Real property, principally rental property	\$ 181,668,794	180,434,908
Furniture, fixtures and equipment	17,773,575	17,240,539
Less accumulated depreciation	<u>(102,920,409)</u>	<u>(98,010,073)</u>
	96,521,960	99,665,374
Work in process	<u>5,960,628</u>	<u>2,233,824</u>
	<u><u>\$ 102,482,588</u></u>	<u><u>101,899,198</u></u>

At June 30, 2021 and 2020, the Foundation held replacement reserve funds for the purposes of capital replacement for the student housing complexes owned and operated by UBFFSH of \$4,180,987 and \$3,007,235, respectively. The reserve funds are included in investments in the consolidated statements of financial position.

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(8) Debt Financing

A summary of long-term debt at June 30, 2021 and 2020 follows:

	2021	2020
Village of Kenmore Housing Authority bonds payable in monthly installments of \$47,516 through 2028 including interest at 4.95%. Outstanding principal is \$3,190,642 and \$3,589,748 at June 30, 2021 and 2020, respectively, net of unamortized debt issuance costs of \$99,657 in 2021 and \$112,944 in 2020. (Flickinger Bonds)	\$ 3,090,985	3,476,804
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 \$18,075,000 and \$18,825,000 at June 30, 2021 and 2020, respectively, net of unamortized debt issuance costs of \$555,971 in 2021 and \$594,095 in 2020. (South Lake Village Replacement Bonds)	17,519,029	18,230,905
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 \$25,430,000 and \$26,295,000 at June 30, 2021 and 2020, respectively, net of unamortized debt issuance costs of \$678,006 in 2021 and \$711,080 in 2020. (Flint Village and Creekside Village Refunding Bonds)	24,751,994	25,583,920
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 \$58,420,000 and \$60,725,000 at June 30, 2021 and 2020, respectively, net of unamortized debt issuance costs of \$1,393,161 and \$1,470,807 in 2021 and 2020, respectively, and inclusive of unamortized premium of \$4,199,207 and \$4,661,372 in 2021 and 2020, respectively. (Greiner Hall and Hadley Village Refunding Bonds)	61,226,046	63,915,565
	\$ 106,588,054	111,207,194

Interest expense was \$4,113,662 and \$4,416,006 in 2021 and 2020, 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.

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The Flickinger 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 \$11,490,383 and \$11,132,711 at June 30, 2021 and 2020, 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. The year ended June 30, 2020 represented the third consecutive year of attaining 1.35 debt service coverage.

In August 2010, UBFA obtained a \$25,000,000 operating line of credit. The outstanding balance amounted to \$6,886,705 and \$7,719,954 at June 30, 2021 and June 30, 2020, respectively, and was used to acquire an interest in a downtown area parking garage and to assist with construction of the athletics field house. Borrowings under the line of credit are payable on demand and bear interest at 1.75% at June 30, 2021 and 2020, 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 \$5,795,703 and \$7,496,851 at June 30, 2021 and 2020, respectively.

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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, 2021 and 2020, 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 \$291,734 and \$592,792 at June 30, 2021 and 2020, 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%.

Aggregate annual maturities of long-term debt at June 30, 2021 are as follows:

2022	\$	4,534,603
2023		4,746,152
2024		4,978,528
2025		5,222,615
2026		4,057,659
Thereafter		<u>81,576,085</u>
Aggregate annual maturities		105,115,642
Less: Unamortized debt issuance costs		(2,726,795)
Plus: Unamortized bond premium		<u>4,199,207</u>
	\$	<u><u>106,588,054</u></u>

(9) Endowment Net Assets

At June 30, 2021 and 2020, UBF's endowment consists of 1,437 and 1,372 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, 2021, no funds were "underwater". At June 30, 2020, 39 funds with an original gift value of \$4,208,401 were "underwater" by approximately \$67,000. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted contributions.

