



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

Consolidated Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 601
12 Fountain Plaza
Buffalo, NY 14202

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, 2009 and 2008, 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 13, 2009

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

Consolidated Statements of Financial Position

June 30, 2009 and 2008

Assets	2009	2008
Accounts receivable, net of allowance for uncollectible accounts of \$424,000 in 2009 and \$373,000 in 2008	\$ 3,566,838	3,294,240
Contributions receivable, net (note 2)	15,781,211	17,303,573
Due from SUNY (note 3)	9,473,115	—
Investments (notes 3 and 4)	516,024,762	364,960,181
Property, plant, and equipment, net (note 5)	95,952,587	95,695,830
Fine art collection	9,173,514	8,264,053
Other assets	1,569,617	1,401,073
Total assets	<u>\$ 651,541,644</u>	<u>490,918,950</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 4,376,923	3,988,458
Accrued interest expense	1,815,612	1,854,849
Deferred rental revenue	676,726	723,437
Other accrued liabilities	3,663,608	3,184,309
Fair value of swaption (notes 1m and 4)	4,597,113	2,863,184
Demand note payable (note 6)	12,654,773	12,264,773
Long-term debt (note 6)	87,605,024	89,780,164
Funds held in custody for others (notes 3 and 11)	14,143,618	10,917,748
Annuity and life income obligations	6,979,889	7,082,753
Total liabilities	<u>136,513,286</u>	<u>132,659,675</u>
Net assets (notes 1e and 7):		
Unrestricted:		
Undesignated	10,522,388	15,458,803
Designated for specific operating units	61,696,114	55,068,245
Designated for investment purposes	62,313,824	89,418,654
Total unrestricted	<u>134,532,326</u>	<u>159,945,702</u>
Temporarily restricted	254,401,691	88,520,344
Permanently restricted	126,094,341	109,793,229
Total net assets	<u>515,028,358</u>	<u>358,259,275</u>
Total liabilities and net assets	<u>\$ 651,541,644</u>	<u>490,918,950</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Activities

Year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Gifts, bequests, and private grants	\$ 932,803	13,120,077	1,367,479	15,420,359
Investment income	2,921,134	4,717,915	151,085	7,790,134
Net realized and unrealized losses on investments	(54,010,070)	(17,069,538)	—	(71,079,608)
Other revenues:				
Faculty practice	8,776,292	—	—	8,776,292
Rental (note 5)	17,900,066	—	—	17,900,066
Continuing education	2,030,856	—	—	2,030,856
Computer store sales	12,688,380	—	—	12,688,380
Uniform Data Systems for Medical Rehabilitation	6,777,639	—	—	6,777,639
Center for the Arts	1,227,721	—	—	1,227,721
Student orientation	865,453	—	—	865,453
Other activities and services	12,866,421	—	—	12,866,421
Change in value of split interest agreements	—	(308,527)	(2,960,315)	(3,268,842)
Net assets released from restrictions	16,378,847	(16,378,847)	—	—
Total revenues, gains and other support	<u>29,355,542</u>	<u>(15,918,920)</u>	<u>(1,441,751)</u>	<u>11,994,871</u>
Expenses:				
Program expenses:				
Academic divisions	35,844,916	—	—	35,844,916
Administrative divisions	22,808,954	—	—	22,808,954
Fundraising expense	5,294,483	—	—	5,294,483
Total program expenses	<u>63,948,353</u>	<u>—</u>	<u>—</u>	<u>63,948,353</u>
Administration and other:				
Business office administration	2,375,134	—	—	2,375,134
Property expense	17,211,315	—	—	17,211,315
Asset management fees	2,940,839	—	—	2,940,839
Total administration and other	<u>22,527,288</u>	<u>—</u>	<u>—</u>	<u>22,527,288</u>
Total expenses	<u>86,475,641</u>	<u>—</u>	<u>—</u>	<u>86,475,641</u>
Decrease in net assets before net asset transfer	(57,120,099)	(15,918,920)	(1,441,751)	(74,480,770)
Net asset transfer (note 3)	<u>31,706,723</u>	<u>181,800,267</u>	<u>17,742,863</u>	<u>231,249,853</u>
Total (decrease) increase in net assets	(25,413,376)	165,881,347	16,301,112	156,769,083
Net assets at beginning of year	<u>159,945,702</u>	<u>88,520,344</u>	<u>109,793,229</u>	<u>358,259,275</u>
Net assets at end of year	<u>\$ 134,532,326</u>	<u>254,401,691</u>	<u>126,094,341</u>	<u>515,028,358</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Activities

