

**Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation**

**Combined Financial Statements and
Supplementary Information**

June 30, 2012 and 2011

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
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Report of Independent Auditors

To the Board of Directors of
Buffalo State College Foundation, Inc.
Buffalo, New York

We have audited the accompanying combined statements of financial position of Buffalo State College Foundation, Inc. (the "Foundation") and Buffalo State College Foundation Housing Corporation (the "Housing Corporation") (collectively referred to as the "Organization") as of June 30, 2012 and 2011, and the related combined statements of activities and changes in net assets, and of cash flows for the years then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining supplementary information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Tronconi Segarra & Associates LLP
September 19, 2012

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Combined Statements of Financial Position
June 30, 2012 and 2011

	2012	2011
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 3,502,256	\$ 1,881,349
Restricted cash and cash equivalents	1,696,955	3,427,219
Investments	28,553,153	27,006,239
Receivables	1,592,969	57,499
Prepaid expenses	112,632	107,631
Total current assets	35,457,965	32,479,937
<i>Long-Term Assets</i>		
Restricted cash and cash equivalents	1,437,374	1,211,776
Notes receivable, net of estimated uncollectibles of of \$4,300 in 2012 and 2011	143,567	170,549
Receivables, net of unamortized discount	506,544	503,161
Investment in split interest agreements	2,561,464	2,680,318
Building and equipment, net	40,567,680	42,304,914
Financing costs, net	590,335	610,692
Total long-term assets	45,806,964	47,481,410
	\$ 81,264,929	\$ 79,961,347
Liabilities and Net Assets		
<i>Current Liabilities</i>		
Current maturities of long-term debt, net	\$ 789,380	\$ 111,563
Accounts payable and accrued expenses	1,185,453	3,625,524
Funds held in trust for others	882,288	1,131,091
Total current liabilities	2,857,121	4,868,178
<i>Long-Term Debt, net, less current maturities</i>	44,475,023	45,264,403
<i>Liability Under Split Interest Agreements</i>	706,920	738,963
<i>Net Assets (Deficit)</i>		
Unrestricted:		
Undesignated	(345,649)	203,412
Designated for academic departments	499,184	498,650
Designated for endowment	670,189	703,744
Designated for BSCR Corporation (see note 12)	2,000,000	0
Total unrestricted	2,823,724	1,405,806
Temporarily restricted	8,654,158	7,912,183
Permanently restricted	21,747,983	19,771,814
Total net assets	33,225,865	29,089,803
	\$ 81,264,929	\$ 79,961,347

See report of independent auditors and notes to combined financial statements.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Combined Statement of Activities and Changes in Net Assets
for the year ended June 30, 2012
(with Comparative Totals for the year ended June 30, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Revenues					
Contributions	\$ 2,478,913	\$ 2,195,961	\$ 1,852,191	\$ 6,527,065	\$ 2,946,752
Student residence rental revenue	4,332,459	0	0	4,332,459	0
Fees, events and other revenue	849,926	0	0	849,926	897,885
Total revenues	7,661,298	2,195,961	1,852,191	11,709,450	3,844,637
Other support					
Net investment income	67,062	113,258	9,122	189,442	4,290,193
Donated services and supplies - Buffalo State College	1,220,290	0	0	1,220,290	1,536,730
Change in the value of split interest agreements	(3,224)	(17,649)	(67,228)	(88,101)	(185,660)
Change in the value of terminated split interest agreements	0	0	0	0	1,430,989
Net assets released from restriction	1,327,967	(1,327,967)	0	0	0
Other transfers	39,544	(221,628)	182,084	0	0
Total other support	2,651,639	(1,453,986)	123,978	1,321,631	7,072,252
Total revenues and other support	10,312,937	741,975	1,976,169	13,031,081	10,916,889
Expenses, losses and other					
Program					
Student residence operating expenses	5,011,242	0	0	5,011,242	0
Student support	1,269,439	0	0	1,269,439	1,521,205
Academic divisions	314,465	0	0	314,465	357,505
Institutions support	186,957	0	0	186,957	180,083
Property and equipment	8,763	0	0	8,763	22,751
Public service and extension	119,399	0	0	119,399	11,389
	6,910,265	0	0	6,910,265	2,092,933
Administration and other					
Management and general	676,067	0	0	676,067	1,641,353
Development	1,308,687	0	0	1,308,687	1,353,414
	1,984,754	0	0	1,984,754	2,994,767
Total expenses, losses and other	8,895,019	0	0	8,895,019	5,087,700
Increase in net assets	1,417,918	741,975	1,976,169	4,136,062	5,829,189
Net Assets, beginning of year	1,405,806	7,912,183	19,771,814	29,089,803	23,260,614
Net Assets, end of year	\$ 2,823,724	\$ 8,654,158	\$ 21,747,983	\$ 33,225,865	\$ 29,089,803

See report of independent auditors and notes to combined financial statements.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Combined Statement of Activities and Changes in Net Assets
for the year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions	\$ 529,533	\$ 1,703,617	\$ 713,602	\$ 2,946,752
Fees, events and other revenue	<u>897,885</u>	<u>0</u>	<u>0</u>	<u>897,885</u>
Total revenues	1,427,418	1,703,617	713,602	3,844,637
Other support				
Net investment income	984,627	2,811,014	494,552	4,290,193
Donated services and supplies - Buffalo State College	1,536,730	0	0	1,536,730
Change in the value of split interest agreements	(2,965)	(25,390)	(157,305)	(185,660)
Change in the value of terminated split interest agreements	0	0	1,430,989	1,430,989
Net assets released from restriction	1,322,746	(1,322,746)	0	0
Other transfers	<u>167,905</u>	<u>(14,538)</u>	<u>(153,367)</u>	<u>0</u>
Total other support	4,009,043	1,448,340	1,614,869	7,072,252
Total revenues and other support	<u>5,436,461</u>	<u>3,151,957</u>	<u>2,328,471</u>	<u>10,916,889</u>
Expenses, losses and other				
Program				
Student support	1,521,205	0	0	1,521,205
Academic divisions	357,505	0	0	357,505
Institutions support	180,083	0	0	180,083
Property and equipment	22,751	0	0	22,751
Public service and extension	<u>11,389</u>	<u>0</u>	<u>0</u>	<u>11,389</u>
	2,092,933	0	0	2,092,933
Administration and other				
Management and general	1,641,353	0	0	1,641,353
Development	<u>1,353,414</u>	<u>0</u>	<u>0</u>	<u>1,353,414</u>
	2,994,767	0	0	2,994,767
Total expenses, losses and other	<u>5,087,700</u>	<u>0</u>	<u>0</u>	<u>5,087,700</u>
Increase in net assets	348,761	3,151,957	2,328,471	5,829,189
<i>Net Assets, beginning of year</i>	<u>1,057,045</u>	<u>4,760,226</u>	<u>17,443,343</u>	<u>23,260,614</u>
<i>Net Assets, end of year</i>	<u>\$ 1,405,806</u>	<u>\$ 7,912,183</u>	<u>\$ 19,771,814</u>	<u>\$ 29,089,803</u>

See report of independent auditors and notes to combined financial statements.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation

