

UNIVERSITY AT BUFFALO **FOUNDATION, INC.**



2000-2001 **Annual Report** | *Generation to Generation*

“ **THE CAMPAIGN FOR UB: GENERATION TO GENERATION**, UB’S MOST COMPREHENSIVE CAPITAL DRIVE TO DATE, REPRESENTS THE VERY BEST OF THESE COMMUNITY ENDEAVORS.”

REGINALD B.
NEWMAN II

Chair, Board of Trustees,
University at Buffalo
Foundation, Inc.



Reg Newman II

Dear Friends:

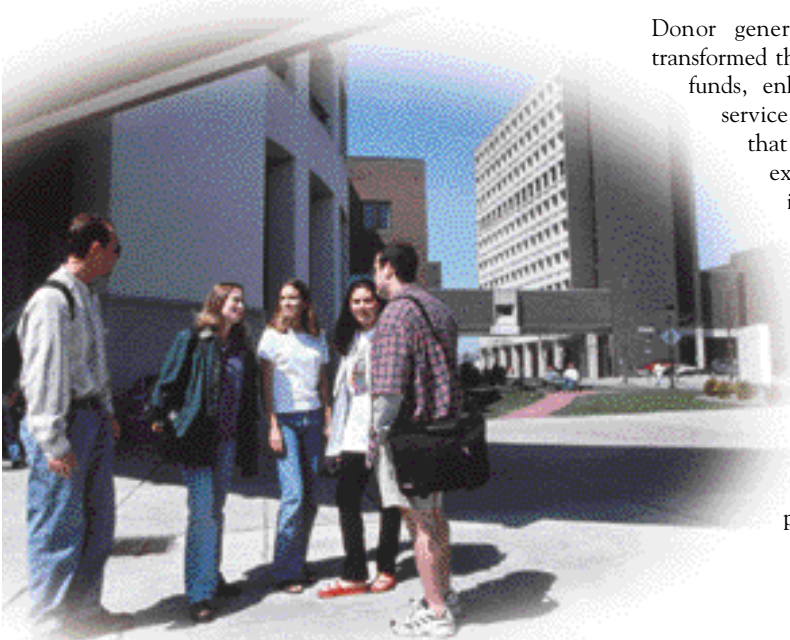
The University at Buffalo is founded on a tradition of generosity embodied by the bountiful sharing of knowledge, support, and resources—an exchange that takes place both within the university community and between UB and the larger communities it serves. *The Campaign for UB: Generation to Generation*, UB’s most comprehensive capital drive to date, represents the very best of these community endeavors.

Since its founding in 1962, the UB Foundation has been committed to supporting the university’s development and fund-raising initiatives. This year, the Foundation has again realized an increase in our net assets. To promote even greater fiscal growth, our board has enlisted the services of a new consultant and four new managers whose expertise and investment strategies should maximize the returns for the Foundation in the months and years ahead.

Fostering and sustaining UB’s many partnerships—collaborations with its large alumni base, with the region’s leading corporations, and with many other friends of the university—remains an important role for the Foundation. Private-public partnerships continue to enhance UB’s student housing program as we open Flint Village in August 2001, the fourth campus student apartment complex in as many years. The gift to the university of the Jacobs Executive Development Center engages the Foundation in an exciting new partnership with UB’s School of Management, both committed to proper stewardship of this major new resource that augments UB’s educational and public service missions in significant ways.

Donor generosity and partner collaboration have already transformed the university’s physical campus, created scholarship funds, enhanced research facilities, supported community service initiatives and enabled numerous other projects that help UB build on its longstanding traditions of excellence. The Foundation is pleased to be able to invest its resources in helping to meet UB’s general needs as well, nearly doubling its support over three years in such areas as faculty hiring, library acquisitions and university development.

The UB Foundation is proud to support the University at Buffalo from generation to generation through careful and caring financial stewardship of the university’s resources. We are deeply grateful to all of you who have contributed to these resources, and we look forward to forging partnerships with new friends of UB.



