



THE UNIVERSITY AT ALBANY FOUNDATION

Financial Statements and Supplementary Information

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

THE UNIVERSITY AT ALBANY FOUNDATION

Financial Statements and Supplementary Information

June 30, 2009 and 2008

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KPMG LLP
515 Broadway
Albany, NY 12207

Independent Auditors' Report on Financial Statements and Supplementary Information

The Board of Directors
The University at Albany Foundation:

We have audited the accompanying balance sheets of The University at Albany Foundation (the Foundation) as of June 30, 2009 and 2008, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the financial position of The University at Albany Foundation as of June 30, 2009 and 2008, and the changes in its net assets, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of supplementary information on pages 22 through 25 for the years ended June 30, 2009 and 2008, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

September 21, 2009

THE UNIVERSITY AT ALBANY FOUNDATION

Balance Sheets

June 30, 2009 and 2008

Assets	2009	2008
Current assets:		
Cash and cash equivalents	\$ 2,409,127	3,535,007
Rental receivable, net (note 11)	1,212,494	93,219
Pledges receivable, current (note 2)	852,756	688,095
Other receivables and prepaid expenses	557,744	620,657
Assets limited as to use (note 8)	614,139	465,412
Total current assets	<u>5,646,260</u>	<u>5,402,390</u>
Investments (notes 3 and 4)	26,654,447	29,640,419
Assets limited as to use (notes 7 and 8):		
Cash and cash equivalents	2,671,297	5,508,023
Capital replacement reserve account	825,314	808,899
	<u>3,496,611</u>	<u>6,316,922</u>
Pledges receivable, long-term (note 2)	1,104,129	1,035,646
Property and equipment, less accumulated depreciation and amortization (note 5)	61,396,480	61,348,242
Artwork and literary collections	2,133,600	1,788,538
	<u>\$ 100,431,527</u>	<u>105,532,157</u>

See accompanying notes to financial statements.

Liabilities and Net Assets	2009	2008
Current liabilities:		
Accounts payable and accrued expenses	\$ 976,501	1,014,246
Literary collection payable, current (note 6)	50,000	50,000
Current portion of long-term debt (note 7)	807,256	2,556,389
Construction and retainage payable	614,139	465,412
Total current liabilities	<u>2,447,896</u>	<u>4,086,047</u>
Other liabilities (notes 3, 6 and 12):		
Discount for future interest	26,149	94,991
Literary collection payable, long-term	50,000	100,000
Asset retirement obligation	843,893	1,092,025
	<u>920,042</u>	<u>1,287,016</u>
Long-term debt, less current portion (note 7)	10,748,957	10,057,659
Commitments and contingencies (notes 4, 5, 11 and 13)		
Net assets (notes 8 and 9):		
Unrestricted:		
Designated	1,181,682	1,467,160
Undesignated	52,796,676	52,827,875
	<u>53,978,358</u>	<u>54,295,035</u>
Temporarily restricted	10,033,972	11,402,812
Permanently restricted	22,302,302	24,403,588
Total net assets	<u>86,314,632</u>	<u>90,101,435</u>
	<u>\$ 100,431,527</u>	<u>105,532,157</u>

THE UNIVERSITY AT ALBANY FOUNDATION

Statements of Activities

Years ended June 30, 2009 and 2008

	2009			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:				
Contributions, gifts, and grants	\$ 2,832,056	331,330	1,365,682	4,529,068
Rental income	6,906,965	—	—	6,906,965
Contributed services and support	1,363,465	—	—	1,363,465
Program activities and other revenue	321,989	2,443	—	324,432
Administrative fee income	—	—	—	—
Net investment income (loss) (note 3)	(373,618)	(44,911)	(4,750,848)	(5,169,377)
Transfers of permanently restricted net assets (note 8)	(25,640)	(119,386)	145,026	—
Net assets released from restrictions:				
Satisfaction of time and program designation restrictions	747,506	(271,465)	(476,041)	—
Satisfaction of property and equipment acquisition restrictions	2,058,772	(2,058,772)	—	—
Total support and revenue	<u>13,831,495</u>	<u>(2,160,761)</u>	<u>(3,716,181)</u>	<u>7,954,553</u>
Expenses and equity transfers:				
Program services	3,101,887	—	—	3,101,887
Real estate	9,330,194	—	—	9,330,194
Fund-raising activities	482,566	—	—	482,566
General and administrative	545,936	—	—	545,936
Equipment contributed to the University at Albany (note 13)	704,834	—	—	704,834
Total expenses and equity transfers	<u>14,165,417</u>	<u>—</u>	<u>—</u>	<u>14,165,417</u>
Change in net assets before transfers from affiliates	(333,922)	(2,160,761)	(3,716,181)	(6,210,864)
Transfers from affiliates (note 9)	17,245	791,921	1,614,895	2,424,061
Change in net assets	(316,677)	(1,368,840)	(2,101,286)	(3,786,803)
Net assets, beginning of year	54,295,035	11,402,812	24,403,588	90,101,435
Net assets, end of year	\$ <u>53,978,358</u>	<u>10,033,972</u>	<u>22,302,302</u>	<u>86,314,632</u>

See accompanying notes to financial statements.

