

# Stony Brook University

ANNUAL FINANCIAL REPORT | 2010-2011



Stony Brook **University**





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Stony Brook is one of the most selective public institutions in the prestigious Association of American Universities.



Stony Brook University faculty mentored a record eight of the 40 high school finalists, including the first place winner, in the prestigious 2012 Intel Science Talent Search.



For the second consecutive year Stony Brook Medicine has received the American Heart Association/American Stroke Association's Get With The Guidelines® Stroke Gold Plus Performance Achievement Award.

## Stony Brook University: On a Trajectory of Excellence

STONY BROOK IS A NATIONAL LEADER IN HIGHER EDUCATION AND RANKED AMONG THE TOP 1 PERCENT OF THE WORLD'S UNIVERSITIES by the London *Times Higher Education World University Rankings*. Thanks to New York State's renewed financial commitment and a comprehensive long-range internal initiative, the University is now poised to achieve even greater academic prominence and student success.

### Project 50 Forward

Project 50 Forward is a far-reaching initiative designed to elevate Stony Brook University into the upper echelon of American public research universities, add value to a Stony Brook degree and set us on a trajectory of excellence.

This comprehensive plan will help enhance Stony Brook's fundamental teaching, research and service missions, while building a platform to support the future growth of the University and strengthen our role in the economic renewal of New York State. It focuses on every facet of University operations — streamlining procedures, reining in costs, creating new revenue streams and taking advantage of every opportunity to strengthen our faculty and support our students.

The three principal missions of Project 50 Forward are Operational Excellence, which is seeking ways to optimize support for students, faculty and staff to advance the educational and research mission of the University; Academic Greatness, which is being achieved through implementation of a Strategic Plan; and Building for the Future, which is being implemented through the development of a Facilities Master Plan, designed to accommodate Stony Brook's continued growth and prominence.

Through Project 50 Forward, we will create a more efficient, more effective Stony Brook University — an exceptional research institution of higher learning that will propel our students and our community, setting a new standard for the next 50 years and beyond.

### Notable Faculty Achievements

John Milnor, PhD, professor of mathematics and co-director of the Institute for Mathematical Sciences, has been awarded this year's Abel Prize "for pioneering discoveries in topology, geometry and algebra." This award, the mathematical equivalent of the Nobel Prize, "recognizes contributions of extraordinary depth and influence to the mathematical sciences." The prize comes with a monetary award of approximately \$1 million.

In making the announcement, the Norwegian Academy of Science and Letters noted that “John Milnor’s profound ideas and fundamental discoveries have largely shaped the mathematical landscape for the second half of the 20th century. All of Milnor’s work displays features of great research: profound insights, vivid imagination, striking surprises and supreme beauty.”

Benjamin Luft, MD, professor of medicine, and a team of medical researchers have determined the genetic blueprint of 13 strains of the bacteria that cause Lyme disease. The finding is crucial to advancing research on Lyme disease, the most frequent tick-borne infection in North America and Europe, and may lead to better diagnostics and a vaccine. Dr. Luft presented the research results in October at the Institute of Medicine, an arm of the National Academy of Sciences, in Washington, D.C.

Yi-Xian Qin, PhD, professor of biomedical engineering, orthopedics and biophysics has been elected into the American Institute for Medical and Biological Engineering’s College of Fellows. Recipients of this honor, considered one of the highest in the biomedical engineering discipline, are chosen for their outstanding achievements in medical and biological engineering.

Dr. Qin was elected into the College of Fellows “for his work in orthopedic biomechanics, which has provided unique insights into the mechanical control of bone repair and remodeling, as well as noninvasive diagnosis of bone diseases.” He has developed a new form of ultrasound that assesses multiple parameters of hard tissue like bone. This technology, called SCAN (Scanning Confocal Acoustic Navigation), is more advanced than existing ultrasound in that it assesses bone parameters beyond mineral density. SCAN enables researchers to identify weak regions in bone and thus is an emerging technology that may assist in bone healing and prediction of fractures. The technology also has the potential as a diagnostic for the prediction of early bone loss, a hallmark of osteoporosis, a disease that affects millions worldwide.

Vincent W. Yang, MD, PhD, has joined the School of Medicine as Chair of the Department of Medicine. A nationally recognized physician-scientist and gastrointestinal cancer investigator, Dr. Yang comes to Stony Brook from Emory University, where he was the R. Bruce Logue Professor of Medicine and Director of the Division of Digestive Diseases. He oversees the largest department within the School of Medicine that includes a broad residency training program and nine clinical divisions including Cardiology, Endocrinology, Gastroenterology, General Internal Medicine and Geriatrics, Oncology/Hematology, Infectious Disease, Nephrology, Pulmonology and Critical Care, and Rheumatology/Immunology.

Dr. Yang has been elected to the two most prestigious honor societies devoted to clinical investigation in the United States — the American Society for Clinical Investigation and the Association of American Physicians. A recipient of numerous



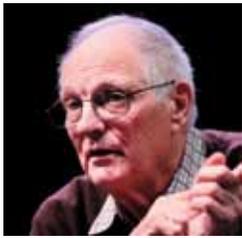
Stony Brook’s Department of Chemistry was designated a National Historic Chemical Landmark by the American Chemical Society to commemorate Paul Lauterbur’s discovery of the scientific basis of MRI.



