

# Stony Brook University

ANNUAL FINANCIAL REPORT | 2009-2010



STONY  
BROOK

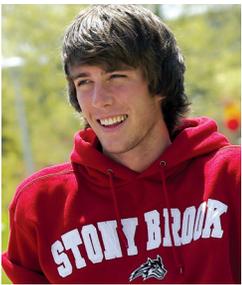
STATE UNIVERSITY OF NEW YORK





## TABLE OF CONTENTS

The Power of Stony Brook: Research, Education, and Discovery	<i>2-4</i>
Letter to the President	<i>5</i>
Financial Highlights	<i>6-9</i>
Stony Brook University Balance Sheet	<i>10</i>
Stony Brook University Statement of Revenues, Expenses, and Changes in Net Assets	<i>11</i>
Stony Brook University Statement of Cash Flows	<i>12-13</i>
Stony Brook Foundation Balance Sheet	<i>14</i>
Stony Brook Foundation Statement of Activities	<i>15</i>
Notes to Financial Statements	<i>16-28</i>



## The Power of Stony Brook: Research, Education, and Discovery

**A**S ONE OF AMERICA'S MOST DYNAMIC RESEARCH UNIVERSITIES, STONY BROOK UNIVERSITY continues to strengthen its reputation as an innovative educator of the nation's next leaders and a driving force behind the region's economy.

Ranked 25th among the best values in higher education by *Kiplinger*, Stony Brook has consistently garnered recognition for its excellence in a number of academic disciplines and for its integration of research with undergraduate education. We are one of only nine public institutions recognized for our undergraduate research program by *U.S. News & World Report*, and eighth among public institutions placing graduates in elite graduate programs in medicine, law, and business, according to the *Wall Street Journal*.

In addition to that recognition, the impressive surge in applications and enrollment has continued, along with notable increases in SAT scores and grade point averages.

### Growth in Research

Located in our rapidly growing Research and Development Park on campus, our Center of Excellence in Wireless and Information Technology (CEWIT) and our Advanced Energy Research and Technology Center are just two examples of the University's research partnerships with industry and with New York State.

The 100,000-square-foot CEWIT building is home to 40 new research laboratories, 7,000 square feet of incubator space, more than 70 faculty affiliates, and more than 300 graduate students. CEWIT's five divisions are Network Technologies, Software Systems, Communications and Devices, Systems and Infrastructure, and Medical Technology.

The Advanced Energy Center is a partnership of academic institutions, research institutions, energy providers, and industrial corporations focusing on innovative energy research, education, and technology deployment. In the spring the Center announced a partnership with the New York State Department of Labor, The New York City Labor Market Information Service at the CUNY Graduate Center, the State University of New York at Albany, and SUNY in the first comprehensive New York State research project

**The London Times Higher Education ranks Stony Brook University in the top 1 percent of all universities worldwide.**



**A member of the elite Association of American Universities, Stony Brook is one of the 63 best research institutions in North America.**



**Stony Brook has 16 of the highest ranked graduate programs in the nation, according to U.S. News & World Report. Nuclear Physics, Geometry, and Clinical Psychology are included in the top 10.**

to measure employer demand for “green jobs” against the capacity of educational and training resources to address this need.

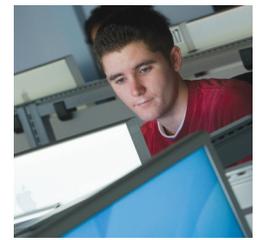
Stony Brook co-manages nearby Brookhaven National Laboratory (BNL) and is its single largest user. Established in 1947, BNL is the site of seven Nobel Prize-winning discoveries—five for research in physics. Each year more than 5,000 visiting researchers from around the world join BNL’s 3,000 scientists, engineers, and support staff. More than 600 faculty, students, and staff from Stony Brook participate in groundbreaking research there.

Stony Brook University reached a record \$162 million in total sponsored program research expenditures at the end of the fiscal year in June. In addition, Stony Brook received 100 awards totaling \$50 million under the American Recovery and Reinvestment Act (ARRA) of 2009. Stony Brook accounts for more than 40 percent of all ARRA funding SUNY-wide. All told, the entrepreneurial energy and economic strength of the University bring a combined benefit of \$4.6 billion to the economy of Long Island.

## Growth in Education

The Simons Center for Geometry and Physics has opened. Developed through funding from James Simons, former chair of Stony Brook’s Department of Mathematics, and his wife Marilyn, who holds a Ph.D. in economics from the University and is president of the Simons Foundation, the purpose of the Center is to bring together mathematicians, in particular geometers, and theoretical physicists to inform and learn from one another, and to work on problems of common interest to transform each discipline. John Morgan is the Center’s first director, and Michael Douglas, internationally renowned string theorist, is its first permanent member.

Stony Brook’s Center for Biotechnology brought some of the world’s top bioscience companies together with entrepreneurs and researchers to discuss biomedical solutions of the future in a Life Sciences Summit that focused on the development and marketing of the next generation of medicines. The Summit was the only event of its kind bringing together established industry, academic innovators, and emerging companies to promote collaboration. In conjunction with the Summit, our Center for Biomolecular Diagnostics and Therapeutics—one of only eight New York State-supported Strategically Targeted Academic Research Centers—opened its doors. The facility is the new home of the Center for Biotechnology and the Department of Biomedical Engineering.



**Stony Brook is ranked 25th among the best values in public colleges, according to Kiplinger.**



**Our College of Engineering and Applied Sciences offers seven ABET-accredited programs, our School of Marine and Atmospheric Sciences features waterfront learning, and we have the only undergraduate School of Journalism in New York at a public university.**



**SB grads earn more: We’re No. 23 on Payscale.com’s list of public colleges with top-earning graduates.**



**Stony Brook University Medical Center provides Suffolk County's only Level 1 trauma center, kidney transplant program, burn center, blood and marrow stem cell transplant program, regional perinatal center, and multidisciplinary autism center.**



**Seawolves men's lacrosse put Stony Brook on the map in a big way when it made the NCAA quarterfinals in 2010.**



**Our Pediatric Multiple Sclerosis Center was the first of its kind in the nation.**

The Athletics program has continued to grow, putting Stony Brook on the map with a record six championships. In 2009-10, the Stony Brook Seawolves were NCAA Division I conference champions in women's cross country, and men's basketball, soccer, lacrosse, football, and baseball. Stony Brook is now the No. 1 college sports destination on Long Island, and the Seawolves are well on their way to establishing themselves on a national level.

## **The Next 50 Years: A Time of Discovery**

The future looks bright for Stony Brook, already recognized as an exceptional research institution of higher learning by the Association of American Universities. Moving forward in these challenging economic times requires us to be more diligent and aggressive in managing our funds than ever before—to spend smarter while creating a platform to reach new heights and set new standards of excellence.

With the launch by President Samuel L. Stanley Jr., M.D., earlier this year of Project 50 Forward—a bold initiative designed to enhance the fundamental teaching, research, and service mission of the University—we are building a platform to support Stony Brook's future growth and strengthen our role in the economic renewal of New York State. This major initiative will enable faculty and students at every level to pursue scholarship, groundbreaking research, and revolutionary discovery, and the University will be positioned for excellence for years to come.

At the core of Project 50 Forward are three goals: operational excellence, academic greatness, and building for the future. By working together to increase efficiency, streamline operations, develop new revenue streams, and return to our core mission of teaching and research, Stony Brook will be propelled into the ranks of the top 20 public research universities in the nation.

