The University of Connecticut Foundation, Incorporated

Financial Statements
June 30, 2019 and 2018

The University of Connecticut Foundation, Incorporated
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June 30, 2019 and 2018

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 statement of financial position as of June 30, 2019 and 2018, and the related statement of activities for the year ended June 30, 2019, and statement of cash flows for the years ended June 30, 2019 and 2018.

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, 2019 and 2018, and the changes in its net assets for the year ended June 30, 2019 and its cash flows for the years ended June 30, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Foundation changed the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity in 2019. Our opinion is not modified with respect to this matter.

Other Matter
We previously audited the statement of financial position as of June 30, 2018, and the related statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 10, 2018, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2018 and for the year then ended is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

October 11, 2019
Hartford, CT

The University of Connecticut Foundation, Incorporated
Statement of Financial Position
June 30, 2019 and 2018

	2019	2018 (Restated)
Assets		
Cash and cash equivalents	$ 15,897,891	$ 6,948,129
Pledges receivable, net (Note 2)	19,018,122	22,916,988
Investments, operating (Note 3)	106,361,629	88,358,826
Investments, endowment (Note 3)	423,100,387	411,208,325
Funds held in trust by others	11,906,914	24,572,528
Endowments held for the University	15,059,023	15,098,682
Cash surrender value of life insurance (Note 4)	585,876	600,796
Property and equipment, net (Note 5)	4,658,761	5,104,422
Other assets (Note 6)	1,020,938	639,828
Total assets	$ 597,609,541	$ 575,448,524
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 16,918,844	$ 7,005,499
Trusts and annuities payable	2,073,840	2,304,391
Endowments held for the University	15,059,023	15,098,682
Lease liability	49,082	14,457
Bond and note payable (Note 8)	13,465,279	16,595,942
Total liabilities	47,566,068	41,018,971
Net Assets (Note 9)		
Without donor restrictions	11,864,923	9,654,803
With donor restrictions	538,178,550	524,774,750
Total net assets	550,043,473	534,429,553
Total liabilities and net assets	$ 597,609,541	$ 575,448,524

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

The University of Connecticut Foundation, Incorporated
Statement of Activities
For the Year Ended June 30, 2019, with Summarized Comparative Totals for 2018

	2019			2018 (Restated)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains, and other support				
Contributions	$ 319,696	$ 39,864,105	$ 40,183,801	$ 65,044,800
Net total investment return	5,060,004	16,927,464	21,987,468	32,611,681
Contractual payments from the University	11,167,166	-	11,167,166	10,480,000
Memberships and other income	966,916	702,064	1,668,980	1,590,793
Total revenues and gains	17,513,782	57,493,633	75,007,415	109,727,274
Net assets released from restrictions	35,294,100	(35,294,100)	-	-
Endowment spending allocation	(37,466)	37,466	-	-
Endowment and gift fees to fund Foundation operations	8,666,135	(8,666,135)	-	-
Total revenues, gains, and other support	61,436,551	13,570,864	75,007,415	109,727,274
Expenses				
University program support	35,344,100	-	35,344,100	28,396,400
Foundation operations				
Fundraising expenses	17,393,065	-	17,393,065	14,932,627
Management and general expenses	6,656,330	-	6,656,330	7,543,883
Total Foundation operations	24,049,395	-	24,049,395	22,476,510
Total expenses	59,393,495	-	59,393,495	50,872,910
Transfers between net asset categories	167,064	(167,064)	-	-
Total increase in net assets	2,210,120	13,403,800	15,613,920	58,854,364
Net assets, beginning of year	9,654,803	524,774,750	534,429,553	475,575,189
Net assets, end of year	$ 11,864,923	$ 538,178,550	$ 550,043,473	$ 534,429,553

