The University of Connecticut Foundation, Incorporated

Consolidated Financial Statements
June 30, 2013 and 2012

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The University of Connecticut Foundation Incorporated (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2013, and the related consolidated statements of activities and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Connecticut Foundation, Incorporated at June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have previously audited The University of Connecticut Foundation, Incorporated's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Note 11, the Foundation changed its presentation of endowment assets of The University of Connecticut which the Foundation manages. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

Hartford, Connecticut
October 25, 2013

The University of Connecticut Foundation, Incorporated
Consolidated Statement of Financial Position
June 30, 2013, with Comparative Totals for 2012
(Dollars in Thousands)

	2013	2012
Assets		
Cash and cash equivalents	$ 3,726	$ 1,302
Restricted cash	18,743	1,234
Pledges receivable, net (note 2)	31,533	31,846
Prepaid expenses and other receivables	614	466
Investments (note 3)	369,651	345,838
Funds held in trust by others	16,698	11,254
Endowments held for the University	10,518	10,206
Cash surrender value of life insurance	372	316
Property and equipment, net (note 5)	6,662	6,040
Deferred bond issuance costs, net	584	359
Total assets	$ 459,101	$ 408,861
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 5,880	$ 5,202
Trusts and annuities payable	3,080	3,115
Endowments held for the University	10,518	10,206
Accrued debt service interest	124	128
Bonds payable (note 8)	26,030	6,270
Total liabilities	45,632	24,921
Net Assets (note 9)		
Unrestricted		
Available for operations	8,364	10,110
Reserved for IT fundraising system	26	878
Provision for underwater endowment	(15,807)	(20,235)
Funds functioning as endowments	1,970	1,970
Total unrestricted	(5,447)	(7,277)
Temporarily restricted		
Available for University support	74,901	71,315
Appreciation on endowment	27,822	22,614
Total temporary restricted	102,723	93,929
Permanently restricted	316,193	297,288
Total net assets	413,469	383,940
Total liabilities and net assets	$ 459,101	$ 408,861

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

The University of Connecticut Foundation, Incorporated
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2013, with Comparative Totals for 2012
(Dollars in Thousands)

	2013								2012
	Unrestricted			Temporarily Restricted			Permanently Restricted	Total	Total
Revenues, gains and other support	Available for Operations	Endowment Activity	Total	Available for Univ Support	Endowment Activity	Total	Endowment Activity		
Contributions	$ 707	-	$ 707	$ 27,340	$ 129	$ 27,469	$ 16,242	$ 44,418	$ 39,018
Net total investment return	(273)	129	(144)	246	21,712	21,958	4,115	25,929	2,109
Contractual payments from the University	8,589	-	8,589	-	-	-	-	8,589	8,584
Memberships and other income	133	-	133	495	-	495	10	638	778
Total revenues and gains	9,156	129	9,285	28,081	21,841	49,922	20,367	79,574	50,489
Net assets released from restrictions	33,391	-	33,391	(33,391)	-	(33,391)	-	-	-
Endowment spending allocation	64	(64)	-	11,063	(9,593)	1,470	(1,470)	-	-
Endowment and gift fees to fund Foundation operations	3,628	(19)	3,609		(2,805)	(2,805)	(804)	-	-
Total revenues, gains and other support	46,239	46	46,285	5,753	9,443	15,196	18,093	79,574	50,489
Expenses									
University support									
Faculty and staff compensation	11,139	-	11,139	-		-	-	11,139	8,269
Student scholarships, fellowships and awards	8,375	-	8,375	-	-	-	-	8,375	10,918
Student Athtetic Basketball Center Construction	5,000	-	5,000	-	-	-	-	5,000	855
General program and research support	4,221	-	4,221	-	-	-	-	4,221	3,528
Fundraising, events, promotions and donor cultivation	2,118	-	2,118	-	-	-	-	2,118	2,232
Faculty, staff and student travel, conferences and me	1,984	-	1,984	-	-	-	-	1,984	2,503
Equipment	1,740	-	1,740	-	-	-	-	1,740	1,543
Facilities construction, improvements, and related exp	261	-	261	-	-	-	-	261	400
Alumni Association	232	-	232	-	-	-	-	232	185
Total University support	35,070	-	35,070	-	-	-	-	35,070	30,433
Foundation support									
Development expenses	11,499	-	11,499	-	-	-	-	11,499	10,964
Fiduciary expenses	3,476	-	3,476	-	-	-	-	3,476	3,259
Total Foundation support	14,975	-	14,975	-	-	-	-	14,975	14,223
Total expenses	50,045	-	50,045	-	-	-	-	50,045	44,656
Transfers between net asset categories	1,208	-	1,208	(2,167)	(18)	(2,185)	977	-	-
Change in provision for underwater endowments	-	4,382	4,382	-	(4,217)	(4,217)	(165)	-	-
Change in net assets	(2,598)	4,428	1,830	3,586	5,208	8,794	18,905	29,529	5,833
Net assets, beginning of year	10,988	(18,265)	(7,277)	71,315	22,614	93,929	297,288	383,940	378,107
Net assets, end of year	$ 8,390	$ (13,837)	$ (5,447)	$ 74,901	$ 27,822	$ 102,723	$ 316,193	$ 413,469	$ 383,940

