

# SUCCESS STORIES:

PEOPLE MAKING A DIFFERENCE AT  
THE RESEARCH FOUNDATION



THE RESEARCH FOUNDATION  
*The State University of New York*

Through its five Technology Transfer Offices (TTOs), the Research Foundation identifies and protects State University intellectual capital, helps faculty market their inventions, and takes active steps to bring the technology to the marketplace for the benefit of the inventor, the inventor's campus, the University, industry, and the public. Private sector investment in State University inventions and discoveries generates royalty income for researchers and their campuses and can also lead to the creation of new companies and new sources of high-quality, high-value jobs in New York State.

A portrait of Dr. Harry Wyatt, a middle-aged man with glasses and a mustache, wearing a light-colored, vertically striped button-down shirt. He is looking slightly to the right of the camera with a neutral expression.

**Dr. Harry Wyatt**

Distinguished Teaching Professor  
College of Optometry

## Moving ideas from the lab to the marketplace

**“The Research Foundation did a number of things to take my glaucoma testing device from the idea state to a potential product. First, the RF helped me to understand the commercial possibilities of my invention and acted on my behalf to obtain an initial investment from the campus to protect my intellectual property.**

**The patenting process was done entirely through the Technology Transfer Office, allowing me to teach and continue my research. The RF also developed a marketing strategy**

**involving informational materials, press releases and trade journal interviews that I, as a scientist, would not have been able to do on my own.**

**As a result of these efforts, I was able to meet with a couple of potential partners. If it weren't for the RF, I wouldn't have thought that my technique to assess the damage caused by glaucoma was worth commercializing. It was nice data that I would have published thinking someone else might be able to do something with it.”**

**“The RF Technology Transfer Office gave us a crash course in the commercialization process; served as our liaison with the counterpart Technology Transfer Office at Stanford University (Stanford holds a patent on tsq gene discovery, complicating negotiations); functioned as our representative to the CFO and CEO of the company involved, and acted as go-between with the law firm filing our patent application. These interactions were managed by an individual who understood the fragility of our research,**

- Managed 245 new invention disclosures, filed 193 patent applications and executed 78 licensing and option agreements.
- Received 34 U.S. patents in fiscal 2005, raising the total number of patents issued to the RF to more than 700.
- Honored 48 faculty members at a November 4, 2004 recognition dinner celebrating their breakthrough research and its contribution to New York state business and the national economy.

**Shreefal Mehta, Ph.D., MBS**

Vice President of Business  
and Corporate Development  
Cytopia, Inc.

**Dr. Carol Carter**

Professor  
Department of Molecular Genetics  
& Microbiology  
Stony Brook University



in terms of its need for focus, time commitment, and stable funding, and was considerate in his interactions with us. He was prepared to discuss the issue at hand, communicative and to the point, and very good about follow-up and maintaining a three-way conversation loop.”

“The Research Foundation was proactive in reaching out to us about a medical innovation developed at SUNY Downstate. They recognized that, as one of the few New York-based companies focused on cardiovascular therapeutic development, Cytopia, Inc. would be a good match for commercializing an exciting new approach to treating heart disease and hypertension.

It was clear that the RF had a good understanding of our needs and the potential benefit a licensing agreement

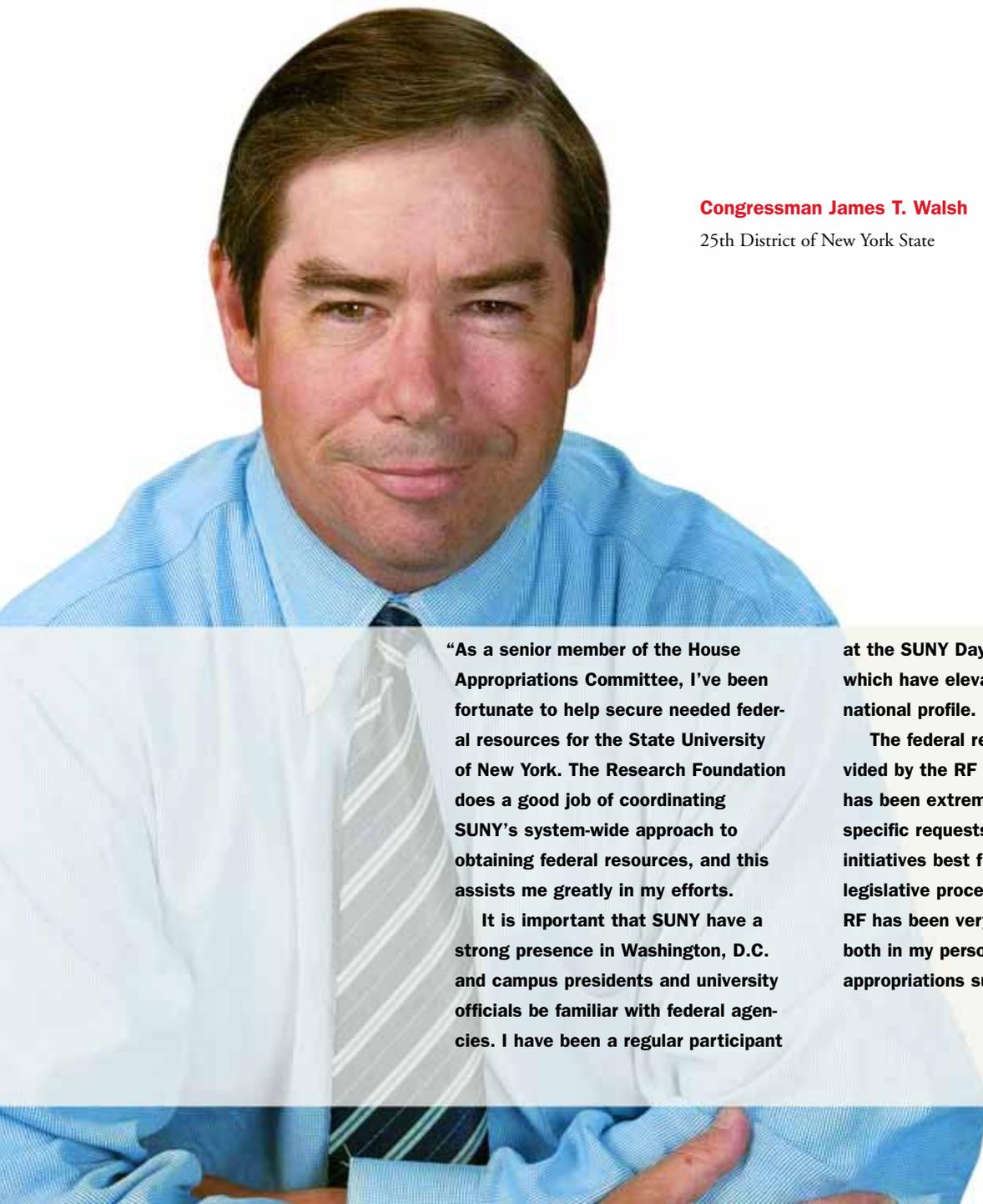
could bring to the public and to the university. The RF kept the lines of communication open, facilitated discussion and compromise, and kept the process moving forward.