## LETTER TO THE PRESIDENT

January 18, 2011

President Samuel L. Stanley Jr., M.D.  
State University of New York at Stony Brook  
Administration Building, Room 310  
Stony Brook, NY 11794-1701

Dear Dr. Stanley:

The accompanying financial statements prepared from the accounting records of Stony Brook University (hereafter referred to as the University) set forth the financial condition of the University at June 30, 2010, including the results of its operations for the fiscal year. Notes to the financial statements should be considered an integral part of the statements and the report as a whole. Prior-year data is provided to allow comparisons with the previous reporting period.

Stony Brook University's financial statements are consolidated in the annual financial report of the State University of New York (hereafter referred to as SUNY) as a component unit. Effective June 30, 2007, the University adopted a financial statement format consistent with SUNY's audited financial statements to comply with GASB and FASB pronouncements. The accompanying financial statements, to the extent possible, fairly represent the University's component information as provided by SUNY.

The financial information included in this report incorporates the major operations of the University, including the separate entities of the State University of New York, the Research Foundation of the State University of New York, and the Faculty Student Association. The financial statements of the Stony Brook Foundation, a separate 501(c)(3) corporation, are presented on pages 14 and 15. The financial operations of the Clinical Practice Management Plan are not included in this report. The annual report has been prepared in accordance with accounting principles recommended by the American Institute of Certified Public Accountants and the National Association of College and University Business Officers to the degree practical.

Sincerely,

A handwritten signature in black ink that reads "Karol Kain Gray". The signature is written in a cursive style with a large, looping "y" at the end.

Karol Kain Gray  
Vice President for Finance and Administration

## FINANCIAL HIGHLIGHTS

### Stony Brook University at a Glance

Stony Brook University, one of 64 campuses that constitute the State University of New York, was established in 1957 as a college for the preparation of secondary school teachers of mathematics and science. Since its founding, the University has grown tremendously and is now recognized as one of the nation's important centers of learning and scholarship.

Stony Brook University has received high rankings both nationally and internationally as cited by the following publication and institutions: The London *Times Higher Education World University Rankings*, Shanghai Higher Education Institute, *U.S. News & World Report* and the *Wall Street Journal*. With our growth in education, research, medicine, technology, and impact on the community, it's easy to see why the *New York Times* calls Stony Brook one of the nation's most dramatic rising stars.

The University offers more than 150 majors and minors, 91 master's degree programs, 45 doctoral programs, and 38 graduate certificate programs. The University also offers more than 30 combined bachelor's and master's degree programs. Professional degrees are offered in medicine, dental medicine, nursing practice, and physical therapy.

<b>Fiscal 2010 Revenues</b>	<b>\$1.86 Billion</b>	<b>Research Awards</b>	<b>\$219.73 Million</b>
<b>Fiscal 2010 Expenditures</b>	<b>\$1.92 Billion</b>	<b>Foundation Revenue</b>	<b>\$32.82 Million</b>

#### **Total Revenue** *(in millions)*

Tuition and Fees	\$133.6
State Appropriations	462.3
Federal Grants	151.8
State, Local and Private Grants, and Other	87.6
Auxiliary Services	105.1
Hospital	849.9
Nonoperating	70.4

#### **Research Awards** *(in millions)*

Federal	\$144.9
Philanthropic (Private)	16.3
State and Local	34.4
Other	24.1

#### **Foundation** *(in millions)*

Gifts and Gifts-in-Kind	\$21.6
Other	11.2
Net Assets-Endowment	101.1
Total Net Assets	190.1
Endowment Rate of Return	7.9%

## FINANCIAL HIGHLIGHTS

### Economic Impact

Stony Brook University is vital to the economy of the Long Island region. It is Long Island's largest single-site employer, providing jobs to nearly 14,000 employees. As Long Island's only public research university, the University produces the educated workforce that drives the area's high-tech economy. In fact, according to a report released by the Center for Regional Policy Studies, the University's impact on the Long Island economy amounts to \$4.7 billion in increased output, or gross regional domestic product, and nearly 60,000 jobs.

### Employment

Total Employees (full and part time)	13,654
Academic	3,295
Non-Academic	4,697
Hospital	5,662
Average Monthly Payroll	\$70.5 million

### Student Enrollment *(Fall 2010)*

Total Student Enrollment	24,594
<i>Undergraduate</i>	
Total Undergraduate Students	16,424
West Campus	15,305
HSC Campus	1,119
High School GPA Percent	91
Average SAT Score	1225
<i>Graduate and Advanced Degrees</i>	
Total Graduate Students	8,170
West Campus	5,857
HSC Campus	2,313

### Tuition and Fees *(Fall 2010)*

<i>Undergraduate and Graduate</i>	
Undergraduate NYS	\$7,552
Undergraduate Nonresident	15,962
Graduate NYS	10,335
Graduate Nonresident	15,480
Graduate MBA NYS	11,345
Graduate MBA Nonresident	17,105

<i>HSC Professional</i>	
Medical NYS	\$27,344
Medical Nonresident	51,264
Dental NYS	32,073
Dental Nonresident	57,953
Physical Therapy NYS	17,065
Physical Therapy Nonresident	28,595

### Other Facts

- The New York State Energy Research and Development Authority (NYSERDA) has awarded a \$1.5 million grant to Stony Brook to establish a Clean Energy Business Incubator Program (CEBIP) on the campus.
- The American Association for the Advancement of Science named three Stony Brook University faculty 2009 fellows.
- The Emerson String Quartet, Stony Brook's resident ensemble, won its ninth GRAMMY award for Best Chamber Music Performance for its May 2009 recording of "Intimate Letters."
- Thirty-four high school students who worked with Stony Brook University faculty were selected as semifinalists in the Intel Science Talent Search, the prestigious nationwide research competition.
- The Howard Hughes Medical Institute has awarded Stony Brook University a four-year, \$1.5 million grant to enhance science education.
- In June 2010, Stony Brook University Medical Center (SBUMC) broke ground on its new Comprehensive Emergency Psychiatric Program (CPEP) Annex, an enhanced psychiatric care environment, which is expected to be completed in Fall 2011.

## FINANCIAL HIGHLIGHTS

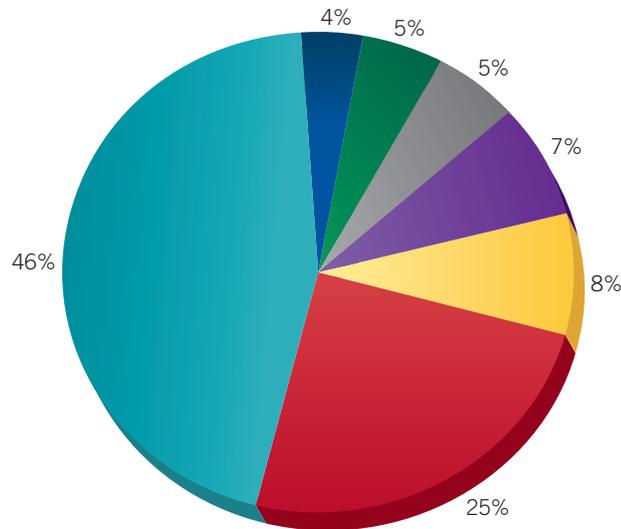
### Revenue Results

Total revenues were \$1,860,703,339 and \$1,745,657,523 for the 2010 and 2009 fiscal years, respectively. The \$115 million revenue increase in 2010 is the result of the following:

- Hospital revenues were \$48 million greater than 2009, the result of new patient services and increased hospital occupancy.
- Nonoperating revenues were \$40 million greater than 2009 primarily due to increases in federal and state student financial aid programs and in net realized and unrealized investment gains.
- Federal, state, local, and private grants and contracts, and other revenues exceeded 2009 by \$31 million.
- Tuition and fees and auxiliary enterprise revenues exceeded 2009 by \$22 million.
- State appropriations for the direct support of operations and indirect costs (i.e., debt service, fringe benefits) decreased \$26 million from 2009 appropriations.