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

The University of Connecticut Foundation, Incorporated
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2013, with Comparative Totals for 2012
(Dollars in Thousands)

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 29,529	$ 5,833
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net investment return	(25,623)	(1,874)
Cash gifts to establish or increase permanent endowments	(16,242)	(10,247)
Gifts of securities	(2,850)	(2,139)
Net (gain) loss from sale or disposal of property and equipment	2	(16)
Depreciation and amortization	330	334
(Increase) decrease in assets		
Pledges receivable, net	313	(8,192)
Prepaid expenses and other receivables	(148)	(139)
Funds held in trust by others	(5,444)	(606)
University endowment funds	(312)	386
Cash surrender value of life insurance	(56)	(49)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	678	(3,119)
Trusts and annuities payable	(35)	(134)
Endowments held for the University	312	(386)
Accrued debt service interest	(4)	(4)
Total adjustments	(49,079)	(26,185)
Net cash used in operating activities	(19,550)	(20,352)
Cash flows from investing activities		
Purchases of investments	(140,188)	(101,412)
Sales of investments and gifts of marketable securities	144,855	113,236
Proceeds (loss) from sale or disposal of asset	(2)	16
Purchases of property and equipment	(923)	(999)
Net cash provided by investing activities	3,742	10,841
Cash flows from financing activities		
Cash gifts to establish or increase permanent endowments	16,242	10,247
Series C bond issuance proceeds	20,000	-
Series C bond issuance costs	(261)	-
Payments on bonds payable	(240)	(235)
Increase in cash restricted for debt service	(17,509)	(1)
Net cash provided by financing activities	18,232	10,011
Net increase in cash and cash equivalents	2,424	500
Cash and cash equivalents at beginning of year	1,302	802
Cash and cash equivalents at end of year	$ 3,726	$ 1,302
Supplemental disclosure of cash flow information:		
Gifts of securities	$ 2,850	$ 2,139
Cash paid during the year for interest	284	260

The accompanying notes are an integral part of these consolidated 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 operates exclusively for charitable and educational purposes to promote and assist the University of Connecticut (the "University"). 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. The Foundation fulfills this mission primarily through fundraising and asset management functions. 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 consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting and include the Foundation's and The University of Connecticut Research and Development Corporation's (the R&D Corporation, doing business as UConn Ventures, Inc.) (see Note 4) assets, liabilities, net assets, revenues and expenses. All significant inter-organization accounts have been eliminated.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2012, from which the summarized information was derived.