Combined Statements of Cash Flows
for the years ended June 30, 2012 and 2011

	2012	2011
<i>Cash Flows from Operating Activities</i>		
Increase in net assets	\$ 4,136,062	\$ 5,829,189
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	868,135	0
Expensed equipment and furnishings	1,269,746	0
Amortization of bond premium	(111,563)	0
Amortization of financing costs	20,357	0
Contributions restricted for long-term purposes	(1,852,191)	(713,602)
Net income, realized and unrealized gains on investments	(134,926)	(3,797,366)
Investment management and custodian fees paid for with the liquidation of investments	66,110	55,983
Change in the value of split interest agreements	86,811	(1,245,329)
Changes in:		
Receivables	(1,538,853)	196,479
Prepaid expenses	(5,001)	6,873
Accounts payable and accrued expenses	697,141	69,383
Funds held in trust for others	(248,803)	67,372
Net cash provided by operating activities	3,253,025	468,982
<i>Cash Flows from Investing Activities</i>		
Purchases of investments	(3,045,393)	(3,018,846)
Proceeds from the sale of investments	1,567,295	993,487
Collections on notes receivable, net	26,982	35,923
Payments for construction in progress	(3,537,859)	(30,367,075)
Payments to restricted deposits	1,504,666	(1,238,180)
Net cash used in investing activities	(3,484,309)	(33,594,691)
<i>Cash Flows from Financing Activities</i>		
Proceeds from contributions restricted for long-term purposes	1,852,191	713,602
Proceeds from the issuance of long-term debt, net	0	32,915,966
Payments for debt financing costs	0	(610,692)
Net cash provided by financing activities	1,852,191	33,018,876
Net increase (decrease) in cash and cash equivalents	1,620,907	(106,833)
<i>Cash and Cash Equivalents, beginning of year</i>	1,881,349	1,988,182
<i>Cash and Cash Equivalents, end of year</i>	\$ 3,502,256	\$ 1,881,349
<i>Supplemental Disclosures of Cash Flow Information</i>		
Cash paid for interest	\$ 1,853,463	\$ 1,108,175
<i>Supplemental Schedule of Noncash Investing and Financing Activities</i>		
Transfer of assets from investment in split interest agreements to investments	\$ 0	\$ 2,659,396
Extinguishment of a portion of the liability under split interest agreements due to the death of a donor	\$ 0	\$ 1,430,989
Purchases of building and equipment included in accounts payable	\$ 191,339	\$ 3,328,551
Financing costs capitalized as construction in progress	\$ 0	\$ 1,609,927
Term debt satisfied by the issuance of new term debt	\$ 0	\$ 39,698,520

See report of independent auditors and notes to combined financial statements.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Notes to Combined Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – Buffalo State College Foundation, Inc (the “Foundation”), located in Buffalo, New York, is a not-for-profit organization established to promote the interests of the State University of New York College at Buffalo (the “College”) and to support its students. Proceeds generated from the Foundation’s activities, solicitations, and investments are used to assist College programs, provide student financial aid, and for the operation of the Foundation.

The Buffalo State College Foundation Housing Corporation (the “Housing Corporation”), also located in Buffalo, New York, is a not-for-profit organization established for the construction and operation of a 224,000 square foot, seven-story, student-housing complex (“student residence”) consisting of approximately 507 beds, to serve students of the College. Collectively, these entities are referred to as the “Organization”. Construction of the student residence began in January 2010, was completed in the summer of 2011, and was available for occupancy in the fall semester of 2011.

Principles of Combination – The combined financial statements include the accounts of the Foundation and the Housing Corporation. All significant transactions and accounts between the Foundation and the Housing Corporation have been eliminated upon combination.

Basis of Accounting – The financial statements are prepared on the accrual basis of accounting. Consequently, revenues are recognized when earned rather than when received, and expenses and purchases of assets are recognized when the obligation is incurred, rather than when cash is disbursed.

Comparative Financial Information – The combined financial statements include certain 2011 summarized comparative information. Accordingly, the information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Cash and Cash Equivalents – The Organization considers all liquid investments with original maturities of three months or less and United States Treasury Bills to be cash equivalents.

Investments – The Foundation values its investments at fair value, as determined by quoted market prices or other valuation methods. The difference between the aggregate fair value of investments at the beginning of the year and their aggregate fair values at the end of the year is recorded as an unrealized gain or loss in the combined statements of activities and changes in net assets.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Notes to Combined Financial Statements (continued)

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

The Foundation's investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment. The three levels of the fair value hierarchy, and its applicability to the Foundation's investments, are described as:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that are accessible at the measurement date.
- Level 2 Inputs – Quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Also includes inputs other than quoted prices that are observable, either directly or indirectly, for substantially the full term through corroboration with observable, independent market data. This includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.
- Level 3 Inputs – Pricing inputs are unobservable for the asset or liability. That is, inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 includes private investments that are supported by little or no market activity.

Receivables – Receivables are recorded at net realizable value. Amounts included represent pledges, contributions receivable, and unpaid rent from the student residence. Receivables are stated at the amount management expects to collect from outstanding balances. Receivables are considered by management to be fully collectible, and accordingly, no allowance for uncollectible receivables was considered necessary at June 30, 2012 and 2011.

At June 30, 2012 and 2011, the non-current receivable related to two irrevocable pledges totaling \$800,000 that were recorded net of unamortized discounts of \$293,456 and \$296,839, respectively. These pledges are payable upon the deaths of the respective donors. The discount rate used on non-current receivables was 5% at June 30, 2012 and 2011. For the years ended June 30, 2012 and 2011, \$3,383 was recognized as an addition to contributions revenue and \$70,607 was recorded as a reduction to contributions revenue as a result of an adjustment for the present value discount of non-current receivables, respectively.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Notes to Combined Financial Statements (continued)

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Restricted Cash and Cash Equivalents – Amounts provided by the issuance of long-term debt are to be used to finance the costs for the student residence construction and its related costs and are therefore classified as restricted cash along with required reserves funded under a loan agreement.

Notes Receivable, net – Notes receivable are stated at the amount management expects to collect on balances outstanding at year-end and consist of principal balances due on outstanding art conservation student loans. The Foundation provides an allowance for doubtful accounts based upon a review of outstanding notes receivable, historical collection information, and existing economic conditions. Amounts are written off through bad debt expense upon the determination of uncollectability. The notes are repayable quarterly over five years, with varying interest rates ranging from 5.01% to 7.00%.

Investment in Split Interest Agreements – The Foundation's split interest agreements with donors consists primarily of gift annuities, lead trusts, charitable remainder unitrusts and annuity trusts. Assets held under these agreements are reported at fair value. 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 6% at June 30, 2012 and 2011. The liabilities, reflected as liability under split interest agreements on the combined statements of financial position, are adjusted during the term of the trusts for changes in the value of the assets and other changes in the estimates of future benefits. Upon termination of a split-interest agreement, the asset and liability accounts related to the agreement shall be closed. Any remaining amounts in the asset or liability accounts shall be recognized as changes in the value of terminated split-interest agreements. Upon termination of the income obligation, property of the annuities or trusts is held by the Foundation in accordance with donor's annuity or trust agreement.

Construction in Progress – Construction in progress is stated at cost and was transferred to building and equipment upon completion. Interest capitalized in conjunction with construction in progress was \$0 and \$2,642,146 for the years ended June 30, 2012 and 2011, respectively, and included \$1,609,927 of financing costs at June 30, 2011 that were fully amortized related to debt that was refinanced during the year then ended. The construction project was completed and the assets were placed into service in September 2011.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Notes to Combined Financial Statements (continued)

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Building and Equipment, net – Building and equipment, net, is stated at cost, net of accumulated depreciation. Major renewals and betterments exceeding \$5,000 are capitalized, while costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the approximate estimated lives of the assets, which range from 5 to 40 years.

Financing Costs, net – Debt financing costs are stated at cost, net of accumulated amortization. Debt financing costs are amortized on a straight-line basis over the thirty year term of the related debt and charged to interest expense beginning July 1, 2011. Accumulated amortization and amortization expense totaled \$20,357 as of and for the year ended June 30, 2012. Annual amortization will total \$20,357 through 2041.

Impairment of Long-Lived Assets – The Housing Corporation regularly assesses all of its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the assets with the respective carrying amount as of the date of assessment. Should aggregate future cash flows be less than the carrying value, a write-down would be required, measured as the difference between the carrying value and the fair value of the asset. Fair value is estimated either through independent valuation or as the present value of expected discounted future cash flows. If the expected undiscounted future cash flows exceed the respective carrying amount as of the date of assessment, no impairment is recognized.

Accounts Payable and Accrued Expenses – Accounts payable and accrued expenses consist mainly of accrued interest and amounts owed by the Organization to the College and for expenses paid on their behalf. See footnote 12 for further related party transaction disclosures.

Funds Held in Trust for Others – Acting solely as custodian, the Foundation receives and disburses funds held in trust for faculty, staff and campus organizations. These funds are expended in accordance with budgets and upon written authorization from the respective organizations.

Revenue Recognition – Revenue from the rental of the student residence is recognized by the Housing Corporation in the period in which room occupancy occurs. Revenue is based on a fixed annual lease amount as determined by the College for each resident.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Notes to Combined Financial Statements (continued)

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Income and Gains on Grants and Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions.