Cytopia, Inc. is a growing company, and we need to bring in new innovation. We might not have known about SUNY’s discovery without the RF meeting with us and explaining what it meant. If the RF maintains this approach, more companies will pick up on SUNY technology.”

## FEDERAL RELATIONS SERVICES

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Each campus request for federal government and agency funding is backed by the entire SUNY system through the unified approach coordinated by the Research Foundation. The RF retained the premier law firm Akin Gump Strauss Hauer & Feld LLP to provide powerful and effective advocacy for the State University's interests on Capitol Hill, facilitate access to key decision makers, and make a strategic combination of legal, practical and political skills available to each campus. This investment is already paying dividends—more than \$86 million in additional funding for SUNY over the past four years.



**Congressman James T. Walsh**

25th District of New York State

**“As a senior member of the House Appropriations Committee, I’ve been fortunate to help secure needed federal resources for the State University of New York. The Research Foundation does a good job of coordinating SUNY’s system-wide approach to obtaining federal resources, and this assists me greatly in my efforts.**

**It is important that SUNY have a strong presence in Washington, D.C. and campus presidents and university officials be familiar with federal agencies. I have been a regular participant**

**at the SUNY Day in D.C. programs which have elevated the university’s national profile.**

**The federal relations services provided by the RF are excellent. The RF has been extremely responsive to specific requests to detail how SUNY initiatives best fit in the congressional legislative process. In addition, the RF has been very helpful to my staff, both in my personal office and in the appropriations subcommittee office.”**

- Coordinated SUNY’s system-wide request for congressional appropriations that resulted in more than \$27.4 million in federal support for 32 projects at SUNY institutions.
- Elevated SUNY’s profile on Capitol Hill by launching the Congressional Luncheon Lecture series in cooperation with Rep. Sherwood Boehlert, chairman of the House Science Committee.
- Increased federal agency involvement in the SUNY Day DC advocacy program for campus presidents.
- Assisted campus government relations officers by arranging to have a panel of national experts provide background about issues related to the reauthorization of the Higher Education Act.
- Developed a series of reports that highlights the State University’s impact on New York state and on each congressional district to support campus advocacy efforts.

## Liaison to national decision makers

**Shelly Wright**

Executive Assistant to the President  
SUNY New Paltz



**“The current climate in higher education is forcing campuses to look at alternative sources of funding.**

**Federal relations is a new enterprise for us. The Research Foundation has been invaluable in helping us identify what projects are likely to attract funding, how to frame and package requests, and the best ways to approach our congressman and senators. Acting on the RF’s advice, we have seen our relationship with our congressman grow to the point where his office is calling**

**us about grant opportunities and potential partnerships.**

**It is critical that SUNY have a strong federal presence. Submitting our campus request as part of the system-wide request gives it more clout. Elected officials have limited time and resources to make tough decisions about how to allocate funds. Our advocacy efforts, combined with those of the RF and Akin Gump, are allowing SUNY New Paltz to break through the noise. We anticipate more investment from the federal government.”**

Helping campus faculty navigate the intricacies of sponsored programs is a core function of the Research Foundation. Day-to-day administration of these programs requires financial support, human resources management, procurement assistance, and reporting in accordance with federal, state, sponsor and campus guidelines. Using a computerized business system, the RF efficiently and effectively administers thousands of projects that are funded by a wide range of sponsoring agencies, including governments, corporations, foundations and other entities.