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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, 2021 and 2020:

	2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift	Accumulated Gains	
Donor-restricted endowment funds	\$ —	218,849,401	261,533,047	480,382,448
Board-designated endowment funds	194,994,632	122,481,757	222,193,822	539,670,211
Total endowment net assets	<u>\$ 194,994,632</u>	<u>341,331,158</u>	<u>483,726,869</u>	<u>1,020,052,659</u>

	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift	Accumulated Gains	
Donor-restricted endowment funds	\$ —	207,822,011	164,494,967	372,316,978
Board-designated endowment funds	150,922,715	109,012,501	156,657,769	416,592,985
Total endowment net assets	<u>\$ 150,922,715</u>	<u>316,834,512</u>	<u>321,152,736</u>	<u>788,909,963</u>

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, 2021 and 2020 are as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 150,922,715	637,987,248	788,909,963
Investment return, net	50,982,134	192,444,536	243,426,670
Contributions	101,872	13,910,993	14,012,865
Appropriation of endowment assets for expenditure	(8,337,007)	(29,564,801)	(37,901,808)
Other additions	1,324,918	10,280,051	11,604,969
Endowment net assets, end of year	<u>\$ 194,994,632</u>	<u>825,058,027</u>	<u>1,020,052,659</u>

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	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 150,393,837	647,500,852	797,894,689
Investment return, net	1,549,241	8,158,505	9,707,746
Contributions	210,331	10,556,745	10,767,076
Appropriation of endowment assets for expenditure	(5,441,669)	(28,314,016)	(33,755,685)
Other additions	4,210,975	85,162	4,296,137
Endowment net assets, end of year	<u>\$ 150,922,715</u>	<u>637,987,248</u>	<u>788,909,963</u>

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

(10) 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.

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Net assets with donor restrictions comprised the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Amounts with time or purpose restrictions:		
Student financial aid	\$ 16,309,992	13,608,098
Chairs and professorships	16,931,518	12,793,267
Capital and capital improvements	39,422,164	38,966,740
Research	32,399,283	32,265,047
Lectures	2,887,362	1,231,708
Libraries	937,358	747,189
Specified University support	<u>100,469,412</u>	<u>90,808,703</u>
	<u>209,357,089</u>	<u>190,420,752</u>
Endowment returns subject to future appropriation:		
Student financial aid	83,793,760	50,606,999
Chairs and professorships	64,445,013	42,518,106
Capital and capital improvements	1,444,846	1,161,821
Research	113,459,483	84,857,132
Lectures	7,073,808	4,022,341
Libraries	4,464,432	3,076,453
Specified University support	<u>209,045,527</u>	<u>134,909,884</u>
	<u>483,726,869</u>	<u>321,152,736</u>
Amounts with perpetual restrictions:		
Student financial aid	89,816,312	84,643,637
Chairs and professorships	39,411,797	34,845,281
Capital and capital improvements	1,430	1,430
Research	9,523,065	9,518,358
Lectures	4,627,745	4,525,949
Libraries	2,826,167	2,766,735
Specified University support	<u>87,256,560</u>	<u>84,794,006</u>
Total net assets with perpetual restrictions	<u>233,463,076</u>	<u>221,095,396</u>
Remainder interest in trusts	<u>5,722,468</u>	<u>3,439,634</u>
Total net assets with donor restrictions	<u>\$ 932,269,502</u>	<u>736,108,518</u>

Included in specified University support with perpetual restrictions is contributions receivable of \$14,613,731 and \$13,723,441 at June 30, 2021 and 2020, respectively.