Year ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Gifts, bequests, and private grants	\$ 4,123,121	17,092,766	13,441,911	34,657,798
Investment income	5,261,251	5,299,341	127,591	10,688,183
Net realized and unrealized losses on investments	(13,661,576)	(7,817,207)	—	(21,478,783)
Other revenues:				
Faculty practice	7,949,012	—	—	7,949,012
Rental (note 5)	17,166,089	—	—	17,166,089
Continuing education	1,939,203	—	—	1,939,203
Computer store sales	15,254,003	—	—	15,254,003
Uniform Data Systems for Medical Rehabilitation	6,777,118	—	—	6,777,118
Center for the Arts	1,216,925	—	—	1,216,925
Student orientation	775,228	—	—	775,228
Other activities and services	13,430,839	—	—	13,430,839
Change in value of split interest agreements	—	44,973	(1,795,657)	(1,750,684)
Net assets released from restrictions	17,120,353	(17,120,353)	—	—
Total revenues, gains and other support	<u>77,351,566</u>	<u>(2,500,480)</u>	<u>11,773,845</u>	<u>86,624,931</u>
Expenses:				
Program expenses:				
Academic divisions	37,040,222	—	—	37,040,222
Administrative divisions	27,048,793	—	—	27,048,793
Fundraising expense	5,086,603	—	—	5,086,603
Total program expenses	<u>69,175,618</u>	<u>—</u>	<u>—</u>	<u>69,175,618</u>
Administration and other:				
Business office administration	2,283,121	—	—	2,283,121
Property expense	15,984,518	—	—	15,984,518
Asset management fees	2,724,089	—	—	2,724,089
Total administration and other	<u>20,991,728</u>	<u>—</u>	<u>—</u>	<u>20,991,728</u>
Total expenses	<u>90,167,346</u>	<u>—</u>	<u>—</u>	<u>90,167,346</u>
(Decrease) increase in net assets	(12,815,780)	(2,500,480)	11,773,845	(3,542,415)
Net assets at beginning of year	<u>172,761,482</u>	<u>91,020,824</u>	<u>98,019,384</u>	<u>361,801,690</u>
Net assets at end of year	<u>\$ 159,945,702</u>	<u>88,520,344</u>	<u>109,793,229</u>	<u>358,259,275</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 156,769,083	(3,542,415)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net asset transfer	(231,249,853)	—
Depreciation and amortization	4,740,406	4,490,391
Net realized and unrealized losses on investments	71,079,608	21,478,783
Change in value of split interest agreements	3,268,842	1,750,684
Gifts of fine art	(909,461)	(1,647,993)
Contributions restricted for long-term purposes	(5,585,743)	(18,247,677)
Cash provided (used) by changes in:		
Contributions receivable	(308,033)	(2,398,024)
Accounts receivable, net	(272,598)	154,724
Other assets	(251,626)	(456,613)
Accounts payable	388,465	(1,709,186)
Accrued interest expense, deferred rental revenue, and other accrued liabilities	393,351	196,054
Funds held in custody for others	(1,126,651)	(406,318)
Net cash used in operating activities	(3,064,210)	(337,590)
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(4,885,331)	(14,163,747)
Proceeds from sale of investments	222,491,438	134,435,775
Purchase of investments	(372,446,039)	(140,833,866)
Net cash used in investing activities	(154,839,932)	(20,561,838)
Cash flows from financing activities:		
Proceeds from net asset transfer	152,967,341	—
Proceeds from demand note payable	390,000	12,264,773
Repayments of long-term debt	(2,203,892)	(2,052,250)
Investments subject to annuity agreements	488,848	339,897
Payments and maturities of annuity obligations	(1,154,293)	(1,198,657)
Collections of contributions restricted for long-term purposes	7,416,138	11,545,665
Net cash provided by financing activities	157,904,142	20,899,428
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	\$ 5,063,147	5,120,855
Noncash investing activities:		
Gifts of fine art	909,461	1,647,993
Receipt of investments from net asset transfer	73,161,918	—

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(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), and operates exclusively for the benefit of the University.