Xiaflex®, a drug developed by researchers in the Department of Orthopaedics, is the first FDA-approved treatment for Dupuytren’s contracture, a debilitating hand disorder affecting millions.



New York magazine’s 2011 “Best Doctors” issue features 18 full-time and voluntary physicians from Stony Brook Medicine.



Alan Alda joined forces with the Stony Brook University School of Journalism to create the Center for Communicating Science, dedicated to training scientists in effective communication.



Seawolves won 2011 Big South Football Championship for their first appearance in the NCAA Division I Football Championship tournament.



For the first time in school history, the Seawolves basketball team travelled to Europe, playing exhibition games in Dublin, London and Paris.

awards, he was one of the first to receive the Georgia Cancer Coalition Distinguished Cancer Clinician Scientist Award in 2001. Previously, he received a Sandoz Clinician Scientist Award from The Johns Hopkins University School of Medicine, the American Gastroenterology Association/Sandoz Research Scholar Award and Robert Wood Johnson Medical School Distinguished Alumni Award.

### Stony Brook Long Island Children’s Hospital Grows

Stony Brook Long Island Children’s Hospital (Stony Brook Children’s) enjoyed a growth spurt as it marked its first year as Suffolk County’s only children’s hospital. The Pediatric Emergency Department saw substantial growth in patient volume over that of the prior year and its child-friendly waiting room was named Stony Brook Hospital Auxiliary Waiting Room in recognition of the Auxiliary’s generous gift of \$250,000. Stony Brook Children’s also unveiled the first-ever all-private-room Neonatal Intensive Care Unit (NICU) in New York. Within the new NICU, the Pelletier and DeCristofaro families have been recognized for their support of Stony Brook Children’s through the naming of the unit’s conference room.

News of Stony Brook Children’s helped recruit additional board-certified pediatric specialists from around the country, and there was a \$1 million commitment from an anonymous donor and a related pledge to match all donations to Stony Brook Children’s up to \$9 million. This transformative gift is dedicated to designing child- and family-centered facilities along with programs that promote healing and minimize the trauma of hospital stays.

### A Strong Commitment To Athletic Strength

Last year the Stony Brook Seawolves won regular-season or conference championships in women’s cross country, baseball, men’s lacrosse, and football, with men’s basketball reaching the America East Championship for the first time ever. In all, we celebrated a record six championships, garnered nine All-American honors and had more than 200 honor roll student-athletes.

To help these student-athletes prepare for the rigors of Division I competition, Glenn Dubin ’78 and his wife Eva have made a donation of \$4.3 million to the Department of Athletics to complete a state-of-the-art strength and conditioning facility, the Dubin Family Athletic Performance Center. This remarkable gift is the largest private contribution to an athletics department in the history of SUNY.

“Glenn Dubin often speaks of the significant role that athletics played in his personal, educational and professional development,” said President Stanley when the gift was announced. “The Dubin Family Athletic Performance Center will reflect that sentiment and provide a world-class venue to support and train Stony Brook student-athletes for success in both athletic competition and in life.”

## LETTER TO THE PRESIDENT

March 1, 2012

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, 2011, 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 "Lyle P. Gomes". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

Lyle P. Gomes  
Interim Vice President for Finance

## 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*. 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 2011 Revenues</b>	<b>\$1.91 Billion</b>	<b>Research Awards</b>	<b>\$224.70 Million</b>
<b>Fiscal 2011 Expenditures</b>	<b>\$1.98 Billion</b>	<b>Foundation Revenue</b>	<b>\$42.55 Million</b>

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

Tuition and Fees	\$143.5
State Appropriations	419.6
Federal Grants	158.3
State, Local and Private Grants, and Other	76.1
Auxiliary Services	101.6
Hospital	898.2
Nonoperating	113.8

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

Federal	\$150.5
Philanthropic (Private)	17.2
State and Local	13.9
Other	43.1

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

Gifts and Gifts-in-Kind	\$23.5
Other	19.1
Net Assets-Endowment	110.3
Total Net Assets	190.3
Endowment Rate of Return	10.4%

## 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)	13,522
Academic	3,281
Non-Academic	4,559
Hospital	5,682
Average Monthly Payroll	\$73.4 million

### Student Enrollment *(Fall 2011)*

Total Student Enrollment	24,208
<i>Undergraduate</i>	
Total Undergraduate Students	16,073
West Campus	14,958
HSC Campus	1,115
High School GPA Percent	92
Average SAT Score	1230
<i>Graduate and Advanced Degrees</i>	
Total Graduate Students	8,135
West Campus	5,883
HSC Campus	2,252

### Tuition and Fees *(Fall 2011)*

<i>Undergraduate and Graduate</i>	
Undergraduate NYS	\$8,309
Undergraduate Nonresident	17,759
Graduate NYS	11,289
Graduate Nonresident	17,579
Graduate MBA NYS	12,629
Graduate MBA Nonresident	19,069

