



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

Consolidated Financial Statements

June 30, 2022 and 2021

(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.:

Opinion

We have audited the consolidated financial statements of University at Buffalo Foundation, Inc. and its affiliates (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2022 and June 30, 2021, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and June 30, 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

October 21, 2022
Rochester, New York

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

Consolidated Statements of Financial Position

June 30, 2022 and 2021

Assets	2022	2021
Accounts receivable, net of allowance for uncollectible accounts of \$2,028,600 in 2022 and \$1,705,000 in 2021	\$ 1,717,568	4,238,669
Contributions receivable, net (note 3)	45,321,241	45,505,736
Investments (notes 4 and 5)	1,174,053,234	1,333,835,397
Right-of-use asset	1,102,215	1,256,753
Property, plant, and equipment, net (note 7)	100,919,065	102,482,588
Fine art collection	18,869,245	18,213,401
Other assets	382,247	335,925
Total assets	<u>\$ 1,342,364,815</u>	<u>1,505,868,469</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 7,692,421	6,829,406
Accrued interest expense	1,038,768	839,299
Other accrued liabilities	7,785,205	9,575,432
Fair value of interest rate swaps (notes 5 and 8)	3,442,201	6,087,437
Right-of-use liability (note 6)	1,072,715	1,236,776
Demand note payable (note 8)	6,193,665	6,886,705
Long-term debt, net (note 8)	102,824,905	106,588,054
Funds held in custody for others (notes 12 and 16)	5,007,661	16,966,165
Annuity and life income obligations	8,397,410	9,630,381
Total liabilities	<u>143,454,951</u>	<u>164,639,655</u>
Net assets (notes 9 and 10):		
Without donor restrictions	355,646,690	408,959,312
With donor restrictions:		
Time or purpose	214,583,544	209,357,089
Endowment returns subject to future appropriation	380,265,951	483,726,869
Perpetual	243,684,123	233,463,076
Split interest	4,729,556	5,722,468
Total with donor restrictions	<u>843,263,174</u>	<u>932,269,502</u>
Total net assets	<u>1,198,909,864</u>	<u>1,341,228,814</u>
Total liabilities and net assets	<u>\$ 1,342,364,815</u>	<u>1,505,868,469</u>

See accompanying notes to consolidated financial statements.

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

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions of cash and other financial assets	\$ 1,062,334	29,979,464	31,041,798
Contributions of nonfinancial assets	1,560,248	—	1,560,248
Investment return, net	(45,758,756)	(70,786,680)	(116,545,436)
Rental (note 6)	25,996,150	—	25,996,150
Uniform Data System for Medical Rehabilitation	7,122,679	—	7,122,679
Other support and gains (losses):			
Faculty practice	12,618,016	—	12,618,016
Continuing education	2,826,578	—	2,826,578
Student health insurance	6,103,275	—	6,103,275
Dental student training programs	3,889,508	—	3,889,508
Center for the Arts	780,650	—	780,650
Student orientation	941,790	—	941,790
Other activities and services	3,656,684	—	3,656,684
Change in value of split interest agreements	—	(1,349,016)	(1,349,016)
Gain on interest rate swaps (note 8)	2,645,235	—	2,645,235
Net assets released from restrictions	46,850,096	(46,850,096)	—
Total revenues, gains and other support, net	70,294,487	(89,006,328)	(18,711,841)
Expenses (note 11):			
Program expenses:			
Program services	85,092,821	—	85,092,821
Real estate	21,657,374	—	21,657,374
Fundraising	9,454,889	—	9,454,889
Total program expenses	116,205,084	—	116,205,084
Business office administration	4,933,721	—	4,933,721
Total expenses	121,138,805	—	121,138,805
Other losses			
Loss on disposal of property, plant, and equipment	1,662,553	—	1,662,553
Loss on refinancing of debt	805,751	—	805,751
Total other losses	2,468,304	—	2,468,304
Total change in net assets	(53,312,622)	(89,006,328)	(142,318,950)
Net assets at beginning of year	408,959,312	932,269,502	1,341,228,814
Net assets at end of year	\$ 355,646,690	843,263,174	1,198,909,864

See accompanying notes to consolidated financial statements.