(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. (UBFA); and UB Foundation Services, Inc. (UBFS), collectively referred to herein as the "Foundation." All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Use of Estimates

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. The Foundation's significant estimates include the valuation of its investments and valuation of allowance for uncollectible accounts and contributions receivable. Actual results could differ from those estimates.

(d) Risks and Uncertainties

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the value of investments in the near term would materially affect the amounts reported in the consolidated statements of financial position and statements of activities.

(e) Classification 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 is 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 include 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

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

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 met by specific actions of the Foundation. Specific actions most often involve completion of expenditures for purposes consistent with the donor's stipulations. Temporarily restricted net assets of the Foundation are comprised principally of resources that must be expended to support specific academic divisions of the University. When such donor-imposed stipulations are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

When temporarily restricted net assets and unrestricted net assets are available for the same purpose, the Foundation uses the temporarily restricted net assets first.

Permanently Restricted

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

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

(f) *Investment and Spending Policies*

The Foundation has adopted investment and spending policies for endowment and certain other assets whose purpose is to provide a predictable stream of funding to programs supported by these assets, while seeking to maintain the purchasing power of these assets. The Foundation's investment and spending policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current objective is to earn an average annual total return, net of investment fees, equal to inflation plus 5.0% to 5.5%. Actual returns in any given year may vary significantly from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are 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. A formula governs the portion of total return made available each year for spending that allows spending to increase by the predetermined annual growth rate of 3.0% as long as spending stays within 3.5% and 6.0% of the three-year average market value of principal. This is consistent with the Foundation's objective to maintain the purchasing power of

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

endowment and certain other assets, as well as to provide additional growth through new gifts and investment return. The application of the formula is subject to legal restrictions relating to endowed funds where the fair value is less than their original donated value.

(g) Contributions

Contributions received, including unconditional promises to give, are generally recognized as revenues in the period received at their fair values. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. An allowance for uncollectible contributions receivable is recorded as deemed necessary by management based upon environmental factors and historical losses associated with pledges received.

(h) Cash and Cash Equivalents

Cash and money market accounts held for investment purposes are included in investments on the consolidated statements of financial position as management considers a significant portion of such balances as a component of the Foundation's overall investment strategy.

(i) Investments

Investments in certain equity and debt securities are recorded at fair value based on exchange or third-party quoted market prices, with realized and unrealized gains and losses included in the statement of activities. Fair values for certain investments held in alternative structures, such as venture capital/private equity partnerships, certain real estate investments, and hedge funds of funds, are estimated using current information obtained from the general partner or investment manager for the respective funds. The Foundation's valuation methodologies may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. While the Foundation has determined that the valuation methodologies utilized are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at June 30, 2009.

New York State law permits the use of net 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.

(j) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is recorded using the straight-line method over estimated useful lives of 20 to 30 years for real property and 5 to 8 years for office equipment.

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

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.

(k) *Fine Art Collection*

Fine art has been capitalized from inception at fair value at the date of donation. The fine art collection is not depreciated.

(l) *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 and property, plant, and equipment. Generally, contribution revenues are recognized on the dates of donation to the annuities or trusts and are established after recording liabilities for the present value of the estimated future payments to be made to the third-party beneficiaries. The discount rate utilized was 2.8% and 3.8% at June 30, 2009 and 2008, 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, property of the annuities or trusts is held by the Foundation in accordance with the donor's annuity or trust agreement.

(m) *Derivatives*

On May 1, 2007, the Foundation entered into a swaption agreement associated with the Foundation's outstanding South Lake Village Bonds (Bonds), issued through the Town of Amherst Industrial Development Agency. The Foundation entered into the transaction primarily to enhance its investment portfolio returns. The swaption agreement meets the definition of a derivative under Statement of Financial Accounting Standard (SFAS) No. 133, *Accounting for Derivative Instruments and Certain Hedging Activities, as amended*, which requires that all derivative instruments be recorded in the consolidated statement of financial position at their respective fair values.

Under the terms of the swaption agreement, the Foundation has granted the swaption counterparty the option to obligate the Foundation to enter into an interest rate swap, effective on August 1, 2010 and maturing on August 1, 2030. The terms of the interest rate swap, if exercised by the counterparty, call for the Foundation, as the fixed rate payer, to pay 4.725% semiannually to the counterparty, who agrees, as the variable rate payer, to pay 67% LIBOR monthly to the Foundation, both on a notional amount that equals the outstanding principal of the Bonds (\$26.8 million and \$27.3 million at June 30, 2009 and 2008, respectively).