The accompanying graph depicts results as a percentage of current year revenues.

### 2010 Revenues



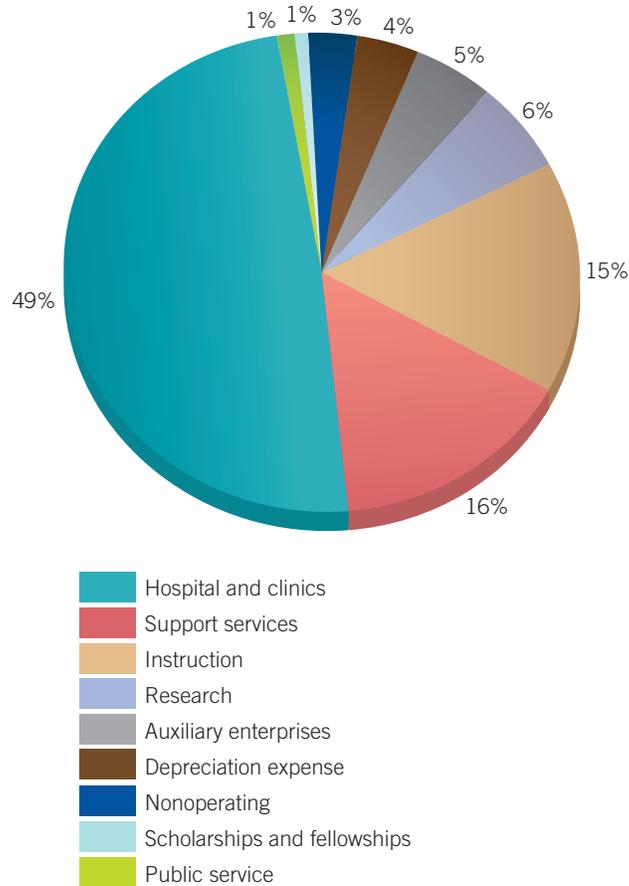
## Expenditure Results

Expenditures reported for 2010 were \$1,918,743,736, a \$95 million increase from 2009 expenditures of \$1,823,787,442 as a result of:

- ▶ Hospital and clinic expenditures exceeded 2009 expenses by \$35 million largely due to increased litigation costs, personal services costs, and staff benefits.
- ▶ Support services, which include academic support, student services, institutional support, and operations and maintenance, were \$18 million greater than 2009 expenditures.
- ▶ Research expenditures were \$11 million greater than 2009 expenses.
- ▶ Depreciation expenses associated with capital assets increased by \$10 million.
- ▶ Public service and other expenditures increased \$9 million.
- ▶ Instruction and education expenditures were \$6 million in excess of 2009.
- ▶ Scholarship and fellowships expenditures increased by \$6 million.

The accompanying graph depicts results as a percentage of current year expenditures.

## 2010 Expenditures



# ANNUAL FINANCIAL REPORT

## STONY BROOK UNIVERSITY BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2010	2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$284,635,429	\$215,107,897
Short-term investments	45,012,821	51,927,404
Accounts, notes, and loans receivable, net	225,154,585	270,398,287
Interest receivable	43,670	62,492
Appropriations receivable	73,488,536	58,029,454
Grants receivable	41,476,708	30,560,916
Inventories	7,539,319	6,979,118
Other assets	9,522,867	4,999,940
<b>Total current assets</b>	<b>686,873,935</b>	<b>638,065,508</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	10,537,905	8,797,652
Deposits with trustees	46,383,910	78,559,114
Accounts, notes, and loans receivable, net	5,980,899	5,815,082
Appropriations receivable	89,330,175	52,660,298
Deferred financing costs	12,474,572	9,461,735
Long-term investments	12,013,196	33,353,810
Capital assets, net	1,257,555,401	1,143,164,324
<b>Total noncurrent assets</b>	<b>1,434,276,058</b>	<b>1,331,812,015</b>
<b>TOTAL ASSETS</b>	<b>2,121,149,993</b>	<b>1,969,877,523</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	190,374,989	198,008,267
Interest payable	5,333,333	6,750,661
Student deposits	2,422,573	2,230,434
Deposits held in custody for others	1,882,709	2,362,576
Deferred revenue	30,703,776	29,608,676
Long-term liabilities-current portion	123,472,953	114,413,896
Other liabilities	4,601,154	4,714,998
<b>Total current liabilities</b>	<b>358,791,487</b>	<b>358,089,508</b>
<b>Noncurrent Liabilities</b>		
Long-term liabilities	1,397,782,136	1,189,392,246
Refundable government loan funds	6,847,194	6,918,085
Other liabilities	6,175,002	5,883,113
<b>Total noncurrent liabilities</b>	<b>1,410,804,332</b>	<b>1,202,193,444</b>
<b>Total liabilities</b>	<b>1,769,595,819</b>	<b>1,560,282,952</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	456,727,907	437,591,199
Loans - restricted and expendable	760,799	768,676
Unrestricted	(105,934,532)	(28,765,304)
<b>Total net assets</b>	<b>351,554,174</b>	<b>409,594,571</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$2,121,149,993</b>	<b>\$1,969,877,523</b>

See accompanying notes to financial statements.

# ANNUAL FINANCIAL REPORT

## STONY BROOK UNIVERSITY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	FOR THE YEARS ENDING JUNE 30	
	2010	2009
<b>OPERATING REVENUES</b>		
Tuition and fees	\$184,618,110	\$160,796,009
Less: scholarship allowances	(51,021,323)	(43,285,815)
<b>Net tuition and fees</b>	<b>133,596,787</b>	<b>117,510,194</b>
Federal grants and contracts	151,785,805	131,135,562
State grants and contracts	28,895,082	14,963,976
Local grants and contracts	1,678,574	478,879
Private grants and contracts	41,440,478	41,482,787
University hospitals and clinics	849,947,319	802,132,418
Sales and services of auxiliary enterprises:		
Residence halls, net	58,153,413	54,807,634
Food service, net	19,462,400	18,315,785
Other auxiliary, net	27,512,441	25,302,597
Other operating	15,549,908	20,497,124
<b>Total operating revenues</b>	<b>1,328,022,207</b>	<b>1,226,626,956</b>
<b>OPERATING EXPENSES</b>		
Instruction	306,374,323	300,623,855
Research	113,210,691	101,958,550
Public service	27,367,360	21,331,555
Academic support	61,888,819	55,223,054
Student services	34,217,614	34,520,126
Institutional support	98,084,522	94,972,123
Operation and maintenance of plant	81,067,854	75,560,710
Scholarships and fellowships	20,794,791	14,851,029
Hospitals and clinics	933,750,570	898,436,550
Residence halls	48,182,199	54,816,933
Food service	21,293,148	20,468,065
Other auxiliary	26,693,432	23,930,945
Depreciation and amortization expense	87,140,700	77,025,976
Other operating	5,369,914	2,882,360
<b>Total operating expenditures</b>	<b>1,865,435,937</b>	<b>1,776,601,831</b>
<b>Operating loss</b>	<b>(537,413,730)</b>	<b>(549,974,875)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	462,253,595	488,541,209
Federal and State student financial aid	55,752,695	43,306,113
Investment income, net of investment fees	3,169,078	7,115,965
Net realized and unrealized gains (losses)	2,257,582	(27,041,760)
Gifts	3,130,833	1,753,191
Interest expense on capital related debt	(34,815,985)	(40,039,690)
Loss on disposal of plant assets	(3,257,543)	(1,705,847)
Other nonoperating revenues (expenses), net	(15,234,271)	(5,440,074)
<b>Net nonoperating revenues</b>	<b>473,255,984</b>	<b>466,489,107</b>
<b>Income (loss) before other revenues and gains</b>	<b>(64,157,746)</b>	<b>(83,485,768)</b>
Capital appropriations	135,418	316,800
Capital gifts and grants	5,981,931	5,039,049
Increase (decrease) in net assets	(58,040,397)	(78,129,919)
<b>Net assets at the beginning of year</b>	<b>409,594,571</b>	<b>487,724,490</b>
<b>NET ASSETS AT THE END OF YEAR</b>	<b>\$351,554,174</b>	<b>\$409,594,571</b>