JEREMY JACOBS[†]

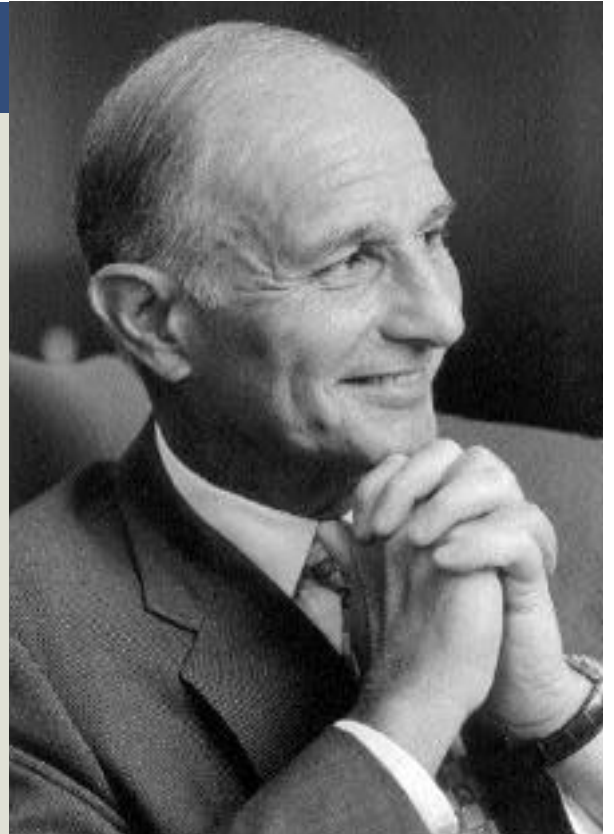
Dear Friends:

As Western New York's premier research university and the flagship campus of the State University of New York system, the University at Buffalo serves a wide range of communities in our city, our region, our state and well beyond. Over the years, the radius of UB's impact has grown increasingly broad: the "public" served by our public university is not only a local community but a truly global community as well. Nowhere is this more evident than in *The Campaign for UB: Generation to Generation*. As UB's most far-reaching capital campaign, this is the first fund-raising initiative to be conducted on a national scale, reaching out to alumni and other university friends near and far.

The response has been an overwhelming show of support. When the public phase of the campaign kicked off in October 2000, we were already more than halfway toward our \$250 million goal. Since then, the generous contributions of alumni and friends like you have propelled us further towards that target, lending assurance to our success by the scheduled campaign end-date of June 2003.

From the leading gifts of the special individuals whose stories are featured within, to the first-time pledge to the annual fund made by a brand new graduate, the generous donors whose contributions are reflected on the following pages are the lifeblood of UB's vibrant future. President Bill Greiner, our university's administration, and our development staff, in particular, are vital contributors to our success thus far, through their never-tiring work on behalf of the campaign. Finally, *The Campaign for UB* is aided immeasurably by the outstanding service of UB Foundation chairman, Reg Newman, and the Foundation's trustees and directors. By endowing UB's campaign efforts with their vision, acumen, and commitment, the Foundation's volunteers ensure that the fruits of the *Generation to Generation* campaign are wisely invested in UB's future.

My sincerest thanks to all of these members of UB's extended community who have shared their time, their wisdom and their resources in support of *The Campaign for UB*. Your investment today underwrites UB's excellence tomorrow and for generations to come.



Chair of the UB Council and Honorary Co-Chair of *The Campaign for UB: Generation to Generation*

“ YOUR INVESTMENT
TODAY UNDERWRITES
UB'S EXCELLENCE
TOMORROW AND FOR
GENERATIONS TO COME. ”



Photo courtesy of K.C. Kraft Photography

WILLIAM R. GREINER
President, University at Buffalo

“ WE HAVE ASKED, AND YOU HAVE DELIVERED. TO AN UNPRECEDENTED DEGREE, PRIVATE PHILANTHROPY IS A VITALLY IMPORTANT SOURCE OF SUPPORT FOR UB’S INITIATIVES.”

Dear Friends of the University at Buffalo:

Recent years have seen great changes in the face of UB. New masonry signposts clearly mark our entryways. Vibrant flower beds and landscaped paths groom our grounds. Our libraries buzz with new computer work stations, or “cybraries.” New academic buildings have been completed; the rooms inside them wired with state-of-the-art computing facilities that allow our students and faculty to stay at the forefront of the latest technological advances.