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

The swaption contract settled on May 8, 2007, resulting in the Foundation receiving approximately \$1,910,000 in premium, net of approximately \$181,000 of issuance costs. The Foundation has recorded this contract at fair value in the consolidated statements of financial position. The change in fair value of the swaption is included in unrealized gains and losses on investments in the consolidated statements of activities.

(n) Other Activities and Services

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

(o) Reclassifications

Certain reclassifications have been made to the 2008 consolidated financial statements to conform to the 2009 presentation.

(p) Financial Instruments

Management believes that the recorded value of certain financial instruments approximates their fair value, except for long-term debt. The fair value of long-term debt, estimated by quoted market prices for similar debt, was approximately \$78,955,000 and \$88,853,000 at June 30, 2009 and 2008, respectively. The carrying amounts of long-term debt of \$87,605,024 and \$89,780,164 at June 30, 2009 and 2008, respectively, are included in the consolidated statements of financial position.

(q) Adoption of New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurement* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and enhances disclosures about certain fair value measurements. The Foundation adopted SFAS No. 157 effective July 1, 2008.

In February 2008, the FASB issued FASB Staff Position (FSP) FAS No. 157-2, *Effective Date of FASB Statement No. 157*, which deferred the effective date of SFAS No. 157 for one year for nonfinancial assets and liabilities that are not recorded at fair value in the financial statements on a recurring basis. In October 2008, the FASB issued FSP FAS No. 157-3, *Determining the Fair Value of a Financial Asset in a Market That is Not Active*, which was effective upon issuance. FSP FAS No. 157-3's guidance clarifies various application issues with respect to the objective of a fair value measurement, distressed transactions, relevance of observable data, and the use of management's assumptions. In April 2009, the FASB issued FSP FAS No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. This FSP provides additional guidance for estimating fair value in accordance with SFAS No. 157, *Fair Value Measurements*, when the volume and level of activity for the asset or liability have significantly decreased, and also includes guidance on identifying circumstances that indicate a transaction is not orderly. There was no impact on the

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

consolidated financial statements as a result of adopting SFAS No. 157, FSP FAS No. 157-3, and FSP FAS No. 157-4.

In conjunction with the adoption of SFAS No. 157, the Foundation elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)* (ASU No. 2009-12), to certain investments in funds that do not have readily determinable fair values, including venture capital/private equity partnerships, hedge funds of funds, real estate investments, and certain other fixed income and equity securities (see note 4). This guidance amends SFAS No. 157 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to SFAS No. 157.

In February 2007, the FASB released Financial Accounting Standard No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 permits entities to choose to measure financial instruments and certain other items at fair value. The Foundation adopted the provisions of SFAS No. 159 effective July 1, 2008. The adoption of SFAS No. 159 had no impact on the consolidated financial statements as the Foundation did not elect to measure any additional eligible financial assets or financial liabilities at fair value as a result of adopting SFAS No. 159.

In August 2008, FASB Staff Position (FSP) FAS 117-1, *Endowment of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds* (FSP FAS 117-1), was issued with its guidance effective for fiscal years ending after December 15, 2008. FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FSP FAS 117-1 also enhances disclosures regarding an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

As of June 30, 2009, the Foundation is not subject to UPMIFA, as it has not been adopted by the State of New York. The Foundation has adopted the disclosure provisions of FSP FAS 117-1 as of June 30, 2009 and 2008 (see note 7).

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(2) Contributions

Contributions receivable, representing unconditional promises to give, as of June 30, 2009 and 2008, are summarized below:

	2009	2008
Unconditional promises expected to be collected in:		
Less than one year	\$ 6,657,617	8,036,170
One year to five years	8,630,906	9,291,484
Greater than five years	1,451,540	1,205,600
	16,740,063	18,533,254
Less:		
Discount	(758,852)	(1,029,681)
Allowance for uncollectible contributions receivable	(200,000)	(200,000)
	\$ 15,781,211	17,303,573

Discount rates utilized ranged from 0.43% to 6.60% based upon the rates reflected at the time of the gift.