2008

Unrestricted	Temporarily restricted	Permanently restricted	Total
2,499,836	2,630,714	1,253,184	6,383,734
6,667,068	—	—	6,667,068
1,934,661	—	—	1,934,661
416,008	4,013	—	420,021
60,000	—	—	60,000
232,928	213,664	(2,329,636)	(1,883,044)
(159,677)	(1,581,708)	1,741,385	—
1,056,894	(392,418)	(664,476)	—
8,306,244	(8,306,244)	—	—
21,013,962	(7,431,979)	457	13,582,440
3,108,416	—	—	3,108,416
9,714,989	—	—	9,714,989
539,268	—	—	539,268
504,691	—	—	504,691
376,443	—	—	376,443
14,243,807	—	—	14,243,807
6,770,155	(7,431,979)	457	(661,367)
—	—	—	—
6,770,155	(7,431,979)	457	(661,367)
47,524,880	18,834,791	24,403,131	90,762,802
54,295,035	11,402,812	24,403,588	90,101,435

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Statements of Cash Flows

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,786,803)	(661,367)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,810,885	2,678,551
Equipment contributed to the University at Albany	704,834	376,443
Net unrealized losses	4,541,213	3,491,267
Change in equity interest in limited partnerships	710,257	59,501
Restricted gifts and affiliate transfers	(3,924,727)	(3,532,513)
Transfers of permanently restricted net assets	(145,026)	(1,741,385)
Change in asset retirement obligation	(248,132)	47,025
Donated assets	(387,152)	(53,880)
Decrease (increase) in assets:		
Rental receivable	(1,119,275)	(49,289)
Other receivables and prepaid expenses	62,913	(63,428)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(37,745)	(636,953)
Literary collection payable	(50,000)	(50,000)
Net cash used by operating activities	<u>(868,758)</u>	<u>(136,028)</u>
Cash flows from investing activities:		
Net purchase of investments	(2,265,498)	(4,020,157)
Purchase of property and equipment, net of construction and retainage payable	(2,668,306)	(4,526,324)
Decrease in assets limited as to use	2,671,584	5,749,607
Purchase of artwork	—	(1,000)
Net cash used by investing activities	<u>(2,262,220)</u>	<u>(2,797,874)</u>
Cash flows from financing activities:		
Cash received from restricted gifts, income and affiliate transfers	3,622,741	3,258,535
Transfers of permanently restricted net assets	145,026	1,741,385
Repayment of long-term debt	(1,057,835)	(3,511,112)
Equipment contributed to the University at Albany	(704,834)	(376,443)
Net cash provided by financing activities	<u>2,005,098</u>	<u>1,112,365</u>
Net decrease in cash and cash equivalents	(1,125,880)	(1,821,537)
Cash and cash equivalents, beginning of year	<u>3,535,007</u>	<u>5,356,544</u>
Cash and cash equivalents, end of year	\$ <u><u>2,409,127</u></u>	\$ <u><u>3,535,007</u></u>
Supplemental information:		
Cash paid for interest	\$ 515,975	611,010

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2009 and 2008

(1) Organization and Summary of Significant Accounting Policies

The University at Albany Foundation (Foundation) is responsible for the fiscal administration of support and revenue received for promotion, development, and advancement of the welfare of The University at Albany, State University of New York (the University), its students, faculty, staff, and alumni and any other organizations qualified as an exempt organization which has among its corporate purposes providing assistance to the University. The Foundation receives the majority of its support and revenue through contributions, gifts, grants, and rental income. The Foundation is one of two members of Fuller Road Management Corporation, a real estate management membership corporation. The Foundation is exempt from federal income taxes on related income pursuant to Section 501(c)(3) of the Internal Revenue Code.

Following is a summary of the Foundation's significant accounting policies:

(a) *Basis of Presentation*

The financial statements of the Foundation are presented consistent with the *AICPA Audit and Accounting Guide for Not-for-Profit Organizations* (Audit Guide) and represent only the activities of the Foundation. In accordance with the provisions of the Audit Guide, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, unrestricted net assets are amounts not subject to donor-imposed stipulations and are available for operations. Temporarily restricted net assets are those whose use has been limited by donors and grantors to a specific time period or purpose. Permanently restricted net assets are amounts restricted by donors to be maintained in perpetuity. In addition, the Board designated a portion of the Foundation's unrestricted net assets to be used to support University library endowments, honors college and inaugural scholarships.