<i>HSC Professional</i>	
Medical NYS	\$29,861
Medical Nonresident	56,421
Dental NYS	32,984
Dental Nonresident	61,664
Physical Therapy NYS	18,915
Physical Therapy Nonresident	31,745

### Other Facts

- ★ Stony Brook University has been cited as the 78th ranked University in the world out of 200 top universities by *Times Higher Education* magazine's 2010-11 World University Rankings.
- ★ In an analysis of more than 1,300 human breast tissue samples, a team of Stony Brook University School of Medicine researchers discovered a possible role of the squamous cell carcinoma antigen (SCCA) in the progression of breast cancer.
- ★ Stony Brook University Medical Center has been ranked 10th in the greater New York metropolitan market in *U.S. News & World Report's* first-ever Best Hospitals metro area rankings.
- ★ Alfredo Fontanini, M.D., Ph.D., an Assistant Professor of Neurobiology and Behavior at Stony Brook University, has been named by President Obama as a recipient of the Presidential Early Career Award for Scientists and Engineers (PECASE), the highest honor given by the United States government to science and engineering professionals in the early stages of their independent research careers.
- ★ Stony Brook graduates rank among the highest in the nation when it comes to earnings potential, according to the PayScale 2010 College Salary Report.
- ★ Stony Brook University Medical Center's Carol M. Baldwin Breast Care Center has been designated a Breast Imaging Center of Excellence by the American College of Radiology (ACR).

## FINANCIAL HIGHLIGHTS

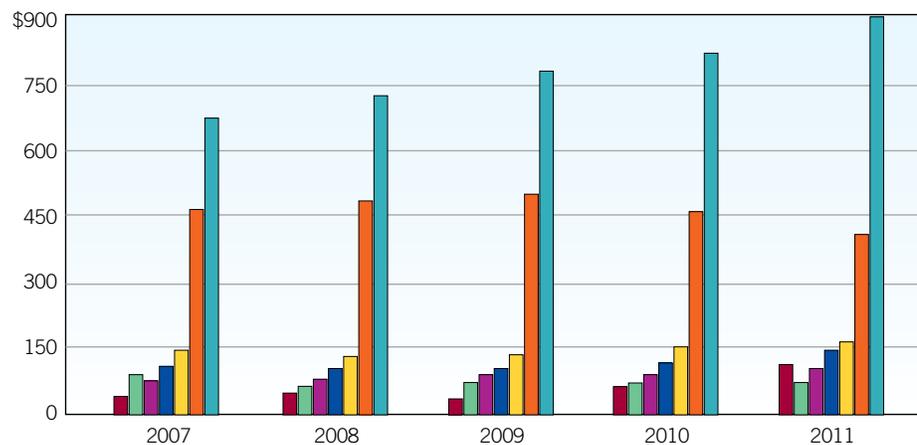
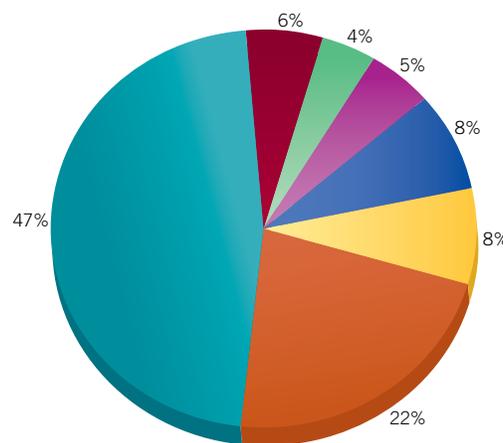
### Revenue Results

Total revenues were \$1,911,155,059 and \$1,839,837,935 for the 2011 and 2010 fiscal years, respectively. The \$71 million increase of revenue in 2011 is the result of the following:

- ★ Hospital revenues exceeded 2010 by \$49 million due to increased occupancy and patient rates.
- ★ Nonoperating revenues increased by \$42 million due to capital gifts and Research Foundation funded post-retirement income of \$32 million and \$10 million respectively.
- ★ Tuition and fee revenues exceeded 2010 by \$10 million to offset the reduction in state appropriations.
- ★ State appropriations for the direct support of operations and indirect costs (i.e., debt service, fringe benefits) decreased \$30 million from 2010 appropriations.

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

### 2011 Revenues



	2007	2008	2009	2010	2011
Nonoperating	\$50,052,797	\$53,255,451	\$30,489,358	\$70,427,537	\$113,828,679
State, local, and private grants and contracts, and other	92,549,922	73,423,589	77,422,766	87,564,042	76,071,298
Auxiliary enterprises	78,131,947	89,308,775	98,426,016	96,372,834	101,567,914
Tuition and fees	99,504,252	107,684,274	117,510,194	133,596,787	143,507,337
Federal grants and contracts	147,381,212	129,278,710	131,135,562	151,785,805	158,315,802
State appropriations	457,298,911	462,596,126	488,541,209	450,143,611	419,640,532
Hospital and clinics	723,389,839	739,835,861	802,132,418	849,947,319	898,223,497