As of June 30, 2009, the Foundation has also received bequest intentions and revocable trusts that management estimates will approximate \$54,000,000. These intentions and conditional promises to give are not recognized as assets in the accompanying consolidated financial statements. Amounts received under these conditional promises to give will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, and general operating support of particular departments and divisions of the University.

(3) Investments

Investments at June 30, 2009 and 2008 are comprised of the following:

	2009	2008
Cash and cash equivalents	\$ 57,477,124	11,031,933
Fixed income securities	95,830,813	90,245,741
Equity securities	221,960,207	165,252,057
Real estate investments	35,831,852	13,812,556
Alternative investments:		
Venture capital/private equity partnerships	31,101,316	31,091,173
Hedge funds of funds	72,099,116	51,650,220
Other	1,724,334	1,876,501
	\$ 516,024,762	364,960,181

Investments, included above, held under split interest agreements were approximately \$16,952,000 and \$20,029,000 at June 30, 2009 and 2008, respectively.

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

In June 2009, the Foundation received title to the University's portion of SUNY's endowment fund, the purpose of which is to provide for the more efficient and less costly investment of these assets for the benefit of the University. The Foundation also acts as an agent for certain other SUNY campuses of portions of the SUNY endowment fund. The Foundation received cash and investments totaling \$221,776,738 for the University's portion of the SUNY endowment fund, and received, as agent for certain other SUNY campuses, cash and investments totaling \$4,352,521. In connection with the net asset transfer, the Foundation also recorded amounts due from SUNY of \$9,473,115 at June 30, 2009 for a portion of the SUNY endowment fund transferred to the Foundation in July 2009.

(4) Fair Value Measurements

According to SFAS No. 157, 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.

SFAS No. 157 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). SFAS No. 157 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.

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.

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

The following table summarizes the valuation of the Foundation's financial assets and liabilities within the SFAS 157 fair value hierarchy as of June 30, 2009:

	<u>Total</u>	<u>Fair value measurements at June 30, 2009</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Investments, at fair value:				
Cash and cash equivalents	\$ 57,477,124	57,477,124	—	—
Fixed income securities	95,830,813	46,170,490	25,202,073	24,458,250
Equity securities	221,960,207	49,781,187	172,179,020	—
Real estate investments	35,831,852	12,195,404	10,538,363	13,098,085
Alternative investments:				
Venture capital/private equity partnerships	31,101,316	—	—	31,101,316
Hedge funds of funds	72,099,116	—	—	72,099,116
Other	1,724,334	119,240	1,605,094	—
Total investments, at fair value	<u>\$ 516,024,762</u>	<u>165,743,445</u>	<u>209,524,550</u>	<u>140,756,767</u>
Financial liabilities:				
Swaption	\$ 4,597,113	—	4,597,113	—

The changes in investments measured at fair value for which the Foundation has used Level 3 inputs to determine fair value are as follows:

	<u>Investments</u>
Balance, June 30, 2008	\$ 107,823,330
Net realized and unrealized losses	(17,901,600)
Purchases, sales, issuances, and settlements, net	50,835,037
Transfers in (out) of Level 3	—
Balance, June 30, 2009	<u>\$ 140,756,767</u>

Effective June 30, 2009, the Foundation elected to early adopt the measurement provisions of ASU No. 2009-12 and has applied the practical expedient in measuring fair value pursuant to ASU No. 2009-12 to its investment portfolio as applicable to those investments that meet the criteria outlined in ASU No. 2009-12.

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

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, measured primarily on a net asset value basis, are available, and are classified as Level 2 or Level 3 if they are subject to certain restrictive provisions relating to redemptions from the investment. Notice periods generally range from daily liquidity to thirty days, according to the provisions of the respective investment agreements.

Investments in other fixed income securities that are not considered commingled funds are comprised primarily of mortgage-backed securities issued by government sponsored agencies. These fixed income securities are classified as Level 2 based on multiple sources of information, which may include quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Equity Securities – Equity securities include U.S, Non-U.S., Global Equity, and Emerging Market 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, measured primarily on a net asset value basis, are available, and are classified as Level 2 or Level 3 if they are subject to certain restrictive provisions relating to redemptions from the investment. Notice periods generally range from daily liquidity to thirty days, according to the provisions of the respective investment agreements.