Several apartment-style housing complexes have transformed the North Campus into a thriving residential community, while renovations to our buildings on the South Campus have improved both form and function. Everywhere at UB, change is in the air, and the excitement of our community’s renewal is palpable.

Several important constants guide this renewal: our continuing research of the newest technologies, our increasingly global outlook and our steadily growing commitment to diversity. A firm dedication to innovation has lain at the heart of every phase of UB’s long history of change and progress, and it lies at the core of our mission for the future. But it is our generosity—our willingness to share ourselves and our strengths—that creates our vibrant academic community and encourages the continuing growth that keeps this community thriving.

The same inspired formula—growth stimulated by generosity—fuels *The Campaign for UB: Generation to Generation*, the most ambitious campaign in UB’s history and our first appeal to be made on a genuinely national scale, calling on multiple generations of alumni and university friends from around the country, as well as world-wide. While state support helps us meet one third of our operating budget, we rely on UB family and friends to help us strengthen and renew our academic programs, our community and the future of our entire university. We have asked, and you have delivered. To an unprecedented degree, private philanthropy is a vitally important source of support for UB’s initiatives.

From generation to generation, it is your generosity that ensures the consistent renewal of UB’s mission: to achieve excellence in research, education, and public service, and to share these achievements with the global community. We greatly appreciate your support for this mission, now and in the future. All the best.



2000-2001 FOUNDATION BOARD BOARD OF TRUSTEES

The Trustees and Directors of the University at Buffalo Foundation, Inc. are selected for their distinguished achievements in business, industry, and the professions, as well as for their commitment to the advancement of the university. They provide advice and counsel, while helping present the

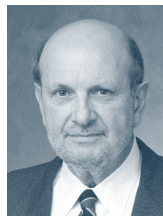
university's needs to the larger political and business communities. The trustees and directors also oversee the foundation's operating investment policies, and approve all budgets and major expenditures of the foundation.



William R. Greiner
President
University at Buffalo



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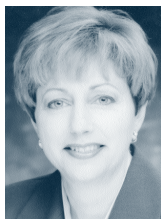
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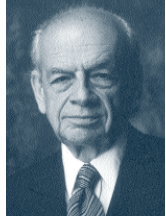
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John N. Walsh III, Vice Chair
Richard E. Heath, Secretary
William L. McHugh, Treasurer



IMPORTANCE TO THE UNIVERSITY AT BUFFALO

With the University at Buffalo in the ranks of the nation's leading institutions, the strong support of private philanthropy is increasingly important. In the years ahead, the foundation will become an even more vital link between the university and the many sources of private gifts.

The quality and intensity of effort put forth by the foundation's trustees and directors will also remain crucial, especially in light of the increasing level of endowments and other forms of philanthropic support coming to the university. The oversight of the trustees and directors will continue to reassure donors that the funds entrusted to the university are managed with the utmost regard for fiscal prudence and fiduciary responsibility.

MISSION STATEMENT

The mission of the University at Buffalo Foundation, Inc. is to support and promote the activities and programs of the State University of New York at Buffalo. This is accomplished by providing advice and counsel regarding philanthropy and fund raising, managing gifts and grants on behalf of the university, providing a wide range of financial services for the various units of the university, developing and managing real property on behalf of the university, and providing a strong base of private-sector support for the university through the foundation's trustees and directors.

JUNE 30, 2001

INVESTMENT PERFORMANCE AND POLICIES

THE PORTFOLIO AND ITS MANAGEMENT

At June 30, 2001, the market value for total investments of the University at Buffalo Foundation amounted to \$235.2 million, as compared to \$247.2 million in 2000. These funds are managed under the supervision of the Foundation's Trustee Investment Committee. Sixteen professional investment managers currently share in the administration of the portfolio, with performance monitored by the trustees. Included in this total are certain investments, known as the Endowment Portfolio, having a market value of \$184.7 million at June 30, 2001, which are managed and administered on a pooled basis.

INVESTMENT STRATEGY

The primary investment objective is to maximize total investment return while preserving the inflation-adjusted purchasing power of the portfolio. This should provide a relatively predictable, constant and stable (in real terms) stream of funds for current use. Total investment return is the sum of interest, dividends and capital appreciation.