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Net assets without donor restrictions comprised the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Board designated endowment	\$ 194,994,631	150,922,715
Academic unit resources	31,781,397	38,749,589
Academic support resources	28,097,582	30,626,486
Athletics	1,902,630	1,424,606
Property operations and reserves	23,581,361	20,820,825
Capital assets	18,697,273	16,995,617
Strategic reserves	109,904,438	48,322,643
	<u>\$ 408,959,312</u>	<u>307,862,481</u>

(11) 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, 2021 consist of the following:

	<u>Program Services</u>	<u>Real Estate</u>	<u>Fundraising</u>	<u>Business Office Administration</u>	<u>Total</u>
Salary and fringe:					
Paid to individuals	\$ 26,821,285	89,286	6,338,299	3,312,748	36,561,618
Reimbursed to University	6,566,260	4,990,235	—	—	11,556,495
Reimbursed to University related entities	1,936,260	—	—	—	1,936,260
Scholarships and awards	23,459,015	—	—	—	23,459,015
Contractual services	14,103,770	417,328	1,070,042	865,968	16,457,108
Rent and occupancy	699,057	3,255,084	3,009	233,857	4,191,007
Travel and meetings	1,467,118	2,286	69,596	5,175	1,544,175
Supplies	7,397,651	90,410	720,907	119,672	8,328,640
Grants in support of University mission	2,565,052	—	—	—	2,565,052
Interest	5,506	4,107,475	—	681	4,113,662
Depreciation/amortization	—	6,592,542	—	150,681	6,743,223
Other	1,469,439	958,960	27,270	43,323	2,498,992
Total	<u>\$ 86,490,413</u>	<u>20,503,606</u>	<u>8,229,123</u>	<u>4,732,105</u>	<u>119,955,247</u>

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Expenses by functional classification for the year ended June 30, 2020 consist of the following:

	<u>Program Services</u>	<u>Real Estate</u>	<u>Fundraising</u>	<u>Business Office Administration</u>	<u>Total</u>
Salary and fringe:					
Paid to individuals	\$ 25,338,814	75,302	5,901,701	3,218,385	34,534,202
Reimbursed to University	6,219,715	5,156,945	—	—	11,376,660
Reimbursed to University related entities	1,316,585	—	—	—	1,316,585
Scholarships and awards	20,237,565	—	—	—	20,237,565
Contractual services	11,947,659	263,508	956,545	806,655	13,974,367
Rent and occupancy	1,028,193	4,021,655	831	228,966	5,279,645
Travel and meetings	6,291,667	3,759	660,009	21,211	6,976,646
Supplies	5,001,594	73,009	558,319	85,674	5,718,596
Grants in support of University mission	3,072,159	—	—	—	3,072,159
Interest	36,966	4,379,039	—	—	4,416,005
Depreciation/amortization	—	6,966,823	—	187,192	7,154,015
Other	1,253,732	600,236	19,204	36,867	1,910,039
Total	<u>\$ 81,744,649</u>	<u>21,540,276</u>	<u>8,096,609</u>	<u>4,584,950</u>	<u>115,966,484</u>

(12) 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, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Sponsored programs	\$ 599,430	807,804
Other SUNY campuses	11,465,648	9,103,588
University affiliated campuses	2,627,933	2,134,527
Tenant security deposits	16,000	17,644
Other charities and University related programs	2,257,154	1,726,653
	<u>\$ 16,966,165</u>	<u>13,790,216</u>

(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 \$2,058,128 and \$2,053,647 in 2021 and 2020, respectively.

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(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, 2021 or 2020. UBF, UBF Corp and UBFA have generated unrelated business income for the year ended June 30, 2021, 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 \$73,913 and \$106,547 in 2021 and 2020, 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 \$12,065,078 and \$9,911,392 at June 30, 2021 and 2020, respectively.

(16) COVID-19

In March 2020, the World Health Organization designated COVID-19 as a global pandemic. The impact of the COVID-19 outbreak has been far reaching and affected operations and the financial conditions across a range of industries, including higher education and affiliated organizations. As of the date of these financial statements, there have not been any significant changes to the Foundation's operations or financial condition. The extent of the impact of COVID-19 on the Foundation's operations and financial performance will depend on certain developments, including but not limited to the duration and spread of the outbreak, investment market volatility, and the possible impact on our employees and donors as well as the students, alumni, faculty of the University community, all of which is uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Foundation's financial condition or results of operations is uncertain.

(17) Subsequent Events

The Foundation has evaluated subsequent events from the balance sheet date through October 27, 2021, the date that the consolidated financial statements were issued.