Amounts received that are designated for future periods, or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. In the absence of donor specifications that income and gains on donated funds are restricted, such income and gains are reported as unrestricted support. It is the Organization's policy to record contributions of gifts when it is determined that they are unconditional.

Donated Services and Supplies – Donated services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated supplies are recorded at fair value at the date of the donation. Donated services which require specialized skills and donated supplies are recorded as unrestricted revenue and expenses.

Unrestricted Net Assets – Unrestricted net assets represent resources whose use is not restricted by donor-imposed stipulations and are available for the general support of Organization.

Temporarily Restricted Net Assets – Temporarily restricted net assets consist of unexpended contributions available for use for donor specified purposes. When a restriction expires, these assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets – Permanently restricted net assets are those assets resulting from contributions whose use is limited by donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Income Taxes – The Foundation and the Housing Corporation are exempt organizations as defined under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and as such, are exempt from federal income taxes. Accordingly, no provision for income taxes has been reflected in the accompanying combined financial statements.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Notes to Combined Financial Statements (continued)

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Accounting for Uncertainty in Income Taxes – The Organization’s management evaluates its tax positions to determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation, based on technical merits of the tax position. Management has analyzed the Organization’s tax positions and has concluded that, as of June 30, 2012 and 2011, there were no uncertain positions taken or expected to be taken that would require recognition or disclosure in the combined financial statements.

Risks and Uncertainties – Investments are exposed to various risks, such as interest rate and market 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 risks in the near term would materially affect the Foundation’s net assets.

Management Estimates – The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the combined financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification – In order to facilitate comparison of financial information, certain amounts reported in the prior year have been reclassified to conform with current year presentation.

Subsequent Events – The Organization has evaluated subsequent events, for recognition or disclosure, through September 19, 2012, the date the Organization’s combined financial statements were available to be issued and determined that additional disclosure was required as reported in Notes 4 and 12.

2. Significant Concentrations

Cash deposited at financial institutions potentially subjects the Organization to concentrations of credit risk as cash may exceed federally insured limits at various times throughout the year. At June 30, 2012, \$3,353,814 of deposits were subject to this risk of loss, as these balances were in excess of federally insured limits.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Notes to Combined Financial Statements (continued)

2. Significant Concentrations (continued)

Major contributors account for more than 10% of the Organization's revenue or outstanding accounts receivable. The Organization had revenue from two major contributors which accounted for \$3,500,000 or 30% of total revenue for the year ended June 30, 2012. Receivables outstanding from these contributions totaled \$1,500,000, or 71%, of total receivables at June 30, 2012.

The Organization had revenue from two major contributors which accounted for \$888,000 or 23% of total revenue for the year ended June 30, 2011. There were no outstanding accounts receivable amounts related to these contributions at June 30, 2011.

3. Restricted Cash and Cash Equivalents

	<u>2012</u>	<u>2011</u>
Current:		
Construction fund	\$ 191,339	\$ 3,391,775
Surplus reserve fund	1,170,614	0
Debt service- principal	335,002	0
Debt service- interest	<u>0</u>	<u>35,444</u>
	<u>1,696,955</u>	<u>3,427,219</u>
Non-Current:		
Construction fund	837,372	1,211,776
Repair and replacement reserve	<u>600,002</u>	<u>0</u>
	<u>1,437,374</u>	<u>1,211,776</u>
	<u>\$ 3,134,329</u>	<u>\$ 4,638,995</u>

4. Investments

A significant portion of the Foundation's investments are held by the Commonfund, a private non-profit organization that pools funds of educational institutions and invests in various securities, including marketable and non-marketable securities, real estate and hedges. Each participating institution is allocated investment units based on the amounts invested. The market value of the investments is based on the value of the individual securities composing each fund.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
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Notes to Combined Financial Statements (continued)

4. Investments (continued)

The following summarizes the Foundation's investment portfolio at June 30, 2012:

	2012	
	Cost	Fair Value
Commonfund:		
Multi-strategy equity fund	\$ 13,404,456	\$ 17,799,915
Multi-strategy bond fund	6,038,630	6,999,750
Private equity funds	1,472,381	1,902,452
Hedged investors company	1,141,750	1,020,807
Multi-strategy commodities series	903,221	734,413
Realty investors fund	862,623	95,816
	23,823,061	28,553,153
Split interest agreements	2,680,007	2,561,464
	<u>\$ 26,503,068</u>	<u>\$ 31,114,617</u>

The following summarizes the Foundation's investment portfolio at June 30, 2011:

	2011	
	Cost	Fair Value
Commonfund:		
Multi-strategy equity fund	\$ 12,224,717	\$ 17,188,896
Multi-strategy bond fund	5,530,728	6,296,821
Private equity funds	1,182,941	1,511,737
Hedged investors company	1,141,750	1,102,500
Multi-strategy commodities series	901,849	848,317
Realty investors fund	898,366	32,605
Other investments	32,352	25,363
	21,912,703	27,006,239
Split interest agreements	2,774,439	2,680,318
	<u>\$ 24,687,142</u>	<u>\$ 29,686,557</u>

Buffalo State College Foundation, Inc.
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Notes to Combined Financial Statements (continued)

4. Investments (continued)

The Foundation's interests in the Commonfund portfolios above are generally reported at their net asset value as reported by the investment manager as a practical expedient to estimate the fair value of the Foundation's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from its net asset value. As of June 30, 2012 and 2011, the Foundation had no plans or intentions to sell investments at amounts different from net asset value.

Because each fund is reported at net asset value, the level at which the fund's fair value measurement is classified is based on the Foundation's ability to redeem its interest at or near the date of the statement of financial position. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

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4. Investments (continued)

The following summarizes the Foundation's investment portfolio by fair value hierarchy levels as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Level 1:		
Commonfund:		
Multi-strategy commodities series	\$ 734,413	\$ 848,317
Split interest agreements	139,405	225,511
Other investments	<u>0</u>	<u>25,363</u>
	<u>873,818</u>	<u>1,099,191</u>
Level 2:		
Commonfund:		
Multi-strategy equity fund	17,799,915	17,188,896
Multi-strategy bond fund	6,999,750	6,296,821
Realty investors fund	95,816	32,605
Split interest agreements	<u>2,246,166</u>	<u>2,278,914</u>
	<u>27,141,647</u>	<u>25,797,236</u>
Level 3:		
Commonfund:		
Hedged investors company	1,020,807	1,102,500
Private equity funds	1,902,452	1,511,737
Split interest agreements	<u>175,893</u>	<u>175,893</u>
	<u>3,099,152</u>	<u>2,790,130</u>
	<u>\$ 31,114,617</u>	<u>\$ 29,686,557</u>

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4. Investments (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to methodologies used at June 30, 2012 and 2011.

Commonfund – Commonfund investments are valued at the Foundation’s share of the net asset value of funds the Foundation is invested in. The following are descriptions of each fund:

- **Multi-Strategy Equity Fund** – The investment objective of this fund is to offer an investment program that will provide, in a single fund, all of the strategy and manager diversification that an endowment would require for its equity allocation. The fund is designed to add value over long periods of time, above the return of the U.S. equity market as measured by the Standard & Poor’s (“S&P”) 500 Index, and to reduce volatility in investing directly in the index. Investments in this fund may be redeemed on a monthly basis providing a notice period of 5 business days prior to month end.
- **Multi-Strategy Bond Fund** – The investment objective of this fund is to offer an actively managed, multi-manager investment program that will provide, in a single fund, broad exposure to global debt markets. The fund is designed to add value above the return of the broad U.S. bond market over a full market cycle, as measured by the Barclays Aggregate Bond Index, and to reduce volatility in investing directly in the index. Investments in this fund may be redeemed on a monthly basis providing a notice period of 5 business days prior to month end.
- **Multi-Strategy Commodities Series** – The investment objective of this series is to allocate assets across a broad spectrum of commodity-oriented asset categories. The funds pursue a multi-strategy approach to investing in the commodities markets, which include, but are not limited to, swaps, futures, options on futures and forward contracts on exchange traded agricultural goods, metals, mineral, energy products and foreign currencies. The fund seeks to out-perform its benchmark, the Dow Jones-UBS Commodity Total Return Index (“DJ-UBSTR”). The DJ-UBSTR is composed of futures on contracts on 20 physical commodities: aluminum, cocoa, coffee, copper, corn, cotton, crude oil, gold, heating oil, lean hogs, live cattle, natural gas, nickel, silver, soybeans, soybean oil, sugar, unleaded gasoline, wheat, and zinc. Investments in this fund may be redeemed on a monthly basis providing a notice period of 5 business days prior to month end.