ENDOWMENT PORTFOLIO PERFORMANCE
 COMPARED TO BENCHMARKS FOR FISCAL 2001

Total Return	
Endowment Portfolio	(1.7%)
*55% S&P 500/15%	
MSCI EAFE/30% LB G/C	(8.8%)
U.S. Equity Managers	
Endowment Portfolio	(6.0%)
*S&P 500	(14.8%)
Russell 3000 Index.	(13.9%)
Non-U.S. Equity Managers	
Endowment Portfolio	(12.4%)
*MSCI All Country World Ex US Index.	(23.6%)
Absolute Return Managers	
Endowment Portfolio.	(4.7%)
90 Day T-Bills Plus 8%	14.8%
Fixed Income Manager	
Endowment Portfolio.	9.8%
*LB Aggregate Bond Index.	11.2%

* Key to Indices
 55% S&P 500
 15% EAFE/
 30% LB G/C :

Reflects return for standard indices proportionately weighted to compare to portfolio allocation.

S&P 500: Standard and Poors 500 Index
 MSCI: Morgan Stanley Capital International
 LB: Lehman Brothers

ASSET ALLOCATION POLICY

The proper distribution of investments among various asset classes allows the Foundation to honor spending policies, maintain risk tolerance and stability, produce appropriate investment returns, and achieve long-term objectives.

ASSET ALLOCATION AT JUNE 30, 2001 WAS AS FOLLOWS:

By Manager Type	Endowment Portfolio
U.S. Equity	42.4%
Non-U.S. Equity	13.3%
Absolute Return	3.0%
Venture/Private Equity	.2%
Fixed Income	33.1%
Cash	8.0%
	100.0%

NOTE: Absolute Return are investment strategies designed to produce positive return regardless of market direction. Includes hedge funds holding long and short positions in common stocks, event arbitrage (stocks of companies that are subject to announced takeover transactions), and distressed securities investments (debt of companies in bankruptcy).

SPENDING POLICY

Spending is defined as funds made available from the portfolio for University programs and administrative expenses, exclusive of management, brokerage and custodial fees. A formula governs the portion of total return made available each year for spending with an objective of maintaining its purchasing power relative to inflation. This formula allows spending to increase by the predetermined annual growth rate of 5% as long as spending stays within 4.5% and 6% of the three-year average market value of principal.

ENDOWMENT PORTFOLIO PERFORMANCE
 COMPARED TO BENCHMARKS FOR FISCAL 1991-2000

The accompanying chart reflects the ten-year performance for the Endowment Portfolio in comparison with more than 400 other colleges and universities across the country.

Average Annual Compounded Nominal Return
 Fiscal Years Ended June 30

	Total Return	NACUBO Mean*	# of Funds*	UBF Rank	Percentile Rank*
2000	7.6%	13.0%	464	322	70
1998-00	10.3%	13.8%	435	353	82
1996-00	13.4%	15.7%	416	318	77
1991-00	12.7%	13.2%	340	193	57

* Latest available comparative numbers according to the 2000 National Association of College University Business Officers' Endowment Study Report.



INDEPENDENT AUDITORS' REPORT

The Board of Trustees
University at Buffalo Foundation, Inc.:

We have audited the accompanying consolidated statements of financial position of University at Buffalo Foundation, Inc. and affiliates (the Foundation) as of June 30, 2001 and 2000, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2001 and 2000, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

August 17, 2001



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2001 and 2000

ASSETS	2001	2000
Accounts receivable	\$2,095,981	2,584,950
Note receivable	166,519	190,103
Inventories	187,549	298,192
Contributions receivable	15,478,000	10,154,000
Investments	235,225,583	247,153,642
Property, plant and equipment, net	91,987,973	59,103,701
Real estate development costs	399,460	425,804
Total assets	\$345,541,065	319,910,392
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	3,745,782	1,185,163
Accrued liabilities	4,152,965	2,631,379
Short-term notes payable	—	19,000,000
Long-term debt	85,611,541	59,236,650
Deposits held in custody for others	7,052,789	7,982,489
Annuity and life income obligations	8,740,684	8,967,712
Total liabilities	109,303,761	99,003,393
Net assets:		
Unrestricted:		
Undesignated	24,141,946	16,794,826
Designated for specific operating units	25,127,242	20,599,737
Designated for investment purposes	59,611,631	63,990,483
Total unrestricted	108,880,819	101,385,046
Temporarily restricted	60,901,642	58,529,773
Permanently restricted	66,454,843	60,992,180
Total net assets	236,237,304	220,906,999
Total liabilities and net assets	\$345,541,065	319,910,392