Investments in other equity securities that are not considered commingled funds are measured at fair value using quoted market prices on active exchanges. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Real Estate Investments – Real estate investments include investments in commingled funds consisting primarily of other real estate investment trusts. These investments are classified as Level 1 if they are traded in an active market for which daily closing prices, measured primarily on a net asset value basis, are available, and are classified as Level 2 or Level 3 if they are subject to certain restrictive provisions relating to redemptions from the investment. Notice periods generally range from thirty to sixty days, according to the provisions of the respective investment agreements. At June 30, 2009, the Foundation has committed to incrementally invest approximately \$11,868,000 in such investments.

Alternative Investments – Investments in venture capital/private equity partnerships, and hedge funds of funds are classified as Level 3 in the fair value hierarchy as they are based on the presence of significant unobservable inputs. These securities are estimated using current information obtained from the general partner or investment manager for the respective funds. Investments in venture capital/private equity partnerships are generally estimated using partner's capital balances, and the fair value of investments in hedge funds of funds are generally estimated using net asset values. In cases where the investee has provided its investors with a net asset value per share or partner capital balances that have been calculated in accordance with the AICPA Audit and Accounting Guide, *Investment Companies*, the Foundation has

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

estimated its fair value by using the net asset value provided by the investee as of December 31, adjusted for cash receipts, cash disbursements, and significant known valuation changes in market values of underlying securities through June 30, 2009.

Investments in venture capital/private equity partnerships are generally structured as closed-ended investments where the Foundation commits a specified amount of capital upon inception of the fund which is then drawn down over a specified period of the fund's life. Such investments generally do not provide redemption options for investors and, subsequent to final closing, do not permit subscriptions by new or existing investors. The Foundation has committed to incrementally invest approximately \$45,324,000 and \$48,677,000 in such investments at June 30, 2009 and 2008, respectively. The remaining lives of the Foundation's investments in venture capital/private equity partnerships range from four to thirteen years at June 30, 2009.

Investments in hedge funds of funds have numerous provisions which restrict the redemptive nature of the investment. Certain of the hedge funds of funds are subject to initial "lock-up" provisions, ranging up to one year. At June 30, 2009, the Foundation's investments in hedge funds of funds are not subject to any initial "lock-up" periods. Subject to the expiration of the "lock-up" period, the investor has the ability to liquidate its investments periodically from quarterly to semi-annually, accompanied by notice periods ranging from forty-five to ninety-five days, according to the provisions of the respective investment fund agreements. A portion or all of the hedge funds of 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 of 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, 2009, no redemption gates or suspension provisions have been imposed on the Foundation's investments in hedge funds of funds.

At June 30, 2009, the Foundation has committed to incrementally invest approximately \$8,000,000 in infrastructure investments.

Swaption – The fair value of the Foundation's swaption was estimated using primarily Level 2 inputs. 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 is not a significant input to the overall valuation of the swaption. Therefore, the Foundation has classified the swaption in Level 2 of the fair value hierarchy at June 30, 2009.

The Foundation obtains fair value measurements of the swaption from a third party. The fair value measurements are determined using the market standard methodology of netting discounted future fixed cash payments and the discounted expected variable cash payments. Variable cash payments are based on

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

an expectation of future interest rates derived from observable market interest rate curves. Credit valuation adjustments are incorporated to appropriately reflect the Foundation's nonperformance risk as well as the counterparty's nonperformance risk.

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

Property, plant, and equipment at June 30, 2009 and 2008 is comprised of the following:

	2009	2008
Real property, principally rental property	\$ 132,233,187	127,503,867
Less accumulated depreciation	(37,608,122)	(33,165,489)
	94,625,065	94,338,378
Office equipment	1,635,063	1,552,649
Less accumulated depreciation	(1,268,788)	(1,161,106)
	366,275	391,543
Real estate held under split interest agreements	961,247	965,909
	\$ 95,952,587	95,695,830

A summary of the permanent financing relating to the student housing projects is provided in note 6. Amounts set aside for debt service were approximately \$6,552,000 at June 30, 2009 and 2008. No interest was capitalized in 2009 or 2008.

UBF Corporation leases land from the State University of New York under an operating lease agreement with an initial term expiring in 2021, renewable to 2037. The base annual rent is \$20,476, adjustable based on the UBF Corporation's net cash flow from this parcel, as defined in the agreement. UB Foundation Activities, Inc. leases office space under an operating lease entered into in 2002 and expiring in 2012. The base annual rent is \$156,904 for the first five years and \$168,281 per year for the remaining term. Rental expense incurred under all operating leases was \$478,074 in 2009 and \$487,016 in 2008.