In connection with the preparation of the financial statements and in accordance with the recently issued Statement of Financial Accounting Standards No. 165, *Subsequent Events*, the Foundation evaluated subsequent events after the balance sheet date of June 30, 2009 through September 21, 2009, which was the date the financial statements were available to be issued.

(b) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and in the disclosure of contingencies at the date of the financial statements and the reporting of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) *Donor Restricted Gifts*

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support based on donor stipulations that limit the use of the gifts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose

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June 30, 2009 and 2008

restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated cash flows. The discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. Amortization of the discount is included within contributions revenue. See note 2 for additional information on pledges receivable.

(d) *Donated Services and Facilities*

The Foundation has received various contributed services and occupies, without charge, certain premises located at the University. The value of these contributed services and facilities is not reflected in these financial statements, since it is not susceptible to objective measurement or valuation and is not significant to the operations of the Foundation.

The Research Foundation of State University of New York (The Research Foundation), a tenant at the East Campus, provides the Foundation with a contribution toward utilities. Such amounts have been included as contributed services and support in the statements of activities.

(e) *Assets Limited as to Use*

Assets limited as to use represent amounts restricted for improvements at the East Campus, equipment for the Cancer Research Center, and required deposits related to debt agreements (see notes 7 and 8). The capital replacement reserve account represents a money market savings account at June 30, 2009 and 2008.

(f) *Property and Equipment*

Property and equipment are recorded at cost or, if received as a gift, at fair market value established at the date of the gift. The carrying amount of assets and related accumulated depreciation and amortization are removed from accounts when such assets are disposed and the resulting gain or loss is included in operations. Depreciation and amortization of these assets is computed using the straight-line method over the estimated useful lives of the assets or the lease term, which range from 3 to 40 years.

Gifts of capital assets such as equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of capital 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 capital assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired assets are placed in service.

(g) *Artwork and Literary Collections*

Artwork and literary collection items are recorded at cost. Donated collection items are recorded at appraised or fair values on the date accepted by the Foundation (the accession date). Gains or losses

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on the deaccession of collection items are classified in the statements of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession.

(h) *Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(i) *Investments and Investment Income*

Investments generally consist of equity funds, fixed income funds, and limited partnerships (i.e. hedge funds, private equity funds, and similar items). The Foundation maintains a diversified portfolio of investments to manage concentration risk. Concentration risk represents the Foundation's exposure to individual securities, industries or geographic regions.

Investments in equity and fixed income funds are measured at fair value based on quoted market prices in the accompanying balance sheets. Investments in limited partnerships are valued at fair value, with changes in fair value recorded as interest in limited partnerships (alternative investments). Fair value for these alternative investments is determined by management using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. Such valuations generally reflect discounts for liquidity and consider variables such as financial performance of issuer, comparison of comparable companies earnings multiples, cash flow analysis and other pertinent information. The Foundation utilized the net asset value (NAV) reported by these alternative investments as a practical expedient for determining fair value. These alternative investments are generally redeemable at NAV. However, redemption restrictions and liquidity provisions in the underlying fund agreements may impact NAV in the future and the Foundation's interest in these alternative investments. Because of the inherent uncertainty of the valuation for alternative investments, the estimated values may differ from the values that would have been used had a ready market existed. See note 4 for additional information on fair value of investments.

Investment income and realized gains or losses from unrestricted net assets are recorded as unrestricted revenue. Investment income from restricted net assets is recorded as unrestricted revenue when unrestricted by donor and as an addition to the appropriate net asset category when restricted by donor. Realized gains and losses from the sale of investments are recorded as unrestricted revenue unless the gains and losses have been restricted by the donor. If the gains and losses have been restricted by the donor, the gains and losses are recorded as additions to or deductions from restricted net assets. Unrealized gains and losses are included as changes in net assets consistent with the purpose of the investment and donor-imposed restriction.

(j) *Income Taxes*

The Foundation is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the code.

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Notes to Financial Statements

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(k) Functional Expense Classifications

The Foundation groups its operating expenses according to the purpose for which the costs are incurred. Following is a brief description of each category.

Programs Services – Program services represent expenses that directly provide services and support to the University, its students, and faculty.

Real Estate – Real estate expenses represent amounts incurred for the management and operation of real property owned by the Foundation.

Fund-Raising Activities – Fund-raising activities represent expenses directly related to donor cultivation and gift solicitation.

General and Administrative – General and administrative expenses represent those that are directly related to fiscal management and the general operation of the Foundation.

