The University of Connecticut Foundation, Incorporated

Financial Statements

June 30, 2021 and 2020

Page

Report of Independent Auditors

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

We have audited the accompanying financial statements of The University of Connecticut Foundation, Incorporated (the "Foundation"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and of cash flows for the years ended June 30, 2021 and 2020.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years ended June 30, 2021 and 2020 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Hartford, CT
October 22, 2021

The University of Connecticut Foundation, Incorporated
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 10,128,943	$ 28,726,132
Pledges receivable, net (Note 2)	35,130,393	21,707,610
Investments, operating (Note 3)	112,255,920	106,608,546
Investments, endowment (Note 3)	574,615,041	427,535,015
Funds held in trust by others	13,043,676	10,422,178
Endowments held for the University	19,565,538	15,187,090
Cash surrender value of life insurance (Note 4)	585,283	570,798
Property and equipment, net (Note 5)	3,923,263	4,277,196
Other assets (Note 6)	533,868	2,457,731
Total assets	$ 769,781,925	$ 617,492,296
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 10,073,429	$ 10,539,279
Trusts and annuities payable	2,163,836	2,038,305
Endowments held for the University	19,565,538	15,187,090
Lease liability	25,710	37,537
Bond and note payable (Note 8)	7,203,952	13,191,250
Total liabilities	39,032,465	40,993,461
Net Assets (Note 9)		
Without donor restrictions	22,496,405	12,470,263
With donor restrictions	708,253,055	564,028,572
Total net assets	730,749,460	576,498,835
Total liabilities and net assets	$ 769,781,925	$ 617,492,296

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

The University of Connecticut Foundation, Incorporated
Statements of Activities
June 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions	$ 1,429,595	$ 54,310,371	$ 55,739,966
Net total investment return	6,980,589	132,364,875	139,345,464
Contractual payments from the University	12,150,201	-	12,150,201
Memberships and other income	3,214,079	117,902	3,331,981
Total revenues and gains	23,774,464	186,793,148	210,567,612
Net assets released from restrictions	33,582,753	(33,582,753)	-
Endowment spending allocation	(29,030)	29,030	-
Endowment and gift fees to fund Foundation operations	8,772,623	(8,772,623)	-
Total revenues, gains, and other support	66,100,810	144,466,802	210,567,612
Expenses			
University program support	33,648,652	-	33,648,652
Foundation operations			
Fundraising expenses	16,008,923	-	16,008,923
Management and general expenses	6,659,412		6,659,412
Total Foundation operations	22,668,335	-	22,668,335
Total expenses	56,316,987	-	56,316,987
Transfers between net asset categories	242,319	(242,319)	-
Total increase in net assets	10,026,142	144,224,483	154,250,625
Net assets, beginning of year	12,470,263	564,028,572	576,498,835
Net assets, end of year	$ 22,496,405	$ 708,253,055	$ 730,749,460

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions	$ 226,500	$ 38,107,885	$ 38,334,385
Net total investment return	1,685,519	22,365,192	24,050,711
Contractual payments from the University	12,150,201	-	12,150,201
Memberships and other income	716,240	334,229	1,050,469
Total revenues and gains	14,778,460	60,807,306	75,585,766
Net assets released from restrictions	26,049,080	(26,049,080)	-
Endowment spending allocation	(36,301)	36,301	-
Endowment and gift fees to fund Foundation operations	8,922,935	(8,922,935)	-
Total revenues, gains, and other support	49,714,174	25,871,592	75,585,766
Expenses			
University program support	26,049,080	-	26,049,080
Foundation operations	-		
Fundraising expenses	16,523,930	-	16,523,930
Management and general expenses	6,557,394	-	6,557,394
Total Foundation operations	23,081,324	-	23,081,324
Total expenses	49,130,404	-	49,130,404
Transfers between net asset categories	21,570	(21,570)	-
Total increase in net assets	605,340	25,850,022	26,455,362
Net assets, beginning of year	11,864,923	538,178,550	550,043,473
Net assets, end of year	$ 12,470,263	$ 564,028,572	$ 576,498,835

