The University of Connecticut
Foundation, Incorporated

Financial Statements
June 30, 2020 and 2019
# The University of Connecticut Foundation, Incorporated
## Index

*June 30, 2020 and 2019*

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Report of Independent Auditors

To the Board of Directors of The University of Connecticut Foundation, Incorporated

We have audited the accompanying financial statements of The University of Connecticut Foundation, Incorporated (the “Foundation”), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and of cash flows for the years ended June 30, 2020 and 2019.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility
Our responsibility is to express an opinion on the 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Foundation’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Connecticut Foundation, Incorporated as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years ended June 30, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.

October 23, 2020
Hartford, CT
### The University of Connecticut Foundation, Incorporated

**Statement of Financial Position**

**June 30, 2020 and 2019**

<table>
<thead>
<tr>
<th>Assets</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$28,726,132</td>
<td>$15,897,891</td>
</tr>
<tr>
<td>Pledges receivable, net (Note 2)</td>
<td>21,707,610</td>
<td>19,018,122</td>
</tr>
<tr>
<td>Investments, operating (Note 3)</td>
<td>106,608,546</td>
<td>106,361,629</td>
</tr>
<tr>
<td>Investments, endowment (Note 3)</td>
<td>427,535,015</td>
<td>423,100,387</td>
</tr>
<tr>
<td>Funds held in trust by others</td>
<td>10,422,178</td>
<td>11,906,914</td>
</tr>
<tr>
<td>Endowments held for the University</td>
<td>15,187,090</td>
<td>15,059,023</td>
</tr>
<tr>
<td>Cash surrender value of life insurance (Note 4)</td>
<td>570,798</td>
<td>585,876</td>
</tr>
<tr>
<td>Property and equipment, net (Note 5)</td>
<td>4,277,196</td>
<td>4,658,761</td>
</tr>
<tr>
<td>Other assets (Note 6)</td>
<td>2,457,731</td>
<td>1,020,938</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$617,492,296</strong></td>
<td><strong>$597,609,541</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$10,539,279</td>
<td>$16,918,844</td>
</tr>
<tr>
<td>Trusts and annuities payable</td>
<td>2,038,305</td>
<td>2,073,840</td>
</tr>
<tr>
<td>Endowments held for the University</td>
<td>15,187,090</td>
<td>15,059,023</td>
</tr>
<tr>
<td>Lease liability</td>
<td>37,537</td>
<td>49,082</td>
</tr>
<tr>
<td>Bond and note payable (Note 8)</td>
<td>13,191,250</td>
<td>13,465,279</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>40,993,461</strong></td>
<td><strong>47,566,068</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets (Note 9)</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions</td>
<td>12,470,263</td>
<td>11,864,923</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>564,028,572</td>
<td>538,178,550</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>576,498,835</strong></td>
<td><strong>550,043,473</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total liabilities and net assets</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$617,492,296</strong></td>
<td><strong>$597,609,541</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
The University of Connecticut Foundation, Incorporated
Statement of Activities
For the Years Ended June 30, 2020 and 2019

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contributions</strong></td>
<td>$226,500</td>
<td>$38,107,885</td>
</tr>
<tr>
<td><strong>Net total investment return</strong></td>
<td>1,685,519</td>
<td>22,365,192</td>
</tr>
<tr>
<td><strong>Contractual payments from the University</strong></td>
<td>12,150,201</td>
<td>-</td>
</tr>
<tr>
<td><strong>Memberships and other income</strong></td>
<td>716,240</td>
<td>334,229</td>
</tr>
<tr>
<td><strong>Total revenues and gains</strong></td>
<td>14,778,460</td>
<td>60,807,306</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>26,049,080</td>
<td>(26,049,080)</td>
</tr>
<tr>
<td><strong>Endowment spending allocation</strong></td>
<td>(36,301)</td>
<td>36,301</td>
</tr>
<tr>
<td><strong>Endowment and gift fees to fund Foundation operations</strong></td>
<td>8,922,935</td>
<td>8,922,935</td>
</tr>
<tr>
<td><strong>Total revenues, gains, and other support</strong></td>
<td>49,714,174</td>
<td>25,871,592</td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>University program support</strong></td>
<td>26,049,080</td>
<td>-</td>
</tr>
<tr>
<td><strong>Foundation operations</strong></td>
<td>16,523,930</td>
<td>16,523,930</td>
</tr>
<tr>
<td><strong>Fundraising expenses</strong></td>
<td>6,557,394</td>
<td>6,557,394</td>
</tr>
<tr>
<td><strong>Total Foundation operations</strong></td>
<td>23,081,324</td>
<td>23,081,324</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>49,130,404</td>
<td>49,130,404</td>
</tr>
<tr>
<td><strong>Transfers between net asset categories</strong></td>
<td>21,570</td>
<td>(21,570)</td>
</tr>
<tr>
<td><strong>Total increase in net assets</strong></td>
<td>605,340</td>
<td>25,871,592</td>
</tr>
<tr>
<td><strong>Net assets, beginning of year</strong></td>
<td>11,864,923</td>
<td>538,178,550</td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td>$12,470,263</td>
<td>$564,028,572</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
The University of Connecticut Foundation, Incorporated  
Statement of Cash Flows  
For the Years Ended June 30, 2020 and 2019