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, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 15,613,920	$ 58,854,364
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net investment return	(21,987,468)	(29,414,027)
Cash gifts to establish or increase permanent endowments	(13,223,560)	(22,146,020)
Gifts of securities	(3,112,112)	(5,605,290)
Proceeds from sale of donated securities	1,398,832	2,823,000
Net loss from sale of donated property	-	31,000
Depreciation and amortization	704,747	1,204,787
Loss on write off of fixed asset	6,167	-
Change in allowance for uncollectible pledges	(2,753,799)	(843,781)
Change in discounts on pledges receivable	286,740	128,743
Funds held in trust by others	12,665,614	(4,775,375)
(Increase) decrease in assets		
Pledges receivable	6,365,925	4,360,347
Cash surrender value of life insurance	14,920	1,140
Other assets	(381,110)	386,862
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	9,913,345	534,845
Trusts and annuities payable	(230,551)	(40,464)
Accrued debt service interest	-	(102,203)
Total adjustments	(10,332,310)	(53,456,436)
Net cash used in operating activities	5,281,610	5,397,928
Cash flows from investing activities		
Purchases of investments	(216,319,999)	(238,478,642)
Sales of investments and gifts of marketable securities	208,412,603	203,970,390
Disposals of property and equipment	-	10,436
Purchases of property and equipment	(179,796)	(389,277)
Net cash used in investing activities	(8,087,192)	(34,887,093)
Cash flows from financing activities		
Cash gifts to establish or increase permanent endowments	13,223,560	22,146,020
Proceeds from sale of donated securities restricted for endowment	1,713,280	2,782,290
Principal payments on lease liability	(15,782)	(90,984)
Proceeds from note payable	-	4,660,000
Note payable costs	-	(62,986)
Payments on bond and note payable	(3,165,714)	(7,843,333)
Decrease in cash restricted for debt service	-	894,369
Net cash provided by financing activities	11,755,344	22,485,376
Net increase (decrease) in cash and cash equivalents	8,949,762	(7,003,789)
Cash and cash equivalents at beginning of year	6,948,129	13,951,918
Cash and cash equivalents at end of year	$ 15,897,891	$ 6,948,129
Supplemental disclosure of cash flow information:		
Gifts of securities	$ 3,112,112	$ 5,605,290
Cash paid during the year for interest	394,534	557,974

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 year ending June 30, 2019.

The 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.

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 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 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, 2019 the estimate of remaining uncollectible accounts was 1% on pledges, pledges to non-athletic restricted accounts, and pledges to the Werth Family UConn Basketball Champions Center. Endowed and restricted pledges made to athletic accounts, other than the Werth Family UConn Basketball Champions Center, had a reserve rate of 5%. Non-athletic endowed pledges had a reserve rate of 2%.

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. 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).

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 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 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, 2019, investments in securities whose fair values are not readily determinable (NAV and level 3) accounted for 51% 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. External investment management fees of $2,979,863 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 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, 2019, the Foundation did not receive any royalty 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 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 investment management fees.

The spending allocation distributed in support of designated purposes was $15,398,102 and $15,587,590 for the year ended June 30, 2019 and 2018, 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.

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 first 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 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.

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, 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 $11,328,146 is 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 1.4% to 3.5% for 2019 and 2.1% to 3.7% for 2018. Trusts held in perpetuity are reported at their fair value. Funds held in trust by others totaled $11,906,914 and $24,572,528 at June 30, 2019 and 2018, 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:

	2019	2018
Balance as of July 1, 2018 and 2017	$ 24,572,528	$ 19,797,153
Change in fair value	341,808	3,971,450
Net contributions/(distributions)	(13,007,422)	803,925
Balance as of June 30, 2019 and 2018	$ 11,906,914	$ 24,572,528

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, 2019 and 1.2% to 8.8% for June 30, 2018, 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. The unvested amount as of June 30, 2019 is $576,980. Included in Foundation support expenses are Plan contributions of $869,128 and $900,644 for the year ended June 30, 2019 and 2018, 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, 2018, the Foundation adopted ASU No. 2014-09, *Revenue from Contracts with Customers*, a principles based standard to recognize revenue from customer contracts. The guidance applies to all exchange transactions, but specifically excludes contribution income. Since contributions make up the majority of the Foundation's revenues, the adoption of the standard had no material impact to the Foundation.

On July 1, 2018, the Foundation adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*, which revises the not-for-profit financial reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset reporting. The standard requires the Foundation to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories; net assets without donor imposed restrictions, and net assets with donor imposed restrictions, among other requirements.