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

The University of Connecticut Foundation, Incorporated
Statements of Cash Flows
June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 154,250,625	$ 26,455,362
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net total investment return	(139,345,464)	(24,050,711)
Cash gifts to establish or increase permanent endowments	(19,209,293)	(9,903,497)
Gifts of securities	(5,093,397)	(3,106,028)
Proceeds from sale of donated securities	2,813,800	1,950,688
Depreciation and amortization	410,762	421,139
Loss on write off of fixed asset	-	5,427
Change in allowance for uncollectible pledges	1,232,255	328,858
Change in discounts on pledges receivable	323,733	(618,907)
Funds held in trust by others	(2,621,498)	1,484,736
Gain on Paycheck Protection Program Loan forgiveness	(2,856,635)	-
(Increase) decrease in assets		
Pledges receivable	(14,978,771)	(2,399,439)
Cash surrender value of life insurance	(14,485)	15,078
Other assets	1,923,863	(1,436,793)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(465,850)	(6,379,568)
Trusts and annuities payable	125,531	(35,535)
Total adjustments	(177,755,449)	(43,724,552)
Net cash used in operating activities	(23,504,824)	(17,269,190)
Cash flows from investing activities		
Purchases of investments	(261,699,625)	(306,650,400)
Sales of investments and gifts of marketable securities	248,317,689	326,019,567
Purchases of property and equipment	(21,778)	(9,950)
Net cash (used in)/provided by investing activities	(13,403,714)	19,359,217
Cash flows from financing activities		
Cash gifts to establish or increase permanent endowments	19,209,293	9,903,497
Proceeds from sale of donated securities restricted for endowment	2,279,597	1,155,340
Principal payments on lease liability	(11,827)	(11,544)
Proceeds from Paycheck Protection Program Loan	-	2,856,635
Payments on bond and note payable	(3,165,714)	(3,165,714)
Net cash provided by financing activities	18,311,349	10,738,214
Net (decrease)/increase in cash and cash equivalents	(18,597,189)	12,828,241
Cash and cash equivalents at beginning of year	28,726,132	15,897,891
Cash and cash equivalents at end of year	$ 10,128,943	$ 28,726,132
Supplemental disclosure of cash flow information:		
Gifts of securities	$ 5,093,397	$ 3,106,028
Cash paid during the year for interest	240,706	314,451
Gain on Paycheck Protection Program Loan forgiveness	2,856,635	-

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

B. Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting and include the Foundation's assets, liabilities, net assets, revenues, and expenses for the years ending June 30, 2021 and 2020.

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 donor-imposed restrictions, or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in the category may benefit the Foundation and include board designated restrictions to support the University. 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 – Net 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. The donor-imposed restrictions may be temporary in nature or may be perpetual.

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 (refer to 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, 2021, the estimate of remaining uncollectible accounts was 1% on pledges without donor restriction pledges, 2% on endowment non-athletic pledges, 4% on non-endowed non-athletic pledges, and 5% on restricted and endowment athletic pledges.

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

E. Cash and Cash Equivalents

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

F. Investments

Investments are reported at fair value. In accordance with the accounting pronouncement on fair value measurements, fair value is defined as the price that the Foundation 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. Inputs 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 Foundation. Unobservable inputs are inputs that reflect the Foundation'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 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 own data.

Certain investment funds are measured at fair value using net asset value (NAV) or its equivalent (practical expedient) to estimate the fair value. The Foundation uses NAV to determine the fair value of 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, 2021, investments whose fair values are not readily determinable using NAV accounted for 55% 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.

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:

Unrealized gains and losses that result from market fluctuations are recognized in the period in which the fluctuations occur;

As increases or decreases in net assets with donor restrictions if the terms of the underlying endowment funds designate the purpose for specific unit, department or program of the University, 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 non-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, 2021, the Foundation did not receive any royalty or sales revenue and does not expect any amounts to be received in the future.

G. Endowment Spending Allocation and Advancement Fee

The endowment spending policy adopted by the Foundation's Board of Directors, in conjunction with the Investment Policy Statement for the long-term pooled investment portfolio, which is predominantly endowment assets, 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 $13,442,230 and $14,879,947 for the years ended June 30, 2021 and 2020, 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 endowment was established ("spending allocation") will equal 4% annually (1% per quarter) of the rolling prior 12-quarter average fair 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.