### **Kanad Ghose**

Professor and Chair  
Department of  
Computer Science  
Binghamton University

## Efficient and effective contract management

### **Braddock K. Linsley**

Associate Professor  
Department of Earth and  
Atmospheric Sciences  
University at Albany

**“The Research Foundation’s sponsored programs service is the best I’ve seen in my experience of working with similar organizations elsewhere. It operates more like a friendly business manager.**

**The RF provides a spectrum of services—seed money to develop proposals, contract negotiation, advances to get the project up and running and administration of funds— that make everything happen. RF staff is knowledgeable and responsive, and the Principal Investigator Award interface allows me to get information about my project whenever I need it.**

**My research projects on low-power computing strategies and real-time file systems are funded by federal agencies and private business. Contracts with industrial sponsors require a lot of negotiation. In addition to being well-versed in regulations and compliance, the RF is conversant with intellectual property and licensing issues and is able to strike the right balance between sponsor and project needs.”**

**“Most of my direct contact with the Research Foundation is at the pre-award stage—developing and submitting grant proposals to potential sponsoring agencies. I typically put together two to three proposals per year, and the RF is particularly helpful in the budget preparation process.**

**Once the grant is awarded, the RF takes responsibility for administering the accounts. My research, which uses information obtained from Pacific Ocean corals and sediment cores to reconstruct climatic history over**

- Supported nearly 8,300 campus-based research and training programs by managing over \$735 million in research funding.
- Recovered an additional \$3.7 million for eight SUNY campuses over the next four years through successful negotiations for new facilities and administration (F&A) rates.
- Guided program compliance with ever-changing federal, state and sponsor regulations.
- Aided campuses in navigating all immigration issues by retaining the services of a leading law firm.
- Accelerated the contract process for the Science and Technology Entry Program (STEP) and Collegiate Science and Technology Entry Program (CSTEP) through cooperation with the New York State Education Department.

**Liz Praetorius**

Director  
Finance and Administration  
The Nelson A. Rockefeller  
Institute of Government



decades and millennia, has specific travel and equipment requirements. The RF helped negotiate a contract for ship rental and has provided me with cash advances prior to research expeditions. The flexibility and scope of service provided by the RF allows me to devote more of my time and effort to gathering and interpreting data.”

“The Rockefeller Institute works with the best experts and top officials at all levels of government to forge creative solutions to public problems. As our fiscal designee, the Research Foundation is responsive, customer-service oriented, and understanding of our business needs. The RF’s clear and published policies allow us to conduct our research activities and conferences, and publish our work without constraint.

The RF provides excellent service and accommodates high-priority needs. Their ability to establish an operating

award before a sponsor agreement is executed helps us provide quality services to our sponsors and affords us the flexibility to contract with and pay our researchers promptly. This responsiveness to our clients’ needs accentuates our reputation as a prominent organization to work with and allows us to pursue and secure exceptional talent for our research work.”

## AFFILIATED CORPORATIONS ESTABLISHMENT & OVERSIGHT

Through separate affiliated corporations created by the Research Foundation, SUNY campuses can collaborate with public and private partners to advance research and address issues that affect society. Each RF-established entity, be it a not-for-profit research corporation, a real estate holding company or a limited liability partnership, is designed to fit its own unique needs while supporting SUNY's education, research and public service mission. The affiliates allow campuses to access facilities and funding that would not otherwise be available to them.

### **Dr. Yacov Shamash**

Vice President for  
Economic Development and  
Dean of the College of Engineering  
and Applied Sciences  
Stony Brook University

## Respected and experienced business partner

**"The Long Island High Technology Incubator (LIHTI) was formed in the early 1990s as a not-for-profit corporation, an arrangement that provided the management flexibility, private business acumen and connection to university resources that were critical to its becoming one of the nation's top technology incubators.**

**The RF was responsible for LIHTI's incorporation and model tenant lease and contributed to the development of the ground lease that made the SUNY land on which LIHTI is built available on a long-term basis.**

**As LIHTI's corporate big sister, the RF is generous with its energies and prompt in fulfilling this role of "protector," contributing to the ongoing fiscal stability and managerial oversight of our program. The RF's expertise and institutional knowledge as both a private and a not-for-profit corporation will continue to be a fundamental resource enabling LIHTI to successfully navigate increasingly challenging legal and regulatory waters."**

- Brookhaven Science Associates, LLC manages the \$445 million research program at the world famous Brookhaven National Laboratory (BNL). The partnership gives Stony Brook University access to BNL's facilities and staff.
- Source Sentinel, LLC entered into a marketing alliance with Inficon to help sell its water management system which is based on sensor technology developed at SUNY ESF.
- Through its partnership in CUBRC, the University at Buffalo is participating in a \$1.1 million multiyear project for the U.S. Air Force Office of Scientific Research.
- Albany NanoTech has entered into a \$300 million five-year agreement with IBM and Applied Materials on behalf of the College of Nanoscale Science and Engineering of the University at Albany.