(l) Recently Adopted Accounting Standards

Fair Value – In September 2006, the Financial Accounting Standards Board (FASB) released Financial Accounting Standard No. 157, *Fair Value Measurements* (FAS 157). FAS 157, and related FASB Staff Positions (FSP) 157-3 and 157-4, define fair value, outlines a framework for measuring fair value in accordance with generally accepted accounting principles, and enhances the required disclosures about fair value measurements. The expanded disclosures include a requirement to disclose the fair value measurements according to a hierarchy, segregating measurements using quoted prices in active markets for identical assets and liabilities, significant other observable inputs, and significant unobservable inputs. The standard applies when other accounting pronouncements require fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Foundation adopted this standard effective July 1, 2008. The adoption of FAS 157 did not have a material effect on the financial statements. FASB Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157*, delayed application of FAS 157 for nonfinancial assets and liabilities until July 1, 2009. See note 4 for disclosures of the fair value of qualifying financial assets as required.

Endowment Funds – In August 2008, FASB Staff Position 117-1, *Endowments 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) 117-1, was issued, and its guidance is effective for the fiscal years ending after December 15, 2008. 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 117-1 as of June 30, 2009 and 2008 (see note 9).

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Notes to Financial Statements

June 30, 2009 and 2008

(2) Pledges Receivable

Pledges receivable represent gifts to support various Foundation and University programs which are expected to be collected at various times through 2014. The amounts are recorded at their estimated net present value assuming a discount rate in effect at the time the pledge was received, ranging from 3% to 6% at June 30, 2009. The pledges to be collected at June 30 are as follows:

	2009	2008
Less than one year	\$ 852,756	688,095
One to five years	1,242,223	1,213,829
	2,094,979	1,901,924
Less unamortized discount	138,094	178,183
	\$ 1,956,885	1,723,741

(3) Investments

The components of investments, at fair value at June 30 are summarized as follows:

	2009	2008
Equity funds	\$ 12,323,752	16,046,027
Fixed income funds	6,777,115	7,416,403
Limited partnerships	6,919,708	4,864,620
Assets held in beneficial interest trusts	633,872	1,313,369
	\$ 26,654,447	29,640,419

Also, the Foundation has established a pooled income fund trust and charitable gift annuity trust for the management and investment of property transferred to the Foundation by donors who retain a life interest. The trusts are held by investment trust companies which manage and invest the assets, and distribute amounts specified by the donors to the designated beneficiaries. Upon the death of the donor, or its designee, or expiration of a specified time period, the remaining funds will be paid to the Foundation. The assets held in trusts are recorded at fair value less the estimated present value of the future income beneficiary payments. On an annual basis, the Foundation revalues the payment liabilities based on actuarial assumptions using current discount rates and applicable mortality tables.

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Notes to Financial Statements

June 30, 2009 and 2008

Net investment loss consists of the following at June 30:

	2009	2008
Interest and dividends	\$ 757,820	1,160,248
Change in interest in limited partnerships	(710,257)	(59,501)
Net realized (losses) gains on sales	(557,398)	625,173
Net unrealized losses	(4,541,213)	(3,491,267)
Investment management fees	(118,329)	(117,697)
	\$ (5,169,377)	(1,883,044)

(4) Fair Value Measurements

Effective July 1, 2008, the Foundation adopted FAS 157, *Fair Value Measurements*. FAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The types of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, many other sovereign government obligations, liquid mortgage products, active listed equities and most money market securities. Such instruments are generally classified within Level 1 or Level 2 of the fair value hierarchy.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most investment-grade and high-yield corporate bonds, less liquid mortgage products, less liquid agency securities, less liquid listed equities, state, municipal and provincial obligations, and certain physical commodities. Such instruments are generally classified within Level 2 of the fair value hierarchy.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or nontransferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate will be used. Management's best estimate consists of both internal and external support on certain Level 3

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Notes to Financial Statements

June 30, 2009 and 2008

investments. This category generally includes hedge funds of funds, private equity, real estate and other alternative investments.