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

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions of cash and other financial assets	\$ 698,881	30,431,374	31,130,255
Contributions of nonfinancial assets	2,509,822	—	2,509,822
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
Gain on interest rate swaps (note 8)	2,002,206	—	2,002,206
Net assets released from restrictions	30,247,384	(30,247,384)	—
Total revenues, gains and other support, net	221,659,088	196,160,984	417,820,072
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
Other losses:			
Loss on disposal of property, plant, and equipment	607,010	—	607,010
Total other losses	607,010	—	607,010
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 Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (142,318,950)	297,257,815
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	6,461,630	6,581,092
Lease and debt related amortization	(350,574)	(176,427)
Net realized and unrealized losses (gains) on investments	152,595,888	(297,923,722)
Change in value of split interest arrangements	1,349,016	(2,713,242)
Gain on interest rate swaps	(2,645,236)	(2,002,206)
Loss on refinancing of debt	805,751	—
Loss on disposal of property, plant and equipment and write down	1,662,553	607,010
Gifts of fine art	(555,829)	(1,557,700)
Contributions and other revenues restricted for long-term purposes	(11,189,359)	(7,538,151)
Receipt of funds held in custody for others	10,450,748	8,478,655
Disbursements of funds held in custody for others	(22,409,252)	(5,302,706)
Changes in operating assets and liabilities:		
Contribution receivables	2,672,023	(1,052,874)
Accounts receivable, net	2,521,101	(93,217)
Other assets	(46,322)	509,896
Accounts payable	470,298	(4,272,117)
Accrued liabilities	(1,590,758)	877,539
Right-of-use liability	(164,061)	(143,584)
Net cash used in operating activities	(2,281,333)	(8,463,939)
Cash flows from investing activities:		
Purchase of property, plant and equipment and fine arts	(6,267,958)	(7,249,227)
Proceeds from sale of investments	1,300,004,042	1,285,548,037
Purchase of investments	(1,293,137,767)	(1,272,401,884)
Net cash provided by investing activities	598,317	5,896,926
Cash flow from financing activities:		
Proceeds from long term debt	25,897,936	—
Refunding of long term debt	(25,430,000)	—
Principal payments of long term debt	(3,776,129)	(4,319,106)
Repayments of demand note payable	(693,040)	(833,249)
Investments subject to annuity agreements	(1,400,916)	2,687,944
Payments and maturities of annuity obligations	(861,069)	(1,070,512)
Collections of contributions restricted for long-term purposes	8,701,831	6,101,936
Payments of long-term debt issuance costs	(755,597)	—
Net cash provided by financing activities	1,683,016	2,567,013
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	\$ 3,667,101	4,151,429
Noncash investing activities:		
Gifts of fine art	555,829	1,557,700
Property, plant, and equipment acquired by assuming liabilities	392,717	691,285

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 fundraising 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, to the extent there is such activity.

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) – Owns and provides administrative support to a subsidiary 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.

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(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.

(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

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endowment expenditure, subject to donor-imposed restrictions expressed in the gift instrument. However, it establishes a rebuttable presumption of imprudence if such expenditure in any year is greater than 7% of the five year average fair market value of an endowment fund.

(e) Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment and certain 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, 2022 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.

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(g) Contributed Assets and Services

Donations of securities, land, buildings, and other non-monetary assets, which can be objectively measured, are recorded at fair value on the date of contribution. Assets that cannot be objectively measured are not included in the accompanying financial statements. Donated services of volunteers are not recorded in the accompanying financial statements since they do not meet the recognition criteria.

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

(i) 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.

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(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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

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made to the third-party beneficiaries. The discount rate utilized was 3.6% and 1.2% at June 30, 2022 and 2021, 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.

(o) 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.

(p) 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.

(q) Uniform Data System for Medical Rehabilitation

UBFA's subsidiary Uniform Data System for Medical Rehabilitation, LLC (UDSmr, LLC) 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. UDSmr, LLC was sold as of March 2, 2022, and certain amounts of its assets and liabilities were transferred. No material gain or loss was recognized on the sale of UDSmr, LLC.