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:

Unrestricted: Unrestricted net assets are not subject to restrictions 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 endowment. Also included in unrestricted net assets, is the equity of the R&D Corporation, and accumulated net investment losses, spending and administrative fees in excess of accumulated net investment gains generated from permanently restricted gifts to endowment.

Temporarily restricted: Temporarily restricted net assets are subject to donor-imposed purpose or use restrictions to benefit a specific school, department or program of the University that have not yet been met through the disbursement of such assets for their restricted purposes. Such assets and activity primarily include restricted, non-endowed gifts, and net total unexpended investment return generated from permanently restricted gifts to endowment as well as trusts and annuities whose ultimate purpose is not permanently restricted.

Permanently restricted: Permanently restricted net assets are subject to donor-imposed restrictions and must be maintained in perpetuity by the Foundation. Generally, such assets represent the historic dollar value of restricted endowment gifts plus those unspent balances of spending allocations that were explicitly required to be reinvested under the donor-stipulated terms of the endowment funds as well as trusts and annuities whose ultimate purpose is to be maintained in perpetuity. Such assets also include accumulated net total investment losses where the donor-stipulated terms of the endowment funds allow such treatment. Additional information on net assets relative to endowment returns is included in Note 1H.

All amounts in the following notes are displayed in the thousands.

C. Use of Estimates

The preparation of the consolidated 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 consolidated 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 its 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 restricted contributions if received with donor restrictions that designate the use of donated assets as to purpose or time. When a donor restriction is met (usually by the disbursement of the asset to benefit the University in accordance with the donor restriction), temporarily restricted net assets are reported in the consolidated statement of activities and changes in net assets as released from restrictions.

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 consolidated 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 is reflected in unrestricted, temporarily, or permanently restricted net assets, depending on donor restrictions, if any (see Note 2).

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, 2013 the estimate of remaining uncollectible accounts was 1% on pledges to non-athletic accounts and pledges to the Student Basketball Development Center, endowed and restricted pledges made to athletic accounts had a reserve rate of 6% and 5%, respectively.

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, and Restricted Cash

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. Cash and cash equivalents 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).

Cash restricted for debt service is $18,493 and $914 as of June 30, 2013 and 2012, respectively, and is comprised of debt service reserve and amounts payable to bondholders on July 1 required to be on deposit with the bond trustee at June 30 (See Note 8). The Board of Directors of the R&D Corporation has restricted cash of $250 and $320 as of June 30, 2013 and 2012, respectively. This cash can be drawn down as needed with formal Board approval.

F. Investments

Investment securities 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 values for private capital, 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 the underlying 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, 2013 and 2012, investments in securities whose fair values are not readily determinable accounted for 28% and 24% of all investments, respectively. 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. Investment management fees are netted against total investment return.

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 temporarily restricted net assets 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 unrestricted net assets if the terms of the underlying individual endowment funds and gifts are Board-designated;

As decreases in unrestricted net assets to the degree the endowment fair value has fallen below the historic dollar value of the endowment fund, unless the donor has stipulated such losses may reduce historic dollar value and are then recorded as part of permanently restricted net assets;

As increases or decreases in unrestricted net assets if the terms of the underlying individual funds and gifts are not endowed; or

As increases or decreases in permanently restricted net assets 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.

G. Endowment Spending Allocation and Administrative Fee

The endowment spending policy adopted by the Foundation's Board of Directors, in conjunction with the strategic asset allocation policy 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 management fees.

The spending allocation distributed in support of designated purposes was $11,127 and $10,226 for the years ended June 30, 2013 and 2012, respectively.

The Foundation’s endowment spending allocation policy adheres to 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.

Endowment spending allocation calculations are performed for individual endowment funds at a rate of 4.25 % of the rolling 12 quarter average market value on a unitized basis on March 31st each year for the following fiscal year beginning July 1st. 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.