On July 1, 2018, the Foundation implemented ASU 2018-*08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance clarifies the definition of an exchange transaction used to evaluate whether contributions are unconditional or conditional. Due to the nature of the types of contributions received by the Foundation, the impact on the financial statements will be 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 2020 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 November 2017, the Financial Accounting Standards Board issued 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 guidance is effective for fiscal year 2020 statements. The Foundation has reviewed the guidance and has determined the impact to the financial statement will be immaterial.

In January 2017, the FASB issued ASU 2017-02, *Clarifying When a Not-for-Profit Entity that is a General Partner or a Limited Partner Should Consolidate a For Profit Limited Partnership or Similar Entity*, which amends the consolidation guidance for Not-for-Profit entities in ASC 958-810. The final guidance clarifies the model used by Not-for-Profit entities to evaluate the consolidation of investments in limited partnerships. The new standard also affirms the FASB's intent to retain that Not-for-Profit "portfolio-wide" fair value option under its new investment recognition and measurement rules that will take effect in fiscal years beginning after December 15, 2018. The Foundation is in the process of evaluating the impact of the adoption on its financial statements and related disclosures.

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act impacts the Foundation in the computation of unrelated business taxable income separately for each unrelated trade or business. The Act also reduces the federal corporate tax rate from 35% to 21%. The overall impact of the Act will not be known until regulatory guidance is issued.

O. Reclassifications and Restatements

It is the Foundation's policy to reclassify, where appropriate, prior year financial statements to conform to the current year presentation. With the implementation of ASU 2016-14 in fiscal year 2019, the following reclassifications were made.

Net Asset Classifications	Without donor restrictions	With donor restrictions	Total net assets
As previously presented:			
Unrestricted	$ (81,387)	$ -	$ (81,387)
Temporarily restricted	-	124,058,118	124,058,118
Permanently restricted	-	410,452,822	410,452,822
Net assets as previously presented	(81,387)	534,510,940	534,429,553
Reclassification to implement ASU 2016-14			
Underwater endowments	9,736,190	(9,736,190)	-
Net assets, as reclassified	$ 9,654,803	$ 524,774,750	$ 534,429,553

The Foundation modified its presentation of net investment return to include $313,449 of expenses.

The Foundation modified its presentation of expenses to show total University program support expenses, and total fundraising and management and general expenses for the Foundation, rather than detailed expenses by nature.

2. Pledges Receivable, Net

Pledges receivable includes unconditional promises to give:

	June 30, 2019	June 30, 2018
Pledges	$ 22,446,189	$ 28,812,114
Less: allowance for uncollectible pledges	(1,268,198)	(4,021,997)
Less: discount to record net realizable pledges at net present value	(2,159,869)	(1,873,129)
Pledges receivable, net	$ 19,018,122	$ 22,916,988

	2019	2018
Net pledge receivable amounts due in:		
Less than one year	$ 5,790,944	$ 8,828,988
One to five years	10,748,527	11,448,850
More than five years	1,543,041	1,756,760
Net contributions receivable from deferred gifts	935,610	882,390
Total	$ 19,018,122	$ 22,916,988

The interest rates used in the computation of the discount ranged from 1.0% to 3.6% for June 2019 and 1.0% to 2.8% for June 2018.

Conditional pledges of $10,716,309 at June 30, 2019 are unreported. Bequest expectancies totaling $147,819,362 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 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.

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.

	June 30, 2019				
	Level 1	Level 2	Level 3	NAV	Total
Cash and Cash Equivalents	$ 16,636,223	$ -	$ -	$ -	$ 16,636,223
Global Fixed Income	104,318,001	2,480,981	-	20,941,550	127,740,532
Global Equity	138,487,706	-	-	40,502,845	178,990,551
Hedge Funds - Non-Directional	-	-	-	48,603,505	48,603,505
Hedge Funds - Directional	-	-	-	41,132,617	41,132,617
Portfolio Diversification Strategies	-	-	-	2,340,026	2,340,026
Private Capital	-	-	-	62,529,246	62,529,246
Private Debt	-	-	-	-	-
Marketable Real Assets	-	-	-	-	-
Private Real Assets	-	-	-	51,489,316	51,489,316
Total	$259,441,930	$ 2,480,981	$ -	$267,539,105	$529,462,016