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2001 and 2000

	2001	2000
Cash flows from operating activities:		
Change in net assets	\$15,330,305	34,202,876
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,068,482	1,141,367
Net realized and unrealized loss (gain) on investments	4,720,162	(8,643,294)
Actuarial loss (gain) on annuity obligations	891,350	(1,464,149)
Loss on sale of property, plant and equipment	88,362	104,676
Contributions and other revenues restricted for long-term purposes	(7,410,718)	(11,754,069)
Cash provided (used) by changes in:		
Contributions receivable	(5,324,000)	(5,377,850)
Other receivables	512,553	(406,075)
Inventories	110,643	(35,000)
Accounts payable	2,560,619	(2,550,677)
Accrued liabilities	1,521,586	1,098,673
Deposits held in custody for others	(929,700)	(783,063)
Net cash provided by operating activities	14,139,644	5,533,415
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	30,000	103,000
Purchase of property, plant and equipment	(35,025,506)	(29,347,674)
Proceeds from sale of investments	403,784,827	246,522,451
Purchase of investments	(396,576,930)	(295,210,723)
Net cash used by investing activities	(27,787,609)	(77,932,946)
Cash flows from financing activities:		
Net increase (decrease) in notes payable	(19,000,000)	8,500,000
Proceeds from long-term debt	26,872,017	50,635,999
Repayments of long-term debt	(516,392)	(156,893)
Investments subject to annuity agreements	71,483	2,698,997
Payments and maturities of annuity obligations	(1,189,861)	(1,032,641)
Contributions and other revenues restricted for long-term purposes	7,410,718	11,754,069
Net cash provided by financing activities	13,647,965	72,399,531
Net increase 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	\$2,546,300	1,021,100

See accompanying notes to consolidated financial statements.



CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues and other additions:				
Gifts, bequests and private grants	\$8,913,351	13,360,601	6,236,260	28,510,212
Investment income	2,934,194	2,209,781	135,176	5,279,151
Net realized and unrealized gains (losses) on investments	(2,501,675)	(2,218,487)	—	(4,720,162)
Other revenues:				
Faculty practice	4,502,973	—	—	4,502,973
Rental	7,988,112	—	—	7,988,112
Continuing education	4,135,511	—	—	4,135,511
Computer store sales	3,712,638	—	—	3,712,638
Uniform Data Systems	5,271,933	—	—	5,271,933
Intercollegiate athletics program	1,917,225	—	—	1,917,225
Other activities and services	9,328,450	235,097	—	9,563,547
Adjustment to annuity funds	—	—	(908,773)	(908,773)
Net assets released from restrictions	11,215,123	(11,215,123)	—	—
Total revenues and other additions	57,417,835	2,371,869	5,462,663	65,252,367
Expenses:				
University support:				
Academic divisions	24,265,856	—	—	24,265,856
Administrative divisions	10,346,647	—	—	10,346,647
Alumni Association	382,150	—	—	382,150
Officers' expense	154,669	—	—	154,669
Other	2,787,207	—	—	2,787,207
Total University support	37,936,529	—	—	37,936,529
Administration, development and other:				
Business office administration	1,332,624	—	—	1,332,624
Development expense	1,375,402	—	—	1,375,402
Property expense	8,394,796	—	—	8,394,796
Asset management fees	882,711	—	—	882,711
Total administration, development and other	11,985,533	—	—	11,985,533
Total expenses	49,922,062	—	—	49,922,062
Change in net assets	7,495,773	2,371,869	5,462,663	15,330,305
Net assets at beginning of year	101,385,046	58,529,773	60,992,180	220,906,999
Net assets at end of year	\$108,880,819	60,901,642	66,454,843	236,237,304