**Dr. Eva Cramer**

Vice President  
Biotechnology & Scientific Affairs  
SUNY Downstate Medical Center

“With a solid track record of setting up business incubators across New York, the Research Foundation has the experience and knowledge we needed to establish an advanced biotechnology park in Brooklyn. The RF is a known entity, and our affiliation gives Downstate Technology Center, Inc. (DTCI) instant credibility.

As an RF-affiliated corporation we have enormous flexibility to partner with different organizations. For example, the International AIDS Vaccine Initiative (IAVI) planned to establish

a laboratory in the U.S. The RF helped us negotiate a contract that allows IAVI to establish offices at DTCI and a laboratory at SUNY Downstate. This collaboration is very prestigious for our college, which has a strong clinical program associated with AIDS. Bringing world-renowned research scientists to Brooklyn via DTCI creates a wonderful opportunity for Downstate faculty and students and other incubator tenants, as well as for IAVI.”

The Research Foundation's newest service provides deferred gift administration and asset management tools that are strengthening campus development programs throughout the SUNY system. To deliver participating campus foundations with an array of services and materials specifically designed to help them build endowments and strengthen alumni and donor ties, the RF team has contracted the services of the TIAA-CREF Trust Company. The RF's optional Planned Giving Services—a turnkey program—is helping SUNY campuses reach their advancement goals.

**Dr. John Mosser**

Vice President for  
Institutional Advancement  
SUNY Cortland

## SUNY-specific development program



**“The RF gave real thought to its customers when designing its planned giving services. It was conceptualized in such a way that there is no downside to Cortland. The RF service is wonderful, a forward-looking strategic investment to empower campuses to advance individual priorities. Partnering with TIAA-CREF Trust Company gives the program immediate credibility on the 64 campuses.**

**We had not been in a position to offer life income gifts. The RF plan addresses that need. Where other**

**programs require a minimum six-figure gift, the RF offers a flexible arrangement such as charitable gift annuities, made available to people of varying means, and especially for older constituents.**

**The RF program has enabled a broader array of planned gifts. For Cortland, gifts received range from \$5,000 to \$200,000. We are very pleased, and anticipate many more donors will use planned giving as a vehicle to invest in the college.”**

- Coached development officers, foundation boards and committees in setting up new and enhancing existing planned giving programs that today are complementing fund raising activities at more than 25 campuses.
- Managed almost \$500,000 in life income gifts.
- Adapted RF Board and investment policy to empower planned giving.
- Applied innovative internet-based tools to deliver timely and valuable planned giving information and tips to chief advancement officers and chief alumni officers on 64 SUNY campuses.



**Vladia Boniewski**

Director of Development  
Schenectady County Community College

**“A few years ago a retiree inquired about making a planned gift to Schenectady County Community College. I contacted investment managers and insurance companies. No one was willing to manage the gift for us, and we did not have the resources to do it on our own.**

**The Research Foundation’s planned giving program is perfect for us. I don’t need to be an expert on all of the vehicles available to donors through planned giving. It gives me a comfort level to know that planned giving**

**professionals at the RF are available to answer questions, provide information, and meet with prospective donors. The meetings are especially important to our donors and retirees because they show that SUNY is behind this program.**

**For us, especially as a small shop, this service provides the expertise, track record, and credibility donors would seek in making a significant gift.”**

The Research Foundation provides various levels of support services, educational programs, fund-raising activities and system events that help strengthen SUNY campus development and alumni activities. The RF is managing a system-wide approach that complements and coordinates campus efforts to help them reach their fund-raising targets in support of the first-of-its-kind “SUNY \$3 Billion Challenge,” which is currently at about \$1.5 billion.

### **Dr. Daniel Murphy**

Vice President of Institutional Advancement  
SUNYIT



**“SUNYIT is working to build a strong culture of philanthropy. Because of RF campus visits, board presentations and support services we have started to improve our advancement program.**

**The RF’s Philanthropy & Alumni Affairs Web page gives us access to important materials that would be difficult for us to compile on our own. The RF also offers professional expertise on development issues ranging**

**from planned giving to operations. For example, using the RF’s guidelines, we are on track to raise more than \$340,000 for campus programs by offering naming gift opportunities in the new Peter J. Cayan Library.**

**We know that SUNYIT could get support from any one of many national fund-raising consultants, but the RF is uniquely positioned to help us define our philanthropic aspirations while providing the means to help us organize to be successful. Most importantly,**

**the RF has responded in a personal and timely manner to every request we have made. When you think about the size of SUNY, that makes a big difference.”**

- Managed the SUNY CUAD 2005 Educational Conference which brought together more than 270 advancement professionals from 45 SUNY campuses.
- Hosted the second annual All-SUNY alumni and delegation reception in Washington D.C., which was attended by 800 SUNY alumni representing more than 35 campuses.
- Launched Promising Investigator Program to provide companies and individuals with an opportunity to support SUNY researchers with vital early state seed money.
- Coordinated the 2004 SUNY Spring Campaign through which RF and SUNY staff contributed \$40,000 to 30-plus campuses and the SUNY Campus Enrichment Fund.

**Patricia Prunty**

Director of Institutional Advancement  
Dutchess Community College



## Expert resource for advancement professionals

“When you work in a small advancement office, it is important to get out and meet other professionals. The Research Foundation facilitates professional interaction by offering a valuable array of conferences and seminars that allow us to learn about other ways of doing things so we can evaluate our own programs. We also get to share ideas and build rapport with the other campuses. It gives us a sense of belonging to a sophisticated system.