An administrative fee is assessed to fund expenses incurred in meeting the Foundation's fiduciary and fundraising responsibilities to donors and the University. This on-going administrative fee is also assessed based on a rolling 12 quarter unitized market value calculated on March 31st for the following fiscal year beginning July 1st at a rate of 1.25%. 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.

The endowment spending allocation and administrative fee taken together cannot exceed 6.5% or fall below 3.0% of the fair value of endowment funds at March 31st. Should this occur, the calculated amounts will be decreased or increased, respectively, on a pro rata basis.

Over the long term, the Foundation expects the current spending allocation and administrative fee policies to allow endowments to grow at least at the annualized rate of inflation on average. This is consistent with the organization's objective of providing resources for the underlying purposes of endowment assets over the life of the endowments whether in perpetuity or for a specified term, as well as to provide additional growth through new gifts and investment return.

H. Net Asset Treatment Associated with Endowment Returns

To the extent that realized and unrealized losses, spending allocations, and administrative fees are in excess of accumulated gains for certain endowment funds, they are reported as decreases in unrestricted net assets in accordance with accounting standards on not-for-profit investments except as otherwise stipulated by the donor.

The Foundation is required to administer all endowment funds in accordance with the provisions of Connecticut's UPMIFA statute. Unlike endowment accounting pronouncements, UPMIFA does not require that such investment losses be replenished or funded by unrestricted net assets. The inconsistencies between accounting pronouncements and UPMIFA intersect in periods of market decline. The differences have no impact on total net assets, but rather impact the presentation between the unrestricted net asset category and the temporarily restricted net asset category.

On the consolidated statements of financial position and the consolidated statement ofactivities and changes in net assets, market losses and administrative fees that would otherwise cause a reduction in restricted net assets under UPMIFA are offset by a reclassification from unrestricted net assets (provision for underwater endowment), except when the donor has stipulated market losses may be recorded as permanently restricted net assets, consistent with accepted best practices.

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 consolidated statement of financial position and contribution revenue on the consolidated statement of activities and changes in net assets using discount rates of 1.39% to 3.96 % for 2013 and 0.96% to 3.90% for 2012. Trusts held in perpetuity are reported at their fair value. Funds held in trust by others totaled $16,698 and $11,254 at June 30, 2013 and 2012, 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:

	2013	2012
Balance as of July 1, 2012 and 2011	$ 11,254	$10,648
Change in fair value	910	606
Net contributions/distributions	4,534	-
Balance as of June 30, 2013 and 2012	$ 16,698	$11,254

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 temporarily or permanently restricted net asset classifications based on the 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, determined using actuarial life expectancies and discount rates ranging from 1.2% to 8.8% for 2013 and 1.6% to 8.0% for 2012, 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 ConsolidatedStatements of Activities and Changes in Net Assets.

Included in investments are assets for charitable remainder trusts and annuities totaling $4,883 and $5,428 as of June 30, 2013 and 2012, respectively.

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 hired prior to January 1, 2011 are fully and immediately vested in all plan contributions (participant and Foundation) when such contributions are made. Participants hired on or after January 1, 2011 are subject to three year cliff vesting for Foundation contributions to the plan. Unvested amount as of June 30, 2013 is $252. Included in Foundation support expenses are Foundation Plan contributions of $646 and $632 for the years ended June 30, 2013 and 2012, 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.

N. Subsequent Events

The Foundation has performed an evaluation of subsequent events through October 25, 2013, which is the date the consolidated financial statements were issued. There were no subsequent events identified that require disclosure.

2. Pledges Receivable, Net

Pledges receivable include unconditional promises to give:

	June 30, 2013	June 30, 2012
	(Dollars in Thousands)	
Pledges eligible for endowment state matching program	$ 10,358	$ 12,789
Other pledges	25,455	23,997
	35,813	36,786
Less: allowance for uncollectible pledges	(1,682)	(2,021)
	34,131	34,765
Less: discount to record net realizable pledges at net present value	(2,598)	(2,919)
Pledges receivable, net	$ 31,533	$ 31,846

	June 30, 2013	June 30, 2012
	(Dollars in Thousands)	
Net pledge receivable amounts due in:		
Less than one year	$ 9,668	$ 12,684
One to five years	19,634	15,475
More than five years	1,616	1,714
Net contributions receivable from deferred gifts	615	1,973
Total	$ 31,533	$ 31,846

The interest rates used in the computation of the discount ranged from 1.0% to 4.0% for 2013 and 2012.