(r) 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.

(s) Recently Adopted Accounting Pronouncements

The FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The guidance requires that a Not-for-Profit (NFP) 1) Presents contributed nonfinancial assets as a separate line item in the statement of activities

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apart from contributions of cash and other assets and 2) discloses a disaggregation of the contributed nonfinancial assets by category with qualitative information about a) whether the contributed nonfinancial assets were monetized or utilized during the reporting period; b) the NFP's policy regarding monetization or utilization; c) a description of any donor-imposed restrictions; d) a description of valuation techniques and inputs used to arrive at fair value; and e) the principal market used to arrive at fair value if it is a market in which the NFP is prohibited by a donor imposed restriction from selling or using the contributed nonfinancial assets. On July 1, 2021, the Foundation adopted ASU 2020-07 by applying the guidance at adoption date retrospectively. 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 years ended June 30, 2022 and 2021, respectively.

(t) Reclassifications

Certain reclassifications were made to the 2021 consolidated financial statements to conform to the 2022 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, 2022 and 2021, respectively:

	2022	2021
Total assets at year end	\$ 1,342,364,815	1,505,868,469
Less:		
Contributions due in more than one year	(27,184,240)	(30,341,932)
Donor-restricted endowment funds	(412,125,512)	(461,726,090)
Board-designated endowment funds	(454,249,964)	(518,797,954)
Property, plant and equipment	(100,919,065)	(102,482,588)
Fine art collection	(18,869,245)	(18,213,401)
Right-of-use assets	(1,102,215)	(1,256,753)
Other assets	(382,247)	(335,925)
Capital reserves	(7,646,916)	(11,490,383)
Pledged assets	(1,254,000)	(1,303,414)
Funds held for others	(5,007,661)	(16,966,165)
Annuity and life income obligations	(8,397,410)	(9,630,381)
Total financial assets available within one year	305,226,340	333,323,483
Liquidity resources:		
Unused bank lines of credit	18,806,335	18,113,295
Total financial assets and liquidity resources available within one year	\$ 324,032,675	351,436,778

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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 \$18,806,335 and \$18,113,295 is available at June 30, 2022 and 2021, 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 \$476,152,248 and \$539,670,211 as of June 30, 2022 and 2021, 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, 2022 and 2021, are summarized below:

	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	\$ 18,433,510	15,474,698
One year to five years	26,151,995	27,621,762
Greater than five years	2,474,806	4,331,806
	47,060,311	47,428,266
Less:		
Discount	(982,087)	(969,673)
Allowance for uncollectible contributions receivable	(756,983)	(952,857)
	\$ 45,321,241	45,505,736

Discount rates utilized ranged from 0.18% to 3.01% based upon the rates reflected at the time of the gift.

As of June 30, 2022, UBF has also received bequest intentions and revocable trusts that management estimates will approximate \$150,400,000. 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, 2022 and 2021, the five largest outstanding pledge balances represented 62.6% and 58.0%, respectively, of UBF's gross contribution receivable.

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(4) Investments

Investments at June 30, 2022 and 2021 are comprised of the following:

	<u>2022</u>	<u>Percentage</u>	<u>2021</u>	<u>Percentage</u>
Cash and cash equivalents	\$ 32,359,309	2.8%	25,540,422	1.9%
Investments receivable	2,560,506	0.2%	1,647,222	0.1%
Fixed income securities	123,628,936	10.6%	148,370,338	11.1%
Equity securities	443,147,911	37.7%	478,635,709	36.0%
Alternative investments:				
International equity	76,940,490	6.6%	63,016,772	4.7%
Fixed income securities	351,273	0.0%	2,049,574	0.2%
Real assets	50,849,206	4.3%	129,372,247	9.7%
Private equity partnerships	218,697,552	18.6%	316,545,733	23.7%
Private debt	19,947,444	1.7%	23,012,397	1.7%
Hedge funds	205,041,853	17.5%	145,157,581	10.9%
Other	528,754	0.0%	487,402	0.0%
	<u>\$ 1,174,053,234</u>	<u>100.0%</u>	<u>1,333,835,397</u>	<u>100.0%</u>

The investment receivable represents cash to be released to UBF from managers where UBF has completed the redemption process and no longer holds any ownership in the fund.