See accompanying notes to financial statements.

# ANNUAL FINANCIAL REPORT

## STONY BROOK UNIVERSITY STATEMENT OF CASH FLOWS

	FOR THE YEARS ENDING JUNE 30	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$133,834,229	\$117,301,979
Federal grants and contracts	156,111,343	130,772,051
State and local grants and contracts	32,134,094	13,989,001
Private grants and contracts	44,605,859	40,505,496
University hospitals and clinics	828,423,553	721,153,851
Personal service payments	(794,416,376)	(767,617,702)
Other than personal service payments	(468,770,201)	(467,289,631)
Payments for fringe benefits	(161,493,398)	(145,157,341)
Payments for scholarships and fellowships	(20,316,725)	(23,048,387)
Loans issued to students	(1,478,861)	(997,717)
Collection of loans to students	1,188,858	883,050
Residence halls, net	58,370,549	54,678,533
Food service, net	19,867,816	18,505,892
Other auxiliary, net	26,132,720	26,089,260
Other operating	19,525,751	25,646,713
<b>Net cash used by operating activities</b>	<b>(126,280,789)</b>	<b>(254,584,952)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
<b>State appropriations:</b>		
Operations	206,656,489	270,703,298
Debt service	48,591,964	53,478,701
Federal and State student financial aid grants	55,752,695	43,290,732
Private gifts and grants	3,130,833	1,753,191
Repayment of short-term loans	(7,800,000)	(7,800,000)
Other payments		(23,900,000)
<b>Net cash flows provided by noncapital financing activities</b>	<b>306,331,981</b>	<b>337,525,922</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	182,076,201	108,251,860
Capital appropriations	135,418	316,800
Capital grants and gifts received	1,490,439	5,039,049
Purchases of capital assets	(30,213,033)	(62,441,170)
Payments to contractors	(180,887,162)	(93,285,689)
Principal paid on capital debt and leases	(52,154,628)	(62,956,803)
Interest paid on capital debt and leases	(34,115,048)	(40,125,062)
Other receipts (payments)	(923,696)	
<b>Net cash used by capital and related financing activities</b>	<b>(114,591,509)</b>	<b>(145,201,015)</b>

See accompanying notes to financial statements.

# ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY  
STATEMENT OF CASH FLOWS

	FOR THE YEARS ENDING JUNE 30	
	2010	2009
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	3,490,412	2,057,527
Interest, dividends, and realized gains on investments	3,279,100	6,955,127
Purchases of investments	(961,410)	(3,075,965)
<b>Net cash provided (used) by investing activities</b>	<b>5,808,102</b>	<b>5,936,689</b>
<b>Net change in cash</b>	<b>71,267,785</b>	<b>(56,323,356)</b>
Cash - beginning of year	223,905,549	280,228,905
<b>Cash - end of year</b>	<b>295,173,334</b>	<b>223,905,549</b>
<b>END OF YEAR CASH COMPRISED OF</b>		
Cash and cash equivalents	284,635,429	215,107,897
Restricted cash and cash equivalents	10,537,905	8,797,652
<b>Total cash - end of year</b>	<b>295,173,334</b>	<b>223,905,549</b>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	(537,413,730)	(549,974,875)
<b>ADJUSTMENTS TO OPERATING LOSS</b>		
Depreciation and amortization expense	87,140,700	77,025,976
Fringe benefits and litigation costs provided by State	245,148,943	239,642,454
<b>CHANGE IN ASSETS AND LIABILITIES</b>		
Receivables, net	25,407,753	(65,448,475)
Inventories	(560,201)	(1,122,436)
Other assets	(2,713,823)	1,388,838
Accounts payable, accrued expenses, and other liabilities	54,886,974	43,374,736
Deferred revenue	1,551,701	494,945
Student deposits	192,139	33,885
Deposits held for others	78,755	
<b>Net cash used by operating activities</b>	<b>(126,280,789)</b>	<b>(254,584,952)</b>
<b>SUPPLEMENTAL DISCLOSURES FOR NONCASH TRANSACTIONS</b>		
New capital leases/debt agreements	29,822,923	37,380,631
Fringe benefits and litigation costs provided by the State	245,148,943	239,642,454
Noncash gifts	1,490,439	

See accompanying notes to financial statements.

# ANNUAL FINANCIAL REPORT

## STONY BROOK FOUNDATION BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2010	2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$20,951,297	\$14,013,982
Accounts and notes receivable, net	73,577	147,839
Pledges receivable, net	63,602,687	101,780,514
Investments	133,372,400	106,275,720
Other assets	248,994	1,258,076
Capital assets, net	11,710,994	12,061,822
<b>Total assets</b>	<b>229,959,949</b>	<b>235,537,953</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	9,582,634	5,406,843
Current portion of long-term debt	150,000	140,000
Deposits held for others	27,405,104	23,649,248
Long-term debt	2,135,000	2,285,000
Other liabilities	539,097	571,208
<b>Total liabilities</b>	<b>39,811,835</b>	<b>32,052,299</b>
<b>NET ASSETS</b>		
<b>Unrestricted</b>		
Board designated for:		
Campus programs	7,822,077	5,774,652
Undesignated	1,511,048	
<b>Temporarily restricted</b>		
Scholarships and fellowships	17,366,096	14,856,751
Campus programs	20,061,385	19,725,257
Research	8,638,115	8,973,308
General operations and other	55,026,093	74,048,194
<b>Permanently restricted</b>		
Scholarships and fellowships	14,882,727	14,555,377
Campus programs	32,955,501	26,962,469
Research	1,265,788	1,264,283
General operations and other	30,619,284	37,325,363
<b>Total net assets</b>	<b>190,148,114</b>	<b>203,485,654</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$229,959,949</b>	<b>\$235,537,953</b>

See accompanying notes to financial statements.