What I like about SUNY is that you are a part of something larger. For example, we don't have the means to

plan off-campus alumni gatherings on our own. The RF's 'All-SUNY events' which bring together alumni from all the state's campuses, give us a great opportunity, with minimal cost to DCC, to meet one-on-one with Dutchess Community College alumni in other parts of the country.

The RF's support services, educational programs, and event planning have absolutely contributed to helping us meet our share of the SUNY \$3 Billion Challenge.”

The Research Foundation provides a world-class business system to support sponsored programs administration at the Research Foundation for Mental Hygiene, Inc. (RFMH). RFMH is a private, not-for-profit membership corporation that assists and enhances the research and training objectives of the New York State Department of Mental Hygiene and its component agencies.

# Single-source solution to information needs

**“By contracting Information Technology services to the Research Foundation, the RFMH can provide more efficient administration of our \$120 million sponsored research program.**

**With RF assistance we have streamlined information and provided more timely data to our principal investigators. We also saved money on joint licensing and maintenance agreements. The biggest concern I have as managing director of a corporation with over 1,500 employees is making**

**sure our employees get paid accurately every two weeks. In over 30 years with RF as our service provider we have never missed a payroll.**

**Our relationship with the RF helps us reduce the administrative burden on our principal investigators so they can focus on research to solve serious mental health disorders such as Alzheimer’s disease and schizophrenia.”**

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- Implemented state-of-the-art Sun Microsystems hardware to improve response times and increase efficiencies for RFMH.
  - Provided excellent customer service by ensuring that requests and issues are addressed in a timely manner.
  - Effectively coordinated and tested off site storage and business recovery processes.



**Robert Burke**

Managing Director  
Research Foundation for  
Mental Hygiene, Inc.

The Research Foundation provides vital administrative services to organizations closely related to SUNY campuses, such as clinical practice plans, campus-based foundations, and RF-affiliated corporations. The RF's computerized business system and established policies and procedures provide them with efficient, economical and responsible management of their procurement transactions. In addition, they take advantage of a full-service human resources infrastructure, including payroll services and a comprehensive, competitive benefits package.

## Full spectrum of support services

### Thomas McMahon

Executive Director  
Calspan-UB Research Center  
(CUBRC), Inc.

**“CUBRC was established in 1983 to generate economic and technological growth in Western New York and New York state. To do this, we need to recruit and retain the best scientists and engineers. The Research Foundation allows us to compete on a national scale by offering a benefits package that would be impossible for a small company like ours to match in terms of scope and quality.**

**With the RF managing our human resources function, CUBRC has earned an outstanding reputation for being**

**able to hire the right people very efficiently to work on a diverse spectrum of leading-edge technology projects. For example, a NASA project involving our Large Energy National Shock Tunnel was on the critical path for the July 26 launch of the space shuttle *Discovery*. With the RF's help, we were able to bring in staff and manage schedules to accommodate NASA's needs. That is a major competitive advantage for us.”**

- Customers benefited from improvements made to the RF business system and benefits package.
- Adopted standards for the security of electronic protected health information as required by the Health Insurance Portability and Accountability Act (HIPAA).
- Issued a revised on-line Employee Handbook to ensure employees have access to the most current terms and conditions of RF employment.
- Ensured compliance with the New York State Wage Act of 2004 and the revised Fair Labor Standards Act (FLSA) regulations that took effect in August 2004.



- Administered a record \$735.8 million in contracts and grants supporting SUNY research projects covering vital scientific activities.
- Honored 52 SUNY scholars and scientists for their outstanding scholarly and research contributions in the humanities, arts, social sciences, sciences, medicine and engineering at a recognition dinner held on May 4, 2005.
- Launched *Research New York*, a supplement in *Crain's New York Business* and a complementary Web site to inform readers and influence them to support SUNY research, license SUNY technology, and use SUNY incubator space.

## MESSAGE FROM THE CHAIR

The Research Foundation efficiently and effectively managed 8,300 research projects with total expenditures of more than \$735 million, continuing an astonishing nine-year trend during which the sponsored program activity at 30 state-operated SUNY campuses more than doubled.

Responsible for protecting intellectual property for the benefit of the university and the people of New York and enabling partnerships that drive economic development, the RF ended fiscal year 2005 with 78 new licenses and option agreements with businesses to commercialize SUNY inventions—a record 62 percent increase and the highest yearly total ever. State University of New York inventions generated \$13.5 million in royalties.

In addition, the Research Foundation has brought resources to the university that it would not have otherwise garnered, including an addi-

tional \$27.4 million in targeted federal appropriations. The RF also provided services and materials to campus presidents and development staffs throughout the SUNY system to support the first-of-its-kind “SUNY \$3 Billion Challenge,” that has raised about \$1.5 billion in philanthropic donations.

The RF broadened its customer base by entering into a Memorandum of Understanding (MOU) with SUNY community colleges. This arrangement allows the locally sponsored campuses to use RF services consistent with their individual goals and needs.