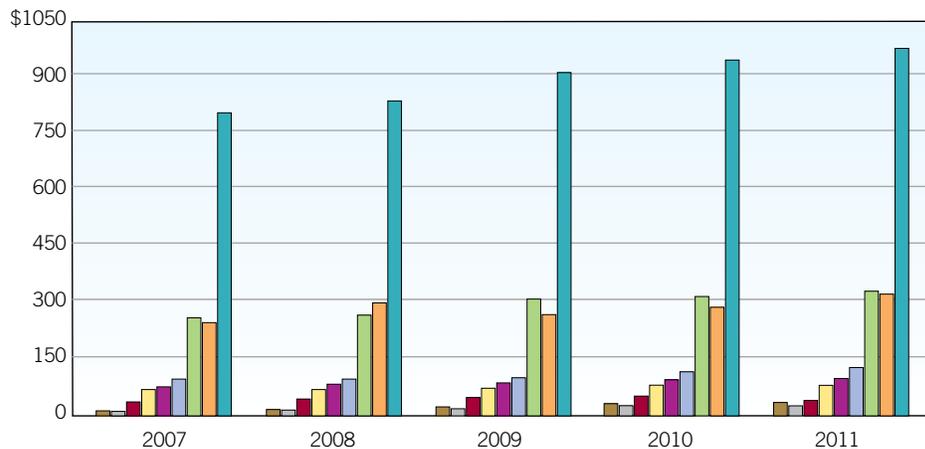
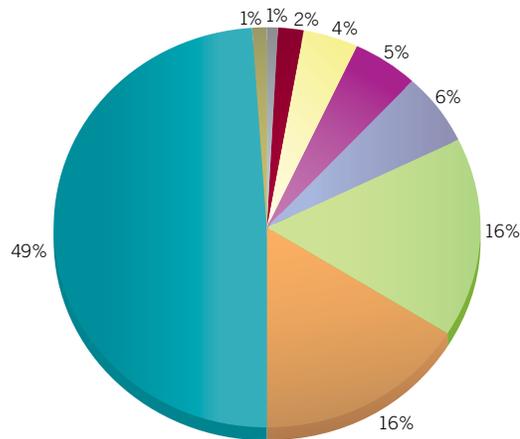
## Expenditure Results

Total expenses for 2011 and 2010 were \$1,981,367,549 and \$1,906,633,752, respectively. The \$75 million expenditure increase is attributable to the following:

- ★ Hospital and clinic expenditures exceeded 2010 expenses by \$40 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 \$32 million greater than 2010 expenditures.
- ★ Instruction and education expenditures were \$11 million in excess of 2010.
- ★ Operating and nonoperating expenses for the Research Foundation post employment costs decreased by \$8 million in 2011.

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

## 2011 Expenditures



	2007	2008	2009	2010	2011
Public Service	\$15,942,266	\$17,982,163	\$21,331,555	\$27,367,360	\$29,023,711
Scholarships and Fellowships	13,015,421	13,057,477	14,851,029	20,794,791	18,693,878
Nonoperating	36,975,835	47,734,087	47,185,611	53,307,799	39,509,259
Depreciation Expense	68,846,789	72,392,368	77,025,976	87,140,700	83,225,026
Auxiliary Enterprises	75,367,971	92,596,325	99,215,943	96,168,779	97,453,164
Research	95,229,591	96,307,112	101,958,550	113,210,691	120,766,424
Instruction	273,373,202	277,869,390	300,623,855	306,374,323	317,565,132
Support Services	250,962,785	292,176,604	263,158,373	280,628,723	313,585,538
Hospital and Clinics	783,512,836	804,788,005	898,436,550	921,640,586	961,545,417