## ANNUAL FINANCIAL REPORT

STONY BROOK FOUNDATION  
STATEMENT OF ACTIVITIES

	FOR THE YEARS ENDING JUNE 30			2010	2009
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
<b>REVENUES</b>					
Contributions, gifts, and grants	\$1,013,940	\$16,933,393	\$1,395,538	\$19,342,871	\$79,425,866
Investment income, net	397,451	15,090		412,541	2,159,742
Net realized and unrealized gains (losses)	6,669,154	1,933,966		8,603,120	(22,036,431)
Rental income		403,997		403,997	402,534
Sales and services	1,109,045	634,031		1,743,076	1,941,297
Program income and special events		2,470,081		2,470,081	2,311,049
Other revenues	(116,562)	(43,651)		(160,213)	(209,354)
Endowment earnings transferred	(1,145,746)	1,145,746			(8,646)
Net assets released from restrictions	41,804,154	(41,804,154)			
<b>Total revenues</b>	<b>49,731,436</b>	<b>(18,311,501)</b>	<b>1,395,538</b>	<b>32,815,473</b>	<b>63,986,057</b>
<b>EXPENSES</b>					
Program expenses	36,718,510			36,718,510	15,791,730
Payments to State University:					
Scholarships and fellowships	2,929,605			2,929,605	2,463,171
Other expenses	1,569,775			1,569,775	816,621
Depreciation and amortization expense	602,167			602,167	667,288
Interest expense on capital-related debt	151,424			151,424	160,142
Management and general	1,755,440			1,755,440	1,578,515
Fundraising	2,426,092			2,426,092	2,426,166
<b>Total expenditures</b>	<b>46,153,013</b>			<b>46,153,013</b>	<b>23,903,633</b>
<b>Increase (decrease) in net assets</b>	<b>3,578,423</b>	<b>(18,311,501)</b>	<b>1,395,538</b>	<b>(13,337,540)</b>	<b>40,082,424</b>
Net assets at the beginning of year	5,774,652	117,603,510	80,107,492	203,485,654	163,403,230
Transfer of net assets	(19,950)	1,799,680	(1,779,730)		
<b>NET ASSETS AT THE END OF YEAR</b>	<b>\$9,333,125</b>	<b>\$101,091,689</b>	<b>\$79,723,300</b>	<b>\$190,148,114</b>	<b>\$203,485,654</b>

See accompanying notes to financial statements.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### *1. Summary of Significant Accounting Policies and Basis of Presentation*

#### **Financial Presentation**

In June 2007, Stony Brook University (the University) adopted a financial statement format consistent with the State University of New York's (SUNY) audited financial statements. The University assumed this position in order to conform to GASB and FASB pronouncements. The University has relied on information provided by SUNY for the allocation of various net asset values not easily identified by the University.

#### **Reporting Entity**

For financial reporting purposes, the University is comprised of sectors which include the university centers of the main campus, Manhattan, and Southampton, health science centers (including hospitals), colleges and schools, central services and other affiliated entities determined to be includable in the University's financial reporting entity.

Inclusion in the entity is based primarily on the notion of financial accountability. Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, defines financial accountability in terms of a primary government (University) that is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officers appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Inclusion in the reporting entity is also required for legally separate, tax-exempt, affiliated organizations that (a) receive or hold economic resources that are significant to, and entirely or almost entirely for the direct benefit of, the primary government, its component units, or its constituents and (b) the primary government, or its component units, is entitled to, or can otherwise access, a majority of the economic resources received or held by the separate organization. As a result, the Stony Brook Foundation Inc. (the Foundation) is included in the University's reporting entity. The Foundation is presented as an aggregate component unit on financial statement pages 14 and 15 in the University's financial statements in accordance with display requirements prescribed by the Financial Accounting Standards Board (FASB). The financial activity was derived from financial statements of the Foundation for the years ended June 30, 2010 and 2009.

The Research Foundation of State University of New York at Stony Brook (Research Foundation) is a separate not-for-profit educational corporation that operates as the fiscal administrator for the majority of the University's sponsored programs. The programs include research, training, and public service activities of the State-operated campuses supported by sponsored funds other than State appropriations. The activity of the Research Foundation has been included in these financial statements using GASB measurements and recognition standards. The financial activity was derived from audited financial statements of the Research Foundation for the years ended June 30, 2010 and 2009.

The Faculty Student Association (FSA) is a campus-based, not-for-profit corporation, which as an independent contractor, operates, manages, and promotes educationally related services for the benefit of the campus community. Although a separate and independent legal entity, the FSA carries out operations which are integrally related to the University and, therefore, is included in the financial statements of the University. The financial data for the FSA was derived from individually audited financial statements for the years ended June 30, 2010 and 2009.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

The State University Construction Fund (Construction Fund) is a public benefit corporation that designs, constructs, reconstructs, and rehabilitates SUNY facilities to an approved master plan. It is a separate legal entity that carries out operations which are integrally related to SUNY, and its reporting components, and therefore, the financial activity related to the University's share of Construction Fund is included in the financial statements as of the Construction Fund's fiscal years ended March 31, 2010 and 2009. To report construction fund activities related to the University, certain methodologies are used by SUNY to allocate plant fund balances by campus.

The operations of certain related but independent organizations, i.e., clinical practice management plans, alumni association, and student associations, are not included in the accompanying financial statements as such organizations do not meet the definition for inclusion under GASB Statement Nos. 14 or 39.

The accompanying financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as prescribed by GASB.

The University applies all applicable pronouncements of the FASB issued on or before November 30, 1989, that do not conflict or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

The University adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expenses, the related assets or liabilities and note disclosures in the financial statements. The objective of this statement is to improve the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB expenses over a period that approximates the employees' years of service and provides information about actuarial accrued assets or liabilities associated with OPEB, and whether, and to what extent, funding progress is being made.

The University reports its financial statements as a special-purpose government engaged in business-type activities, as defined by GASB. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The financial statements of the University consist of a classified balance sheet and a statement of revenues, expenses, and changes in net assets, that distinguish between operating and nonoperating revenues and expenses.

The University's policy for defining operating activities in the statement of revenues, expenses, and changes in net assets are those that generally result from exchange transactions, i.e., the payments received for services and payments made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities and include the University's operating and capital appropriations from the State, federal appropriations, nonexchange receipts, net investment income, gifts, and interest expense.

Resources are classified for accounting and financial reporting purposes into the following four net asset categories:

### *Invested in capital assets, net of related debt:*

Capital assets, net of accumulated depreciation and amortization and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

### *Restricted – nonexpendable:*

Net assets subject to externally imposed conditions that require the University retain in perpetuity.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### *Restricted – expendable:*

Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.

### *Unrestricted, all other categories of net assets:*

Included in unrestricted net assets are amounts provided for specific use by the University's colleges, hospitals and clinics, and separate legal entities included in the University's reporting entity that are designated for those entities and, therefore, not available for other purposes.

The University has adopted a policy of generally utilizing restricted - expendable funds, when available, prior to unrestricted funds.

## Revenues

Revenues are recognized in the accounting period when earned. State appropriations are recognized when they are made legally available for expenditure. Revenues and expenditures arising from nonexchange transactions are recognized when all eligibility requirements, including time requirements, are met. Promises of private donations are recognized at fair value. Net patient service revenue for the hospitals is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Tuition and fees and auxiliary sales and service revenues are reported net of scholarship discounts and allowances. Auxiliary sales and service revenue classifications were reported net of the following scholarship discount and allowance amounts for the fiscal year (in thousands):

Residence halls	\$10,246
Food service	\$5,000
Other auxiliary	\$4,853

## Deferred Financing Costs

Deferred financing costs represent costs incurred for the issuance of bonds that are capitalized and amortized over the life of the related debt.

## Compensated Absences

Employees accrue annual leave based primarily on the number of years employed up to a maximum rate of 21 days per year up to a maximum of 40 days. The compensated absences liability at June 30, 2010, was \$50 million.