The numbers and charts that appear on the following pages present a picture of a fiscally sound corporation that has established a successful business model and adheres to a high standard of excellence. Behind the

numbers, however, is the unique story of the Research Foundation, its unparalleled ability to accommodate change and its outstanding commitment to the people it serves.

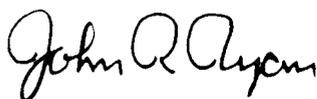
I have firsthand experience as an RF customer, having previously served as president of the Maritime College, one of the smallest and most specialized of the SUNY colleges, and as interim president of the University at Albany, a doctoral granting institution with an enrollment of 17,000 students.

While I was at the Maritime College, the RF helped us obtain \$1 million in seed money to establish the New York State Strategic Center for Port & Maritime Security and establish an affiliated corporation to advance the sailing program. They also supported our efforts to build our sponsored research and philanthropy programs. During my year at the University at Albany, the RF assisted our efforts to elevate our research

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- Signed a record 78 licenses or options with businesses.
  - Provided oversight for 14 affiliated corporations located across New York state.
  - Single year congressional appropriations to SUNY increased for the fourth straight year.
  - Launched new planned giving services for SUNY campuses in cooperation with TIAA-CREF.
  - Evaluated internal controls to ensure effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable regulations.
  - Initiated programs to maximize the use of technology to manage and monitor business operations and Web-based communication.

profile, which grew a healthy 63 percent to rank second in the SUNY system, while diversifying funding sources. These two examples are among the many instances of how this exciting and vibrant organization is helping SUNY fulfill its vision.

There are no limits to what SUNY can achieve because there are no boundaries that limit the RF's ability to advance this university consistent with its mission and aspirations. Both are on an exciting path that will bring enormous benefits to New York.



**John R. Ryan**

Vice Admiral, USN (Ret.)  
Chancellor





Mr. James R. Dennehey, Esq.



Ms. Bonny G. Boice



John W. Craine, Jr.  
Vice Admiral, USN (Ret.)



Mr. John J. O'Connor

## BOARD OF DIRECTORS

The Research Foundation's governing body is composed of representatives of business and industry, faculty researchers and the State University of New York. The Chancellor of the State University of New York serves as chair of the board, ex officio.

### BUSINESS AND INDUSTRY

#### Mr. Robert L. Ecklin

Executive vice president, Environmental Technologies and Strategic Growth at Corning Incorporated, He served in a variety of U.S. and international manufacturing and engineering managerial positions since joining Corning in 1961.

#### Dr. James A. Hayward

A molecular biologist and entrepreneur, he has developed biotechnology, medical device and consumer product companies in Europe and the U.S.

#### Dr. Randall D. Isaac

Recently retired from leading silicon technology research at IBM, the executive director of the American Scientific Affiliation leads a nationwide non-profit organization pursuing research in matters relating to science and Christian faith.

#### George M. Philip

The executive director of the New York State Teachers' Retirement System has had a distinguished 34-year tenure during which he has gained extensive experience in investments, pension fund administration, actuarial concepts and member services and benefits.

### FACULTY RESEARCHERS

#### Dr. George B. Stefano

Vice Chairman

A nationally recognized scientist, distinguished teaching professor and director of the Neuroscience Research Institute at Old Westbury, he serves as editor of *Medical Science Monitor*, published over 375 reports and has NIH grants and developed patent-pending technologies.

#### Dr. Myron Mitchell

A distinguished professor at the State University of New York College of Environmental Science and Forestry, Dr. Mitchell heads the Council on Hydrologic Systems Science and directs the graduate program in Environmental and Forest Biology.

#### Dr. Bahgat Sammakia

The director of Binghamton University's Integrated Electronics Engineering Center holds 12 U.S. patents and 12 IBM technical disclosures, published over 80 technical papers, and contributed to three books on natural convection heat transfer and electronics packaging.

### STATE UNIVERSITY OF NEW YORK

#### John R. Ryan, Vice Admiral, USN (Ret.) Chairman (ex officio)

Prior to becoming chancellor of the State University of New York, Ryan served for seven years as president of three distinct institutions of higher education—SUNY Maritime College, the University at Albany and the U.S. Naval Academy.

#### Dr. Raymond Cross

The president of Morrisville State College has spearheaded several agriculture, energy, and technology initiatives, such as the ThinkPad University partnership with IBM and the biodiesel co-generation project, that have made the campus synonymous with technology.

#### Dr. Kermit L. Hall

A constitutional law scholar and legal historian, Dr. Hall served as president of Utah State University before joining SUNY as the 17th president of the University at Albany.

#### Dr. Shirley Strum Kenny

The first woman to be named president of Stony Brook University, Dr. Kenny is widely recognized for her initiatives to build bridges between the academic and business communities.

#### Dr. John J. Lucas

A biochemist and vice provost for research at Upstate Medical University, he is responsible for many research compliance functions and resources at Upstate and is one of the founders of a consortium of central and western New York universities (UNYCoR) to foster research and economic development in the region.

#### Dr. Peter D. Salins

A scholar in the field of urban planning, Dr. Salins joined SUNY as provost and vice chancellor for academic affairs in 1997. As the chief academic officer of the State University system Dr. Salins oversees academic programs and operations at SUNY's 64 campuses, and manages university-wide academic offices responsible for library services, instructional technology, educational opportunity and the State University Press.