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ 26,455,362</td>
<td>$ 15,613,920</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash used in operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net total investment return</td>
<td>(24,050,711)</td>
<td>(21,987,468)</td>
</tr>
<tr>
<td>Cash gifts to establish or increase permanent endowments</td>
<td>(9,903,497)</td>
<td>(13,223,560)</td>
</tr>
<tr>
<td>Gifts of securities</td>
<td>(3,106,028)</td>
<td>(3,112,112)</td>
</tr>
<tr>
<td>Proceeds from sale of donated securities</td>
<td>1,950,688</td>
<td>1,398,832</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>421,139</td>
<td>704,747</td>
</tr>
<tr>
<td>Loss on write off of fixed asset</td>
<td>5,427</td>
<td>6,167</td>
</tr>
<tr>
<td>Change in allowance for uncollectible pledges</td>
<td>328,858</td>
<td></td>
</tr>
<tr>
<td>Change in discounts on pledges receivable</td>
<td>(618,907)</td>
<td>286,740</td>
</tr>
<tr>
<td>Funds held in trust by others</td>
<td>1,484,736</td>
<td>12,665,614</td>
</tr>
<tr>
<td>(Increase) decrease in assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>(2,399,439)</td>
<td>6,365,925</td>
</tr>
<tr>
<td>Cash surrender value of life insurance</td>
<td>15,078</td>
<td>14,920</td>
</tr>
<tr>
<td>Other assets</td>
<td>(1,436,793)</td>
<td>(381,110)</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(6,379,568)</td>
<td>9,913,345</td>
</tr>
<tr>
<td>Trusts and annuities payable</td>
<td>(35,535)</td>
<td>(230,551)</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>(43,724,552)</td>
<td>(10,332,310)</td>
</tr>
<tr>
<td>Net cash (used in)/provided by operating activities</td>
<td>(17,269,190)</td>
<td>5,281,610</td>
</tr>
</tbody>
</table>

| Cash flows from investing activities |               |               |
| Purchases of investments            | (306,650,400) | (216,319,999) |
| Sales of investments and gifts of marketable securities | 326,019,567 | 208,412,603   |
| Purchases of property and equipment | (9,950)       | (179,796)     |
| Net cash (used in)/provided by investing activities | 19,359,217   | (8,087,192)   |

| Cash flows from financing activities |               |               |
| Cash gifts to establish or increase permanent endowments | 9,903,497   | 13,223,560    |
| Proceeds from sale of donated securities restricted for endowment | 1,155,340   | 1,713,280     |
| Principal payments on lease liability | (11,544)    | (15,782)      |
| Proceeds from note payable            | 2,856,635   |               |
| Payments on bond and note payable     | (3,165,714) | (3,165,714)   |
| Net cash provided by financing activities | 10,738,214  | 11,755,344    |

| Net increase in cash and cash equivalents | 12,828,241 | 8,949,762 |
| Cash and cash equivalents at beginning of year | 15,897,891 | 6,948,129 |
| Cash and cash equivalents at end of year | $28,726,132 | $15,897,891 |

Supplemental disclosure of cash flow information:

| Gifts of securities | $3,106,028 | $3,112,112 |
| Cash paid during the year for interest | 314,451 | 394,534 |

The accompanying notes are an integral part of these financial statements.
1. Summary of Significant Accounting Policies

   A. Organization

   The University of Connecticut Foundation, Incorporated (the "Foundation") was established in 1964 as an independent, privately governed, not-for-profit corporation, chartered under the laws of the State of Connecticut.

   The Foundation’s mission is to strengthen the University of Connecticut, one relationship at a time. The Foundation fulfills this mission primarily through fundraising, asset management functions, and alumni relations. The Foundation solicits and accepts donations of property, money and securities, and invests and administers such assets. The Foundation disburses funds in accordance with the terms under which they were given to aid, supplement, improve, and enlarge the educational, cultural, recreational, and research activities and facilities of the University. More detailed information regarding the Foundation and its charitable activities can be obtained from the Foundation’s website at www.foundation.uconn.edu.

   B. Basis of Presentation

   The financial statements of the Foundation have been prepared on the accrual basis of accounting and include the Foundation’s assets, liabilities, net assets, revenues, and expenses for the years ending June 30, 2020 and 2019.

   Net assets, revenues and expenses are classified based on the terms of donor-imposed restrictions, if any. Accordingly, the net assets, revenues, and expenses of the Foundation are classified and reported as follows:

   Net assets without donor restriction – Net assets that are not subject to restriction, other than donor-imposed, to benefit the Foundation and board designated restrictions to support the University. Such assets include unrestricted gifts, investment earnings generated on unrestricted and temporarily restricted unspent funds, and assets functioning as endowments. Expenditures are reported in this classification of net assets since the use of donor-restricted contributions in accordance with the donor’s restrictions results in the release of the restriction.

   Net assets with donor restrictions – Nets assets that are subject to donor-imposed purpose and use restrictions to benefit a specific unit, department, or program of the University that have not yet been met. Such assets and activity primarily include restricted gifts, trusts, and annuities.

   C. Use of Estimates

   The preparation of the 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 financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates. The Foundation’s significant estimates include the valuation of it
investments, the collectability of receivables, and the present value of the liability for
future payments related to trust and annuity agreements.

D. Contribution Revenue Recognition

Philanthropic commitments are recognized as revenues when unconditionally pledged,
or when a condition on a gift or pledge is met. Outright contributions are recognized as
revenue when received. Gifts of real estate, buildings and equipment, marketable
securities, and other donated property are recorded at their estimated fair value on the
date of the gift.

Gifts are reported as with donor restrictions if received with donor restrictions that
designate the use of donated assets as to purpose or time.

Pledges receivable represent outstanding unconditional promises by donors to make
contributions to the Foundation. Unconditional promises to give that are expected to be
collected within one year of the statement of financial position date are recorded at face
value. Unconditional promises to give that are expected to be collected in future years
are recorded at the present value of their estimated realizable future contribution
amounts. The discount rates used to determine present values are an interest rate that
reflects fair value applicable to the year in which the promises to give were received;
the amortization of the related discount is subsequently included in contribution
revenues. Contribution revenue recorded from pledges (see Note 2) is reflected in
without donor restrictions and with donor restrictions, depending on donor restrictions,
if any.