## Inventories

Inventories held by the University are primarily stated at the lower of cost or market value on a first-in, first-out basis.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### Fringe Benefits

Employee fringe benefit costs (e.g., health insurance, worker's compensation, retirement and post-retirement benefits) are paid by the State on behalf of the University (except for the University hospitals, which pay their own fringe benefit costs) at a fringe benefit rate determined by the State. The University records an expense and corresponding State appropriation revenue for fringe benefit costs based on the fringe benefit rate applied to total eligible personal service costs incurred.

### Tax Status

The University and the Construction Fund are political subdivisions of the State and are, therefore, generally exempt from federal and state income taxes under applicable federal and state statutes and regulations.

The Research Foundation and campus auxiliary services corporations are not-for-profit corporations as described in Section 501(c) (3) of the Internal Revenue Service Code and are tax-exempt on related income, pursuant to Section 501(a) of the code.

### Use of Estimates

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

### Reclassifications

Certain amounts displayed in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

## *2. Cash and Cash Equivalents*

Cash and cash equivalents are defined as current operating assets that include investments with original maturities of less than 90 days, except for cash and cash equivalents held in investment pools which are included in short-term and long-term investments in the accompanying balance sheet.

Cash held in the State treasury beyond immediate need is pooled with other State funds for investment purposes. The pooled balances are limited to legally stipulated investments which include obligations of, or are guaranteed by, the United States, obligations of the State and its political subdivisions, and repurchase agreements. These investments are reported at cost (which approximates fair value) and are held by the State's agent in its name on behalf of the University.

The New York State Comprehensive Annual Financial Report contains the GASB No. 40 risk disclosures for deposits held in the State treasury. Deposits not held in the State treasury that are not covered by depository insurance and are: (a) uncollateralized were \$9.3 million and (b) collateralized with securities held by a pledging financial institution were \$5.1 million at June 30, 2010.

## *3. Deposits with Trustees*

Deposits with trustees primarily represent Dormitory Authority of the State of New York (DASNY) bond proceeds needed to finance capital projects and to establish required building and equipment replacement and debt service reserves. Pursuant to financing agreements with DASNY, bond proceeds, including

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

interest income, are restricted for capital projects or debt service. Also included are non-bond proceeds which have been designated for capital projects and equipment.

### *4. Investments*

Investments of the University are recorded at fair value. Investment income is recorded on the accrual basis, and purchases and sales of investment securities are reflected on a trade date basis. Any net earnings not expended are included as increases in restricted – nonexpendable net assets if the terms of the gift require that such earnings be added to the principal of a permanent endowment fund, or as increases in restricted – expendable net assets as provided for under the terms of the gift, or as unrestricted.

Investments are comprised of investments of the Research Foundation and the auxiliary services corporations. The Research Foundation maintains a diverse investment portfolio and with respect to debt instruments, has a policy of investing in primarily high quality securities. Investments are held with the investment custodian in the Research Foundation's name. Investments at fiscal year end are \$50 million.

Investments of the auxiliary services corporations were derived from the audited financial statements. The composition of investments at fiscal year end consists of non-equity investments of \$2.3 million and equity investments of \$4.7 million.

Generally, individual investment securities must be of investment grade. The University maintains a portfolio which possesses an overall weighted average rating by Moody's and Standard and Poor's (S&P) of at least A. Private placement securities must be rated A3 or higher by Moody's or A- or higher by S&P. Parameters exist that allow some limited investments in non-investment grade; however, investments rated below B3 by Moody's or B- by S&P are prohibited. Policies are in place that limit fixed income investment duration within certain benchmarks and a highly diversified portfolio is maintained which limits interest rate risk exposure.

### *5. Accounts, Notes, and Loans Receivable*

At June 30, 2010, accounts, notes, and loans receivables were summarized as follows (in thousands):

	2010	2009
Tuition and fees	\$3,365	\$3,089
Allowance for uncollectible	(693)	(671)
<b>Net tuition and fees</b>	<b>2,672</b>	<b>2,418</b>
Room rent	589	627
Allowance for uncollectible	(186)	(198)
<b>Net room rent</b>	<b>403</b>	<b>429</b>
Patient fees, net of contractual allowances	304,874	344,167
Allowance for uncollectible	(103,130)	(117,765)
<b>Net patient fees</b>	<b>201,744</b>	<b>226,402</b>
<b>Other, net</b>	<b>19,108</b>	<b>39,871</b>
<b>Total accounts receivable and notes receivable</b>	<b>223,927</b>	<b>269,120</b>
Student loans	8,500	8,268
Allowance for uncollectible	(1,292)	(1,175)
<b>Total student loans receivable</b>	<b>7,208</b>	<b>7,093</b>
<b>TOTAL, NET</b>	<b>\$231,135</b>	<b>\$276,213</b>

## ANNUAL FINANCIAL REPORT

### NOTES TO FINANCIAL STATEMENTS

### 6. Capital Assets

Capital assets are stated at cost, or in the case of gifts, fair value at the date of receipt. Building renovations and additions costing more than \$100,000 and equipment items with a unit cost of more than \$5,000 are capitalized. Equipment under capital leases are stated at the present value of minimum lease payments at the inception of the lease. Interest during the construction of capital projects is capitalized. With the exception of land, construction in progress, and inexhaustible works of art, capital assets are depreciated on a straight-line basis over their estimated useful lives, using historical and industry experience, ranging from three to 50 years.

Capital assets, net of accumulated depreciation, totaled \$1.3 billion. Capital asset activity during the year is reflected in the table below (in thousands). Closed projects and retirements represent capital assets retired and assets transferred from construction in progress for projects completed and the related capital assets placed in service.

	JUNE 30 2008	ADDITIONS	RETIREMENTS	JUNE 30 2009	ADDITIONS	RETIREMENTS	JUNE 30 2010
Land	\$46,197			\$46,197	\$28,146		\$74,343
Infrastructure and land improvements	70,865	9,934	1,403	79,396	10,296	\$1,371	88,321
Buildings	1,073,031	31,097	4,537	1,099,591	225,946	6,355	1,319,182
Equipment, library books, and artwork	455,730	51,432	20,977	486,185	35,159	46,458	474,886
Construction in progress	240,588	149,139	51,201	338,526	179,402	273,846	244,082
<b>Total Capital Assets</b>	<b>1,886,411</b>	<b>241,602</b>	<b>78,118</b>	<b>2,049,895</b>	<b>478,949</b>	<b>328,030</b>	<b>2,200,814</b>
Less: accumulated depreciation:							
Infrastructure and land improvements	50,413	2,482	1,403	51,492	2,966	1,372	53,086
Buildings	510,177	26,755	4,236	532,696	33,068	5,762	560,002
Equipment, library books, and artwork	293,562	47,585	18,605	322,542	50,910	43,281	330,171
<b>Total accumulated depreciation</b>	<b>854,152</b>	<b>76,822</b>	<b>24,244</b>	<b>906,730</b>	<b>86,944</b>	<b>50,415</b>	<b>943,259</b>
<b>CAPITAL ASSETS, NET</b>	<b>\$1,032,259</b>	<b>\$164,780</b>	<b>\$53,874</b>	<b>\$1,143,165</b>	<b>\$392,005</b>	<b>\$277,615</b>	<b>\$1,257,555</b>

### 7. Long-term Liabilities

The University has entered into capital leases and other financing agreements with DASNY to finance most of its capital facilities. The University has also entered into financing arrangements with the New York Power Authority under the statewide energy services program. Equipment purchases are also made through DASNY's Tax-exempt Equipment Leasing Program (TELP), various state sponsored equipment leasing programs, or private financing arrangements. At June 30, 2010, other than facilities obligations, which are included as of March 31, 2010, total obligations are summarized in the following table (in thousands).