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Notes to Combined Financial Statements (continued)

4. Investments (continued)

- ***Realty Investors Fund*** – Commonfund’s real estate program, Commonfund Realty Investors, LLC (“CRI”), is managed by Commonfund Realty, Inc., a subsidiary of Commonfund. CRI is an open-ended, commingled fund that pursues a diversified, value-added national strategy with a focus on seven target markets. The fund invests in office, industrial, multi-family and retail properties in the United States. Investments in this fund may be redeemed during September of each year up to 20 percent of the units owned for at least five years. The Foundation was not eligible for redemption based on the age of its ownership units at June 30, 2012 and 2011.
- ***Hedged Investors Company*** – The investment objective of this fund is to offer investors access to a well-diversified alternative investment program. The fund seeks to outperform the S&P 500 Index with lower volatility over a full-market cycle while also providing some protection during down markets. The fund invests in assets primarily using the following strategies: hedged equity (primary, but not exclusive, focus on selection of long and short positions in marketable U.S. equities); and diversifying strategies (long and short asset class positions in response to manager assessment of worldwide economic conditions and market valuations). Investments in this fund may be redeemed on a quarterly basis providing a notice period of 90 calendar days prior to trade date.
- ***Private Equity Funds*** – The private equity funds objectives are to offer investors the opportunity to earn long-term capital appreciation by investing in private equity transactions, such as growth equity financing, management buyouts, corporate restructurings, turnaround/distressed situations, consolidations and recapitalizations.

The Foundation was committed to incrementally invest approximately \$3,481,646 and \$3,270,715 in such investments at June 30, 2012 and 2011, respectively. Subsequent to June 30, 2012, the Foundation committed to invest another \$1,000,000 in additional investment funds managed by Commonfund which include the Commonfund Strategic Solutions Core Real Estate Fund and Commonfund Real Estate Opportunity Fund.

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Notes to Combined Financial Statements (continued)

4. Investments (continued)

Other Investments – Other investments includes cash equivalents and equity securities. Fair value equals cost for cash equivalents. Equity securities are valued at the closing price reported on the active market in which the individual funds are traded. These investments do not have redemption restrictions.

Split Interest Agreements – Split interest agreements are valued based on the underlying investments. Cash and cash equivalents are valued at cost which is equal to fair value. Equity securities are valued at the closing price reported on the active market in which the individual funds are traded. A portion of these funds are also managed by Commonfund and invested in the categories described above. In addition, certain investments that the Foundation has title to are managed by outside parties. Those investments in which observable inputs are available to the Foundation are valued at level 2. Those investments in which no observable inputs are available to the Foundation are valued at level 3.

The following is a summary of the changes in the fair value of the Foundation's level 3 investments for the years ended June 30, 2012 and 2011, respectively:

	2012	2011
Balance, beginning of year	\$ 2,790,130	\$ 2,314,791
Purchases	446,446	296,320
Distributions	(208,447)	(152,142)
Net investment gains	71,023	331,161
Balance, end of year	\$ <u>3,099,152</u>	\$ <u>2,790,130</u>

The following summarizes investment income and its classification in the combined statement of activities and changes in net assets for the year ended June 30, 2012:

	Interest and Dividends	Net Realized and Unrealized Losses	Total
Unrestricted	\$ 68,153	\$ (1,091)	\$ 67,062
Temporarily restricted	368,015	(254,757)	113,258
Permanently restricted	23,700	(14,578)	9,122
	\$ <u>459,868</u>	\$ <u>(270,426)</u>	\$ <u>189,442</u>

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Notes to Combined Financial Statements (continued)

4. Investments (continued)

The following summarizes investment income and its classification in the combined statement of activities and changes in net assets for the year ended June 30, 2011:

	Interest and Dividends	Net Realized and Unrealized Gains	Total
Unrestricted	\$ 147,821	\$ 836,806	\$ 984,627
Temporarily restricted	295,050	2,515,964	2,811,014
Permanently restricted	49,956	444,596	494,552
	<u>\$ 492,827</u>	<u>\$ 3,797,366</u>	<u>\$ 4,290,193</u>

For the years ended June 30, 2012 and 2011, the Foundation was charged investment management fees of \$64,841 and \$57,086, respectively.

5. Building and Equipment, net

	2012	2011
Building	\$ 41,379,400	\$ 0
Equipment, furniture, and fixtures	56,415	0
Construction in progress	0	42,304,914
	<u>41,435,815</u>	<u>42,304,914</u>
Less accumulated depreciation	868,135	0
	<u>\$ 40,567,680</u>	<u>\$ 42,304,914</u>

Depreciation expense for the years ended June 30, 2012 and 2011 totaled \$868,135 and \$0, respectively. Individual equipment purchases below the Organization's capitalization threshold of \$5,000 were expensed during the year ended June 30, 2012. Equipment purchases totaling \$1,269,746 were below the Organization's individual capitalization threshold of \$5,000 and were expensed during the year ended June 30, 2012.

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6. Long-Term Debt

	<u>2012</u>	<u>2011</u>
Term loan agreement with Buffalo and Erie County Industrial Land Development Corporation ("BECILDC") dated June 1, 2011 for \$43,875,000, payable in annual principal installments beginning October 1, 2012 that escalate through maturity in October 2041, plus semi-annual interest payments ranging from 3% to 6%, net of an original premium of \$1,090,966.	\$ 44,854,403	\$ 44,965,966
Term loan agreement with BECILDC dated June 1, 2011 for \$410,000, with semi-annual interest payments at 1.25% payable beginning April 2012, plus one payment of the remaining outstanding principal due October 2012.	<u>410,000</u>	<u>410,000</u>
	45,264,403	45,375,966
Less current maturities	<u>789,380</u>	<u>111,563</u>
	<u>\$ 44,475,023</u>	<u>\$ 45,264,403</u>

Estimated annual maturities of long-term debt are as follows:

	<u>Long-Term Debt</u>	<u>Premium</u>	<u>Total</u>
<u>Year Ending June 30,</u>			
2013	\$ 670,000	\$ 119,380	\$ 789,380
2014	685,000	113,995	798,995
2015	705,000	107,619	812,619
2016	725,000	100,995	825,995
2017	750,000	93,252	843,252
2018 and thereafter	<u>40,750,000</u>	<u>444,162</u>	<u>41,194,162</u>
	<u>\$ 44,285,000</u>	<u>\$ 979,403</u>	<u>\$ 45,264,403</u>

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Notes to Combined Financial Statements (continued)

6. Long-Term Debt (continued)

Interest expense related to the long-term debt totaled \$1,957,359 for the year ended June 30, 2012. Interest for the year ended June 30, 2011 was capitalized in conjunction with the construction of the student residence.

The term loan agreements with BECILDC dated June 1, 2011 are secured by a priority mortgage lien and a pledge on the property, as well as a security interest in the properties, assets, and rights of the Housing Corporation, including but not limited to: the entire right, title, interest and estate of the Housing Corporation in and to the use of the land, all buildings, structures, and improvements, equipment, and proceeds of any unearned premiums on insurance policies. In addition, the Housing Corporation has granted a security interest in and assigns to BECILDC the gross revenues, together with the Housing Corporation's right to receive and collect revenues.