Investments held under split interest agreements, included above, were \$12,766,712 and \$15,029,614 at June 30, 2022 and 2021, respectively.

Included in investments presented in the statement of financial position as of June 30, 2022 and 2021, respectively, is \$2,453,963 and \$2,252,481 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 \$1,254,000 at June 30, 2022 and \$1,303,000 at June 30, 2021. 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, 2022 and 2021, pledged assets were valued at approximately \$7,957,000 and \$7,938,000, 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, 2022 and 2021 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, 2022			Redemption/ liquidation	Days notice
	Level 1	Level 2	Total		
Financial assets:					
Cash and cash equivalents	\$ 32,359,309	—	32,359,309	Daily	One
Investments receivable	2,560,506	—	2,560,506	N/A	N/A
Fixed income securities:					
U.S. fixed income	123,336,875	274,379	123,611,254	Daily/monthly	One
Global fixed income	17,682	—	17,682	Daily	One
	<u>123,354,557</u>	<u>274,379</u>	<u>123,628,936</u>		
Domestic equity:					
U.S. large blend	3,307,424	—	3,307,424	Daily	One
U.S. large quality	292,670,107	—	292,670,107	Daily	One
U.S. mid/small	329,619	—	329,619	Daily	One
	<u>296,307,150</u>	<u>—</u>	<u>296,307,150</u>		
International equity:					
International large	133,099,070	—	133,099,070	Daily	One
International emerging	13,741,691	—	13,741,691	Daily	One
	<u>146,840,761</u>	<u>—</u>	<u>146,840,761</u>		
Other	168,500	360,254	528,754	Daily/illiquid	One/N/A
	<u>601,590,783</u>	<u>634,633</u>	<u>602,225,416</u>		
Investments measured at net asset value:					
International equity:					
International large			76,940,490	Monthly/Quarterly	6/30
Growth fixed income:					
Insurance Linked Strategies			351,273	Quarterly	90
Real assets:					
Global energy			26,874,569	Illiquid	N/A
Infrastructure			12,940,802	Quarterly/illiquid	90/N/A
Natural resources			1,047,932	Daily/illiquid	One/N/A
Real estate – debt			9,985,903	Illiquid	N/A
			<u>50,849,206</u>		

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	Level 1	Level 2	Total	Redemption/ liquidation	Days notice
Private equity:					
Buyout	\$		138,424,412	Illiquid	N/A
Fund of funds			310,924	Illiquid	N/A
Special situations			3,829,673	Illiquid	N/A
Venture capital			<u>76,132,543</u>	Illiquid	N/A
			<u>218,697,552</u>		
Private debt:					
Tactical Opportunities			12,547,184	Semi-Annual	90
Opportunistic debt			<u>7,400,260</u>	Illiquid	N/A
			<u>19,947,444</u>		
Hedge funds:					
Multi-strategy			74,283,941	Quarterly/annual/bi-annual	45/60/65/90
Long/short credit			69,084,826	Monthly/quarterly/semi/bi-annual	45/65/90
Long/short equity			53,529,852	Monthly/quarterly/semi-annual	45/60/180
Technology			7,801,550	Tri-Annually	90
Global macro			<u>341,684</u>	Quarterly	90
			<u>205,041,853</u>		
Total investments		\$	<u><u>1,174,053,234</u></u>		
Financial liabilities:					
Interest rate swaps	—	3,442,201	3,442,201		

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	June 30, 2021				
	Level 1	Level 2	Total	Redemption/ liquidation	Days notice
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
	<u>148,057,613</u>	<u>312,725</u>	<u>148,370,338</u>		
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
	<u>314,012,555</u>	<u>—</u>	<u>314,012,555</u>		
International equity:					
International large	90,067,174	—	90,067,174	Daily	One
International emerging	74,555,980	—	74,555,980	Daily	One
	<u>164,623,154</u>	<u>—</u>	<u>164,623,154</u>		
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
	<u>655,006,705</u>	<u>635,960</u>	<u>655,642,665</u>		
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
			<u>128,410,675</u>		