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

	JUNE 30, 2008	ADDITIONS	REDUCTIONS	JUNE 30, 2009	ADDITIONS	REDUCTIONS	JUNE 30, 2010	CURRENT PORTION
Long-term Debt:								
Educational Facilities	\$447,052	\$49,761	\$16,697	\$480,116	\$90,815	\$17,124	\$553,807	\$21,675
Residence Hall Facilities	186,978	24,195	7,192	203,981	13,972	7,457	210,496	8,022
Capital Leases	93,050		27,562	65,488	15,530	20,736	60,282	15,960
Other long-term debt - ESDC	21,165	13,186	11,507	22,844	648	6,837	16,655	6,832
<b>Total long-term debt</b>	<b>748,245</b>	<b>87,142</b>	<b>62,958</b>	<b>772,429</b>	<b>120,965</b>	<b>52,154</b>	<b>841,240</b>	<b>52,489</b>
Other Long term Liabilities:								
Compensated Absences	342,706	203,782	122,556	423,932	206,743	89,838	540,837	43,879
Loan from State	50,767	645	11,709	39,703	98	11,709	28,092	7,800
Litigation	51,910	33,900	20,710	65,100	48,879	5,450	108,529	19,199
Other long-term liabilities	2,002	725	85	2,642	21	106	2,557	106
<b>Total other long-term liabilities</b>	<b>447,385</b>	<b>239,052</b>	<b>155,060</b>	<b>531,377</b>	<b>255,741</b>	<b>107,103</b>	<b>680,015</b>	<b>70,984</b>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$1,195,630</b>	<b>\$326,194</b>	<b>\$218,018</b>	<b>\$1,303,806</b>	<b>\$376,706</b>	<b>\$159,257</b>	<b>\$1,521,255</b>	<b>\$123,473</b>

### Educational Facilities

The University, through DASNY, has entered into financing agreements to finance various educational facilities which have a maximum 30-year life. Athletic facility debt is aggregated with educational facility debt. Debt service is paid by, or from specific appropriations of, the State. During the year, Personal Income Tax Revenue Bonds (PIT) were issued for the purpose of financing capital construction and major rehabilitation for educational facilities in the amount of \$91 million.

### Residence Hall Facilities

The University has entered into capital lease agreements for residence hall facilities. DASNY bonds for residence hall facilities, which have a maximum 30-year life, are repaid from room rentals and other residence hall revenues. Upon repayment of the bonds, including interest thereon, and the satisfaction of all other obligations under the lease agreements, DASNY shall convey to the University all rights, title, and interest in the assets financed by the capital lease agreements. Residence hall facilities revenue realized during the year from facilities from which there are bonds outstanding is pledged as a security for debt service and is assigned to DASNY to the extent required for debt service purposes. Any excess funds pledged to DASNY are available for residence hall capital and operating purposes.

During the year, the University entered into agreements with DASNY to issue residential hall facility obligations totaling \$14 million for the purpose of financing capital construction and major rehabilitation for residential hall facilities.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

In prior years, the University defeased various obligations, whereby proceeds of new obligations were placed in an irrevocable trust to provide for all future debt service payments on the defeased obligations. Accordingly, the trust account assets and liabilities for the defeased obligations are not included in the University's financial statements.

### Capital Lease Arrangements

The University leases equipment under DASNY TELP, New York State Personal Income Tax Revenue Bonds, certificates of participation (COPs), vendor financing, or through statewide lease purchase agreements. The University is responsible for lease debt service payments sufficient to cover the interest and principal amounts due under these arrangements.

### Loan - State STIP Pool

In prior years, the University experienced operating cash-flow deficits precipitated by cash-flow difficulties experienced by the Hospital. In connection with these cash-flow deficits, as authorized by State Finance Law, the University borrowed funds with interest from the short-term investment pool of the State. The amount outstanding under this borrowing from the State at June 30, 2010, was \$28.1 million. During the year, \$11.7 million was paid on these loans. The University incurred an interest cost of \$98,000 at an average interest rate of 0.33 percent.

## *8. Retirement*

### Retirement Benefits

There are three major retirement plans for University state employees. The New York State and Local Employees' Retirement System (ERS), the New York State Teachers' Retirement System (TRS), and the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF). ERS is a cost-sharing, multiple-employer, defined benefit public plan administered by the State Comptroller. TRS is a cost-sharing, multiple-employer, defined benefit public plan separately administered by a nine-member board. TIAA/CREF is a multiple-employer, defined contribution plan administered by separate boards of trustees. Substantially all full-time employees participate in the plans.

Obligations of employers and employees to contribute, and related benefits, are governed by the New York State Retirement and Social Security Law (NYSRSSL) and Education Law. These plans offer a wide range of programs and benefits. ERS and TRS benefits are related to years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. TIAA/CREF is a State University Optional Retirement Program (ORP) and offers benefits through annuity contracts.

ERS and TRS provide retirement benefits as well as death and disability benefits. Benefits generally vest after five years of credited service.

The NYSRSSL provides that all participants in ERS and TRS are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Employees who joined ERS and TRS after July 27, 1976, and have less than ten years of service or membership are required to contribute 3 percent of their salary. Employee contributions are deducted from their salaries and remitted on a current basis to ERS and TRS.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

TIAA/CREF provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. TIAA/CREF is contributory for employees who joined after July 27, 1976, who contribute 3 percent of their salary. Employer contributions range from 8 percent to 15 percent depending upon when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to TIAA/CREF. The employer contributions are equal to 100 percent of the required contributions under each of the respective plans.

The Research Foundation maintains a separate non-contributory plan through TIAA/CREF for substantially all of its employees. Employees become fully vested in contributions made by the Research Foundation after three years of service, which are allocated to individual employee accounts. Employer contributions are based on a percentage of regular salary and range from 8 percent to 15 percent.

### Post-employment and Post-retirement Benefits

The State, on behalf of the University, provides health insurance coverage for eligible retired University state employees and their spouses as part of the New York State Health Insurance Plan (NYSHIP). NYSHIP offers comprehensive benefits through various providers consisting of hospital, medical, mental health, substance abuse, and prescription drug programs. The State administers NYSHIP and has the authority to establish and amend the benefit provisions offered. NYSHIP is considered an agent multiple-employer defined benefit plan, is not a separate entity or trust, and does not issue stand-alone financial statements. The University, as a participant in the plan, recognizes OPEB expenses on an accrual basis.

Employee contribution rates for NYSHIP are established by the State and are generally 10 percent for enrollee coverage and 25 percent for dependent coverage. NYSHIP premiums are being financed on a pay-as-you-go basis. During the fiscal year, the State, on behalf of the University, paid health insurance premiums of \$38.5 million. The University's annual OPEB cost and increase in the OPEB obligation, relating to its state employees, for the year ended June 30, 2010, is as follows (in thousands):

Annual required contribution and annual OPEB cost	\$139,182
Benefits paid during year	38,536
<b>Increase in OPEB Obligation</b>	<b>100,646</b>
Net obligation at beginning of year	311,828
<b>NET OBLIGATION AT END OF YEAR</b>	<b>\$412,474</b>

The initial unfunded actuarial accrued liability is being amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The actuarial valuation utilizes a frozen entry age actuarial cost method. The actuarial assumptions include a 4.2 percent discount rate, payroll growth rate of 3.5 percent, and an annual healthcare cost trend rate for medical coverage of 10 percent initially, reduced by decrements to a rate of 5 percent after six years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined results are subject to continual revision as actual results are compared to past expectations and new estimates are made in the future. The actuarial methods and assumptions used are designed to reduce short-term volatility in reported amounts and reflect a long-term perspective.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

The Research Foundation sponsors a separate single employer defined benefit post-retirement plan (Plan) that provides health insurance and medical benefits that covers substantially all non-student Research Foundation employees. The Research Foundation Board of Directors administers the plan and has the authority to establish and amend the benefit provisions offered. Contribution rates for employees hired after 1985 are 10 percent for employee coverage, and 25 percent for dependent coverage. Contributions by the Research Foundation are made pursuant to a funding policy established by its Board of Directors. In 2009, a separate legal trust was established and the assets held in the trust are considered Plan assets in determining the funding status of the Plan. The Research Foundation post-retirement obligation for the year ended June 30, 2010, was \$ 69.5 million.