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

An advancement fee is assessed to fund expenses incurred in meeting the Foundation's fiduciary and fundraising responsibilities to donors and the University. This on-going advancement fee is also assessed based on a rolling 12 quarter unitized fair value. Effective on July 1, 2020, this rate was 1.75%. 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 endowments that have an historic gift value that is 15% or more than the fair value (referred to as underwater fund), at the end of any quarter during the fiscal year. (refer to H)

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 6.5% 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 the fair value of assets associated with individual donor-restricted endowment fund is less than the historic gift value, the deficits 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 number of funds underwater was 4 and 91 as of June 30, 2021 and 2020, respectively. The decrease to net assets with donor restrictions:

	2021	2020
Fair Value	$ 2,750,718	$ 166,665,034
Historic Gift Value	2,765,268	177,813,403
Decrease in net assets with donor restriction	$ (14,550)	$ (11,148,369)

I. Funds Held in Trust by Others

The Foundation is the remainder beneficiary of various charitable remainder trusts that are managed by third parties. At the end of the charitable remainder trust term, the Foundation will receive a specified portion of the assets remaining. The Foundation is also the named beneficiary of various perpetual trusts, under which the Foundation will receive a distribution of income and will never receive the assets of the trust. At the time the Foundation is notified of the funding of the trust, the Foundation records contribution revenue equal to the estimated discounted value of the distribution expected to be received upon the termination of each trust. Thereafter, the Foundation records adjustments to the estimated fair value of the trusts assets as investment income. The discount rates used range from .61% to 2.49% for 2021 and .65% to 2.9% for 2020.

Following is a reconciliation of funds held in trust by others. The assets are considered Level 3 financial instructions (refer to Note F for discussion of fair value measurements)

	2021	2020
Beginning balance	$ 10,422,178	$ 11,906,914
Change in fair value	3,363,184	(970,616)
Contributions	-	-
Distributions	(741,686)	(514,120)
Ending balance	$ 13,043,676	$ 10,422,178

J. Trusts and Annuities Held by the Foundation

The Foundation is named as the trustee and remainder beneficiary of several charitable remainder trusts and as trustee, the Foundation is required to make distributions to the specified income beneficiaries based on the income earned on the trust assets. The Foundation has also entered into contracts for charitable gift annuities and is required to make fixed payments to the specified life income beneficiaries. On the date the trust or annuity is established, the Foundation records contribution revenue equal to the difference between the fair value of the trust and the estimated present value of the distributions to be made to the life income beneficiaries over the term of the trusts. Distributions, investment activity and amortization the discount to present value are recorded as investment income. At the end of the trust and annuity term, the remaining asset will be transferred to the Foundation to support the University, as directed by the donor.

These trust and annuity asset amounts are carried at their net present value and are included in investments. The net 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. The difference between the amounts contributed to establish a charitable remainder 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 .4% to 8.4% for June 30, 2021 and 2020, is recognized as contribution revenue at the date of the gift.

K. Property and Equipment for Operations

Property and equipment are stated at cost. Depreciation of property and equipment is recorded 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 and then amortized over respective useful life.

L. Retirement Plan

The Foundation sponsors The University of Connecticut Foundation, Inc. Retirement Annuity Plan (the “Plan”), which is a fully funded, qualified plan under Section 403(b) of the Internal Revenue Code. The Plan covers all full time and certain part time employees, excluding students. Participants are required to contribute 3% of regular salary, with the Foundation contributing 8% of each participant’s salary. Participants are subject to three-year cliff vesting for Foundation contributions to the plan. Effective July 1, 2019, the vesting requirement is waived for terminations due to job eliminations. The unvested amount as of June 30, 2021 is $463,926. Included in Foundation support expenses are Plan contributions of $1,039,869 and $979,758 for the years ended June 30, 2021 and 2020, 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 and state tax liabilities have 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, 2020, the Foundation adopted ASU No. 2018-13, *Fair Value Measurements*, The guidance amends the disclosure requirements for fair values measurements. The impact to the financial statements is not material.

Recent Accounting Pronouncements, Not Yet Effective

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*. The guidance sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The guidance will be effective for the fiscal year 2022 statements and supersedes the existing guidance on accounting for leases. The Foundation is in the process of evaluating the impact of adoption on its financial statements and does not expect the impact to be material.