During fiscal year 1996, the Foundation began specific fundraising efforts in connection with a newly established state endowment matching program. The program provided a one-to-two match by the State of Connecticut for qualifying private donations. During fiscal year 2005 and again in fiscal year 2006 the state legislature modified the program to provide a one-to-four match for qualifying donations made after June 30, 2005. The state also added a provision that funds would not be disbursed unless their budget reserve (or "rainy day fund") exceeded ten percent of the net general fund appropriation for the fiscal year in progress.

In accordance with generally accepted accounting principles related to contributions, the Foundation has not recorded revenue or a corresponding receivable for the $24,778 due under the state matching program at June 30, 2013 for funds that have not been budgeted by the State.

As of June 30, 2013 and 2012, the balance due on conditional promises to give was $2,998 and $3,745 respectively. Because of their conditional nature, these gifts have not been recognized as contribution revenue by the Foundation.

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 Fund'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. The investment portfolio is shown below at fair value by investment asset class and hierarchy.

	June 30, 2013 Level 1	Level 2	Level 3	Total	2012 Level 1	Level 2	Level 3	Total
	(Dollars in Thousands)							
Cash and cash equivalents	$ 2,592	$ -	$ -	$ 2,592	$ 6,074	$ -	$ -	$ 6,074
Fixed income securities:								
U.S. treasury securities	13,811	-	-	13,811	15,223	-	-	15,223
Corporate investment grade	78,605	2,968	-	81,573	75,718	2,967	-	78,685
Corporate high yield	-	12,710	-	12,710	-	12,524	-	12,524
Equity securities:	-	-	-		-	-	-	
Real estate	-	3,198	-	3,198	-	4,240	-	4,240
Other	52,726	40,676	-	93,402	45,014	36,115	-	81,129
Private capital:	-	-	-		-	-	-	
Buyout/venture capital	-	-	33,164	33,164	-	-	37,102	37,102
Debt	-	-	13,277	13,277	-	-	9,312	9,312
Royalties	-	-	13,364	13,364	-	-	6,439	6,439
Long/short equities	-	29,579	29	29,608	6,072	30,078	29	36,179
Global macro	-	-	8,601	8,601	-	7,152	7,716	14,868
Private real estate	-	-	24,011	24,011	-	-	16,451	16,451
Private natural resources	-	-	12,979	12,979	-	-	9,448	9,448
Event driven	-	-	-	-	-	-	-	-
Relative value	-	4,651	22,710	27,361	-	2,555	15,609	18,164
Total investments	$ 147,734	$ 93,782	$ 128,135	$ 369,651	$ 148,101	$ 95,631	$ 102,106	$ 345,838

Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining value:

	Balance at July 1, 2012	Net income/ (expense)	Net realized gains/(losses)	Change in unrealized gains/(losses)	Contributions	Distributions	Transfers into Level 3	Transfers out of Level 3	Balance at 6/30/2013
Level 3 assets									
Private capital	$ 52,853	$ (258)	$ 4,284	$ 1,920	$ 12,433	$ (11,426)	$ -	$ -	$ 59,806
Long/short equities	29	-	-	-	-	-	-	-	29
Global macro	7,716	(316)	-	1,201	-	-	-	-	8,601
Private real estate	16,451	495	107	542	8,837	(2,421)	-	-	24,011
Private natural resources	9,448	(439)	136	1,690	5,259	(3,115)	-	-	12,979
Relative value	15,609	(644)	-	1,848	6,000	(104)	-	-	22,709
Total level 3 assets	$ 102,106	$ (1,162)	$ 4,527	$ 7,201	$ 32,529	$ (17,066)	$ -	$ -	$ 128,135

Net change in unrealized gains (losses) from investments still held as of June 30, 2013 is $7,201.