# ANNUAL FINANCIAL REPORT

## STONY BROOK UNIVERSITY BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2011	2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$276,181,606	\$284,635,429
Short-term investments	40,638,308	45,012,821
Accounts, notes, and loans receivable, net	245,908,044	225,154,585
Interest receivable	26,768	43,670
Appropriations receivable	62,596,328	73,488,536
Grants receivable	35,630,452	41,476,708
Inventories	8,611,429	7,539,319
Other assets	9,896,667	9,522,867
<b>Total current assets</b>	<b>679,489,602</b>	<b>686,873,935</b>
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents	2,267,027	10,537,905
Deposits with trustees	29,073,230	46,383,910
Accounts, notes, and loans receivable, net	5,867,708	5,980,899
Appropriations receivable	102,693,129	89,330,175
Deferred financing costs	12,580,637	12,474,572
Long-term investments	18,616,172	12,013,196
Capital assets, net	1,322,742,103	1,257,555,401
<b>Total noncurrent assets</b>	<b>1,493,840,006</b>	<b>1,434,276,058</b>
<b>Total assets</b>	<b>2,173,329,608</b>	<b>2,121,149,993</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	176,035,718	190,374,989
Interest payable	5,169,758	5,333,333
Student deposits	2,452,416	2,422,573
Deposits held in custody for others	1,775,235	1,882,709
Deferred revenue	30,871,854	30,703,776
Long-term liabilities-current portion	124,981,392	123,472,953
Other liabilities	5,805,590	4,601,154
<b>Total current liabilities</b>	<b>347,091,963</b>	<b>358,791,487</b>
<b>Noncurrent Liabilities</b>		
Long-term liabilities	1,518,190,915	1,381,495,319
Refundable government loan funds	6,903,584	6,847,194
Other liabilities	3,514,645	6,175,002
<b>Total noncurrent liabilities</b>	<b>1,528,609,144</b>	<b>1,394,517,515</b>
<b>Total liabilities</b>	<b>1,875,701,107</b>	<b>1,753,309,002</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	528,568,800	473,014,724
Loans - restricted and expendable	767,065	760,799
Unrestricted	(231,707,364)	(105,934,532)
<b>Total net assets</b>	<b>297,628,501</b>	<b>367,840,991</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$2,173,329,608</b>	<b>\$2,121,149,993</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	
	2011	2010
<b>OPERATING REVENUES</b>		
Tuition and fees	\$193,915,658	\$184,618,110
Less: scholarship allowances	(50,408,321)	(51,021,323)
<b>Net tuition and fees</b>	<b>143,507,337</b>	<b>133,596,787</b>
Federal grants and contracts	158,315,802	151,785,805
State grants and contracts	12,253,408	28,895,082
Local grants and contracts	876,263	1,678,574
Private grants and contracts	46,341,165	41,440,478
University hospitals and clinics	898,223,497	849,947,319
Sales and services of auxiliary enterprises:		
Residence halls, net	52,856,661	49,397,993
Food service, net	19,586,109	19,462,400
Other auxiliary, net	29,125,144	27,512,441
Other operating	16,600,462	15,549,908
<b>Total operating revenues</b>	<b>1,377,685,848</b>	<b>1,319,266,787</b>
<b>OPERATING EXPENSES</b>		
Instruction	317,565,132	306,374,323
Research	120,766,424	113,210,691
Public service	29,023,711	27,367,360
Academic support	80,354,038	61,888,819
Student services	32,239,695	34,217,614
Institutional support	104,126,771	98,084,522
Operation and maintenance of plant	91,809,181	81,067,854
Scholarships and fellowships	18,693,878	20,794,791
Hospitals and clinics	961,545,417	921,640,586
Residence halls	47,973,312	48,182,199
Food service	20,689,751	21,293,148
Other auxiliary	28,790,101	26,693,432
Depreciation and amortization expense	83,225,026	87,140,700
Other operating	5,055,853	5,369,914
<b>Total operating expenditures</b>	<b>1,941,858,290</b>	<b>1,853,325,953</b>
<b>Operating loss</b>	<b>(564,172,442)</b>	<b>(534,059,166)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	419,640,532	450,143,611
Federal and State student financial aid	55,794,561	55,752,695
Investment income, net of investment fees	4,972,959	3,169,078
Net realized and unrealized gains	3,793,022	2,257,582
Gifts	1,668,641	3,130,833
Interest expense on capital related debt	(37,266,609)	(34,815,985)
Loss on disposal of plant assets	(2,242,650)	(3,257,543)
Other nonoperating revenues (expenses), net	9,542,910	(15,234,271)
<b>Net nonoperating revenues</b>	<b>455,903,366</b>	<b>461,146,000</b>
<b>Income (loss) before other revenues and gains</b>	<b>(108,269,076)</b>	<b>(72,913,166)</b>
Capital appropriations	80,529	135,418
Capital gifts and grants	37,976,057	5,981,931
<b>Increase (decrease) in net assets</b>	<b>(70,212,490)</b>	<b>(66,795,817)</b>
Net assets at the beginning of year	367,840,991	434,636,808
<b>NET ASSETS AT THE END OF YEAR</b>	<b>297,628,501</b>	<b>367,840,991</b>

See accompanying notes to financial statements.

# ANNUAL FINANCIAL REPORT

## STONY BROOK UNIVERSITY STATEMENT OF CASH FLOWS

	FOR THE YEARS ENDING JUNE 30	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$143,524,403	\$133,834,229
Federal grants and contracts	158,547,790	156,111,343
State and local grants and contracts	12,959,627	32,134,094
Private grants and contracts	47,236,394	44,605,859
University hospitals and clinics	833,231,929	828,423,553
Personal service payments	(824,381,014)	(794,416,376)
Other than personal service payments	(497,508,653)	(456,660,217)
Payments for fringe benefits	(170,804,372)	(161,493,398)
Payments for scholarships and fellowships	(11,071,307)	(20,316,725)
Loans issued to students	(879,983)	(1,478,861)
Collection of loans to students	1,009,080	1,188,858
Residence halls, net	52,849,895	49,615,129
Food service, net	19,802,780	19,867,816
Other auxiliary, net	26,701,949	26,132,720
Other operating	13,724,408	19,525,751
<b>Net cash used by operating activities</b>	<b>(195,057,074)</b>	<b>(122,926,225)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
<b>State appropriations:</b>		
Operations	220,891,794	206,656,489
Debt service	30,981,857	36,481,980
Federal and State student financial aid grants	55,166,740	55,752,695
Private gifts and grants	1,668,641	3,130,833
Repayment of short-term loans	(3,909,460)	(7,800,000)
Other receipts	4,339,610	
<b>Net cash flows provided by noncapital financing activities</b>	<b>309,139,182</b>	<b>294,221,997</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	71,270,553	158,656,417
Capital appropriations	80,529	135,418
Capital grants and gifts received	5,754,346	1,490,439
Purchases of capital assets	(21,234,746)	(30,213,033)
Payments to contractors	(112,563,247)	(180,887,162)
Principal paid on capital debt and leases	(60,224,533)	(52,154,628)
Interest paid on capital debt and leases	(37,266,609)	(34,115,048)
Deposits with trustees	17,310,680	32,175,204
Other receipts (payments)	(338,804)	(923,696)
<b>Net cash used by capital and related financing activities</b>	<b>(137,211,831)</b>	<b>(105,836,089)</b>