The Foundation uses a combination of specific reserve and estimate of remaining
uncollectible accounts to determine the total allowance for uncollectible pledges. As of
June 30, 2020, the estimate of remaining uncollectible accounts was 1% on unrestricted
pledges, 2% on endowed non-athletic pledges, 4% on restricted non-athletic pledges,
and 5% on restricted and endowed athletic pledges.

Conditional promises to give are not recorded as revenue until they become
unconditional, which is when the conditions on which they depend are substantially
met.

E. Cash and Cash Equivalents

The Foundation generally considers short-term, highly liquid financial instruments to be
cash equivalents. Cash equivalents consist of time deposits and short-term investments
with maturities of 90 days or less at the date of purchase. Cash equivalents are stated at
cost, which approximates fair value. Short term investments that are discretionary
components of long-term portfolios managed by professional investment management
firms hired by the Foundation are classified as investments (see Note 3).

F. Investments

Investments are reported at fair value (see Note 3). The valuation of marketable
securities is based upon quoted market prices and exchange rates, if applicable. Fair

The accompanying notes are an integral part of these financial statements.

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values for private equity, real estate, and other investments held through limited partnerships or commingled funds are estimated by the respective external investment managers if market values are not ascertainable. The Foundation uses the Net Asset Value (NAV) to determine the fair value of all investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company, or have the attributes of an investment company. As of June 30, 2020, investments in securities whose fair values are not readily determinable (NAV) accounted for 52% of all investments. Because they are not readily determinable, the fair values may differ from the values that would have been used had a ready market for these investments existed. Unrealized gains and losses that result from market fluctuations are recognized in the period in which the fluctuations occur.

Net investment return (defined as dividends, interest, and net realized and unrealized gains and losses on investments, net of investment management fees), is reported as follows:

As increases or decreases in net assets with donor restrictions if the terms of the underlying endowment funds designate the purpose for specific schools, departments, programs, or otherwise stipulated by the donor;

As increases or decreases in net assets without donor restrictions if the terms of the underlying individual endowment funds and gifts are Board designated;

As increases or decreases in net assets without donor restriction if the terms of the underlying individual funds and gifts are not endowed; or

As increases or decreases in net assets with donor restrictions if there is a change in the present value of an annuity or trust due to the passage of time or changes in actuarial life expectancies.

Investment in University of Connecticut Research and Development Corporation

The Foundation was the sole shareholder of the R&D Corporation, a for-profit corporation duly established in the State of Connecticut in 1984. On December 31, 2015, the Foundation divested its interest in the R&D Corporation, which was transferred to The University of Connecticut, a related party, without compensation.

The agreement with the University allows the Foundation to retain a continuing interest in the underlying companies owned by the R&D Corporation on the divestiture date. The Foundation will derive income equal to 10% of sales and 30% of royalties. The Foundation may use 50% of any royalty revenue interest and 100% of sales to support the Foundation’s mission. The remaining will be designated to support technology commercialization at the University of Connecticut. For the year ended June 30, 2020, the Foundation did not receive any royalty or sales revenue.
G. Endowment Spending Allocation and Advancement Fee

The endowment spending policy adopted by the Foundation's Board of Directors, in conjunction with the strategic asset allocation for the long-term pooled investment portfolio, is designed to provide reliable growth in annual spending allocation levels and to preserve or increase the real value of the endowment principal, over time. To meet these objectives, the Foundation utilizes a total return investment approach, with total return consisting of interest and dividends, and realized and unrealized gains and losses, net of investment management fees.

The spending allocation distributed in support of designated purposes was $14,879,947 and $15,398,102 for the years ended June 30, 2020 and 2019, respectively.

The Foundation’s endowment spending allocation policy was enacted in accordance with the Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA considers prudence in maintaining an endowment fund in perpetuity. Spending can occur from an endowment fund whose fair value is below its historic value, as long as the governing body has determined that its policies will continue the perpetual nature of the endowment over time.

The amount of funds allocated for expenditure for the purposes for which an endowed fund was established (“spending allocation”) will equal 4.25% annually (1.0625% per quarter) of the rolling prior 12-quarter average market value on a unitized basis. The corresponding calculated spending allocations are distributed in equal quarterly installments on the first day of each quarter from the accumulated net total investment return for individual endowment funds where available, otherwise from principal. Effective July 1, 2020 the annual spending allocation will equal 4.00% annually.

Endowed funds established after July 1, 2017, will not participate in the pool until the principal amount is equal to or greater than the minimum needed to establish an endowment. The new fund will participate in the pool on the last day of the quarter after meeting the minimum amount. The spending allocation and endowment advancement fee, discussed below, will not be distributed until the endowed fund has participated in the long-term pool investment portfolio for two full quarters.

An advancement fee is assessed to fund expenses incurred in meeting the Foundation’s fiduciary and fundraising responsibilities to donors and the University. This on-going advancement fee is also assessed based on a rolling 12 quarter unitized market value. Effective on July 1, 2015, this rate was 2.0%. The calculated fee is charged in equal quarterly installments on the first day of each quarter from the accumulated net total investment return for individual endowment funds where available, otherwise from principal. Effective July 1, 2020 the rate will change to 1.75%.

Neither the spending allocation nor the endowment advancement fee will be distributed from endowed funds that are ‘underwater’ by greater than 25% at the end of any quarter during the fiscal year.
In order to ensure the Foundation preserves the purchasing power of the endowment pool, the endowment spending allocation and advancement fee taken together cannot exceed 6.75% or fall below 3.0% of the fair value of endowment funds. Should this occur, the calculated amounts will be decreased or increased, respectively, on a pro rata basis.