The following table sets forth the Foundation's financial assets that were accounted for at fair value. Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurements:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance, June 30, 2009</u>
Assets:				
Equity funds	\$ 12,323,752	—	—	12,323,752
Fixed income funds	3,405,599	3,371,516	—	6,777,115
Limited partnerships	—	—	6,919,708	6,919,708
Assets held in beneficial interest trusts	483,618	150,254	—	633,872
	<u>\$ 16,212,969</u>	<u>3,521,770</u>	<u>6,919,708</u>	<u>26,654,447</u>

A reconciliation of all Level 3 fair value measurements for the year ended June 30, 2009 follows:

	<u>Level 3</u>		
	<u>Equity</u>	<u>Limited partnerships</u>	<u>Total</u>
Balance, July 1, 2008	\$ 4,945,595	4,864,620	9,810,215
Total losses (realized/unrealized), net	(1,719,183)	(710,257)	(2,429,440)
Purchases, issuances, and settlements, net	(1,969,410)	1,508,343	(461,067)
Transfers of assets	(1,257,002)	1,257,002	—
Balance, June 30, 2009	<u>\$ —</u>	<u>6,919,708</u>	<u>6,919,708</u>

The amount of total losses for the period included in earnings attributable to the change in unrealized losses relating to assets still held at June 30, 2009	\$	—	(1,743,307)	(1,743,307)
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Maximum capital call commitments on limited partnerships at June 30, 2009 approximate \$3.1 million.

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Notes to Financial Statements

June 30, 2009 and 2008

(5) Property and Equipment

A summary of property and equipment at June 30 follows:

	2009	2008
Land	\$ 2,312,779	2,312,779
Buildings and leasehold improvements	72,120,139	69,105,111
Furniture and equipment	951,878	937,324
Construction-in-progress	366,321	536,780
	75,751,117	72,891,994
Less accumulated depreciation and amortization	14,354,637	11,543,752
	\$ 61,396,480	61,348,242

Construction-In-Progress – In 2009, the Foundation completed construction on Phase II of a Biotechnology Facility located at the East Campus. The total cost of the Phase II building was approximately \$1,700,000. Also in 2009, the Foundation began renovations to the main laboratory building at the East Campus to accommodate a new tenant and began a project to enhance infrastructure at the East Campus. Both projects will be completed in 2010 and will cost approximately \$100,000 and \$850,000, respectively. The projects are financed with grant proceeds.

East Campus – Included in buildings and leasehold improvements are the buildings known as the Sterling Winthrop Research Laboratories Facility (the East Campus). In 1997, the Foundation transferred all rights and title to the Sterling site to the Rensselaer County Industrial Development Agency (RCIDA) for the sum of \$1.00. The Foundation became the lessee of the East Campus under a lease which expires December 31, 2017 or earlier at the option of the Foundation or the lessor, the RCIDA. The Foundation pays no rent under the terms of the lease, but is obligated to reimburse the RCIDA for administrative costs, if any. Upon termination, or if elected at an earlier date, the Foundation has the sole option to purchase the East Campus from RCIDA at a purchase price of \$1.00. The Foundation is utilizing the property to house University educational programs and to sublease to organizations which complement the University's education and research programs. Also included in buildings and leasehold improvements are improvements to space occupied by a certain tenant under an agreement whereby the Foundation will reimburse the tenant for such costs incurred over a period of five years. The debt associated with this agreement is reflected as a note payable at June 30, 2009 and 2008 (see note 7). A summary of the East Campus, including improvements thereon, at June 30 follows:

	2009	2008
Land	\$ 1,852,915	1,852,915
Buildings and leasehold improvements	15,889,188	14,602,210
	17,742,103	16,455,125
Less accumulated depreciation and amortization	4,601,904	4,016,922
Land and net leased buildings	\$ 13,140,199	12,438,203

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Notes to Financial Statements

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Depreciation expense on the buildings under capital lease was \$584,982 and \$541,322 for 2009 and 2008, respectively.

(6) Literary Collection Payable

In 2003, the Foundation entered into an agreement to purchase a literary collection for the amount of \$500,000. Of this amount, \$100,000 was paid on the date of the agreement and the remaining balance is to be paid in \$50,000 annual installments thereafter. At June 30, 2009 and 2008, the amount outstanding is \$100,000 and \$150,000 respectively.

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Notes to Financial Statements

June 30, 2009 and 2008

(7) Debt

Long-Term Debt – A summary of long-term debt at June 30 follows:

	2009	2008
Mortgage loan payable to First Niagara Bank, in monthly installments, including interest at 5.31% through June 2009. At that time, the unpaid balance was refinanced with First Niagara Bank, payable in monthly installments, including interest at 5.05% through July 2014. This loan is secured by property located at 2 University Place.	\$ 1,539,529	1,772,398
Mortgage loan payable to First Niagara Bank, in monthly installments, including interest at 5.5% through August 2016. The loan is secured by property located at 5 Englewood Place.	213,812	238,502
Note payable to Albany Molecular Research, in monthly installments, including interest at 3% through September 2009. (See note 4).	67,965	393,811
County of Rensselaer Industrial Development Agency Civic Facility Revenue Bonds (The University at Albany Foundation Project), Series 2003A, 4% serial bonds, interest payable monthly and annual principal payments through December 2013. (a)	2,797,222	2,914,940
County of Rensselaer Industrial Development Agency Civic Facility Revenue Bonds (The University at Albany Foundation Project), Series 2004A, 4% serial bonds, interest payable monthly and annual principal payments through March 2014. (a)	5,903,312	6,151,746
Loan payable to New York Power Authority, in monthly installments, including a variable rate of interest not to exceed 8% through May 2017 (3.1% and 5.19%, at June 30, 2009 and 2008, respectively).	1,034,373	1,142,651
	11,556,213	12,614,048
Less current portion	807,256	2,556,389
	\$ 10,748,957	10,057,659