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2000

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues and other additions:				
Gifts, bequests and private grants	\$4,796,382	9,752,681	9,626,427	24,175,490
Investment income	2,812,328	2,535,528	55,134	5,402,990
Net realized and unrealized gains on investments	4,742,735	3,900,559	—	8,643,294
Other revenues:				
Faculty practice	4,911,784	—	—	4,911,784
Rental	5,101,669	—	—	5,101,669
Continuing education	4,018,021	—	—	4,018,021
Computer store sales	2,302,862	—	—	2,302,862
Uniform Data Systems	5,532,121	—	—	5,532,121
Intercollegiate athletics program	1,646,791	—	—	1,646,791
Other activities and services	9,652,961	397,248	—	10,050,209
Adjustment to annuity funds	—	—	519,214	519,214
Net assets released from restrictions	10,473,408	(10,473,408)	—	—
Total revenues and other additions	55,991,062	6,112,608	10,200,775	72,304,445
Expenses:				
University support:				
Academic divisions	22,175,783	—	—	22,175,783
Administrative divisions	7,719,412	—	—	7,719,412
Alumni Association	355,852	—	—	355,852
Officers' expense	142,994	—	—	142,994
Other	688,144	—	—	688,144
Total University support	31,082,185	—	—	31,082,185
Administration, development and other:				
Business office administration	1,217,613	—	—	1,217,613
Development expense	951,982	—	—	951,982
Property expense	4,203,059	—	—	4,203,059
Asset management fees	646,730	—	—	646,730
Total administration, development and other	7,019,384	—	—	7,019,384
Total expenses	38,101,569	—	—	38,101,569
Change in net assets	17,889,493	6,112,608	10,200,775	34,202,876
Net assets at beginning of year	83,495,553	52,417,165	50,791,405	186,704,123
Net assets at end of year	\$101,385,046	58,529,773	60,992,180	220,906,999

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

University at Buffalo Foundation, Inc. (UBF) was chartered in 1962 to promote the educational, research and public service mission of State University of New York at Buffalo (the University). UBF solicits and administers support for the University and operates in University facilities.

(b) Basis of Presentation

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; UBF Corporation; FNUB, Inc.; University at Buffalo Foundation Incubator, Inc. (UBFI); UBF Faculty-Student Housing Corp. (UBF Housing); UB Foundation Activities, Inc.; and UB Foundation Services, Inc., collectively referred to herein as the "Foundation." All significant intercompany balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

(c) Classifications of Net Assets

The Foundation classifies its net assets and changes therein in the categories described below.

Unrestricted

Unrestricted net assets represent resources whose use are not restricted by donor-imposed stipulations, thus, these resources are available for the general support of the Foundation's activities.

Unrestricted net assets are further classified as undesignated and designated resources. Undesignated net assets represent the Foundation's net investment in property, plant and equipment and amounts set aside for maintenance of properties. Designated net assets represent amounts set aside by the Foundation to be used (1) for the support of specific operating units of the University and (2) for investment purposes in order to maintain the purchasing power of the Foundation's resources.

Temporarily Restricted

Temporarily restricted net assets represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or are removed by specific actions of the Foundation. Specific actions most often involve completion of expenditures for purposes consistent with the donor's stipulations. When such donor-imposed stipulations are met, temporarily restricted net assets are reclassified to unrestricted net assets and

reported in the statement of activities as net assets released from restrictions.

The Foundation uses temporarily restricted net assets before unrestricted net assets are used for the same purpose.

Temporarily restricted net assets of the Foundation are comprised principally of resources that must be expended to support specific academic divisions of the University.

Permanently Restricted

Permanently restricted net assets represent resources that donors have stipulated must be maintained permanently. The Foundation is permitted to expend part or all of the income derived from the donated assets, restricted only by the donors' wishes.

Donor restrictions placed on the use of income derived from permanently restricted net assets relate principally to the use of the income to support specific academic divisions of the University.

(d) Contributions

Contributions received, including unconditional promises to give, are generally recognized as revenues in the period received at their fair values. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Discount rates ranged from 3.4% to 4.6% and from 5.9% to 6.6% for 2001 and 2000, respectively.

(e) Investments

Investment securities are recorded at fair value based on exchange or third-party quoted market prices. The absolute return fair value is based on information provided by the partners of the general partnerships.