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	June 30, 2021			Redemption/ liquidation	Days notice
	Level 1	Level 2	Total		
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			97,386,584	Illiquid	N/A
			<u>316,545,733</u>		
Private debt:					
Tactical Opportunities			12,710,494	Semi-Annual	90
Opportunistic debt			5,400,312	Illiquid	N/A
Opportunistic credit			4,901,591	Illiquid	N/A
			<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			5,186,016	Quarterly	90
			<u>145,157,581</u>		
Total investments		\$	<u>1,333,835,397</u>		
Financial liabilities:					
Interest rate swaps	—	6,087,437	6,087,437		

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, 2022, and 2021.

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, 2022 and 2021, 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, 2022, the Foundation has committed to incrementally invest approximately \$8,000,000 in such investments. The remaining lives of the Foundation's investments in illiquid real asset partnerships range from one to twelve years at June 30, 2022.
- 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, 2022, the Foundation has committed to incrementally invest approximately \$237,000,000 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, 2022.

Investments in private debt are generally made through limited partnerships. The Foundation is currently invested in two 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. As of June 30, 2021, the Foundation has fulfilled its commitment to such investment. The other partnership has a limited existence and 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. This particular private debt fund generally does provide redemption options for investors and, subsequent to final closing, does not permit subscriptions by new or existing investors. At June 30, 2022, the Foundation has committed to incrementally invest

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approximately \$3,400,000 in such investments. The remaining life of the Foundation's investment in this particular private debt partnership is four years at June 30, 2022.

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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021 by redemption period.

	<u>2022</u>	<u>2021</u>
Daily	\$ 599,880,100	654,155,476
Monthly	110,046,076	63,016,772
Quarterly	132,567,293	106,514,384
Semi-annual	12,547,184	30,118,937
Annual	19,978,076	22,862,164
Bi-annual	11,114,380	18,896,879
Tri-annual	8,299,947	11,239,978
Illiquid	<u>279,620,178</u>	<u>427,030,807</u>
	<u>\$ 1,174,053,234</u>	<u>1,333,835,397</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 swap was 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 valuation of the swap, and has therefore determined the swap is most appropriately classified as Level 2.

(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 \$422,635 and \$514,911 in 2022 and 2021, respectively.

Maturities of lease liabilities as of June 30, 2022 are as follows:

Year ending June 30		
2023	\$	164,060
2024		164,060
2025		51,903
2026		51,903
2027		51,903
Thereafter		<u>691,876</u>
Total undiscounted lease payments (weighted average term 15.6 years)		1,175,705
Less impact of present value discount (weighted average discount rate 0.82%)		<u>(102,990)</u>
Total right of use liability	\$	<u><u>1,072,715</u></u>

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities was \$164,060 in 2022 and 2021.

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The Foundation leases to others approximately 95% 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 \$25,996,150 and \$20,284,682 in 2022 and 2021, respectively. Future minimum rental revenues due under these leases as of June 30, 2022 are as follows:

Year ending June 30		
2023	\$	56,165
2024		35,811
2025		35,811
2026		35,811
2027		29,811
Thereafter		<u>118,109</u>
Total	\$	<u><u>311,518</u></u>

(7) Property, Plant, and Equipment

Property, plant, and equipment at June 30, 2022 and 2021 is comprised of the following:

	<u>2022</u>	<u>2021</u>
Real property, principally rental property	\$ 186,898,967	181,668,794
Furniture, fixtures and equipment	18,100,201	17,773,575
Less accumulated depreciation	<u>(106,273,758)</u>	<u>(102,920,409)</u>
	98,725,410	96,521,960
Work in process	<u>2,193,655</u>	<u>5,960,628</u>
	<u><u>\$ 100,919,065</u></u>	<u><u>102,482,588</u></u>