2. Pledges Receivable, Net

Pledges receivable includes unconditional promises to give:

	June 30, 2021	June 30, 2020
Pledges	$ 39,824,399	$ 24,845,628
Less: allowance for uncollectible pledges	(2,829,311)	(1,597,056)
Less: discount to record net realizable pledges at net present value (1)	(1,864,695)	(1,540,962)
Pledges receivable, net	$ 35,130,393	$ 21,707,610

	2021	2020
Net pledge receivable amounts due in:		
Less than one year	$ 11,119,323	$ 7,087,554
One to five years	19,214,792	12,217,493
More than five years	3,563,788	1,170,073
Net contributions receivable from deferred gifts	1,232,490	1,232,490
Total	$ 35,130,393	$ 21,707,610

(1) The interest rates used in the computation of the discount ranged from .61% to 2.70% for June 30, 2021 and .65% to 4.18% for June 30, 2020.

Conditional pledges of $12,999,970 at June 30, 2021 are reported when the condition has been met. Bequest expectancies totaling $201,889,435 have also been excluded from these amounts and are not recorded in the financial statements.

3. Investments

The investment portfolio is shown below at fair value by investment asset class and hierarchy. Investments measured using NAV are not classified in the fair value hierarchy. The amounts presented in the table are intended to permit reconciliation of the hierarchy to the statement of financial position for operating and endowed investments.

	June 30, 2021				
	Level 1	Level 2	Level 3	NAV	Total
Short Term Investments	$ 8,832,326	$ -	$ -	$ -	$ 8,832,326
Global Fixed Income	119,802,904	3,225,062	-	34,241,298	157,269,264
Global Equity	179,558,451	-	-	52,925,136	232,483,587
Hedge Funds - Non-Directional	-	-	-	100,704,330	100,704,330
Hedge Funds - Directional	-	-	-	22,468,549	22,468,549
Private Capital	-	-	-	121,992,792	121,992,792
Private Real Assets	-	-	-	43,120,113	43,120,113
Total	$ 308,193,681	$ 3,225,062	$ -	$ 375,452,218	$ 686,870,961

	June 30, 2020				
	Level 1	Level 2	Level 3	NAV	Total
Short Term Investments	$ 19,671,546	$ -	$ -	$ -	$ 19,671,546
Global Fixed Income	100,214,775	2,470,565	-	635,545	103,320,885
Global Equity	119,363,686	16,153,483	-	41,316,131	176,833,300
Hedge Funds - Non-Directional	-	-	-	95,356,998	95,356,998
Hedge Funds - Directional	-	-	-	33,005,574	33,005,574
Private Capital	-	-	-	64,015,068	64,015,068
Private Real Assets	-	-	-	41,940,190	41,940,190
Total	$ 239,250,007	$ 18,624,048	$ -	$ 276,269,506	$ 534,143,561

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.

Net asset values provided by third parties have been utilized in determining fair value. Fund 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 fund 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.

Certain investment funds may have agreements that contain funding commitments and redemption terms and restrictions. The following table summarizes the unfunded commitments and the redemption frequency:

	Unfunded commitments June 30, 2021	Fair value June 30, 2021	Fair value June 30, 2020	Redemption Frequency	Redemption Notice Period
Global Fixed Income	$ -	$ 34,241,298	$ 635,545	Monthly	30 Days
Global Equity	-	52,925,136	41,316,131	1 to 90 Days	1 to 90 Days
Hedge Funds - Non-Directional	-	100,704,330	95,356,998	3 to 12 months	60 to 90 Days
Hedge Funds - Directional	-	22,468,549	33,005,574	1 to 12 months	30 to 90 Days
Private Capital	124,853,240	121,992,792	64,015,068	Not applicable or none	Not applicable or none
Private Real Assets	25,559,385	43,120,113	41,940,190	Not applicable or none	Not applicable or none
Total	$ 150,412,625	$ 375,452,218	$ 276,269,506		

Net total investment return is summarized as follows:

	June 30 2021	June 30 2020
Interest and dividends	$ 9,740,594	$ 9,019,375
Net realized and unrealized gains on investments	140,944,766	19,173,398
Investment management fees	(10,903,126)	(3,710,573)
Salary expenses related to investments	(436,770)	(431,489)
Net total investment return	$ 139,345,464	$ 24,050,711

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, 2021 and 2020 was $4,235,284, while their aggregate cash surrender value was $585,283 and $570,798, respectively.

5. Property and Equipment

Depreciation expense was $375,711 and $386,088 for property and equipment used for Foundation operations for the years ended June 30, 2021 and 2020, respectively.