See accompanying notes to financial statements.

# ANNUAL FINANCIAL REPORT

## STONY BROOK UNIVERSITY STATEMENT OF CASH FLOWS

	<b>FOR THE YEARS ENDING JUNE 30</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	\$6,004,002	\$3,490,412
Interest, dividends, and realized gains on investments	942,380	3,279,100
Purchases of investments	(541,360)	(961,410)
<b>Net cash provided (used) by investing activities</b>	<b>6,405,022</b>	<b>5,808,102</b>
<b>Net change in cash</b>	<b>(16,724,701)</b>	<b>71,267,785</b>
Cash - beginning of year	295,173,334	223,905,549
<b>Cash - end of year</b>	<b>278,448,633</b>	<b>295,173,334</b>
<b>END OF YEAR CASH COMPRISED OF</b>		
Cash and cash equivalents	276,181,606	284,635,429
Restricted cash and cash equivalents	2,267,027	10,537,905
<b>Total cash - end of year</b>	<b>278,448,633</b>	<b>295,173,334</b>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	(564,172,442)	(534,059,166)
<b>ADJUSTMENTS TO OPERATING LOSS</b>		
Depreciation and amortization expense	83,225,026	87,140,700
Fringe benefits and litigation costs provided by State	165,125,059	149,549,395
<b>CHANGE IN ASSETS AND LIABILITIES</b>		
Receivables, net	(18,510,585)	25,407,753
Inventories	(1,072,110)	(560,201)
Other assets	(375,316)	(2,713,823)
Accounts payable, accrued expenses, and other liabilities	141,240,073	150,486,522
Deferred revenue	(394,982)	1,551,701
Student deposits	29,843	192,139
Deposits held for others	(151,640)	78,755
<b>Net cash used by operating activities</b>	<b>(195,057,074)</b>	<b>(122,926,225)</b>
<b>SUPPLEMENTAL DISCLOSURES FOR NONCASH TRANSACTIONS</b>		
New capital leases / debt agreements	71,270,553	29,822,923
Fringe benefits and litigation costs provided by the State	165,125,059	149,549,395
Noncash gifts	32,451,357	1,490,439

See accompanying notes to financial statements.

# ANNUAL FINANCIAL REPORT

## STONY BROOK FOUNDATION BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2011	2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$12,063,755	\$20,951,297
Accounts and notes receivable, net	1,046,668	73,577
Pledges receivable, net	48,174,210	63,602,687
Investments	153,381,459	133,372,400
Other assets	196,187	248,994
Capital assets, net	12,406,422	11,710,994
<b>Total assets</b>	<b>227,268,701</b>	<b>229,959,949</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	4,906,633	9,582,634
Current portion of long-term debt	160,000	150,000
Deposits held for others	27,996,866	27,405,104
Long-term debt	1,975,000	2,135,000
Other liabilities	1,934,108	539,097
<b>Total liabilities</b>	<b>36,972,607</b>	<b>39,811,835</b>
<b>NET ASSETS</b>		
<b>Unrestricted</b>		
Board designated for		
Campus programs	6,472,918	7,822,077
Undesignated	2,699,185	1,511,048
<b>Temporarily restricted</b>		
Scholarships and fellowships	19,495,053	17,366,096
Campus programs	25,912,776	20,061,385
Research	10,362,109	8,638,115
General operations and other	45,829,186	55,026,093
<b>Permanently restricted</b>		
Scholarships and fellowships	15,593,371	14,882,727
Campus programs	36,364,337	32,955,501
Research	1,267,227	1,265,788
General operations and other	26,299,932	30,619,284
<b>Total net assets</b>	<b>190,296,094</b>	<b>190,148,114</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$227,268,701</b>	<b>\$229,959,949</b>

See accompanying notes to financial statements.