At June 30, 2022 and 2021, the Foundation held replacement reserve funds for the purposes of capital replacement for the student housing complexes owned and operated by UBFFSH of \$3,959,565 and \$4,165,212, 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, 2022 and 2021 follows:

	2022	2021
Village of Kenmore Housing Authority bonds payable in monthly installments of \$47,516 through 2028 including interest at 4.95%. Outstanding principal is \$2,771,039 and \$3,190,642 at June 30, 2022 and 2021, respectively, net of unamortized debt issuance costs of \$86,370 in 2022 and \$99,657 in 2021. (Flickinger Bonds)	\$ 2,684,669	3,090,985
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 \$17,285,000 and \$18,075,000 at June 30, 2022 and 2021, respectively, net of unamortized debt issuance costs of \$517,847 in 2022 and \$555,971 in 2021. (South Lake Village Replacement Bonds)	16,767,153	17,519,029
Town of Amherst Development Corporation bonds payable in monthly principal installments that escalate through maturity in August 2042 plus variable rate interest. Outstanding principal was \$25,430,000 at June 30, 2021, net of unamortized debt issuance costs of \$678,006 in 2021. (Flint Village and Creekside Village Refunding Bonds)	—	24,751,994
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 \$55,995,000 and \$58,420,000 at June 30, 2022 and 2021, respectively, net of unamortized debt issuance costs of \$1,315,513 and \$1,393,161 in 2022 and 2021, respectively, and inclusive of unamortized premium of \$3,790,177 and \$4,199,207 in 2022 and 2021, respectively. (Greiner Hall and Hadley Village Refunding Bonds)	58,469,664	61,226,046
Town of Amherst Development Corporation bond payable in annual principal installments that escalate through maturity in October 2042 plus interest ranging from 4.00% to 5.00% adjusted annually. Outstanding principal is \$21,490,000 at June 30, 2022, net of unamortized debt issuance costs of \$736,548 in 2022, and inclusive of unamortized premium of \$4,149,957 in 2022. (Flint Village and Creekside Village 2021 Refunding Bonds).	24,903,419	—
	\$ 102,824,905	106,588,054

Interest expense was \$3,866,569 and \$4,113,662 in 2022 and 2021, respectively.

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In August 2010, UBFA obtained a \$25,000,000 operating line of credit. The outstanding balance amounted to \$6,193,665 and \$6,886,705 at June 30, 2022 and June 30, 2021, 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 3.25% and 1.75% at June 30, 2022 and 2021, respectively, which are 1.5% below the bank's prime rate.

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.

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 \$3,442,201 and \$5,795,703 at June 30, 2022 and 2021, 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, 2022 and 2021, UBF pledged the assets held with one of its fixed asset managers valued in excess of the swap liability.

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. In December 2021 the Flint Village and Creekside Village Refunding Bonds were refinanced and replaced with Flint Village and Creekside Village 2021 Refunding Bonds. The remaining principal outstanding on the Flint Village and Creekside Village Refunding Bonds prior to the refunding was \$25,430,000.

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). 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

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matches the principal amortization of the bonds. The mark to market value of the swap was \$291,734 at June 30, 2021, and was eliminated with the Flint Village and Creekside Village refunding.

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%.

In December 2021, UBFFSH issued \$21,490,000 Town of Amherst Development Corporation Bonds (Flint and Creekside Village 2021 Refunding Bonds). The Flint Village and Creekside Village 2021 Refunding Bonds were issued to provide funds for the refunding of the outstanding principal on the Flint Village and Creekside Village Refunding Bonds. Interest on the borrowing ranges from 4% to 5%. The loss on refinancing of debt consists of the swap termination fee of \$141,525 and the write-off of unamortized cost of issuance related to the original Flint Village and Creekside Village 2021 Refunding Bonds that were refinanced in December 2021 in the amount of \$664,226.