Net asset values provided by third-parties have been utilized in determining fair value where there are significant unobservable inputs related to Level 3 assets, as all investments have been made through commingled fund structures with no direct ownership, or are Funds Held in Trust by Others (see Note 1I). 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.

At June 30, 2013, the Foundation had investments in Level 3 assets, primarily through investment partnerships, valued at $128 million based on the unadjusted net asset value reported by the investment managers.

Following is additional information relating to investments whose fair value is derived either principally from observable market transactions other than quoted market prices, or from unobservable inputs.

Investment strategy	Fair value	Unfunded commitments	Remaining life	Redemption terms	Redemption restrictions	Redemption restrictions in place at June 30, 2013
			(Dollars in Thousands)			
Private capital partnerships including venture, buyout, and distressed in the U.S. and international	$ 59,806	$ 27,260	<1 to 8 years	Not redeemable	Not redeemable	Not redeemable
Long/short equity hedge funds in the U.S.	29	-	<2 years	Not redeemable	None	None
Global macro hedge funds in futures and forwards markets	8,601	-	Evergreen	Monthly with 3 months notice	None	None
Private real estate partnerships in commercial, residential, office, and industrial properties	24,011	10,330	3 to 13 years	Not redeemable	Not redeemable	Not redeemable
Natural resource partnerships in energy and timber	12,979	6,187	12 years	Not redeemable	Not redeemable	Not redeemable
Relative value arbitrage, multi-strategy, and credit hedge funds	22,709	-	Evergreen	Quarterly with 60 - 180 days notice	None	None
Total	$ 128,135	$ 43,777				

Net total investment return is summarized as follows:

	June 30, 2013	June 30, 2012
	(Dollars in Thousands)	
Interest and dividends	$ 7,007	$ 4,262
Realized gains	10,516	8,124
Unrealized (losses) gains	12,859	(7,718)
Professional asset management and custodian fees	(4,453)	(2,560)
Net investment return	$ 25,929	$ 2,108

4. University of Connecticut Research and Development Corporation

The Foundation is the sole shareholder of the R&D Corporation, a for-profit corporation duly established in the State of Connecticut in 1984.

The R&D Corporation was established to assist in the efficient transfer of innovative technologies and processes developed by the faculty and staff of the University, through the creation of new commercial enterprises.
During the years ended June 30, 2013 and 2012, the R&D Corporation incurred expenses of $773 and $602 respectively, which were primarily for salaries and benefits for staff and outside professional services. For the years ended June 30, 2013 and 2012 there were no significant revenues generated.

The R&D Corporation has equity interests in three companies and accounts for six companies using the cost method of accounting. As of June 30, 2013, the carrying value of the interests in these companies was insignificant. An employee of the R&D Corporation is a member of the Board of Directors of the nine companies, acting as a representative for the R&D Corporation.

The R&D Corporation maintains an incentive participation plan for its employees. Under the participation plan, the R&D Corporation Board of Directors will approve the transfer of up to ten percent of R&D Corporation equity interests in companies into UConn R&D Incentive Investments, LLC (the "Incentive LLC"). The R&D Corporation Board of Directors allocates interest in the companies within the Incentive LLC to employees of the R&D Corporation based upon a merit system. At June 30, 2013, interests in two companies were held within the Incentive LLC with a carrying fair value of $0 due to accumulated losses of the companies to date. In June 2012, the Incentive LLC received $12 which represented its final share of the proceeds from the sale of Renzulli Learning LLC in 2010 and distributed that amount to its owners.