#### Dr. John B. Simpson

An accomplished research scientist specializing in neuroendocrinology, physiology, and behavior, Dr. Simpson was appointed the 14th president of the University at Buffalo on January 1, 2004, bringing with him more than 30 years of experience in higher education.

#### Patricia Elliot Stevens

An alumnus of three SUNY campuses and member of the SUNY Board of Trustees, Ms. Stevens serves as the commissioner of the Department of Human Services in Monroe County.



Mr. Nicholas Rostow, Esq.



Mr. Timothy P. Murphy



Mr. Gerard P. Drahos

## SENIOR STAFF

The Research Foundation's senior staff is responsible for directing and managing the affairs of the corporation.

**Mr. John J. O'Connor**  
President

Mr. O'Connor, who also serves as vice chancellor and secretary of SUNY, has broad business, academic and government experience, having previously led a consulting firm, held senior positions at New York University, and worked as press secretary and special assistant to the majority whip of the U.S. House of Representatives.

**Mr. Timothy P. Murphy**  
Executive Vice President

A dual SUNY alumnus, Mr. Murphy worked at SUNY System Administration and at the Office of the New York State Comptroller prior to his appointment as chief operating officer of the Research Foundation in 1999.

**Ms. Bonny G. Boice**  
Senior Vice President for Finance and Treasurer

The RF's chief financial officer for the past nine years, Ms. Boice has held positions of increasing responsibility since joining the organization as business manager in 1986. She previously worked as audit manager at Ernst & Young.

**Mr. James R. Dennehey, Esq.**  
General Counsel and Secretary

Mr. Dennehey, who joined the RF in 1971, is admitted to practice before all courts in the State of New York, the United States Supreme Court and the Federal District Courts of the Northern and Western districts of New York State.

**Mr. Nicholas Rostow, Esq.**  
Senior Counsel

During a distinguished career in research, public service and teaching, Mr. Rostow has served at high levels in both federal and state government, most recently as general counsel and senior policy adviser to the U.S. Permanent Representative to the United Nations.

**John W. Craine, Jr., Vice Admiral, USN (Ret.)**  
Senior Vice President

Vice Admiral Craine joined SUNY in 2001 as the interim president of the Maritime College. He also served as the founding president of the Neil D. Levin Graduate Institute of International Relations and Commerce and chairman of the Board of Trustees Task Force on Efficiency and Effectiveness of the State University.

**Mr. Gerard P. Drahos**

Vice President for Information Services and Chief Information Officer  
Prior to being named chief information officer at the RF, Mr. Drahos held information services consulting and project management positions in such leading firms as KPMG Consulting, Inc., General Electric and Ernst & Young. He also serves as the RF's chief information security officer.

Nominated by campus presidents and appointed by the RF's Board of Directors, the operations manager (OM) has overall responsibility for the administration of sponsored programs as well as public relations and promoting technology transfer, federal relations and philanthropy efforts.

**Ms. Kathryn K. Lowery**

Vice President for Finance and Business  
University at Albany

**Mr. Stephen A. Gilje**

Associate Vice President for Research  
Binghamton University

**Dr. James A. (Beau) Willis**

Chief of Staff and Special Assistant to the  
President & Interim Executive Vice President  
for Finance and Operations  
University at Buffalo

**Dr. Gail Habicht**

Vice President for Research  
Stony Brook University

**Mr. Frederick J. Hammond, Jr.**

Senior Vice President and Chief Financial  
Officer  
SUNY Downstate Medical Center

**Mr. Steven C. Brady**

Vice President for Finance and Management  
Upstate Medical University

**Ms. Connie S. Webb**

Vice President for Administration  
SUNY ESF

**Mr. David A. Bowers**

Vice President for Administration and  
Finance  
College of Optometry

**Mr. Louis M. Spiro**

Vice President for Administration and  
Finance  
SUNY Brockport

**Dr. Dennis K. Ponton**

Provost and Vice President for  
Academic Affairs  
Buffalo State College

**Dr. William E. Shaut**

Vice President for Finance and Management  
SUNY Cortland

**Mr. Dennis C. Belt**

Assistant Vice President for Budget and  
Finance  
Empire State College

**Mr. Tracy S. Bennett**

Vice President for Administration  
SUNY Fredonia

**Dr. Kenneth H. Levison**

Vice President for Administration  
SUNY Geneseo

**Ms. Johanna D'Aleo**

Vice President for Administration  
SUNY New Paltz

**Mr. Arthur H. Angst, Jr.**

Associate Vice President for Business  
Compliance  
Old Westbury

**Ms. Lisa M. Wenck**

Acting Vice President for Finance and  
Administration  
College at Oneonta

**Mr. Nicholas A. Lyons**

Vice President for Administration and  
Finance  
SUNY Oswego

**Mr. John R. Homburger**

Vice President for Business Affairs  
SUNY Plattsburgh

**Mr. Michael D. Lewis**

Vice President for Business Affairs  
SUNY Potsdam

**Ms. Margaret Sullivan**

Vice President for External Affairs and  
Development  
Purchase College

**Ms. Deborah S. Putnam**

Vice President for Administrative Affairs and  
Technology Services  
Alfred State College