A surplus cash flow reserve fund is maintained related to the South Lake Village and Greiner Hall projects as required by the letter of credit provider and bond insurer, respectively. 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 par amount of the bonds financing that project. The surplus cash flow reserve fund will continue as long as the letter of credit or the bond insurance policy is in full force and effect. The surplus cash flow reserve fund is designated for capital expenditures with the prior consent of the letter of credit provider or the bond insurer. The amounts, included in investments, designated as surplus cash flow reserve were \$7,559,806 and \$11,496,077 at June 30, 2022 and 2021, respectively. The required surplus cash flow reserve fund for Flint Village and Creekside Village Refunding Bonds was eliminated when the bonds were refunded in December 2021.

Aggregate annual maturities of long-term debt at June 30, 2022 are as follows:

2023	\$ 4,306,153
2024	4,668,528
2025	4,922,615
2026	3,752,659
2027	3,953,988
Thereafter	<u>75,937,096</u>
Aggregate annual maturities	97,541,039
Less: Unamortized debt issuance costs	(2,656,278)
Plus: Unamortized bond premium	<u>7,940,144</u>
	<u>\$ 102,824,905</u>

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(9) Endowment Net Assets

At June 30, 2022 and 2021, UBF's endowment consists of 1,480 and 1,437 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, 2022, eighty funds with an original gift value of \$9,637,915 were "underwater" by approximately \$556,000. At June 30, 2021, no funds were "underwater." These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted contributions.

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, 2022 and 2021:

	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
	Original Gift	Accumulated Gains		
Donor-restricted endowment funds	\$ —	231,052,547	200,663,038	431,715,585
Board-designated endowment funds	173,206,021	123,343,314	179,602,913	476,152,248
Total endowment net assets	<u>\$ 173,206,021</u>	<u>354,395,861</u>	<u>380,265,951</u>	<u>907,867,833</u>
	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>

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.

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Changes in UBF's endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 194,994,632	825,058,027	1,020,052,659
Investment return, net	(16,895,946)	(72,873,922)	(89,769,868)
Contributions	191,038	12,441,636	12,632,674
Appropriation of endowment assets for expenditure	(8,558,698)	(30,969,917)	(39,528,615)
Other additions	3,474,995	1,005,988	4,480,983
Endowment net assets, end of year	<u>\$ 173,206,021</u>	<u>734,661,812</u>	<u>907,867,833</u>

	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>

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amounts with time or purpose restrictions:		
Student financial aid	\$ 17,520,770	16,309,992
Chairs and professorships	16,896,679	16,931,518
Capital and capital improvements	38,774,717	39,422,164
Research	32,710,119	32,399,283
Lectures	1,675,063	2,887,362
Libraries	1,290,514	937,358
Specified University support	<u>105,715,682</u>	<u>100,469,412</u>
	<u>214,583,544</u>	<u>209,357,089</u>
Endowment returns subject to future appropriation:		
Student financial aid	68,029,559	83,793,760
Chairs and professorships	54,206,610	64,445,013
Capital and capital improvements	1,411,131	1,444,846
Research	100,214,264	113,459,483
Lectures	4,923,723	7,073,808
Libraries	3,798,573	4,464,432
Specified University support	<u>147,682,091</u>	<u>209,045,527</u>
	<u>380,265,951</u>	<u>483,726,869</u>
Amounts with perpetual restrictions:		
Student financial aid	95,884,829	90,657,408
Chairs and professorships	44,510,792	39,411,797
Capital and capital improvements	35,130	1,430
Research	9,536,622	9,523,065
Lectures	4,067,051	3,912,090
Libraries	2,880,348	2,826,167
Specified University support	<u>86,769,351</u>	<u>87,131,119</u>
Total net assets with perpetual restrictions	<u>243,684,123</u>	<u>233,463,076</u>
Remainder interest in trusts	<u>4,729,556</u>	<u>5,722,468</u>
Total net assets with donor restrictions	<u>\$ 843,263,174</u>	<u>932,269,502</u>

Included in specified University support with perpetual restrictions is contributions receivable of \$12,631,632 and \$14,613,731 at June 30, 2022 and 2021, respectively.