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, 2009 are as follows:

	Amount
Year ending June 30:	
2010	\$ 1,654,940
2011	1,657,875
2012	1,159,374
2013	946,543
2014	611,124
Thereafter	271,650

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Total revenue and expense related to UBF Housing was approximately \$15,125,000 and \$14,478,000, respectively, in 2009 and approximately \$14,868,000 and \$14,262,000, respectively, in 2008.

(6) Debt Financing

A summary of long-term debt at June 30, 2009 and 2008 follows:

	2009	2008
Village of Kenmore Housing Authority bonds payable in monthly installments of \$47,516 through January 2028, including fixed interest at 4.95%. (Flickinger Project)	\$ 6,879,822	7,098,714
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, net of discount of \$176,922 in 2009 and \$188,717 in 2008. (Hadley Village Project)	17,148,078	17,746,283
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, net of discount of \$156,892 in 2009 and \$164,364 in 2008. (South Lake Village Projects)	26,813,107	27,340,636
Town of Amherst Industrial Development Agency bonds payable in annual principal installments that escalate through maturity in August 2031, plus interest ranging from 4.30% to 5.25% adjusted annually, net of discount of \$83,482 in 2009 and \$87,248 in 2008. (Flint Village Projects)	23,936,518	24,482,752
Town of Amherst Industrial Development Agency bonds payable in annual principal installments that escalate through maturity in August 2032, plus interest ranging from 3.00% to 5.00% adjusted annually, net of discount of \$132,501 in 2009 and \$138,221 in 2008. (Creekside Village Projects)	12,827,499	13,111,779
	\$ 87,605,024	89,780,164

The Foundation complied with the terms of its debt covenants at June 30, 2009 and 2008.

Interest expense was \$5,023,910 and \$5,084,921 in 2009 and 2008, respectively.

The Flickinger Project bonds are secured by first mortgage interests in the property and the assignment of all related leases, subleases and rentals. For the remaining student housing projects, each bond issuance is secured by a first mortgage lien on UBF Housing's ground leasehold interest for such project and by assignment of all leases, subleases and rentals related to such project. UBF Housing is required to make payments under leasing arrangements with the bond issuers sufficient to service the bonds.

In November 2007, FNUB, Inc. obtained a \$25,000,000 operating line of credit used to purchase a building for the University. Borrowings under the line are payable on demand and bear interest at the greater of

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

LIBOR plus 1.50% or 3.00% (3.00% at June 30, 2009). At June 30, 2008, the borrowings beared interest at an adjusted LIBOR rate plus 0.15% (2.65% at June 30, 2008). There was \$12,654,773 and \$12,264,773 outstanding under this line at June 30, 2009 and 2008, respectively. Under the terms of the agreement, FNUB, Inc. is required to maintain a minimum compensating cash balance of \$5,000,000. At June 30, 2009, FNUB, Inc. maintained a compensating cash balance with the lending institution of \$6,139,186 related to the line of credit agreement.

Aggregate annual maturities of long-term debt at June 30, 2009 are as follows:

2010	\$	2,351,383
2011		2,478,202
2012		2,614,759
2013		2,748,648
2014		2,887,381
Thereafter		<u>74,524,651</u>
	\$	<u><u>87,605,024</u></u>

(7) Endowment Net Assets

The Foundation's endowment consists of approximately 1,200 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Foundation Board of Trustees to function as endowments. At June 30, 2009, the fair values of approximately 370 endowment accounts were less than their original donated value by a total of approximately \$10,740,000. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued legally permitted appropriation for certain programs that was deemed prudent by the Foundation.

The New York Not-for-Profit Corporation Law, which incorporates provisions of the Uniform Management of Institutional Funds Act of 1972 (UMIFA), requires the preservation of the original gift of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Appreciation, net of the underwater amount of endowment funds, is reported as either temporarily restricted or unrestricted net assets.

Permanently restricted endowment net assets exclude assets held under split interest agreements of \$10,166,381 and \$13,774,579 at June 30, 2009 and 2008, respectively, and contributions receivable of \$5,427,565 and \$6,605,049 at June 30, 2009 and 2008, respectively.