(a) The Rensselaer County Industrial Development Agency (RCIDA) bonds are private placement Civic Facility Revenue Bonds Series 2003A (\$3,215,000) and Series 2004A (\$6,785,000), issued pursuant to the terms of a Bond Purchase and Building Loan Agreement between RCIDA (as Issuer), the Foundation (as Borrower), and First Niagara Bank (the Bank) (as Holder and Purchaser of the Bonds).

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Notes to Financial Statements

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The term of the Bond financing is ten years, which covered both the construction and permanent loan period. The Bonds require annual principal payments, based on a twenty-year amortization schedule, with balloon payments due at maturity. Based on the permanent loan closing dates of the Series 2003A and Series 2004A Bonds, the maturity dates are scheduled to be in December 2013 and March 2014, respectively. The Series 2003A and Series 2004A balloon payments at maturity will approximate \$2,200,000 and \$4,600,000, respectively.

The Bonds are collateralized by a lien on the Cancer Research Center building and fixtures and an assignment of leases and rents of the facility. Also, the Bonds are subject to prepayment penalties and other annual financial, occupancy, and reporting covenants.

A summary of future principal payments on long-term debt at June 30, 2009 for the next five years and thereafter follows:

2010	\$	807,256
2011		838,972
2012		875,640
2013		913,953
2014		7,598,176
Thereafter		522,216
	\$	11,556,213

The Foundation believes the carrying value of debt approximates fair market value.

Capital Replacement Reserve Account – As a condition of the Bond and construction line-of-credit financing, the Foundation established and funded an interest bearing cash reserve account in the amount of \$721,000, to serve as collateral in the event of default during the first three years. All proceeds in the cash reserve account were released to the Foundation in August 2008 for the establishment of a replacement reserve account relating to the Cancer Research Center. The balance within the cash reserve account, including interest at June 30, 2009 and 2008, is \$825,314 and \$808,899, respectively, and is included in the balance sheets at year end, under the caption assets limited as to use.

(8) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are restricted for the following:

		2009	2008
Beneficial interest trusts available upon death of donors	\$	607,723	1,218,378
Other university programs		6,140,813	4,210,999
Completion of the Cancer Research Center and for equipment and other improvements on the East Campus		3,285,436	5,973,435
	\$	10,033,972	11,402,812

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Notes to Financial Statements

June 30, 2009 and 2008

In 2006, the Foundation was notified they would be the recipient of a \$25 million grant from the State of New York for completion of the Cancer Research Center and for equipment and other improvements at the East Campus. As of June 30, 2008, \$25 million of the grant proceeds were received and approximately \$21.7 million was spent. The unspent portion of the grant proceeds are reflected in the balance sheets under the caption assets limited as to use, as cash and cash equivalents.

Permanently restricted net assets represent endowments to be held in perpetuity. Income from the endowment is made available to support scholarships and other activities in accordance with the spending policies and procedures of the Foundation. Transfers of permanently restricted net assets on the statements of activities represent unexpended distributions of income returned to endowment principal and unrestricted and temporarily restricted gifts received in prior years which are now directed towards the endowment by terms of donor agreements.

(9) Endowment Funds

The Foundation's endowment consists of approximately 350 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

From time to time, the fair value of assets associated with individual endowment funds may fall below their original fair value. Deficiencies of this nature are netted against the endowment net asset balance. Deficiencies were \$4,612,000 and \$430,000 as of June 30, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations. Future positive investment returns will be used to offset deficiencies.

The Foundation has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that the purchasing power of the endowment assets do not decline over time. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results, net of fees, in excess of spending and inflation. A secondary objective is to achieve a total return in excess of the Broad Policy Index comprised of each broad asset category benchmark weighted by the target allocation.