Beginning July 1, 2011, the debt agreements contain covenants requiring the Housing Corporation to maintain certain financial ratios and comply with other non-financial provisions. At June 30, 2012, the Housing Corporation was in compliance with such covenants.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 and 2011 are restricted for the following purposes:

	2012	2011
Student support	\$ 4,049,308	\$ 3,586,731
Trusts	1,438,559	1,433,350
Academic divisions	1,548,356	1,329,211
Other	1,617,935	1,562,891
	<u>\$ 8,654,158</u>	<u>\$ 7,912,183</u>

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Notes to Combined Financial Statements (continued)

8. Net Assets Released from Restriction

Net assets were released from restriction due to the passage of time or satisfaction of other donor restrictions for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Student support	\$ 788,363	\$ 872,525
Academic divisions	246,192	271,675
Other	<u>293,412</u>	<u>178,546</u>
	<u>\$ 1,327,967</u>	<u>\$ 1,322,746</u>

9. Endowments

Endowment accounts are established for various purposes. Net assets associated with endowment funds, including funds designated by the Board of Directors (the “Board”) to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Uniform Prudent Management of Institutional Funds Act (“UPMIFA”)

The Foundation adopted the *Reporting Endowment Funds* guidance related to 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”) beginning the year ended June 30, 2011. This guidance improves disclosures about an organization's endowment funds (both donor restricted and board designated endowment funds) whether or not the organization is subject to UPMIFA.

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Notes to Combined Financial Statements (continued)

9. Endowments (continued)

The Board of Directors of the Foundation has interpreted UPMIFA as permitting the expenditure of appreciation and eliminating the concept of “historic dollar value” which, in previous statutes, required the preservation of the fair value of the original gift. UPMIFA, instead, provides guidance on what constitutes a prudent expenditure. UPMIFA states that the Foundation “may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established.” As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the amount of the fund that must be retained permanently in accordance with explicit donor stipulations and (b) the amount of the fund that, in the absence of explicit donor stipulations, the Board of Directors determines must be retained permanently consistent with the relevant law. The portion of donor-restricted endowment funds classified as temporarily restricted net assets remain temporarily restricted until those amounts are appropriated for expenditure by the Foundation.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund;
- the purposes of the Foundation and the donor-restricted endowment fund;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation of investments;
- other resources of the Foundation; and
- the investment policies of the Foundation.

In addition, if it is considered that a donor restriction has become impractical, wasteful, or impairs the management of the fund, UPMIFA provides that the donor may consent to release the restriction without court approval, if the donor is still alive and able to do so. If the donor isn’t available or the institution doesn’t want to seek the donor’s approval, the charitable organization may petition a state court to release or modify a donor restriction in a manner that a court determines to be in accordance with the donor’s probable intention. Finally, UPMIFA adds an additional provision that allows an organization to modify a restriction on a small (less than \$25,000) and old (over 20 years old) fund without going to court.

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9. Endowments (continued)

New York Prudent Management of Institutional Funds Act (“NYPMIFA”)

New York state adopted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”), which is a version UPMIFA subject to certain additional provisions, on September 17, 2010. The Board of Directors of the Foundation has determined that the majority of their net assets meet the definition of endowment funds under NYPMIFA. NYPMIFA has a number of unique provisions, which are not in UPMIFA. Several of these provisions require specific action by organizations to be in compliance with the new law:

- Opt-in/Opt-out notice – NYPMIFA requires that donors to endowment funds established prior to September 17, 2010 be given the chance to opt-in or opt-out of NYPMIFA’s new endowment expenditure rules. Specifically, New York organizations had to provide 90 days notice to available donors, before applying the new expenditure rules of NYPMIFA for the first time.
- Expenditure documentation – NYPMIFA requires that for each determination to appropriate an endowment fund for expenditure, the organization must keep a contemporaneous written record describing the consideration that was given by the organization’s governing board to each of the eight prudent expenditure factors required by UPMIFA.
- Rebuttable presumption of imprudence – NYPMIFA provides that a rebuttable presumption of imprudence shall apply to gift instruments executed on or after September 17, 2010, if the organization expends more than seven percent of an endowment fund in any year, calculated using a five-year rolling average.
- Investment policy statement – NYPMIFA requires each organization to adopt a written investment policy statement setting forth the guidelines on investments and delegation of management and investment functions in accordance with the requirements of the statute.
- Solicitation of endowment funds – NYPMIFA also amends existing New York state law to require that any solicitations by an organization for contributions to an endowment fund include a statement that, unless otherwise restricted by the gift instrument, the organization may expend so much of the endowment fund as it deems prudent after considering the factors governing endowment expenditure under NYPMIFA.

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Notes to Combined Financial Statements (continued)

9. Endowments (continued)

- Releasing restrictions on small, old endowment funds – NYPMIFA increases the \$25,000 maximum for an expedited procedure for releasing donor restrictions on small, 20 plus year-old endowments to \$100,000.

During the years ended June 30, 2012 and 2011, the Foundation reviewed all endowment funds subject to NYPMIFA and determined that there would be no transfer of permanently restricted net assets to temporarily restricted net assets.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment fund will seek to maximize long-term total returns consistent with prudent levels of risk. Investments are expected to preserve the real purchasing power of the principal and provide a stable source of perpetual financial support on an annualized net-of-fees basis. The total return of the fund will expect to be equal to or exceed the spending rate plus inflation, as defined by the Higher Education Price Index (“HEPI”), over a rolling five-year period. Actual returns may vary from this amount in any given year.

Strategies Employed for Achieving Objectives

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 consisting of equities, fixed income and alternative investments.

Spending Policy

The Foundation’s policy of appropriating for distribution was 5.5% (5.0% program, .5% operations) of its endowment funds’ average fair value over the prior twelve quarters through the calendar year end preceding the fiscal year in which the distribution is planned for years ended June 30, 2012 and 2011. For accounts with less than three years of history, the base used in the calculation is adjusted accordingly. Some endowments are subject to instructions that control how much of investment earnings can be spent. Those endowments are not governed by the spending policy.

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Notes to Combined Financial Statements (continued)

9. Endowments (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in temporarily restricted net assets were \$75,840 (.33%) and \$66,397 (.31%) as of June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations associated most notably with investments of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board.

Endowments Summary

A summary of the endowments net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-based endowment funds	\$ 40,111	\$ 1,970,740	\$ 20,876,541	\$ 22,887,392
Designated for academic departments	499,184	0	0	499,184
Board-designated endowment funds	<u>670,189</u>	<u>0</u>	<u>0</u>	<u>670,189</u>
Total endowment funds	\$ <u>1,209,484</u>	\$ <u>1,970,740</u>	\$ <u>20,876,541</u>	\$ <u>24,056,765</u>

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9. Endowments (continued)

Changes in endowment net assets for the year ended June 30, 2012 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,264,414	\$ 2,392,584	\$ 19,074,984	\$ 22,731,982
Investment return:				
Investment income (loss)	(40,333)	184,605	4,398	148,670
Realized gain (loss)	(12,565)	57,512	1,370	46,317
Unrealized gain (loss)	<u>40,488</u>	<u>(185,316)</u>	<u>(4,415)</u>	<u>(149,243)</u>
Total investment return	(12,410)	56,801	1,353	45,744
Contributions	403	36,720	1,847,734	1,884,857
Appropriation of endowment assets for expenditure	(77,704)	(491,949)	(25,067)	(594,720)
Transfers and allocations	<u>34,781</u>	<u>(23,416)</u>	<u>(22,463)</u>	<u>(11,098)</u>
Endowment net assets, end of year	<u>\$ 1,209,484</u>	<u>\$ 1,970,740</u>	<u>\$ 20,876,541</u>	<u>\$ 24,056,765</u>

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9. Endowments (continued)

A summary of the endowments net asset composition by type of fund as of June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-based endowment funds	\$ 62,020	\$ 2,392,584	\$ 19,074,984	\$ 21,529,588
Designated for academic departments	498,650	0	0	498,650
Board-designated endowment funds	<u>703,744</u>	<u>0</u>	<u>0</u>	<u>703,744</u>
Total endowment funds	<u>\$ 1,264,414</u>	<u>\$ 2,392,584</u>	<u>\$ 19,074,984</u>	<u>\$ 22,731,982</u>

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9. Endowments (continued)