H. Net Asset Treatment Associated with Endowment Returns

To the extent that realized and unrealized losses, spending allocations, and advancement fees are in excess of accumulated gains for certain endowment funds, they are reported as decreases in net assets with donor restrictions, or if the endowment is a board designated endowment they are reported as decreases in net assets without donor restrictions, in accordance with accounting standards on not-for-profit investments. The Foundation is required to administer all endowment funds in accordance with the provisions of Connecticut’s UPMIFA statute. As of June 30, 2020, approximately 438 funds with a fair market value of $166,665,034 had an historic gift value of $177,813,403. As of June 30, 2019, approximately 458 funds with a fair market value of $165,378,448 had an historic gift value of $176,706,594. The decrease of $11,148,369 for 2020 and $11,328,146 for 2019 are reported as a decrease in net assets with donor restrictions.

I. Funds Held in Trust by Others

The Foundation is irrevocably named as a beneficiary of funds held by third-party trustees, the purpose of which may be restricted by the donor. Generally, the Foundation will receive a specified portion of the assets remaining when third-party trusts are terminated. The present value of the amounts to be received upon termination is recorded by the Foundation as an asset on the statement of financial position and contribution revenue on the statement of activities using discount rates of .65% to 2.9% for 2020 and 1.4% to 3.5% for 2019. Trusts held in perpetuity are reported at their fair value. Funds held in trust by others totaled $10,422,178 and $11,906,914 at June 30, 2020 and 2019, respectively, and are considered Level 3 financial instruments (see Note 3 for discussion of classification of fair value measurements). At the time the Foundation is notified of the funding of a third-party trust, the fair value of the Foundation’s interest in the trust is recorded as contribution revenue. Any distributions from perpetual trusts are recorded as investment income.

Following is a reconciliation of funds held in trust by others in which significant unobservable inputs (Level 3) were used in determining value:

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of July 1, 2019 and 2018</td>
<td>$11,906,914</td>
<td>$24,572,528</td>
</tr>
<tr>
<td>Change in fair value</td>
<td>(970,616)</td>
<td>341,808</td>
</tr>
<tr>
<td>Net distributions</td>
<td>(514,120)</td>
<td>(13,007,422)</td>
</tr>
<tr>
<td>Balance as of June 30, 2020 and 2019</td>
<td>$10,422,178</td>
<td>$11,906,914</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
J. Trusts and Annuities

The Foundation is named as the trustee and remainder beneficiary of several charitable remainder trusts. In addition, the Foundation has entered into contracts with donors for charitable gift annuities for which the Foundation has accepted contributions. These trust and annuity asset amounts are carried at their net present value and generally require that the income earned on the funds be accumulated or distributed in accordance with the respective trust or gift agreements. The trust and annuity assets are included in either the net asset with donor restrictions or without donor restrictions classifications based on the existence or absence of donor restrictions for the remainder asset. The difference between the amounts contributed to establish a charitable trust or charitable gift annuity and the present value of the liability for future payments to donors, determined using actuarial life expectancies and discount rates ranging from 1.2% to 8.4% for June 30, 2020 and 2019, is recognized as contribution revenue at the date of the gift. Changes in the present value of the liability due to the passage of time and changes in actuarial life expectancies are reported as part of net total investment return in the statement of activities.

K. Property and Equipment for Operations

Property and equipment are stated at cost. Depreciation of property and equipment is charged to expense on a straight-line basis over their estimated useful lives which range from 3 to 40 years. Expenditures for repairs and maintenance are expensed as incurred. Costs directly related to software development and acquisition, are capitalized until the asset is placed in service.

L. Retirement Plan

The Foundation sponsors The University of Connecticut Foundation, Inc. Retirement Annuity Plan (the “Plan”), which is a fully funded, qualified plan under Section 403(b) of the Internal Revenue Code. The Plan covers all full time and certain part time employees, excluding students. Participants are required to contribute 3% of regular salary, with the Foundation contributing 8% of each participant’s salary. Participants are subject to three-year cliff vesting for Foundation contributions to the plan. Effective July 1, 2019, the vesting requirement is waived for terminations due to job eliminations. The unvested amount as of June 30, 2020 is $509,674. Included in Foundation support expenses are Plan contributions of $979,758 and $869,128 for the years ended June 30, 2020 and 2019, respectively.

M. Income Taxes

The Foundation has a letter of exemption from federal income tax from the Internal Revenue Service under Section 501(c) (3) of the Internal Revenue Code. Due to certain investments, the Foundation does have unrelated business income, however the federal tax liability has been immaterial. The Foundation has appropriate support for any tax position taken and believes it does not have any uncertain tax positions that are material to the financial statements.
N. Recently Adopted Accounting Standards

On July 1, 2019, the Foundation adopted ASU 2016-18 Statement of Cash Flows: Restricted Cash. The new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. The impact to the financial statement is immaterial.

On July 1, 2019, the Foundation early adopted ASU 2019-03: Updating the Definitions of Collections. The guidance addresses the use of proceeds from sales of collections and related disclosures, collections include groupings of art, historical treasures, or similar assets that are held for the public. The guidance requires the non-profit to disclose the policy of proceeds use. The impact to the financial statements is immaterial.

Recent Accounting Pronouncements, Not Yet Effective

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases. The guidance sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The guidance will be effective for the fiscal year 2022 statements and supersedes the existing guidance on accounting for leases. The Foundation is in the process of evaluating the impact of adoption on its financial statements.