	June 30, 2018				
	Level 1	Level 2	Level 3	NAV	Total
Cash and cash equivalents	$ 13,419,902	$ -	$ -	$ -	$ 13,419,902
Global Fixed Income	98,938,579	2,778,950	-	19,837,235	121,554,764
Global Equity	123,457,279	-	-	46,278,783	169,736,062
Hedge Funds - Non-Directional	-	-	-	31,981,627	31,981,627
Hedge Funds - Directional	-	-	-	39,651,842	39,651,842
Portfolio Diversification Strategies	-	-	-	10,008,702	10,008,702
Private Capital	-	-	-	53,674,535	53,674,535
Private Debt	-	-	-	-	-
Marketable Real Assets	-	-	-	-	-
Private Real Assets	-	-	-	59,539,717	59,539,717
Total	$235,815,760	$ 2,778,950	$ -	$260,972,441	$499,567,151

Net asset values provided by third parties have been utilized in determining fair value where there are significant unobservable inputs. 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:

Investment strategy	Fair value	Unfunded commitments	Remaining life	Redemption terms	Redemption restrictions	Redemption restrictions in place at June 30, 2019
Private capital partnerships including venture, buyout, and debt in the U.S. and international	$ 62,529,246	$ 55,790,401	1 to 11 years	Not applicable	Not applicable	Not applicable
Private real estate partnerships in commercial, residential, office, industrial properties, and natural resource partnerships in energy and timber	51,489,316	22,161,934	1 to 12 years	Not applicable	Not applicable	Not applicable
Total	$ 114,018,562	$ 77,952,335				

Net total investment return is summarized as follows:

	June 30, 2019	June 30, 2018
Interest and Dividends	$ 11,160,335	$ 10,912,511
Gains	14,219,391	25,024,196
Independent management and custodian fees	(2,979,863)	(3,011,577)
Salary expenses related to investments	(412,395)	(313,449)
Net investment return	$ 21,987,468	$ 32,611,681

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, 2019 and 2018 was $4,346,984 and $4,090,294, respectively, while their aggregate cash surrender value was $585,876 and $600,796, respectively.

5. Property and Equipment

Depreciation expense was $669,696 and $924,358 for property and equipment used for Foundation operations for the year ended June 30, 2019 and 2018, respectively.

	June 30, 2019	June 30, 2018
Building and improvements	$ 7,384,479	$ 7,384,479
Land	201,361	201,361
Furniture and equipment	1,855,321	1,737,941
Vehicles	-	31,108
Fundraising system	2,518,820	2,518,820
Subtotal	11,959,981	11,873,709
Less: accumulated depreciation	(7,301,220)	(6,769,287)
	$ 4,658,761	$ 5,104,422

6. Other Assets

Other assets are comprised of the following:

	June 30, 2019	June 30, 2018
Other receivables	$ 455,863	$ 50,928
Prepaid expenses	379,704	407,271
Life insurance receivable	176,971	173,229
Donated property	8,400	8,400
	$ 1,020,938	$ 639,828

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, 2019 were $57,817. The future minimum lease payments are as follows:

Fiscal Year Ending June 30:

2020	58,135
2021	4,845
Thereafter	-
	$ 62,980

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 (the “Authority”), 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 the Authority 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.

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

	2019	2018
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.	$ 10,000,000	$ 12,500,000
Wells Fargo 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	3,605,952	4,271,667
Less: deferred bond and note payable issuance costs, net	140,673	175,725
Total bond and note payable	$ 13,465,279	$ 16,595,942

CHEFA Series C bondholders and Wells Fargo are paid interest monthly on the 1st.

Principal payments due on all long-term debt as of June 30, 2019 for each of the next five fiscal years are:

Fiscal Year Ending June 30:

2020	$ 3,165,714
2021	3,165,714
2022	3,165,714
2023	3,165,714
2024	665,714
Thereafter	277,382
	$ 13,605,952

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 bonds and note payable, respectively. The deferred costs are presented as a direct deduction of bonds and note payable. The balance of the costs of issuance of the Series B bonds, which were defeased in October 2017, were fully amortized during fiscal year 2018. Amortization expense for the year ended June 30, 2019 and 2018 was $35,051 and $280,429, respectively, and is included in Foundation support expenses.