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 that places a greater emphasis on equity and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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Notes to Financial Statements

June 30, 2009 and 2008

The Foundation has a policy of appropriating for distribution each year 4% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. For those endowments with deficiencies, appropriations are limited to realized earnings, i.e. interest and dividends. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The Foundation expects permanent funds to provide an average rate of return, net of fees, in excess of the consumer price index plus 4%. Accordingly, over the long-term, the Foundation expects the current spending policy to grow its endowment at, or in excess of, the cost of inflation annually. This is consistent with objectives to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

FSP 117-1, *Endowments 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* (UPMIFA), prescribes new guidelines for expenditures of donor and board restricted endowment funds. Its predecessor, the Uniform Management of Institutional Funds Act of 1972 (UMIFA), focused on the prudent spending of the net appreciation of a fund.

The Foundation has interpreted UMIFA and New York State Trust Laws as requiring the preservation of the original gift of the donor restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, 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 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. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Endowment net assets consist of the following at June 30, 2009 and 2008:

		2009			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	—	1,280,343	22,302,302	23,582,645
Board-designated endowment funds		1,181,682	—	—	1,181,682
	\$	1,181,682	1,280,343	22,302,302	24,764,327
		2008			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	—	910,768	24,403,588	25,314,356
Board-designated endowment funds		1,467,160	—	—	1,467,160
	\$	1,467,160	910,768	24,403,588	26,781,516

THE UNIVERSITY AT ALBANY FOUNDATION

Notes to Financial Statements

June 30, 2009 and 2008

Changes in endowment net assets by fund type for the years ended June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2008	\$ 1,467,160	910,768	24,403,588	26,781,516
Net investment loss	(307,768)	(200,923)	(4,750,848)	(5,259,539)
Contributions:				
New gifts	24,414	1,110	1,365,682	1,391,206
Transfers from affiliates	—	611,828	1,614,895	2,226,723
Distributions	(27,124)	(93,318)	(476,041)	(596,483)
Other transfers	25,000	50,878	145,026	220,904
Endowment net assets, June 30, 2009	\$ <u>1,181,682</u>	<u>1,280,343</u>	<u>22,302,302</u>	<u>24,764,327</u>

In 2009, the Foundation received title to the University's portion of the State University of New York (SUNY) and The Research Foundation of the State University of New York endowment funds, 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 received cash and investments totaling \$2,424,061, of which \$2,226,723 were nonexpendable endowments.

Changes in endowment net assets by fund type for the year ended June 30, 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2007	\$ 1,393,987	926,631	24,403,131	26,723,749
Net investment loss	(144,250)	(97,191)	(2,329,636)	(2,571,077)
Contributions	126,153	91,385	1,253,184	1,470,722
Distributions	(28,690)	(41,806)	(664,476)	(734,972)
Other transfers	119,960	31,749	1,741,385	1,893,094
Endowment net assets, June 30, 2008	\$ <u>1,467,160</u>	<u>910,768</u>	<u>24,403,588</u>	<u>26,781,516</u>

(10) Pension Plan

Employees of the Foundation participate in a defined contribution plan sponsored by the University Auxiliary Services, Inc., a related not-for-profit organization. Employees who work at least 1,000 hours per year are eligible to participate after one year of service. The Foundation contributes 10% of employee compensation to the plan. Participants are fully vested after 3 years of service. Pension expense for 2009 and 2008 amounted to approximately \$69,000 and \$45,000, respectively.

THE UNIVERSITY AT ALBANY FOUNDATION

Notes to Financial Statements

June 30, 2009 and 2008

(11) Rental Income

The Foundation's operations involve the leasing of office space and research laboratories to various tenants. A summary of minimum future rental income on noncancelable tenant leases for the next five years and thereafter approximate the following:

Year ending June 30:	
2010	\$ 4,975,000
2011	2,743,000
2012	2,737,000
2013	2,569,000
2014	2,216,000
Thereafter	<u>10,009,000</u>
	<u>\$ 25,249,000</u>

In addition, there is rental income associated with various University tenants, which has not been disclosed above, as it represents income to be received under cancelable tenant agreements.

Rental receivables at June 30, 2009 approximated \$1,212,000. Subsequent to year end and prior to issuance of the financial statements on September 21, 2009, the receivable balance was 97% collected.

(12) Asset Retirement Obligation

In the event the Foundation was to renovate or demolish buildings on the East Campus, the Foundation has a legal obligation to perform certain asset retirement activity. Accordingly, a liability has been established equal to the present value of the obligation discounted at 4.5%.

Following is a reconciliation of the aggregate retirement liability associated with the Foundation's obligation to remediate certain conditions on the East Campus at June 30, 2009:

Balance, July 1, 2008	\$ 1,092,025
Revised estimate of cost	(56,164)
Liabilities settled, net of accretion	<u>(191,968)</u>
Balance, June 30, 2009	<u>\$ 843,893</u>

(13) Commitments

Equipment Contributions – Equipment contributed to the University in 2009 and 2008 include assets in the amount of \$704,834 and \$376,443, respectively, that were purchased by the Foundation or received as donations with the intent of being contributed to the University for their use.