Changes in endowment net assets for the year ended June 30, 2011 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 825,238	\$ 465,868	\$ 15,484,443	\$ 16,775,549
Investment return:				
Investment income	31,980	259,176	0	291,156
Realized gain	6,648	53,883	0	60,531
Unrealized gain	<u>281,173</u>	<u>2,278,702</u>	<u>0</u>	<u>2,559,875</u>
Total investment return	319,801	2,591,761	0	2,911,562
Contributions	25,000	35,080	713,602	773,682
Appropriation of endowment assets for expenditure	(210,442)	(701,952)	(153)	(912,547)
Change in value of terminated split-interest agreements	0	0	1,430,989	1,430,989
Transfers and allocations	<u>304,817</u>	<u>1,827</u>	<u>1,446,103</u>	<u>1,752,747</u>
Endowment net assets, end of year	<u>\$ 1,264,414</u>	<u>\$ 2,392,584</u>	<u>\$ 19,074,984</u>	<u>\$ 22,731,982</u>

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10. Donated Services and Supplies – Buffalo State College

During the years ended June 30, 2012 and 2011, services and supplies were provided by the College at no cost to the Organization and are summarized as follows:

	2012	2011
Payroll and employee benefits	\$ 1,121,426	\$ 1,415,084
Equipment, supplies and other	43,555	54,290
Printing	19,480	16,706
Rent	27,429	32,948
Postage and shipping	1,939	6,452
Telephone	6,461	11,250
	<u>\$ 1,220,290</u>	<u>\$ 1,536,730</u>

11. Performing Arts Center

Included in the Foundation's statements of financial position are agency accounts held on behalf of the on-campus Performing Arts Center ("PAC"). Net assets of the PAC are included in funds held in trust for others on the statements of financial position.

Subsequent to the closing of \$253,113 of revenues and \$252,659 of expenses for the year ended June 30, 2012, and \$292,838 of revenues and \$296,116 of expenses for the year ended June 30, 2011, the PAC's total assets, liabilities, and net assets as of June 30, 2012 and 2011 are as follows:

	2012	2011
Assets		
Cash	\$ 36,864	\$ 35,460
Accounts receivable	6,895	10,104
Prepaid and deferred charges	2,930	0
	<u>\$ 46,689</u>	<u>\$ 45,564</u>
Liabilities and Net Assets		
Accounts payable	\$ 4,858	\$ 4,187
Net assets	41,831	41,377
	<u>\$ 46,689</u>	<u>\$ 45,564</u>

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12. Related Party Transactions

The Housing Corporation leases land under a sublease agreement with the Buffalo State College Alumni Association. The lease term commenced on July 1, 2009 and extends through June 30, 2051 with an additional eight year automatic renewal. Rent of one dollar is due per year.

Various expenses are paid for by the Organization or on behalf of the Organization by related parties. At June 30, 2012 and 2011, the following net payables were included in accrued expenses that relate to funds owed to or by the Organization:

	<u>2012</u>	<u>2011</u>
Amounts Due (To) From:		
Buffalo State College	\$ (395,267)	\$ 0
Buffalo State College Alumni Association	4,117	3,797
Buffalo State College Campus House	(2,666)	(1,554)
Burchfield Penney Art Center	9,981	3,073
West of Grant Street Student Housing	20,419	0
Other Funds	<u>5,158</u>	<u>(8,266)</u>
	<u>\$ (358,258)</u>	<u>\$ (2,950)</u>

In June 2012, the Board of Directors of the Foundation adopted a resolution to provide a \$2 million conditional contribution out of unrestricted funds to the Buffalo State College Realty Corporation ("BSCR") to assist in the acquisition of certain real property near the campus for the benefit of Buffalo State College and its related entities. As of the date the combined financial statements were available to be issued, a contract between BSCR and the seller has been entered into; however, as the condition requiring the purchase of the referenced property has not yet been finalized, the funds have not been accrued for or disbursed by the Foundation.

The Foundation, as part of an updated investment management agreement with the Commonfund, agreed to purchase and transfer all non-marketable securities that were held in the Commonfund by the Burchfield Penney Art Center to the Foundation's portfolio. At June 30, 2012, the fair value of these investments totaled \$116,131 with related unfunded commitments of \$422,341. The transaction is expected to be completed in late September 2012.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Notes to Combined Financial Statements (continued)

13. Contract Commitment

The Housing Corporation has entered into an agreement with a contractor related to the physical construction of the student residence and its surrounding grounds. The Housing Corporation is billed as the work progresses and will be liable to pay additional amounts under this contract until the project is completed.

14. Commitments

The term loan agreement with BECILDC entered into in June 2011 states that the Housing Corporation is required to make payments into a pledged revenue fund to cover a variety of obligations, with any remaining amounts being transferred to a surplus fund. The surplus fund will be allocated back to any of the required reserve funds; if there are any shortfalls within those reserve funds. In addition, account balances over \$10,000 in the surplus fund can be utilized by the Housing Corporation as needed.

Twice a year, the Housing Corporation will transfer amounts, at their discretion, from the pledged revenue fund to the other required funds. These payments will first be allocable to interest accounts to fund the next full interest payment on the term loans. Any remaining balance will be set aside in a principal account fund in the amount of one half the next principal payments that are due. Additional payments will then be transferred to a repair and replacement fund, at an amount of one half the annual requirement, as follows:

<u>Year Ending June 30,</u>	<u>Annual Amount</u>
2013	\$ 600,000
2014	700,000
2015	800,000
2016	900,000
2017	<u>1,000,000</u>
	<u>\$ 4,000,000</u>

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Notes to Combined Financial Statements (continued)

14. Commitments (continued)

The Housing Corporation has entered into a guaranty agreement (“Agreement”) with a banking corporation (“Trustee”) in June 2011 relating to the issuance of Revenue Bonds that were issued in June 2011 by BECILDC to fund the Housing Corporation’s student residence. Under the Agreement, the Housing Corporation unconditionally guarantees to the Trustee, for the benefit of the bond holders, the full and prompt payment of the principal and interest of the bonds when they become due and payable, whether at stated maturity, by acceleration, call for redemption, or otherwise. The Housing Corporation further irrevocably and unconditionally agrees that upon the default in any of the guaranteed obligations, the Housing Corporation with promptly pay the same.

Supplementary Information

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Combining Statement of Financial Position
June 30, 2012
(with Comparative Totals at June 30, 2011)

Assets

	Buffalo State College Foundation, Inc.	Buffalo State College Foundation Housing Corporation	Eliminations	Combined Total 2012	Combined Total 2011
<i>Current Assets</i>					
Cash and cash equivalents	\$ 3,502,256	\$ 0	\$ 0	\$ 3,502,256	\$ 1,881,349
Restricted cash and cash equivalents	0	1,696,955	0	1,696,955	3,427,219
Investments	28,553,153	0	0	28,553,153	27,006,239
Receivables	1,533,683	59,286	0	1,592,969	57,499
Intercompany receivable	85,259	0	(85,259)	0	0
Prepaid expenses	43,406	69,226	0	112,632	107,631
Total current assets	<u>33,717,757</u>	<u>1,825,467</u>	<u>(85,259)</u>	<u>35,457,965</u>	<u>32,479,937</u>
<i>Long-Term Assets</i>					
Restricted cash and cash equivalents	0	1,437,374	0	1,437,374	1,211,776
Notes receivable, net of estimated uncollectibles of \$4,300 in 2012 and 2011	143,567	0	0	143,567	170,549
Receivables, net of unamortized discount	506,544	0	0	506,544	503,161
Investment in split interest agreements	2,561,464	0	0	2,561,464	2,680,318
Building and equipment, net	0	40,567,680	0	40,567,680	42,304,914
Financing costs, net	0	590,335	0	590,335	610,692
Total long-term assets	<u>3,211,575</u>	<u>42,595,389</u>	<u>0</u>	<u>45,806,964</u>	<u>47,481,410</u>
	<u>\$ 36,929,332</u>	<u>\$ 44,420,856</u>	<u>\$ (85,259)</u>	<u>\$ 81,264,929</u>	<u>\$ 79,961,347</u>

Liabilities and Net Assets (Deficit)