9. Net Assets (as Restated)

At June 30, 2019 and 2018 net assets included funds without donor restrictions and with donor restrictions for the following purposes:

	2019	2018
Net assets without donor restrictions		
Available for Foundation Operations	$ 10,124,556	$ 7,916,108
Board-designated endowments	1,740,367	1,738,695
Total without donor restrictions	$ 11,864,923	$ 9,654,803
Net assets with donor restrictions		
Subject to expenditure for specified purpose		
Scholarship support	$ 17,982,932	$ 17,291,862
Faculty support	8,387,153	7,266,404
Program support	54,806,179	55,462,912
Total subject to expenditure for specified purpose	81,176,264	80,021,178
Endowments		
Scholarship support	176,962,679	170,385,463
Faculty support	112,050,828	125,777,440
Program support	167,988,779	148,590,669
Total Endowments	457,002,286	444,753,572
Total net assets with donor restrictions	$ 538,178,550	$ 524,774,750

The Foundation's endowment net assets consist of approximately 1,805 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, 2019 and 2018 delineated by net asset class and donor-restricted vs. Board designated funds:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning balance	$ 1,738,695	$ 444,753,572	$ 446,492,267
Contributions	-	17,134,930	17,134,930
Net total investment return & other income	68,785	17,132,647	17,201,432
Endowment spending allocation	(37,466)	(15,360,636)	(15,398,102)
Endowment and gift fees to fund Foundation operations	(29,647)	(7,838,385)	(7,868,032)
Transfers between net asset categories	-	1,180,158	1,180,158
Endowment net assets, ending balance	$ 1,740,367	$ 457,002,286	$ 458,742,653

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning balance	$ 1,688,020	$ 399,817,056	$ 401,505,076
Contributions	-	34,803,078	34,803,078
Net total investment return & other income	127,060	32,122,650	32,249,710
Endowment spending allocation	(42,407)	(15,545,183)	(15,587,590)
Endowment and gift fees to fund Foundation operations	(33,978)	(7,775,054)	(7,809,032)
Transfers between net asset categories	-	1,331,025	1,331,025
Endowment net assets, ending balance	$ 1,738,695	$ 444,753,572	$ 446,492,267

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. 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:

Cash and cash equivalents	$ 4,822,076
Investments, operating	5,000,000
	$ 9,822,076

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.

	2019			
	University Program Support	Foundation Operations: Fundraising	Foundation Operations: Management & General	Total Expenses
Expenses				
Faculty and staff compensation and benefits	8,596,832	12,688,345	4,119,672	25,404,849
Student support	11,382,750	-	-	11,382,750
General support	4,182,804	2,207,330	2,130,933	8,521,067
Facilities and equipment expense	6,130,833	420,067	199,037	6,749,937
Travel, conferences, and meetings	3,118,800	576,731	75,855	3,771,386
Fundraising events and donor cultivation	1,932,081	1,500,592	130,833	3,563,506
Total expenses	35,344,100	17,393,065	6,656,330	59,393,495

	2018			
	University Program Support	Foundation Operations: Fundraising	Foundation Operations: Management & General	Total Expenses
Expenses				
Faculty and staff compensation and benefits	7,437,018	10,330,331	5,322,632	23,089,981
Student support	9,448,819	-	-	9,448,819
General support	4,354,590	2,250,261	1,878,160	8,483,011
Facilities and equipment expense	3,558,596	651,578	240,007	4,450,181
Fundraising events and donor cultivation	1,815,863	1,255,845	49,507	3,121,215
Travel, conferences, and meetings	1,781,514	444,612	53,577	2,279,703
Total expenses	28,396,400	14,932,627	7,543,883	50,872,910

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 $35,344,100 and $28,396,400 for the year ended June 30, 2019 and 2018, 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 $8,815,000 and $8,565,000 for the year ended June 30, 2019 and 2018, 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 $15,059,023 and $15,098,682 as of June 30, 2019 and 2018 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 rent per year. In payment for alumni engagement outlined in the MOU, the Foundation recorded revenue from the University of $2,352,166 and $1,915,000 for year ended June 30, 2019 and 2018, respectively.

The Foundation has recorded a liability due to the University of $13,472,690 and $4,630,216 and to the University Health Center of $967,572 and $3,430, for disbursement requests as of June 30, 2019 and 2018 respectively, which is 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, 2019 and 2018.

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.