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

The following is a summary of the Foundation's endowment net asset composition by type of fund as of June 30, 2009 and 2008:

		2009			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	—	232,601,618	110,500,395	343,102,013
Board-designated endowment funds		67,361,551	—	—	67,361,551
Total endowment net assets	\$	67,361,551	232,601,618	110,500,395	410,463,564
		2008			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	—	74,800,640	89,413,601	164,214,241
Board-designated endowment funds		66,192,043	—	—	66,192,043
Total endowment net assets	\$	66,192,043	74,800,640	89,413,601	230,406,284

Changes in the Foundation's endowment net assets for the years ended June 30, 2009 and 2008 are as follows:

		2009			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$	66,192,043	74,800,640	89,413,601	230,406,284
Investment return:					
Investment income		649,905	993,892	151,085	1,794,882
Net realized and unrealized losses on endowment funds		(27,632,380)	(17,058,211)	—	(44,690,591)
Total investment return		(26,982,475)	(16,064,319)	151,085	(42,895,709)
Contributions		—	—	3,192,846	3,192,846
Appropriation of endowment assets for expenditure		(3,554,740)	(7,934,970)	—	(11,489,710)
Other changes – net asset transfer (note 3)		31,706,723	181,800,267	17,742,863	231,249,853
Endowment net assets, end of year	\$	67,361,551	232,601,618	110,500,395	410,463,564

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

	2008			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Endowment net assets, beginning of year	\$ 70,043,129	83,032,074	79,423,539	232,498,742
Investment return:				
Investment income	751,199	631,056	127,591	1,509,846
Net realized and unrealized losses on endowment funds	<u>(2,073,586)</u>	<u>(7,800,951)</u>	—	<u>(9,874,537)</u>
Total investment return	(1,322,387)	(7,169,895)	127,591	(8,364,691)
Contributions	7,700	3,231,575	9,862,471	13,101,746
Appropriation of endowment assets for expenditure	<u>(2,536,399)</u>	<u>(4,293,114)</u>	—	<u>(6,829,513)</u>
Endowment net assets, end of year	<u>\$ 66,192,043</u>	<u>74,800,640</u>	<u>89,413,601</u>	<u>230,406,284</u>

(8) Guarantees

The Foundation has guaranteed the payment of certain employee mortgages under the University Home Loan Guaranty Program in support of the efforts of the State University of New York at Buffalo to encourage the ownership and renovation of single-family and two-family homes within the City of Buffalo neighborhood known as University Heights. The maximum guarantee under the agreement is \$5,000,000. The guarantee is for the entire amount. The Foundation is discharged from the guarantee upon the occurrence of certain qualifying events. If the employee defaults on the mortgage, the Foundation would have to perform under the guarantee. The maximum amount of undiscounted payments the Foundation would have to make in the event of default is \$1,992,922 at June 30, 2009 and \$1,842,590 at June 30, 2008, based upon aggregate outstanding loan balances.

(9) Retirement Plan

The Foundation has a defined contribution retirement plan 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 \$1,523,632 and \$1,408,917 in 2009 and 2008, respectively.

(10) Income Taxes

UBF, FNUB, Inc., UBFI, UBF Housing, UBFA, and UBFS are all tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code (the Code). UBF Corporation is a tax-exempt organization described in Section 501(c)(2) of the Code. UBF and its affiliates are generally exempt from income taxes pursuant to Section 501(a) of the Code.

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

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48) which was adopted by the Foundation in 2008. FIN 48 addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no impact to the Foundation's consolidated financial statements as a result of the adoption of FIN 48.

(11) Related-Party Transactions

UBF operates on the University's campus at no charge. 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 \$178,448 and \$170,668 in 2009 and 2008, respectively.

The Foundation holds funds for certain research projects of the University and holds cash and certain investments for certain other SUNY campuses of portions of the SUNY endowment fund (see note 3). These funds are reflected as funds held in custody for others in the consolidated statements of financial position, which amounted to \$10,798,969 and \$6,882,206 at June 30, 2009 and 2008, respectively.

(12) Subsequent Events

The Foundation has evaluated the nature of events occurring subsequent to June 30, 2009 through October 13, 2009, which is the date the consolidated financial statements were available to be issued, and have identified no events requiring disclosure at June 30, 2009.