New York State law permits the use of gains on investments of permanently restricted net assets, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity. Accordingly, such realized and unrealized gains and losses, as well as gains and losses on temporarily restricted and unrestricted net assets, are reported as temporarily restricted or unrestricted, based on the presence or absence of donor stipulations as to their use.

(f) Inventories

Inventories consist of computer store inventory and are recorded at the lower of cost, using the FIFO method of valuation, or market.

(g) Real Estate Development Costs

Costs incurred in connection with the development of real estate projects are capitalized and amortized on the straight-line method over the life of the related asset or the term of the lease that provides for the Foundation's use of that asset. Amortization expense was \$26,344 in 2001 and 2000, and accumulated amortization was \$404,590 and \$378,246 at June 30, 2001 and 2000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(h) Property, Plant and Equipment

Property, plant and equipment are recorded at cost or at the fair value at the date of donation. Depreciation is recorded on the straight-line method over estimated useful lives of 20 years for real property and 5 to 8 years for office equipment. Fine arts have been capitalized from inception at fair value at the date of donation. The fine art collection is not depreciated.

The Foundation reports gifts of property, plant and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(i) Split Interest Agreements

The Foundation's split interest agreements with donors consist primarily of gift annuities, lead trusts and charitable remainder unitrusts and annuity trusts. Assets held under these agreements are included in investments. Generally, contribution revenues are recognized on the dates of payment transfers 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 beneficiaries. The liabilities, reflected as annuity life income obligations on the 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.

(j) Other Activities and Services

Other activities and services revenue, included in the consolidated statement of activities, reflects amounts generated from educational and training programs, various student activities, laboratory testing and other educational related initiatives, and administrative support provided through the Foundation. Revenue related to other activities and services is recognized as earned.

(k) Reclassifications

Certain reclassifications have been made to the 2000 financial statements to conform to the 2001 presentation.

(2) Contributions

Contributions receivable, representing unconditional promises to give, as of June 30, 2001 and 2000, are summarized below:

	2001	2000
Unconditional promises expected to be collected in:		
Less than one year	\$5,482,800	6,004,600
One year to five years	10,603,000	4,547,100
Over five years	355,300	241,900
	<u>16,441,100</u>	<u>10,793,600</u>
Less:		
Discount	(913,100)	(589,600)
Allowance for uncollectible receivables	(50,000)	(50,000)
	<u>\$15,478,000</u>	<u>10,154,000</u>

As of June 30, 2001, the Foundation had also received bequest intentions and revocable trusts that management estimates will exceed \$51,000,000. These intentions and conditional promises to give are not recognized as assets in the accompanying financial statements. Amounts received will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, and general operating support of particular departments and divisions of the University.

(3) Investments

Investments at June 30, 2001 and 2000 are composed of the following:

	2001	2000
U.S. cash and cash equivalents	\$ 39,545,331	40,356,310
U.S. fixed income	71,865,681	54,881,771
Non-U.S. fixed income	154,617	7,794,916
U.S. equity	91,186,888	97,896,844
Non-U.S. equity	26,265,680	29,592,017
Absolute return	5,619,941	16,318,561
Other	587,445	313,223
	<u>\$ 235,225,583</u>	<u>247,153,642</u>

(4) Property, Plant and Equipment and Operating Leases

Investment in plant at June 30, 2001 and 2000 is composed of the following:

	2001	2000
Real property, principally rental property	\$ 71,056,041	39,346,459
Less accumulated depreciation	6,825,532	4,934,816
	<u>64,230,509</u>	<u>34,411,643</u>
Office equipment	1,713,193	1,617,203
Less accumulated depreciation	1,369,348	1,250,499
	<u>343,845</u>	<u>366,704</u>
Real estate held for investment	290,917	254,083
Fine art collection	5,922,790	3,716,533
Construction in progress	21,199,912	20,354,738
	<u>\$ 91,987,973</u>	<u>59,103,701</u>

Construction in progress disclosed above consists of expenditures related to the various UBF Housing student housing projects. At June 30, 2001, construction-in-progress related to the Flint Village projects, which are comprised of 236 apartment-style units and were completed in August 2001. At June 30, 2000, construction-in-progress related to the South Lake Village projects, which are comprised of 228 apartment-style units and were completed in August 2000. A summary of the construction and permanent financing relating to the student housing projects is provided in note 5. Amounts set aside for the maintenance of properties were

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

approximately \$2,372,000 and \$1,296,000 at June 30, 2001 and 2000, respectively, and are included in undesignated net assets in the statements of financial position. Amounts set aside for debt service were approximately \$5,611,000 and \$3,790,000 at June 30, 2001 and 2000, respectively, and are included in investments in the statements of financial position.