In August 2018, the Financial Accounting Standards Board issued ASU No. 2018-13, Fair Value Measurements, The guidance amends the disclosure requirements for fair values measurements. The Foundation is in the process of evaluating the impact of adoption on its financial statements. This guidance will be effective for fiscal year 2021 statements.
2. **Pledges Receivable, Net**

Pledges receivable includes unconditional promises to give:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2020</th>
<th>June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledges</td>
<td>$24,845,628</td>
<td>$22,446,189</td>
</tr>
<tr>
<td>Less: allowance for uncollectible pledges</td>
<td>(1,597,056)</td>
<td>(1,268,198)</td>
</tr>
<tr>
<td>Less: discount to record net realizable pledges at net present value</td>
<td>(1,540,962)</td>
<td>(2,159,869)</td>
</tr>
<tr>
<td><strong>Pledges receivable, net</strong></td>
<td><strong>$21,707,610</strong></td>
<td><strong>$19,018,122</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net pledge receivable amounts due in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than one year</td>
<td>$7,087,554</td>
<td>$5,790,944</td>
</tr>
<tr>
<td>One to five years</td>
<td>12,217,493</td>
<td>10,748,527</td>
</tr>
<tr>
<td>More than five years</td>
<td>1,170,073</td>
<td>1,543,041</td>
</tr>
<tr>
<td>Net contributions receivable from deferred gifts</td>
<td>1,232,490</td>
<td>935,610</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$21,707,610</strong></td>
<td><strong>$19,018,122</strong></td>
</tr>
</tbody>
</table>

The interest rates used in the computation of the discount ranged from .65% to 4.18% for June 30, 2020 and 1.0% to 4.18% for June 2019.

Conditional pledges of $11,586,240 at June 30, 2020 are unreported. Bequest expectancies totaling $173,435,193 have also been excluded from these amounts and are not recorded in the financial statements.

3. **Investments**

In accordance with the accounting pronouncement on fair value measurements, fair value is defined as the price that the Foundation or its investment manager would receive upon selling an investment in an orderly transaction between market participants in the principal or most advantageous market at the measurement date. A three-tier hierarchy is established, based on inputs to valuation techniques, to maximize the use of observable market data and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the investment, including assumptions about risk. Input may be observable or unobservable. Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the investment based on market data obtained from sources independent of the investment manager or Foundation. Unobservable inputs are inputs that reflect the Foundation’s or its investment manager’s own assumptions about the assumptions market participants would use in pricing the investment based on the best information available in the circumstances.
The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical investments that the Foundation has the ability to access at the measurement date. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for an investment. These inputs include quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, and inputs other than quoted prices that are observable for the investment, for example interest rate and yield curves, volatilities, prepayment rates and credit risk among others. These are inputs that are derived principally from or corroborated by observable market data by correlation or other means. Certain investments defined as Level 2 are in the form of commingled funds, the shares of which are not publicly traded, where the valuation of the underlying securities held in the fund is taken from quoted prices in active markets.

- **Level 3** – Inputs that are unobservable inputs for the investment that are used to measure fair value when observable inputs are not available. Unobservable inputs reflect the Foundation’s or its investment manager’s own assumptions about the assumptions that market participants would use in pricing the investment. These inputs are developed based on the best information available in the circumstances, which might include the Foundation’s or its investment manager’s own data.

Certain investments are measured at fair value using net asset value (or its equivalent). The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position, because NAV is a practical expedient.
The investment portfolio is shown below at fair value by investment asset class and hierarchy.

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>NAV</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term Investments</td>
<td>$19,671,546</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$19,671,546</td>
</tr>
<tr>
<td>Global Fixed Income</td>
<td>100,214,775</td>
<td>2,470,565</td>
<td>-</td>
<td>635,545</td>
<td>103,320,885</td>
</tr>
<tr>
<td>Global Equity</td>
<td>119,363,686</td>
<td>16,153,483</td>
<td>-</td>
<td>41,316,131</td>
<td>176,833,300</td>
</tr>
<tr>
<td>Hedge Funds - Non-Directional</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>95,356,998</td>
<td>95,356,998</td>
</tr>
<tr>
<td>Hedge Funds - Directional</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>33,005,574</td>
<td>33,005,574</td>
</tr>
<tr>
<td>Portfolio Diversification Strategies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private Capital</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>64,015,068</td>
<td>64,015,068</td>
</tr>
<tr>
<td>Private Real Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>41,940,190</td>
<td>41,940,190</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$239,250,007</strong></td>
<td><strong>$18,624,048</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$276,269,506</strong></td>
<td><strong>$534,143,561</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>NAV</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term Investments</td>
<td>$16,636,223</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$16,636,223</td>
</tr>
<tr>
<td>Global Fixed Income</td>
<td>104,318,001</td>
<td>2,480,981</td>
<td>-</td>
<td>20,941,550</td>
<td>127,740,532</td>
</tr>
<tr>
<td>Global Equity</td>
<td>138,487,706</td>
<td>-</td>
<td>-</td>
<td>40,502,845</td>
<td>178,990,551</td>
</tr>
<tr>
<td>Hedge Funds - Non-Directional</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>48,603,505</td>
<td>48,603,505</td>
</tr>
<tr>
<td>Hedge Funds - Directional</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>41,132,617</td>
<td>41,132,617</td>
</tr>
<tr>
<td>Portfolio Diversification Strategies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,340,026</td>
<td>2,340,026</td>
</tr>
<tr>
<td>Private Capital</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>62,529,246</td>
<td>62,529,246</td>
</tr>
<tr>
<td>Private Real Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>51,489,316</td>
<td>51,489,316</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$259,441,930</strong></td>
<td><strong>$2,480,981</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$267,539,105</strong></td>
<td><strong>$529,462,016</strong></td>
</tr>
</tbody>
</table>

Net asset values provided by third parties have been utilized in determining fair value. Investment managers utilize outside pricing services and administrators as well as their own internal valuation models in determining and verifying fair values. The Foundation performs ongoing due diligence with the investment managers that include evaluation of manager operations and valuation procedures, site visits, investor calls, review of manager filings, and audited financial statements among other items.