<i>Current Liabilities</i>					
Current maturities of long-term debt, net	\$ 0	\$ 789,380	\$ 0	\$ 789,380	\$ 111,563
Accounts payable and accrued expenses	306,694	878,759	0	1,185,453	3,625,524
Intercompany payable	8,115	77,144	(85,259)	0	0
Funds held in trust for others	882,288	0	0	882,288	1,131,091
Total current liabilities	<u>1,197,097</u>	<u>1,745,283</u>	<u>(85,259)</u>	<u>2,857,121</u>	<u>4,868,178</u>
<i>Long-Term Debt, net, less current maturities</i>	<u>0</u>	<u>44,475,023</u>	<u>0</u>	<u>44,475,023</u>	<u>45,264,403</u>
<i>Liability Under Split Interest Agreements</i>	<u>706,920</u>	<u>0</u>	<u>0</u>	<u>706,920</u>	<u>738,963</u>
<i>Net Assets (Deficit)</i>					
Unrestricted:					
Undesignated	1,453,801	(1,799,450)	0	(345,649)	203,412
Designated for academic departments	499,184	0	0	499,184	498,650
Designated for endowment	670,189	0	0	670,189	703,744
Designated for BSCR Corporation (see note 12)	2,000,000	0	0	2,000,000	0
Total unrestricted	<u>4,623,174</u>	<u>(1,799,450)</u>	<u>0</u>	<u>2,823,724</u>	<u>1,405,806</u>
Temporarily restricted	8,654,158	0	0	8,654,158	7,912,183
Permanently restricted	21,747,983	0	0	21,747,983	19,771,814
Total net assets (deficit)	<u>35,025,315</u>	<u>(1,799,450)</u>	<u>0</u>	<u>33,225,865</u>	<u>29,089,803</u>
	<u>\$ 36,929,332</u>	<u>\$ 44,420,856</u>	<u>\$ (85,259)</u>	<u>\$ 81,264,929</u>	<u>\$ 79,961,347</u>

See notes to combined financial statements.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Combining Statement of Financial Position
June 30, 2011

Assets

	Buffalo State College Foundation, Inc.	Buffalo State College Foundation Housing Corporation	Combined Total 2011
<i>Current Assets</i>			
Cash and cash equivalents	\$ 1,881,349	\$ 0	\$ 1,881,349
Restricted cash and cash equivalents	0	3,427,219	3,427,219
Investments	27,006,239	0	27,006,239
Receivables	57,499	0	57,499
Prepaid expenses	8,702	98,929	107,631
Total current assets	<u>28,953,789</u>	<u>3,526,148</u>	<u>32,479,937</u>
<i>Long-Term Assets</i>			
Restricted cash and cash equivalents	0	1,211,776	1,211,776
Notes receivable, net of estimated uncollectibles of \$4,300 in 2011	170,549	0	170,549
Receivables, net of unamortized discount	503,161	0	503,161
Investment in split interest agreements	2,680,318	0	2,680,318
Building and equipment	0	42,304,914	42,304,914
Financing costs	0	610,692	610,692
Total long-term assets	<u>3,354,028</u>	<u>44,127,382</u>	<u>47,481,410</u>
	<u>\$ 32,307,817</u>	<u>\$ 47,653,530</u>	<u>\$ 79,961,347</u>

Liabilities and Net Assets (Deficit)

<i>Current Liabilities</i>			
Current maturities of long-term debt, net	\$ 0	\$ 111,563	\$ 111,563
Accounts payable and accrued expenses	198,305	3,427,219	3,625,524
Funds held in trust for others	1,131,091	0	1,131,091
Total current liabilities	<u>1,329,396</u>	<u>3,538,782</u>	<u>4,868,178</u>
<i>Long-Term Debt, net, less current maturities</i>	0	45,264,403	45,264,403
<i>Liability Under Split Interest Agreements</i>	738,963	0	738,963
<i>Net Assets (Deficit)</i>			
Unrestricted:			
Undesignated	1,353,067	(1,149,655)	203,412
Designated for academic departments	498,650	0	498,650
Designated for endowment	703,744	0	703,744
Total unrestricted	<u>2,555,461</u>	<u>(1,149,655)</u>	<u>1,405,806</u>
Temporarily restricted	7,912,183	0	7,912,183
Permanently restricted	19,771,814	0	19,771,814
Total net assets (deficit)	<u>30,239,458</u>	<u>(1,149,655)</u>	<u>29,089,803</u>
	<u>\$ 32,307,817</u>	<u>\$ 47,653,530</u>	<u>\$ 79,961,347</u>

See notes to combined financial statements.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Combining Statement of Activities and Changes in Net Assets (Deficit)
for the year ended June 30, 2012
(with Comparative Totals for the year ended June 30, 2011)

	Buffalo State College Foundation, Inc.				Buffalo State College Foundation Housing Corporation		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Combined Total 2012	Combined Total 2011
Revenues							
Contributions	\$ 2,478,913	\$ 2,195,961	\$ 1,852,191	\$ 6,527,065	\$ 0	\$ 6,527,065	\$ 2,946,752
Student residence rental revenue	0	0	0	0	4,332,459	4,332,459	0
Fees, events and other revenue	820,938	0	0	820,938	28,988	849,926	897,885
Total revenues	3,299,851	2,195,961	1,852,191	7,348,003	4,361,447	11,709,450	3,844,637
Other support							
Net investment income	67,062	113,258	9,122	189,442	0	189,442	4,290,193
Donated services and supplies -							
Buffalo State College	1,220,290	0	0	1,220,290	0	1,220,290	1,536,730
Change in the value of split interest agreements	(3,224)	(17,649)	(67,228)	(88,101)	0	(88,101)	(185,660)
Change in the value of terminated split interest agreements	0	0	0	0	0	0	1,430,989
Net assets released from restriction	1,327,967	(1,327,967)	0	0	0	0	0
Other transfers	39,544	(221,628)	182,084	0	0	0	0
Total other support	2,651,639	(1,453,986)	123,978	1,321,631	0	1,321,631	7,072,252
Total revenues and other support	5,951,490	741,975	1,976,169	8,669,634	4,361,447	13,031,081	10,916,889
Expenses, losses and other							
Program							
Student residence operating expenses	0	0	0	0	5,011,242	5,011,242	0
Student support	1,269,439	0	0	1,269,439	0	1,269,439	1,521,205
Academic divisions	314,465	0	0	314,465	0	314,465	357,505
Institutions support	186,957	0	0	186,957	0	186,957	180,083
Property and equipment	8,763	0	0	8,763	0	8,763	22,751
Public service and extension	119,399	0	0	119,399	0	119,399	11,389
	1,899,023	0	0	1,899,023	5,011,242	6,910,265	2,092,933
Administration and other							
Management and general	676,067	0	0	676,067	0	676,067	1,641,353
Development	1,308,687	0	0	1,308,687	0	1,308,687	1,353,414
	1,984,754	0	0	1,984,754	0	1,984,754	2,994,767
Total expenses, losses and other	3,883,777	0	0	3,883,777	5,011,242	8,895,019	5,087,700
Increase (decrease) in net assets	2,067,713	741,975	1,976,169	4,785,857	(649,795)	4,136,062	5,829,189
Net Assets (Deficit), beginning of year	2,555,461	7,912,183	19,771,814	30,239,458	(1,149,655)	29,089,803	23,260,614
Net Assets (Deficit), end of year	\$ 4,623,174	\$ 8,654,158	\$ 21,747,983	\$ 35,025,315	\$ (1,799,450)	\$ 33,225,865	\$ 29,089,803

See notes to combined financial statements.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Combining Statement of Activities and Changes in Net Assets (Deficit)
for the year ended June 30, 2011