On November 30, 2010, the Corporation sold its interest in Renzulli Learning Systems, LLC, and recognized a $35 gain. Pursuant to the sales agreement, a portion of the total sales proceeds was set aside in an escrow account held by a third party to satisfy unresolved claims incurred by the buyer. The escrow amount was reduced in 2012. On June 27, 2012, the Corporation received $110 (representing the Corporation's 13.5% share of the final escrow amount) and recognized a gain in the statements of operation.

5. Property and Equipment

Depreciation expense was approximately $299 and $314 for property and equipment used for Foundation operations for the years ended June 30, 2013 and 2012, respectively.

	June 30, 2013	June 30, 2012
	(Dollars in Thousands)	
Building and improvements	$ 6,074	$ 6,074
Furniture and equipment	1,525	1,633
Vehicles	48	48
IT fundraising system conversion in progress	2,482	1,590
Subtotal	10,129	9,345
Less: accumulated depreciation	(3,467)	(3,305)
	$ 6,662	$ 6,040

6. 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, 2013 was $4,270 and June 30, 2012 was $1,859 while their aggregate cash surrender value was $372 and $316, respectively.

7. Operating Lease

During fiscal year 2006 the Foundation entered into a ten year lease agreement to rent office space for the Foundation staff that support fundraising operations for the University of Connecticut Health Center. These individuals had previously been located within the space occupied by the Health Center. The total amount paid for the lease during the year ended June 30, 2013 was approximately $101. The future minimum lease payments are as follows:

Year Ending June 30, (Dollars in Thousands)	
2014	103
2015	103
2016	69
	$ 275

8. Bonds Payable

In April 2013 the Foundation entered into a loan agreement with Connecticut Health and Education Facilities Authority to issue Series C revenue bonds to Wells Fargo Municipal Capital Strategies, LLC, the proceeds of which are to be used to fund the construction of the Basketball Student-Athlete Development Center on the University of Connecticut campus in Storrs. The Foundation commits that it will provide financial support up to $33,000, inclusive of the $20,000 bond financing. An additional $440 was spent for demolition and preparation of the construction site.

Bonds payable at June 30 consist of the following obligations:

	June 30, 2013	June 30, 2012
	(Dollars in Thousands)	
Connecticut Health and Education Facilities Authority 1.90% Series C Revenue Bonds sinking fund payments including principal and interest ranging from $2,504 to $2,532, payable on April 1st from 2016 through 2023.	$ 20,000	$ -
Connecticut Health and Education Facilities Authority 3.875% - 5% Series B Revenue Bonds due in installments including principal and interest payments ranging from $253 to $498, payable July 1st each year through 2024.	3,810	4,050
Connecticut Health and Education Facility Authority 4.125% Series B Term Bond due July 1, 2029.	2,220	2,220
Total bonds payable	$ 26,030	$ 6,270

CHEFA Series B bondholders are paid interest each January 1 and July 1, and principal each July 1. CHEFA Series C bondholders are paid interest monthly on the 1st. The maturity of long-term debt based on the payment schedules to the bondholders is as follows (in thousands):

2014	255
2015	265
2016	270
2017	2,785
2018	2,795
Thereafter	19,660
	$ 26,030

For the retirement of the Series B term bonds maturing on July 1, 2029, the loan agreement requires the establishment of a sinking fund to be funded on July 1, 2025 and on each July 1 thereafter as follows:

2025	$	410
2026		425
2027		445
2028		460
2029		480
	$	2,220

The following restricted funds and their balances at June 30, 2013 and 2012 have been established in accordance with the Series B Loan, and are presented as cash restricted for debt service in the accompanying Statements of Financial Position:

	2013		2012	
	(Dollars in Thousands)			
Debt Service Reserve Fund	$	503	$	503
Principal and Interest Payment Fund		379		411
	$	882	$	914

The portion of bond proceeds which funded costs of issuance, together with costs funded by Foundation operations relating to issuance costs, has been recognized as deferred bond issuance costs on the accompanying consolidated statements of financial position and is amortized over the life of the bond. Amortization expense recognized for the years ended June 30, 2013 and 2012 is $35 and $22, respectively, and is included in Foundation support expenses.