The Foundation’s Investment Committee of the Board of Directors monitors performance of investment managers and meets formally with the managers on a periodic basis in addition to the ongoing due diligence performed by Foundation investment staff.

Operating investments are invested in level 1 assets; a short duration bond portfolio which is diversified across investment grade corporate bonds, high yield short duration corporate bonds, and asset backed securities. The portfolio maintains an average credit quality above BBB.
Agreements with external managers include certain redemption terms and restrictions as noted in the following table:

<table>
<thead>
<tr>
<th>Unfunded commitments</th>
<th>June 30, 2020</th>
<th>Fair value June 30, 2020</th>
<th>Fair value June 30, 2019</th>
<th>Remaining life</th>
<th>Redemption Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Fixed Income</td>
<td>$ -</td>
<td>$ 635,545</td>
<td>$ 20,941,550</td>
<td>Not applicable</td>
<td>Monthly</td>
</tr>
<tr>
<td>Global Equity</td>
<td></td>
<td>41,316,131</td>
<td>40,502,845</td>
<td>Not applicable</td>
<td>1 to 90 Days</td>
</tr>
<tr>
<td>Hedge Funds - Non-Directional</td>
<td></td>
<td>95,356,998</td>
<td>48,603,505</td>
<td>Not applicable</td>
<td>3 to 12 months</td>
</tr>
<tr>
<td>Hedge Funds - Directional</td>
<td></td>
<td>33,005,574</td>
<td>41,132,617</td>
<td>Not applicable</td>
<td>1 to 12 months</td>
</tr>
<tr>
<td>Portfolio Diversification Strategies</td>
<td></td>
<td>-</td>
<td>2,340,026</td>
<td></td>
<td>Monthly</td>
</tr>
<tr>
<td>Private Capital</td>
<td>53,359,113</td>
<td>64,015,068</td>
<td>62,529,246</td>
<td>&lt;1 to 11 years</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Private Real Assets</td>
<td>29,569,655</td>
<td>41,940,190</td>
<td>51,489,316</td>
<td>1 to 12 years</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Total</td>
<td>$ 82,928,768</td>
<td>$ 276,269,506</td>
<td>$ 267,539,105</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Net total investment return is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>June 30 2020</th>
<th>June 30 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$ 9,019,375</td>
<td>$ 11,160,335</td>
</tr>
<tr>
<td>Net realized and unrealized gains on investments</td>
<td>19,173,398</td>
<td>14,219,391</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>(3,710,573)</td>
<td>(2,979,863)</td>
</tr>
<tr>
<td>Salary expenses related to investments</td>
<td>(431,489)</td>
<td>(412,395)</td>
</tr>
<tr>
<td>Net total investment return</td>
<td>$ 24,050,711</td>
<td>$ 21,987,468</td>
</tr>
</tbody>
</table>

4. **Cash Surrender Value of Life Insurance**

Life insurance policies donated to the Foundation have been recorded as contributions and assets at their respective cash surrender values in the year of donation. Any changes in the cash surrender values after donation are offset against life insurance premiums expense in the year of the change. The Foundation will receive the face value of these policies upon their maturation. The face value of these policies as of June 30, 2020 and 2019 was $4,235,284 and $4,346,984 respectively, while their aggregate cash surrender value was $570,798 and $585,876, respectively.

5. **Property and Equipment**

Depreciation expense was $386,088 and $669,696 for property and equipment used for Foundation operations for the years ended June 30, 2020 and 2019, respectively.
The University of Connecticut Foundation, Incorporated
Notes to the Financial Statements
June 30, 2020 and 2019

The accompanying notes are an integral part of these financial statements.

6. Other Assets

Other assets are comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables</td>
<td>$1,962,628</td>
<td>$455,863</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>328,811</td>
<td>379,704</td>
</tr>
<tr>
<td>Life insurance receivable</td>
<td>157,892</td>
<td>176,971</td>
</tr>
<tr>
<td>Donated property</td>
<td>8,400</td>
<td>8,400</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,457,731</strong></td>
<td><strong>$1,020,938</strong></td>
</tr>
</tbody>
</table>

7. Operating Leases

The Foundation rents office space for Foundation staff that support fundraising operations for the University of Connecticut Health Center. Expenditures reported for the lease during the year ended June 30, 2020 were $57,338. The future minimum lease payments are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30,</th>
<th>2021</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$33,912</td>
<td>$33,912</td>
</tr>
</tbody>
</table>

8. Bond and Note Payable

In April 2013, the Foundation entered into a loan agreement with Connecticut Health and Education Facilities Authority to issue Series C revenue bonds, the proceeds of which were used to fund the construction of the Werth Family UConn Basketball Champions Center on the University of Connecticut campus in Storrs. The Foundation committed that it would provide financial support up to $33 million inclusive of the $20 million bond financing.

In August 1999, the Foundation entered into a loan agreement with Connecticut Health and
Education Facilities Authority (CHEFA), which issued Series A revenue bonds primarily for the construction of an office building on the University campus at Storrs to house all the administrative functions and operations of the Foundation, and to finance a portion of a Visitor’s Center. In January 2007, the Foundation completed a plan with CHEFA that provided for the advance refunding of this debt and the issuance of new debt resulting in the defeasance of the Series A bonds and establishment of Series B bonds. On October 27, 2017, the Foundation was issued a taxable term loan note from Wells Fargo Bank for the purpose of refunding the Series B Bonds, which resulted in the release of restricted cash, full amortization of the balance of the Bond’s deferred issuance costs, and the defeasance of the Series B Bonds.