UBF Corporation leases land from State University of New York under an operating lease agreement with an initial term expiring in 2021, renewable to 2037. The base annual rent is approximately \$20,764, adjustable based on the UBF Corporation's net cash flow from this parcel, as defined in the agreement.

FNUB, Inc., UBF Corporation, UBF Housing and UBFI are the lessor or sublessor under several real estate operating leases. Minimum future rental revenues under operating leases with original terms in excess of one year as of June 30, 2001 are as follows:

Year ending June 30	Amount
2002	\$ 388,007
2003	276,465
2004	220,585
2005	198,075
2006	44,654
Thereafter	366,137

Total rental income was approximately \$7,988,000 and \$5,102,000 in 2001 and 2000, respectively.

(5) Debt Financing

A summary of long-term debt at June 30, 2001 and 2000 follows:

	2001	2000
Village of Kenmore Housing Authority bonds payable in monthly installments of \$47,516 through 2027 including interest at 4.95% (Flickinger Project)	\$ 8,356,242	8,504,153
Village of Kenmore Housing Authority bonds payable in annual principal installments that escalate through maturity in August 2024, plus interest ranging from 4.25% to 5.50% adjusted annually (Hadley Village Project)	21,213,719	21,551,925
Town of Amherst Industrial Development Agency bonds payable in annual principal installments that escalate through maturity in August 2030, plus interest ranging from 4.80% to 5.75% adjusted annually (South Lake Village Projects)	29,103,340	29,095,869
Town of Amherst Industrial Development Agency bonds payable in annual principal installments that escalate through maturity in August 2031, plus interest ranging from 4.25% to 5.25% adjusted annually (Flint Village Projects)	26,872,017	—
Other	66,223	84,703
	\$ 85,611,541	59,236,650

The student housing project bonds are secured by first mortgage interests in the respective properties and the assignment of all related leases, subleases and rentals. UBF Housing is required to make payments under leasing arrangements with the bond issuers sufficient to service the bonds. Ownership of the properties and related equipment will be transferred to UBF Housing at maturity.

Short-term borrowings under revolving bank lines of credit used to finance construction of the student housing projects totaled \$19,000,000 at June 30, 2000 (South Lake Village Projects). UBF Housing repaid these borrowings at their maturities in 2001 with proceeds of the long-term bonds described above. These bond proceeds were invested in short-term securities at each fiscal year-end.

Aggregate maturities of long-term debt at June 30, 2001, are as follows:

2002	\$584,695
2003	\$777,617
2004	\$1,304,841
2005	\$1,406,945
2006	\$1,505,368
Thereafter	\$80,032,075

(6) Retirement Plan

The Foundation has a defined contribution retirement plan (contributory as to employees hired after January 1, 1977) covering all employees meeting certain years of service requirements. Benefits are provided by purchase of retirement annuity contracts based upon a percentage of the participant's salary. Expense under the plan was \$801,630 and \$706,662 in 2001 and 2000, respectively.

(7) Income Taxes

The Internal Revenue Service has ruled that UBF and its affiliates are each generally qualified under Section 501(c) of the Internal Revenue Code and are, therefore, not subject to tax on related income under present Federal income tax laws, and also are not private foundations within the meaning of Section 509(a)(3) of the Internal Revenue Code.

(8) Related Party Transactions

UBF operates in University facilities at no charge. UBF provides certain accounting and billing services to non-consolidated affiliated entities. UBF receives a fee for these services which is included in other activities and services in the statement of activities. These fees amounted to \$190,976 and \$245,246 in 2001 and 2000, respectively. UBF holds funds for certain research projects of the University. These funds are reflected as deposits held in custody for others in the statements of financial position.