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Net assets without donor restrictions comprised the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Board designated endowment	\$ 173,206,021	194,994,631
Academic unit resources	32,250,340	31,781,397
Academic support resources	26,757,645	28,097,582
Athletics	2,787,080	1,902,630
Property operations and reserves	27,378,523	23,581,361
Capital assets	19,386,681	18,697,273
Strategic reserves	73,880,400	109,904,438
	<u>\$ 355,646,690</u>	<u>408,959,312</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, 2022 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	\$ 25,002,821	88,959	7,030,116	3,816,627	35,938,523
Reimbursed to University	5,851,380	5,366,891	—	—	11,218,271
Reimbursed to University related entities	522,157	—	—	—	522,157
Scholarships and awards	21,765,842	—	—	—	21,765,842
Contractual services	15,098,101	291,243	1,179,923	618,559	17,187,826
Rent and occupancy	683,192	4,565,397	568	252,527	5,501,684
Travel and meetings	3,974,285	4,556	693,392	15,918	4,688,151
Supplies	6,187,192	137,174	506,015	102,361	6,932,742
Grants in support of University mission	2,379,360	—	—	—	2,379,360
Interest	965	3,865,179	—	425	3,866,569
Depreciation/amortization	—	6,582,722	—	40,794	6,623,516
Other	3,627,526	755,253	44,875	86,510	4,514,164
Total	<u>\$ 85,092,821</u>	<u>21,657,374</u>	<u>9,454,889</u>	<u>4,933,721</u>	<u>121,138,805</u>

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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>

(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. Any residual sponsored program funds were transferred to the SUNY Research Foundation prior to June 30, 2022. Funds held at June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Sponsored programs	\$ —	599,430
Other SUNY campuses	592,315	11,465,648
University affiliated campuses	2,439,953	2,627,933
Tenant security deposits	—	16,000
Other charities and University related programs	1,975,393	2,257,154
	<u>\$ 5,007,661</u>	<u>16,966,165</u>

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(13) Contributed Nonfinancial Assets

For the years ended June 30, 2022 and 2021, respectively, contributed nonfinancial assets recognized within the Statement of Activities included:

	<u>2022</u>	<u>2021</u>
Fine art	\$ 235,400	1,341,000
Donated books	320,429	216,700
Equipment	10,530	770,211
Software	921,240	—
Other	<u>72,649</u>	<u>181,911</u>
Total contributed nonfinancial assets	\$ <u>1,560,248</u>	<u>2,509,822</u>

(a) Valuation Techniques

Each contribution of non-financial assets requires sufficient substantiation of the value. Adequate documentation includes qualified independent appraisals, a written opinion from a qualified expert in the field, actual receipts, and/or comparable fair market values of sales from independent transactions. In instances where the value of the gift cannot be substantiated, the Foundation may elect to decline the gift.

(b) Donor Restriction and Contributed Nonfinancial Assets Use

All gifts were recognized in accordance with donor restrictions, when applicable.

	<u>2022</u>	<u>2021</u>
Academic support	\$ 1,296,123	1,167,984
Fine art	235,400	1,341,000
Other	<u>28,725</u>	<u>838</u>
Total contributed nonfinancial assets	\$ <u>1,560,248</u>	<u>2,509,822</u>

The Foundation's general practice is to utilize contributions of non-financial assets in accordance with donor-direction to advance the mission of the University and/or Foundation. All contributions of non-financial assets, with the exception of fine art and donated books, are granted to the University at Buffalo after receipt by the Foundation. The Foundation did not monetize any contributions of non-financial assets for the years ended June 30, 2022 and 2021, respectively.

(14) 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 \$2,235,913 and \$2,058,128 in 2022 and 2021, respectively.

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(15) 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, 2022 or 2021. UBF, UBF Corp and UBFA have generated unrelated business income for the year ended June 30, 2022 but it is not material to the audited financial statements.

(16) 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 \$80,827 and \$73,913 in 2022 and 2021, 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 \$592,315 and \$12,065,078 at June 30, 2022 and 2021, respectively.

(17) Subsequent Events

The Foundation has evaluated subsequent events from the balance sheet date through October 21, 2022, the date that the consolidated financial statements were issued.