In April 2020 the Foundation was granted a loan from Webster Bank in the amount of $2,856,635. The loan was issued under the Paycheck Protection Program under the CARES Act, enacted March 27, 2020. Under the term of the Paycheck Protection Program the loan may be forgiven if the funds are used for qualifying expenses as described in the CARES Act. The Foundation intends to use the proceeds to cover payroll expenses, consistent with the Paycheck Protection Program.

Bond and notes payable at June 30 consist of the following obligations:

<table>
<thead>
<tr>
<th>Bond and Notes Payable</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecticut Health and Education Facilities Authority 1.9% - 2.30% Series C Revenue Bonds due in installments including principal and interest payments ranging from $2,504,792 to $2,519,167, payable April 1st each year through 2023</td>
<td>$7,500,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Wells Fargo Bank unsecured, $4,660,000 loan, 2.92% fixed rate taxable term loan note (to defease Series B Bonds) issued on October 27, 2017 with a maturity date of October 28, 2024, equal monthly payments of $55,476 plus interest commencing December 1, 2017 and ending at maturity</td>
<td>2,940,238</td>
<td>3,605,952</td>
</tr>
<tr>
<td>Webster Bank Paycheck Protection Program Loan, $2,856,635, 1.0% fixed interest rate, due in eighteen installments of $159,961 commencing November 23, 2020 and ending April 23, 2022</td>
<td>2,856,635</td>
<td>-</td>
</tr>
<tr>
<td>Less: deferred bond and note payable issuance costs, net</td>
<td>105,623</td>
<td>140,673</td>
</tr>
<tr>
<td>Total bond and note payable</td>
<td>$13,191,250</td>
<td>$13,465,279</td>
</tr>
</tbody>
</table>
CHEFA Series C bondholders and Wells Fargo Bank are paid interest monthly on the 1st. The Paycheck Protection Loan is paid monthly on the 23rd.

Principal payments due on all debt as of June 30, 2020 for each of the next five fiscal years are:

Fiscal Year Ending June 30:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$ 4,430,058</td>
</tr>
<tr>
<td>2022</td>
<td>4,758,005</td>
</tr>
<tr>
<td>2023</td>
<td>3,165,714</td>
</tr>
<tr>
<td>2024</td>
<td>665,714</td>
</tr>
<tr>
<td>2025</td>
<td>277,381</td>
</tr>
<tr>
<td></td>
<td>$ 13,296,873</td>
</tr>
</tbody>
</table>

Costs related to acquiring the note payable and the portion of bond proceeds which funded costs of the bond issuance, together with costs funded by Foundation operations relating to issuance costs, have been recognized as deferred costs on the accompanying statement of financial position and are amortized over the life of the bond and note payable, respectively.

The deferred costs are presented as a direct deduction of bond and note payable. Amortization expense for each of the years ended June 30, 2020 and 2019 was $35,051 and is included in Foundation support expenses.
9. Net Assets

At June 30, 2020 and 2019 net assets included funds without donor restrictions and with donor restrictions for the following purposes:

<table>
<thead>
<tr>
<th>Net assets without donor restrictions</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available for Foundation Operations</td>
<td>$ 10,703,206</td>
<td>$ 10,124,556</td>
</tr>
<tr>
<td>Board-designated endowments</td>
<td>$ 1,767,057</td>
<td>$ 1,740,367</td>
</tr>
<tr>
<td>Total without donor restrictions</td>
<td>$ 12,470,263</td>
<td>$ 11,864,923</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net assets with donor restrictions</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject to expenditure for specified purpose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scholarship support</td>
<td>$ 24,835,377</td>
<td>$ 17,982,932</td>
</tr>
<tr>
<td>Faculty support</td>
<td>8,652,010</td>
<td>8,387,153</td>
</tr>
<tr>
<td>Program support</td>
<td>60,502,790</td>
<td>54,806,179</td>
</tr>
<tr>
<td>Total subject to expenditure for specified purpose</td>
<td>93,990,177</td>
<td>81,176,264</td>
</tr>
</tbody>
</table>

| Endowments                                    |              |              |
| Scholarship support                           | 188,794,550  | 176,962,679  |
| Faculty support                               | 126,167,018  | 112,050,828  |
| Program support                               | 155,076,827  | 167,988,779  |
| Total Endowments                              | 470,038,395  | 457,002,286  |

| Total net assets with donor restrictions       | $ 564,028,572 | $ 538,178,550 |

The Foundation’s endowment net assets consist of approximately 1,850 individual funds established for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivable, split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments.