### *9. Commitments*

The University has entered into contracts for the construction and improvement of various projects. The University is also committed under numerous operating leases covering real property and equipment. Rental expenditures reported for the year under such operating leases were approximately \$8.2 million. The following is a summary of the future minimum rental commitments under non-cancelable real property and equipment leases with terms exceeding one year (in thousands).

<b>YEARS ENDING JUNE 30,</b>	
2011	\$5,756
2012	5,232
2013	4,274
2014	4,070
2015	1,906
2016-20	3,987
2021-25	24
<b>TOTAL</b>	<b>\$25,249</b>

### *10. Contingencies*

The State is contingently liable in connection with claims and other legal actions involving the University, including those currently in litigation arising in the normal course of University activities. The University does not carry malpractice insurance and, instead, administers these types of cases in the same manner as all other claims against the State involving University activities in that any settlements of judgments and claims are paid by the State from an account established for this purpose. With respect to pending and threatened litigation, the University has recorded a liability and a corresponding appropriation receivable of approximately \$108.5 million at June 30, 2010, for hospitals and clinics unfavorable judgments, both anticipated and awarded but not yet paid.

Gyrodyne Company of America Inc. (Gyrodyne) is a real estate trust based in St James, New York. In 2005 the University claimed, by eminent domain, approximately 245 acres of land owned by Gyrodyne who is challenging the amount of compensation (\$26.3 million) they received from SUNY. The compensation

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

amount was based on an appraisal SUNY commissioned. Gyrodyne also sought their own appraisal which valued the property at \$125 million. In June 2010, the Court of Claims issued an opinion requiring SUNY to pay Gyrodyne an additional \$98.7 million for the land. SUNY is currently perfecting its appeal for this case and at this time the potential outcome cannot be determined. Because a reasonable estimate of the ultimate outcome cannot be determined, the University has not recorded any activity related to the recent ruling in the accompanying financial statements.

The University is exposed to various risks of loss related to damage and destruction of assets, injuries to employees, damage to the environment or noncompliance with environmental requirements, and natural and other unforeseen disasters. The University has insurance coverage for its residence hall facilities. However, in general, the University does not insure its educational buildings, contents or related risks and does not insure its vehicles and equipment for claims and assessments arising from bodily injury, property damages, and other perils. Unfavorable judgments, claims, or losses incurred by the University are covered by the State on a self-insured basis. The State does have fidelity insurance on State employees.

### *11. Related Parties*

The University's single largest source of revenue is State appropriations, which represents approximately 25 percent of total revenues for the fiscal year. The State University is dependent on this appropriation to carry on its operations.

### *12. Federal Grants and Contracts and Third-Party Reimbursement*

Substantially all federal grants and contracts are subject to financial and compliance audits by the grantor agencies of the federal government. Disallowances, if any, as a result of these audits may become liabilities of the University. University management believes that no material disallowances will result from audits by the grantor agencies.

The University's hospitals have agreements with third-party payors, which provide for reimbursement to the hospitals at amounts different from their established charges. Contractual service allowances and discounts (reflected through the University hospitals and clinics sales and services) represent the difference between the hospitals' established rates and amounts reimbursed by third-party payors. The University has made provision in the accompanying financial statements for estimated retroactive adjustments relating to third-party payors cost reimbursement items.

### *13. Subsequent Events*

In September 2010, SUNY entered into agreements with DASNY to issue obligations totaling \$128.3 million for the purpose of financing capital construction and major rehabilitation for residential hall facilities. Stony Brook's share of these obligations is estimated at \$3.1 million.

In October 2010, the State of New York reduced the 2010-11 State appropriated support to SUNY by \$23 million of which the University's share is approximately \$3.3 million. The University's financial position may be affected by these reductions.

### *14. Foundations*

Discretely presented component unit information is comprised principally of the campus-related Foundation. The Foundation is a not-for-profit organization responsible for the fiscal administration of

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

revenues and support received for the promotion, development and advancement of the welfare of its campus, its students, faculty, staff and alumni. The Foundation receives the majority of its support and revenues through contributions, gifts and grants and provide benefits to the campus, students, faculty, staff and alumni.

The Foundation is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. All of the financial data for the organization was derived from its individual financial statements, reported in accordance with generally accepted accounting principles promulgated by FASB, as of the June 30 fiscal year end.

During the year, the foundation distributed \$4.5 million to the University, principally for scholarships.

### Net Asset Classifications

Unrestricted net assets represent resources whose uses are not restricted by donor-imposed stipulations and are generally available for the support of the University campus and Foundation programs and activities. Temporarily restricted net assets represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or are removed by specific actions. Permanently restricted net assets represent resources that donors have stipulated must be maintained permanently. The income derived from the permanently restricted net assets is permitted to be spent in part or in whole, restricted only by the donors' wishes.

### Investments

All investments with readily determinable fair values have been reported in the financial statements at fair value. Realized and unrealized gains and losses are recognized in the statement of activities. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investments of the Foundation were \$133 million as of June 30, 2010.

### Capital Assets

Capital assets are stated at cost, if purchased, or fair value at date of receipt, if acquired by gift. Land improvements, buildings, and equipment are depreciated over their estimated useful lives using the straight-line method. Capital assets, net of accumulated depreciation, totaled \$11.7 million as of June 30, 2010. Capital asset classifications are summarized as follows (in thousands):

Land and land improvements	\$ 3.3
Buildings	5.9
Equipment	5.7
Artwork and library books	2.8
<b>Total capital assets</b>	<b>17.7</b>
Less accumulated depreciation	6.0
<b>CAPITAL ASSETS, NET</b>	<b>\$11.7</b>

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### Long-term Debt

In November 1999, the Foundation through an underwriter, issued a 20-year Town of Brookhaven Industrial Development Agency bond for \$3,300,000 for the purpose of developing a day care center. The bond payable bears interest at 6.50% through November 1, 2020. The bond payable is secured by a first mortgage on the project facility and a corporate guarantee by the Foundation. The financing was interest only for the first 12 months followed by 20 years of a self-amortizing debt service schedule. Principal payments began November 2001 and are to be paid annually. There are no financial covenants attached to the financing.

The Foundation incurred \$174,875 in bond issuance costs, which are being amortized over the life of the bond. Accumulated amortization amounted to \$96,181 and \$87,438 at June 30, 2010 and 2009, respectively. At June 30, 2010, future principal payments on the bond are as follows (in thousands):

<b>YEARS ENDING JUNE 30,</b>	
2011	\$150
2012	160
2013	170
2014	180
2015	190
Thereafter	1,435
<b>TOTAL</b>	<b>\$2,285</b>