	Buffalo State College Foundation, Inc.				Buffalo State College Foundation Housing Corporation	Combined Total 2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	
Revenues						
Contributions	\$ 529,533	\$ 1,703,617	\$ 713,602	\$ 2,946,752	\$ 0	\$ 2,946,752
Fees, events and other revenue	897,885	0	0	897,885	0	897,885
Total revenues	1,427,418	1,703,617	713,602	3,844,637	0	3,844,637
Other support						
Net investment income	984,627	2,811,014	494,552	4,290,193	0	4,290,193
Donated services and supplies - Buffalo State College	1,536,730	0	0	1,536,730	0	1,536,730
Change in the value of split interest agreements	(2,965)	(25,390)	(157,305)	(185,660)	0	(185,660)
Change in the value of terminated split interest agreements	0	0	1,430,989	1,430,989	0	1,430,989
Net assets released from restriction	1,322,746	(1,322,746)	0	0	0	0
Other transfers	167,905	(14,538)	(153,367)	0	0	0
Total other support	4,009,043	1,448,340	1,614,869	7,072,252	0	7,072,252
Total revenues and other support	5,436,461	3,151,957	2,328,471	10,916,889	0	10,916,889
Expenses, losses and other						
Program						
Student support	1,521,205	0	0	1,521,205	0	1,521,205
Academic divisions	357,505	0	0	357,505	0	357,505
Institutions support	180,083	0	0	180,083	0	180,083
Property and equipment	22,751	0	0	22,751	0	22,751
Public service and extension	11,389	0	0	11,389	0	11,389
	2,092,933	0	0	2,092,933	0	2,092,933
Management and general	903,172	0	0	903,172	738,181	1,641,353
Development	1,353,414	0	0	1,353,414	0	1,353,414
	2,256,586	0	0	2,256,586	738,181	2,994,767
Total expenses, losses and other	4,349,519	0	0	4,349,519	738,181	5,087,700
Increase (Decrease) in net assets	1,086,942	3,151,957	2,328,471	6,567,370	(738,181)	5,829,189
Net Assets (Deficit), beginning of year	1,468,519	4,760,226	17,443,343	23,672,088	(411,474)	23,260,614
Net Assets (Deficit), end of year	<u>\$ 2,555,461</u>	<u>\$ 7,912,183</u>	<u>\$ 19,771,814</u>	<u>\$ 30,239,458</u>	<u>\$ (1,149,655)</u>	<u>\$ 29,089,803</u>

See notes to combined financial statements.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Combining Statement of Cash Flows
for the year ended June 30, 2012
(with Comparative Totals for the year ended June 30, 2011)

	Buffalo State College Foundation, Inc.	Buffalo State College Foundation Housing Corporation	Eliminations	Combined Total 2012	Combined Total 2011
<i>Cash Flows from Operating Activities</i>					
Increase (decrease) in net assets	\$ 4,785,857	\$ (649,795)	\$ 0	\$ 4,136,062	\$ 5,829,189
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:					
Depreciation	0	868,135	0	868,135	0
Expensed equipment and furnishings	0	1,269,746	0	1,269,746	0
Amortization of bond premium	0	(111,563)	0	(111,563)	0
Amortization of financing costs	0	20,357	0	20,357	0
Contributions restricted for long-term purposes	(1,852,191)	0	0	(1,852,191)	(713,602)
Net income, realized and unrealized gains on investments	(134,926)	0	0	(134,926)	(3,797,366)
Investment management and custodian fees paid for with the liquidation of investments	66,110	0	0	66,110	55,983
Change in the value of split interest agreements	86,811	0	0	86,811	(1,245,329)
Changes in:					
Receivables	(1,479,567)	(59,286)	0	(1,538,853)	196,479
Intercompany receivable	(85,259)	0	85,259	0	0
Prepaid expenses	(34,704)	29,703	0	(5,001)	6,873
Accounts payable and accrued expenses	108,389	588,752	0	697,141	69,383
Intercompany payable	8,115	77,144	(85,259)	0	0
Funds held in trust for others	(248,803)	0	0	(248,803)	67,372
Net cash provided by operating activities	1,219,832	2,033,193	0	3,253,025	468,982
<i>Cash Flows from Investing Activities</i>					
Purchases of investments	(3,045,393)	0	0	(3,045,393)	(3,018,846)
Proceeds from the sale of investments	1,567,295	0	0	1,567,295	993,487
Collections on notes receivable, net	26,982	0	0	26,982	35,923
Purchases of building and equipment	0	(3,537,859)	0	(3,537,859)	(30,367,075)
Payments to restricted deposits	0	1,504,666	0	1,504,666	(1,238,180)
Net cash used in investing activities	(1,451,116)	(2,033,193)	0	(3,484,309)	(33,594,691)
<i>Cash Flows from Financing Activities</i>					
Proceeds from contributions restricted for long-term purposes	1,852,191	0	0	1,852,191	713,602
Proceeds from the issuance of long-term debt, net	0	0	0	0	32,915,966
Payments for debt financing costs	0	0	0	0	(610,692)
Net cash provided by financing activities	1,852,191	0	0	1,852,191	33,018,876
Net increase (decrease) in cash and cash equivalents	1,620,907	0	0	1,620,907	(106,833)
<i>Cash and Cash Equivalents, beginning of year</i>	1,881,349	0	0	1,881,349	1,988,182
<i>Cash and Cash Equivalents, end of year</i>	<u>\$ 3,502,256</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,502,256</u>	<u>\$ 1,881,349</u>
<i>Supplemental Disclosures of Cash Flow Information</i>					
Cash paid for interest	\$ 0	\$ 1,853,463	\$ 0	\$ 1,853,463	\$ 1,108,175
<i>Supplemental Schedule of Noncash Investing and Financing Activities</i>					
Transfer of assets from investment in split interest agreements to investments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,659,396
Extinguishment of a portion of the liability under split interest agreements due to the death of a donor	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,430,989
Purchases of building and equipment included in accounts payable	\$ 0	\$ 191,339	\$ 0	\$ 191,339	\$ 3,328,551
Financing costs capitalized as construction in progress	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,609,927
Term debt satisfied by the issuance of new term debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,698,520

See notes to combined financial statements.

Buffalo State College Foundation, Inc.
and
Buffalo State College Foundation
Housing Corporation
Combining Statement of Cash Flows
for the year ended June 30, 2011

	Buffalo State College Foundation, Inc.	Buffalo State College Foundation Housing Corporation	Combined Total 2011
<i>Cash Flows from Operating Activities</i>			
Increase (Decrease) in net assets	\$ 6,567,370	\$ (738,181)	\$ 5,829,189
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:			
Contributions restricted for long-term purposes	(713,602)	0	(713,602)
Net income, realized and unrealized gains on investments	(3,797,366)	0	(3,797,366)
Investment management and custodian fees paid for with the liquidation of investments	55,983	0	55,983
Change in the value of split interest agreements	(1,245,329)	0	(1,245,329)
Changes in:			
Receivables	196,479	0	196,479
Prepaid expenses	(515)	7,388	6,873
Accounts payable and accrued expenses	38,609	30,774	69,383
Funds held in trust for others	67,372	0	67,372
Net cash used in operating activities	1,169,001	(700,019)	468,982
<i>Cash Flows from Investing Activities</i>			
Purchases of investments	(3,018,846)	0	(3,018,846)
Proceeds from the sale of investments	993,487	0	993,487
Collections on notes receivable, net	35,923	0	35,923
Payments for construction in progress	0	(30,367,075)	(30,367,075)
Payments to restricted deposits	0	(1,238,180)	(1,238,180)
Net cash used in investing activities	(1,989,436)	(31,605,255)	(33,594,691)
<i>Cash Flows from Financing Activities</i>			
Proceeds from contributions restricted for long-term purposes	713,602	0	713,602
Proceeds from the issuance of long-term debt, net	0	32,915,966	32,915,966
Payments for debt financing costs	0	(610,692)	(610,692)
Net cash provided by financing activities	713,602	32,305,274	33,018,876
Net increase in cash and cash equivalents	(106,833)	0	(106,833)
<i>Cash and Cash Equivalents, beginning of year</i>	1,988,182	0	1,988,182
<i>Cash and Cash Equivalents, end of year</i>	<u>\$ 1,881,349</u>	<u>\$ 0</u>	<u>\$ 1,881,349</u>
<i>Supplemental Disclosures of Cash Flow Information</i>			
Cash paid for interest	\$ 0	\$ 1,108,175	\$ 1,108,175
<i>Supplemental Schedule of Noncash Investing and Financing Activities</i>			
Transfer of assets from investment in split interest agreements to investments	\$ 2,659,396	\$ 0	\$ 2,659,396
Extinguishment of a portion of the liability under split interest agreements due to the death of a donor	\$ 1,430,989	\$ 0	\$ 1,430,989
Purchases of construction in progress included in accounts payable	\$ 0	\$ 3,328,551	\$ 3,328,551
Financing costs capitalized as construction in progress	\$ 0	\$ 1,609,927	\$ 1,609,927
Term debt satisfied by the issuance of new term debt	\$ 0	\$ 39,698,520	\$ 39,698,520

See notes to combined financial statements.