	June 30, 2021	June 30, 2020
Building and improvements	$ 7,296,216	$ 7,394,429
Land	201,361	201,361
Furniture and equipment	1,593,409	1,571,632
Capital leases	235,275	235,275
Fundraising system	2,518,820	2,518,820
Subtotal	11,845,081	11,921,517
Less: accumulated depreciation	(7,921,818)	(7,644,321)
	$ 3,923,263	$ 4,277,196

6. Other Assets

Other assets are comprised of the following:

	June 30, 2021	June 30, 2020
Other receivables	$ 84,241	$ 1,962,628
Prepaid expenses	282,721	328,811
Life insurance receivable	159,066	157,892
Donated property	7,840	8,400
	$ 533,868	$ 2,457,731

7. Operating Leases

In January 2021, the lease for office space for Foundation staff that support fundraising operations for the University of Connecticut Health Center ended. Expenditures reported for the lease during the year ended June 30, 2021, were $33,737.

8. Bond and Note Payable

Bond and notes payable at June 30, 2021 and 2020 consist of the following obligations:

	June 30, 2021	June 30, 2020	
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	$ 5,000,000	$ 7,500,000	(1)
Wells Fargo Bank unsecured, $4,660,000 loan, 2.92% fixed rate taxable term loan note (to defease Series B Bonds) issued on October 27, 2017 with a maturity date of October 28, 2024, equal monthly payments of $55,476 plus interest commencing December 1, 2017 and ending at maturity	2,274,524	2,940,238	(2)
Webster Bank Paycheck Protection Program Loan, $2,856,635, 1.0% fixed interest rate, due in eighteen installments of $159,961 deferred prior to forgiveness	-	2,856,635	(3)
Less: deferred bond and note payable issuance costs, net	(70,572)	(105,623)	
Total bond and note payable	$ 7,203,952	$ 13,191,250	

(1) 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.

(2) On October 27, 2017, the Foundation entered into a loan agreement with Wells Fargo Bank for a taxable term loan note The proceeds of the loan were used for refunding the Series B Bonds. Series B Bonds were issued in January 2007.

(3) In April 2020, the Foundation was granted a loan from Webster Bank in the amount of $2,856,635. The loan was issued under the Paycheck Protection Program under the CARES Act, enacted March 27, 2020. Under the term of the Paycheck Protection Program the loan may be forgiven if the funds are used for qualifying expenses as described in the CARES Act. The Foundation used the proceeds to cover payroll expenses, consistent with the Paycheck Protection Program. In October 2020, the Foundation applied for loan forgiveness and was approved for the full amount on June 28, 2021. The Foundation has recorded $2,856,635 as other income related to the loan forgiveness.

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

2022	3,165,714
2023	3,165,714
2024	665,714
2025	277,382
	$ 7,274,524

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

The deferred costs are presented as a direct deduction of bond and note payable. Amortization expense for the years ended June 30, 2021 and 2020 was $35,051 and is included in Foundation support expenses.

9. Net Assets

At June 30, 2021 and 2020, net assets included funds without donor restrictions and with donor restrictions for the following purposes:

	2021	2020
Net assets without donor restrictions		
Available for Foundation Operations	$ 20,319,988	$ 10,703,206
Board-designated endowments	2,176,417	1,767,057
Total without donor restrictions	$ 22,496,405	$ 12,470,263
Net assets with donor restrictions		
Subject to expenditure for specified purpose		
Scholarship support	$ 26,661,887	$ 24,835,377
Faculty support	8,445,991	8,652,010
Program support	64,959,366	60,502,790
Total subject to expenditure for specified purpose	100,067,244	93,990,177
Endowments		
Scholarship support	241,505,585	188,794,550
Faculty support	158,465,935	126,167,018
Program support	208,214,291	155,076,827
Total Endowments	608,185,811	470,038,395
Total net assets with donor restrictions	$ 708,253,055	$ 564,028,572

The Foundation’s endowment net assets consist of approximately 1,890 individual funds established for a variety of purposes and the following where the assets have been designated for endowment: pledges receivable, charitable remainder trusts and charitable gift annuities. 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 years ended June 30, 2021 and 2020 summarized by net asset class of without donor-restriction versus with donor-restrictions:

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning balance	$ 1,767,057	$ 470,038,395	$ 471,805,452	$ 1,740,367	$ 457,002,286	$ 458,742,653
Contributions	460	24,989,271	24,989,731	-	13,959,265	13,959,265
Net total investment return and other income	463,903	132,170,669	132,634,572	92,462	22,141,630	22,234,092
Endowment spending allocation	(29,030)	(13,413,200)	(13,442,230)	(36,301)	(14,843,646)	(14,879,947)
Endowment and gift fees to fund Foundation operations	(25,973)	(7,998,740)	(8,024,713)	(29,471)	(8,190,555)	(8,220,026)
Transfers between net asset categories	-	2,399,416	2,399,416	-	(30,585)	(30,585)
Endowment net assets, ending balance	$ 2,176,417	$ 608,185,811	$ 610,362,228	$ 1,767,057	$ 470,038,395	$ 471,805,452

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 advancement fee. 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	$ 2,668,395
Investments, operating	18,000,000
	$ 20,668,395

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's investment policy.

Many of the Foundation's 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.

	2021				2020			
	University	Foundation Operations			University	Foundation Operations		
	Program Support	Fundraising	Management & General	Total Expenses	Program Support	Fundraising	Management & General	Total Expenses
Expenses								
Faculty and staff compensation and benefits	$ 9,266,310	$ 12,442,651	$ 4,507,480	$ 26,216,441	$ 7,472,340	$ 12,385,778	$ 4,465,450	$ 24,323,568
Student support	9,731,939	-	-	9,731,939	8,735,923	-	-	8,735,923
General support	2,458,534	2,430,580	1,730,073	6,619,187	3,581,879	1,973,069	1,688,618	7,243,566
Facilities and equipment expense	11,647,918	657,992	366,456	12,672,366	3,779,170	631,326	266,075	4,676,571
Fundraising events and donor cultivation	260,182	416,119	44,520	720,821	1,296,318	1,144,964	72,186	2,513,468
Travel, conferences, and meetings	283,769	61,581	10,883	356,233	1,183,450	388,793	65,065	1,637,308
Total expenses	$ 33,648,652	$ 16,008,923	$ 6,659,412	$ 56,316,987	$ 26,049,080	$ 16,523,930	$ 6,557,394	$ 49,130,404

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 included in contributions 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 $33,582,753 and $26,049,080 for the years ended June 30, 2021 and 2020, respectively. The University determines the amount of support that will be requested from the Foundation based on the amounts available to be spent.

13. Related Party Transactions

In December 1994, the Foundation assumed primary responsibility for the fundraising program conducted for the benefit of the University and, in June 1995, the Foundation assumed responsibility for related advancement services. The relationship, roles and arrangements between the Foundation and the University are documented in an Agreement dated July 1, 2015 (the "Agreement"), and in a Memorandum of Understanding (the "MOU"), which is updated on a one- or two-year basis. In payment for fundraising and other services outlined in the MOU, the Foundation recorded revenue from the University of $9,315,000 for the years ended June 30, 2021 and 2020.

The University of Connecticut Foundation has a contractual arrangement with the University of Connecticut to act as the University's agent in managing their endowment assets. The pool is managed under the same policies as the Foundation's endowment pool but may have a different asset allocation. The Foundation has elected to disclose the fair value of the endowment assets on the balance sheet with an offsetting liability. The University's endowment had a fair value of $19,565,538 and $15,187,090 as of June 30, 2021 and 2020, respectively.

In April 2015, the Foundation assumed primary responsibility for alumni engagement activities for the University. The Foundation focuses on strengthening the connection with alumni with the University over their lifetime. The University has granted the Foundation rights to use the Alumni Center at the cost of $1.00 rent per year in perpetuity. In payment for alumni engagement outlined in the MOU, the Foundation recorded revenue from the University of $2,835,201 for the years ended June 30, 2021 and 2020.

The Foundation has recorded a liability due to the University of $6,235,490 and $5,868,325 and to the University Health Center of $271,007 and $650 for disbursement requests as of June 30, 2021 and June 30, 2020 respectively. The liabilities to the University and the University Health Center are included in accounts payable and accrued expenses in the accompanying statement of financial position. In addition, at the request of the University of Connecticut's Board of Trustees, the Foundation's Board of Directors agreed in 1996 to help fund a deferred compensation package for the University's former President which is included in the Foundation accounts payable and accrued expenses in the accompanying statement of financial position. The liability was $271,756 and $282,475 as of June 30, 2021 and 2020, respectively.

The Foundation has recorded no amount due from the University at June 30, 2021 and 2020.

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

14. Subsequent Event

Management has evaluated subsequent events for the period after June 30, 2021, through October 22, 2021