## ANNUAL FINANCIAL REPORT

STONY BROOK FOUNDATION  
STATEMENT OF ACTIVITIES

	FOR THE YEARS ENDING JUNE 30			2011	2010
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
<b>REVENUES</b>					
Contributions, gifts, and grants	\$901,352	\$17,725,714	\$2,337,991	\$20,965,057	\$19,342,871
Investment income, net	(469,044)	768,321		299,277	412,541
Net realized and unrealized gains	6,668,930	8,790,625		15,459,555	8,603,120
Rental income		409,421		409,421	403,997
Sales and services	1,318,839	1,420,235		2,739,074	1,743,076
Program income and special events		2,700,170		2,700,170	2,470,081
Other sources	19,900	(36,921)		(17,021)	(160,213)
Net assets released from restrictions	35,448,135	(35,448,135)			
<b>Total revenues</b>	<b>43,888,112</b>	<b>(3,670,570)</b>	<b>2,337,991</b>	<b>42,555,533</b>	<b>32,815,473</b>
<b>EXPENSES</b>					
Program expenses	34,066,984			34,066,984	36,718,510
Payments to State University: Scholarships and fellowships	1,608,529			1,608,529	2,929,605
Other	1,689,015			1,689,015	1,569,775
Depreciation and amortization expense	606,637			606,637	602,167
Interest expense on capital-related debt	142,034			142,034	151,424
Management and general	1,921,538			1,921,538	1,755,440
Fundraising	2,372,816			2,372,816	2,426,092
<b>Total expenditures</b>	<b>42,407,553</b>			<b>42,407,553</b>	<b>46,153,013</b>
<b>Increase (decrease) in net assets</b>	<b>1,480,559</b>	<b>(3,670,570)</b>	<b>2,337,991</b>	<b>147,980</b>	<b>(13,337,540)</b>
Net assets at the beginning of year	9,333,125	101,091,689	79,723,300	190,148,114	203,485,654
Transfer of net assets	(1,641,581)	4,178,005	(2,536,424)		
<b>NET ASSETS AT THE END OF YEAR</b>	<b>\$9,172,103</b>	<b>\$101,599,124</b>	<b>\$79,524,867</b>	<b>\$190,296,094</b>	<b>\$190,148,114</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 year end June 30, 2011 and 2010.

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 year ended June 30, 2011 and 2010.

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 year ended June 30, 2011 and 2010.

# 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 year end of March 31, 2011 and 2010. 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	\$11,499
Food service	5,790
Other auxiliary	5,687

## 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.

## Inventories

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

## Fringe Benefits

Employee fringe benefit costs (e.g., health insurance, worker's compensation, retirement and post-retirement benefits)

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

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 2010 financial statements have been reclassified to conform to the 2011 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.

Restricted cash and cash equivalents represent unspent funds under various capital financing arrangements, cash held for others, and cash restricted for loan programs.

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 \$10.8 million and (b) collateralized with securities held by a pledging financial institution were \$6.2 million at June 30, 2011.

### *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 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.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### *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 \$51 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 \$5.8 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, 2011, accounts, notes, and loans receivables were summarized as follows (in thousands):

	<b>2011</b>	<b>2010</b>
Tuition and fees	\$3,930	\$3,365
Allowance for uncollectible	(920)	(693)
<b>Net tuition and fees</b>	<b>3,010</b>	<b>2,672</b>
Room rent	691	589
Allowance for uncollectible	(225)	(186)
<b>Net room rent</b>	<b>466</b>	<b>403</b>
Patient fees, net of contractual allowances	333,277	304,874
Allowance for uncollectible	(111,178)	(103,130)
<b>Net patient fees</b>	<b>222,099</b>	<b>201,744</b>
<b>Other, net</b>	<b>19,218</b>	<b>19,108</b>
<b>Total accounts receivable and notes receivable</b>	<b>244,793</b>	<b>223,927</b>
Student loans	8,201	8,500
Allowance for uncollectible	(1,218)	(1,292)
<b>Total student loans receivable</b>	<b>6,983</b>	<b>7,208</b>
<b>TOTAL, NET</b>	<b>\$251,776</b>	<b>\$231,135</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 2009	ADDITIONS	RETIREMENTS	JUNE 30 2010	ADDITIONS	RETIREMENTS	JUNE 30 2011
Land	\$46,197	\$28,146		\$74,343	\$2,384		\$76,727
Infrastructure and land improvements	79,396	10,296	1,371	88,321	6,340	\$1,339	93,322
Buildings	1,099,591	225,946	6,355	1,319,182	90,806	6,330	1,403,658
Equipment, library books and artwork	486,185	35,159	46,458	474,886	15,827	12,230	\$478,483
Construction in progress	338,526	179,402	273,846	244,082	113,279	77,991	\$279,370
<b>Total Capital Assets</b>	<b>2,049,895</b>	<b>478,949</b>	<b>328,030</b>	<b>2,200,814</b>	<b>228,636</b>	<b>97,890</b>	<b>2,331,560</b>
Less: accumulated depreciation:							
Infrastructure and land improvements	51,492	2,966	1,372	53,086	3,207	1,339	54,954
Buildings	532,696	33,068	5,762	560,002	35,430	6,027	589,405
Equipment, library books and artwork	322,542	50,910	43,281	330,171	44,387	10,099	364,459
<b>Total accumulated depreciation</b>	<b>906,730</b>	<b>86,944</b>	<b>50,415</b>	<b>943,259</b>	<b>83,024</b>	<b>17,465</b>	<b>1,008,818</b>
<b>CAPITAL ASSETS, NET</b>	<b>\$1,143,165</b>	<b>\$392,005</b>	<b>\$277,615</b>	<b>\$1,257,555</b>	<b>\$145,612</b>	<b>\$80,425</b>	<b>\$1,322,742</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, 2011, other than facilities obligations, which are included as of March 31, 2011, total obligations are summarized in the table below (in thousands).