Interest cost attributable to the Visitor's Center for the University is included in University support expenses and net interest cost attributable to the Foundation office building is included in Foundation support expenses as follows:

	2013		2012	
	(Dollars in Thousands)			
University support expenses	$	39	$	40
Foundation support expenses		208		216
	$	247	$	256

The fair value of the Series B bonds payable at June 30, 2013 and 2012 is $6,457 and $6,768, respectively.

The fair value of the Series C bonds payable at June 30, 2013 is $19,148.

9. Endowment Net Assets

The Foundation's endowment net assets consist of approximately 1,400 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 endowment.

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 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by Connecticut UPMIFA. 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 years ended June 30, 2013 and 2012 delineated by net asset class and donor-restricted vs. Board-designated funds:

	For the Year Ended June 30, 2013					2012
	(Dollars in Thousands)					
	Board Designated	Provision For Underwater Endowments	Donor-restricted			
	Unrestricted		Temporarily	Permanently	Total	Total
Endowment net assets, beginning balance	$ 1,970	$ (20,235)	$ 22,614	$ 297,288	$ 301,637	$303,625
Contributions	-	-	129	16,252	16,381	10,322
Net total investment return & other income	129	-	21,712	4,115	25,956	324
Endowment spending allocation	(64)	-	(9,593)	(1,470)	(11,127)	(10,226)
Endowment and gift fees to fund Foundation operations	(19)	-	(2,805)	(804)	(3,628)	(3,218)
Transfers between net asset categories	-	-	(18)	977	959	810
Change in provision for underwater endowments	(46)	4,428	(4,217)	(165)	-	-
Endowment net assets, ending balance	$ 1,970	$ (15,807)	$ 27,822	$ 316,193	$ 330,178	$301,637

The components of permanently restricted and temporarily restricted net assets are as follows (Endowment only)

Permanently restricted net assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by Connecticut UPMIFA:

	2013	2012
Restricted for scholarship support	$ 121,881	$ 111,048
Restricted for faculty support	85,553	83,892
Restricted for program support	108,759	102,348
Total endowment assets classified as permanently restricted net assets	$ 316,193	$ 297,288

Temporarily restricted net assets

	2013	2012
Term endowment funds		
Restricted for scholarship support	$ 1,021	$ 1,020
Restricted for faculty support	2,158	2,098
Restricted for program support	3,054	2,896
	6,233	6,014
The portion of perpetual endowment funds subject to a time restriction under Connecticut UPMIFA:		
Restricted for scholarship support	4,500	3,525
Restricted for faculty support	11,158	8,729
Restricted for program support	5,931	4,346
Total endowment funds classified as temporarily restricted net assets	$ 27,822	$ 22,614

Objectives and strategies

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 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. 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 Support on the consolidated statement of activities and changes in net assets. 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 $35,070 and $30,433 for the years ended June 30, 2013 and 2012, respectively. Fluctuations in spending are driven by the current needs of the University.

11. 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 December 1, 1994 (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 $8,589 and $8,584 for 2013 and 2012, respectively. Included in the totals are $550 each for 2013 and 2012, for technology transfers that have been used in support of R&D Corporation operations.

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. Starting in fiscal year 2013 the Foundation has elected to disclose the market value of the endowed assets on the balance sheet with an offsetting liability. The University's endowment had a market value of $10,518 and $10,206 as of June 30, 2013 and 2012 respectively.

The Foundation has recorded a liability due to the University of approximately $3,189 and $3,075 as of June 30, 2013 and 2012 respectively, which is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position. The majority of this represents year end funding requests by the University not yet funded by the Foundation. In addition, at the request of the University of Connecticut 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. There was no amount due from the University at June 30, 2013.

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.