The Board of Directors of the Foundation has interpreted Connecticut UPMIFA as requiring prudent management of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions 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. In accordance with Connecticut UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund
2) The purposes of the Foundation and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Foundation  
7) The Foundation’s investment policies

The Foundation had the following endowment activity during the year ended June 30, 2020 and 2019 delineated by net asset class and donor-restricted vs. Board designated funds:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Without Donor Restrictions</td>
<td>With Donor Restrictions</td>
</tr>
<tr>
<td>Endowment net assets, beginning balance</td>
<td>$1,740,367</td>
<td>$457,002,286</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>13,959,265</td>
</tr>
<tr>
<td>Net total investment return and other income</td>
<td>92,462</td>
<td>22,141,630</td>
</tr>
<tr>
<td>Endowment spending allocation</td>
<td>(36,301)</td>
<td>(14,843,646)</td>
</tr>
<tr>
<td>Endowment and gift fees to fund Foundation operations</td>
<td>(29,471)</td>
<td>(8,190,555)</td>
</tr>
<tr>
<td>Transfers between net asset categories</td>
<td>-</td>
<td>(30,585)</td>
</tr>
<tr>
<td>Endowment net assets, ending balance</td>
<td>$1,767,057</td>
<td>$470,038,395</td>
</tr>
</tbody>
</table>

Endowment assets are long-term in nature and managed as such on a total return basis. There are certain short-term considerations in constructing the endowment investment portfolio, such as spending allocations and annual operating support. However, the assets can tolerate a reasonable level of short-term volatility in the interest of maximizing long-term performance. In order to attain the varied investment objectives, a proper balance must be struck between return and risk. With a proper risk/return profile, the Foundation believes maintaining real purchasing power of the spending allocation and meeting annual funding needs can be achieved over time through the asset allocation and spending policies adopted by its Board of Directors.
The University of Connecticut Foundation, Incorporated
Notes to the Financial Statements
June 30, 2020 and 2019

The Foundation utilizes a diversified asset allocation consisting of: growth strategies (primarily equity-based investments); inflation hedging strategies to protect against inflation and provide purchasing power (strategies with significant correlations to inflation); and risk minimizing strategies to reduce volatility and preserve capital (fixed income and other strategies with low correlations to equities). Investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends).

10. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of the statement of financial position date are comprised of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 8,862,321</td>
</tr>
<tr>
<td>Investments, operating</td>
<td>5,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 13,862,321</strong></td>
</tr>
</tbody>
</table>

The Foundation’s unrestricted investments represent non-endowed assets that are not designated to a specific unit or purpose and can be used by the Foundation at any time. The assets are invested in short term investments determined by the Foundation investment policy.

Many of the Foundation liabilities may be funded by financial assets with donor restrictions, which are not included in the liquidity table above.

11. Expenses by Nature and Function

Expenses are presented by functional classification in accordance with the overall service mission of the Foundation. Each functional classification displays all expenses related to the underlying operations by natural classification.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and interest (included in facilities and equipment expense), which are allocated on a headcount basis.
12. University Support

The Foundation, at the direction of its donors, makes payments on behalf of or directly to the University in support of the University’s mission. Such amounts are classified as University Program Support in the statement of activities and in Note 11. There are two primary sources of Foundation funds available to the University: charitable gifts and philanthropic grants contributed to the Foundation that are immediately available for expenditure, and spending allocation from the accumulated investment earnings of individual endowment funds (Note 1G). Total funds disbursed by the Foundation in support of the University in accordance with the donated purpose were $26,049,080 and $35,344,100 for the year ended June 30, 2020 and 2019, respectively. Fluctuations in spending are driven by the current needs of the University, and availability of support from the Foundation.

13. Related Party Transactions

In December 1994, the Foundation assumed primary responsibility for the fundraising program conducted for the benefit of the University and, in June 1995, the Foundation assumed responsibility for related advancement services. The relationship, roles and arrangements between the Foundation and the University are documented in an Agreement dated July 1, 2015 (the "Agreement"), and in a Memorandum of Understanding (the "MOU"), which is updated on a one or two year basis. In payment for fundraising and other services
outlined in the MOU, the Foundation recorded revenue from the University of $9,315,000 and $8,815,000 for the year ended June 30, 2020 and 2019, respectively.

The University of Connecticut Foundation has a contractual arrangement with the University of Connecticut to act as the University’s agent in managing their endowed assets. The endowments are invested in a manner consistent with the Foundation’s endowments. The Foundation has elected to disclose the fair value of the endowed assets on the balance sheet with an offsetting liability. The University’s endowment had a fair value of $15,187,090 and $15,059,023 as of June 30, 2020 and 2019 respectively.

In April 2015, the Foundation assumed primary responsibility for alumni engagement activities for the University. The Foundation will focus on strengthening lifelong bonds between all members of University alumni. The University has granted the Foundation rights to use the Alumni Center at the cost of $1.00 per year. In payment for alumni engagement outlined in the MOU, the Foundation recorded revenue from the University of $2,835,201 and $2,352,166 for the years ended June 30, 2020 and 2019, respectively.

The Foundation has recorded a liability due to the University of $5,868,325 and $13,472,690 and to the University Health Center of $650 and $967,572, for disbursement requests as of June 30, 2020 and June 30, 2019 respectively. The liabilities to the University and the University Health Center are included in accounts payable and accrued expenses in the accompanying statement of financial position. In addition, at the request of the University of Connecticut’s Board of Trustees, the Foundation's Board of Directors agreed in 1996 to help fund a deferred compensation package for the former University's President which is included in the Foundation’s liabilities.

The Foundation has recorded no amount due from the University at June 30, 2020 and 2019.

The Foundation office building is owned by the Foundation and was constructed on approximately 1.58 acres of land owned by the University, which the University has leased to the Foundation pursuant to the terms of a ground lease (the “Lease”) at an annual rental of $1.00. The initial term of the Lease is ninety-nine years and the Foundation has the right to extend the term of the Lease for ninety-nine additional years. The Lease provides that at its expiration or earlier termination, unless it is extended, the Foundation shall surrender the premises, and title to the building will then vest in the University. The Lease may be terminated by the University upon a breach by the Foundation of any of the terms and conditions of the Lease. The University must notify the Foundation of any such breach and allow 30 days for the Foundation to cure the breach.

14. Subsequent Event

Management has evaluated subsequent events for the period after June 30, 2020 through October 23, 2020 and noted no items requiring adjustments to the financial statements or additional disclosure.