In accordance with State University of New York policy, Foundation management formalizes the contributions of the equipment with the adoption of a resolution of gift approved by the Foundation's Board of Directors. The resolution of gift memorializes the irrevocable and unconditional transfer of the Foundation's rights, title and interest in the equipment to the University, subject to the formal acceptance of the gift by the State University of New York Board of Trustees, acting through the Chancellor.

THE UNIVERSITY AT ALBANY FOUNDATION

Notes to Financial Statements

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The University at Albany Bioscience Development Corporation (UABDC) – UABDC, a not-for-profit 501(c)(25) corporation, was created for the sole purpose of acquiring, holding, and developing real property for, and managing the facilities and real estate of the East Campus and Cancer Research Center. The Foundation is a member of UABDC, which was dormant for the year ended June 30, 2009. The Foundation is reviewing options for the transfer or lease of the buildings and property of the East Campus and Cancer Research Center to UABDC. Subsequent to June 30, 2009, UABDC received a New York State grant for East Campus operations and improvements.

THE UNIVERSITY AT ALBANY FOUNDATION

Schedules of Expenditures – Program Services

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Program services expenses:		
Awards and grants	\$ 731,801	921,708
Salaries and benefits	161,328	143,191
Professional fees	708,827	303,512
Printing	67,390	74,725
Supplies and services	176,874	213,004
Special events	150,938	234,395
Conferences and meetings	28,991	46,878
Meals and entertainment	326,722	347,677
Contributions	163,348	134,118
Travel and lodging	187,147	254,433
Computer supplies and services	107,330	79,678
Mailing services and postage	7,880	8,497
Advertising and promotion	5,488	14,707
Telephone	2,054	1,172
Books and publications	24,171	26,789
Tuition	16,435	2,592
Rentals, repairs and maintenance	147,622	241,143
Dues, memberships and fees	87,541	60,197
Total program services expenses	<u>\$ 3,101,887</u>	<u>3,108,416</u>

See accompanying independent auditors' report.

THE UNIVERSITY AT ALBANY FOUNDATION

Schedules of Expenditures – Real Estate

Years ended June 30, 2009 and 2008

	East Campus (1)	Cancer Research Center	Five Englewood	Two University Place	423 State Street	Brubacher Hall	Total	
							2009	2008
Real estate expenses:								
Supplies and services	\$ 9,516	805	189	19,950	—	—	30,460	65,025
Salaries and benefits	217,998	—	—	—	—	—	217,998	121,584
Professional fees	16,686	—	—	—	—	—	16,686	95,880
Contracted services	1,301,955	301,292	—	164,041	—	—	1,767,288	1,679,820
Interest	53,012	361,025	12,914	89,025	—	—	515,976	611,010
Real estate taxes	498,173	169,000	—	—	—	—	667,173	645,042
Utilities	1,612,063	837,014	16,417	116,742	—	—	2,582,236	3,152,847
Insurance	100,079	33,309	8,666	8,616	4,793	—	155,463	161,629
Building repairs and maintenance	462,464	78,442	9,608	—	—	16,600	567,114	504,686
Depreciation and amortization	759,912	1,871,188	24,105	118,368	36,227	—	2,809,800	2,677,466
Total real estate expenses	\$ 5,031,858	3,652,075	71,899	516,742	41,020	16,600	9,330,194	9,714,989

(1) Inclusive of all East Campus facilities with the exception of the Cancer Research Center.

See accompanying independent auditors' report.

THE UNIVERSITY AT ALBANY FOUNDATION

Schedules of Expenditures – Fund-Raising Activities

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Fund-raising activities:		
Salaries and benefits	\$ 177,766	171,893
Telepledge services	110,558	112,393
Donor cultivation and recognition	30,866	42,214
Supplies and services	25,428	53,923
Mailing services and postage	107,451	103,828
Travel and lodging	8,172	3,880
Conferences and meetings	200	11,205
Professional fees	22,125	39,932
Total fund-raising activities	<u>\$ 482,566</u>	<u>539,268</u>

See accompanying independent auditors' report.

THE UNIVERSITY AT ALBANY FOUNDATION
Schedules of Expenditures – General and Administrative
Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
General and administrative expenses:		
Salaries and benefits	\$ 453,659	416,962
Professional fees	51,473	44,876
Insurance	17,204	17,753
Supplies and services	16,454	9,420
Conferences and meetings	5,973	14,247
Travel and lodging	8	133
Depreciation and amortization	1,085	1,085
Mailing services and postage	80	215
Total general and administrative expenses	<u>\$ 545,936</u>	<u>504,691</u>

See accompanying independent auditors' report.