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

	JUNE 30, 2009	ADDITIONS	REDUCTIONS	JUNE 30, 2010	ADDITIONS	REDUCTIONS	JUNE 30, 2011	CURRENT PORTION
Long-term debt:								
Educational Facilities	\$463,829	\$90,815	\$17,124	\$537,520	\$71,271	\$21,912	\$586,879	\$26,988
Residence Hall Facilities	203,981	13,972	7,457	210,496		16,415	194,081	8,179
Capital Leases	65,488	15,530	20,736	60,282		23,354	36,928	12,345
Other long-term debt - ESDC	22,844	648	6,837	16,655		6,704	9,951	7,226
<b>Total long-term debt</b>	<b>756,142</b>	<b>120,965</b>	<b>52,154</b>	<b>824,953</b>	<b>71,271</b>	<b>68,385</b>	<b>827,839</b>	<b>54,738</b>
Other long term liabilities:								
Compensated Absences	423,932	206,743	89,838	540,837	218,800	93,507	666,130	45,517
Loan from State	39,703	98	11,709	28,092	62	3,909	24,245	7,800
Litigation	65,100	48,879	5,450	108,529	14,530	3,925	119,134	16,441
Other long-term liabilities	2,642	21	106	2,557	3,373	105	5,825	486
<b>Total other long-term liabilities</b>	<b>531,377</b>	<b>255,741</b>	<b>107,103</b>	<b>680,015</b>	<b>236,765</b>	<b>101,446</b>	<b>815,334</b>	<b>70,244</b>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$1,287,519</b>	<b>\$376,706</b>	<b>\$159,257</b>	<b>\$1,504,968</b>	<b>\$308,036</b>	<b>\$169,831</b>	<b>\$1,643,173</b>	<b>\$124,982</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 \$71 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 \$16 million for the purpose of financing capital construction and major rehabilitation for residential hall facilities.

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, 2011, was \$24.2 million. During the year, \$3.9 million was paid on these loans. The University incurred an interest cost of \$62,000 at an average interest rate of .219 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.

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

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## NOTES TO FINANCIAL STATEMENTS

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 \$35.6 million. The University's annual OPEB cost and increase in the OPEB obligation, relating to its state employees, for the year ended June 30, 2011, is as follows (in thousands):

Annual required contribution and annual OPEB cost	\$162,285
Benefits paid during year	35,557
<b>Increase in OPEB Obligation</b>	<b>126,728</b>
Net obligation at beginning of year	412,474
<b>NET OBLIGATION AT END OF YEAR</b>	<b>\$539,202</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.

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## 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, 2011, was \$ 66.6 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>	
2012	\$5,774
2013	4,310
2014	4,070
2015	1,906
2016	1,988
2017-21	2,011
2022-26	12
<b>TOTAL</b>	<b>\$20,071</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 \$102.7 million at June 30, 2011 for hospitals and clinics unfavorable judgments, both anticipated and awarded but not yet paid.

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## NOTES TO FINANCIAL STATEMENTS

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 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. The State filed an appeal for this case in March 2011 and oral arguments were held on October 24, 2011. 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 22 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 July 2011, SUNY entered into agreements with DASNY to issue obligations totaling \$260 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 \$21 million.

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## NOTES TO FINANCIAL STATEMENTS

### *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 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 \$3.3 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.

On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA) which the Foundation has adopted in fiscal year 2011. Under the accounting standards, once UPMIFA and NYPMIFA is effective, the portion of a donor restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until appropriated for expenditure. This requirement resulted in a reclassification from unrestricted net assets to temporarily restricted net assets. This represented the unappropriated portion of permanently restricted endowments whose earnings are designated by donors for the unrestricted use of the Foundation.

### **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 \$153 million as of June 30, 2011.

### **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 \$12.4 million as of June 30, 2011. Capital asset classifications are summarized as follows (in thousands):

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## NOTES TO FINANCIAL STATEMENTS

Land and land improvements	\$3.3
Buildings	5.9
Equipment	6.2
Artwork and library books	2.8
Construction in Progress	0.6
<b>Total capital assets</b>	<b>18.8</b>
Less accumulated depreciation	6.4
<b>CAPITAL ASSETS, NET</b>	<b>\$12.4</b>

### 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 \$104,925 and \$96,181 at June 30, 2011 and 2010, respectively. At June 30, 2011, future principal payments on the bond are as follows (in thousands):

<b>YEARS ENDING JUNE 30</b>	
2012	160
2013	170
2014	180
2015	190
2016	205
Thereafter	1,230
<b>TOTAL</b>	<b>\$2,135</b>





Stony Brook University