**Ms. Christine D. Gray**

Assistant to the Vice President for  
Administration/Budget Control Officer  
SUNY Canton

**Mr. Gary A. Miller**

Vice President for Administration and  
Finance  
SUNY Cobleskill

**Mr. Brian G. Hutzley**

Vice President for Business and Finance  
SUNY Delhi

**Mr. Theodore C. Papas**

RF Grants Administrator  
Farmingdale State College

**Dr. Kimberly R. Cline**

Vice President for Administration  
Maritime College

**Mr. John J. Angerosa**

Assistant Vice President for  
Administrative Services  
Morrisville State College

**Ms. Patricia A. Connolly**

Director of Business Affairs  
SUNYIT

**Dr. Richard Steiner**

Senior Associate Provost  
SUNY System Administration

**Mr. Thomas J. Malone**

Director, International Administration  
Levin Institute

Throughout fiscal year 2004-2005, the Research Foundation's (RF) activities reflected its standing as a corporation with a successful business model, a strong control environment and operational excellence. Methodologies were developed that included systematically analyzing and documenting business processes, risks and the internal controls needed to assure the corporation's objectives will be achieved in the following categories:

- Operational effectiveness and efficiency.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

This internal control evaluation is being done at the:

- Service level—for each of the services in the RF's business model.
- Function level—for the functions needed to provide each of the services.
- Process level—the tasks required to complete a function.

The Finance Committee is an integral component of the RF's board of directors. In fiscal year 2004-2005, this committee, working with RF management, put in place a charter to ensure the committee is fulfilling its responsibilities as they relate to corporate accounting, internal controls, investment activities, reporting practices of the corporation, and quality and integrity of the corporation's financial reports.

Along these lines, effort was also spent on developing financial reports that were simplified and consistent. Converting static reports to Web-based reports provided staff with better tools to carefully monitor and manage their business activities.

Looking to the next fiscal year, the RF will continue implementing the internal controls, business applications and Web tools needed to bring the corporation closer to its strategic objectives:

- Strengthen and enhance organizational structure, executive leadership and board responsibilities.
- Promote the RF and the State University of New York through enhanced communications.
- Leverage technology.
- Be an employer of choice.
- Increase collaboration among campuses and external partners.

#### INTEGRITY OF FINANCIAL INFORMATION

Research Foundation management is responsible for the integrity of the financial information presented in this Annual Report. The accompanying financial statements were prepared in conformity with generally accepted accounting principles. Data in this report is presented on an accrual basis.

#### FISCAL YEAR 2004-2005 SUMMARY

The Research Foundation's (RF) balance sheet states the financial position of the corporation. In comparison to balances at the end of fiscal year 2003-2004, the RF's fiscal year-end total assets decreased by \$33 million due to decreases in accounts receivable, investments, advances, fixed assets and amounts due from broker. At the same time, the RF's total liabilities decreased by \$32 million primarily as a result of decreased Deferred Revenue (surplus) amounts.

#### BALANCE SHEETS: JUNE 30, 2005 AND 2004

<b>Assets</b>	<b>2005</b>	<b>2004</b>
<i>(in thousands)</i>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,474	\$ 1,298
Accounts receivable, net	157,427	170,738
Advances to others	639	6,270
Short-term investments	59,739	139,442
Total current assets	219,279	317,748
<b>Non-current assets:</b>		
Long-term investments	161,324	95,382
Long-term investments—designated for post-retirement benefit obligation	47,018	39,549
Due from broker for securities sold	2,815	6,071
Fixed assets, net	23,561	28,943
Other assets	1,333	914
Total non-current assets	236,051	170,859
Total	<u>\$ 455,330</u>	<u>\$ 488,607</u>

#### Current Assets

An asset has economic value to its owner and includes real property such as land or buildings and personal property such as cash and investments. The Research Foundation's (RF) current assets—assets that can be converted to cash in less than one year—include cash and cash equivalents, net accounts receivables, advances to others and short-term investments.

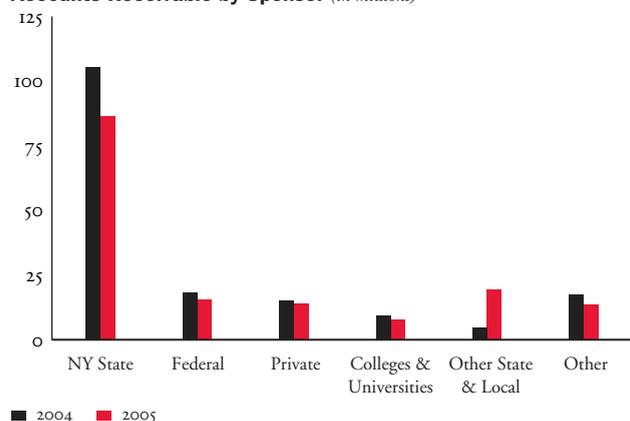
#### Cash and Cash Equivalents

The RF's cash consists of bank account balances and money market funds. The RF also has a line of credit funding source, which is used to pay bills when the RF doesn't have enough working capital to cover its expenditures and to minimize transfers from the operational pool. To maximize the rate of return on this cash, the RF invests it in the operational pool.

In fiscal year 2004-2005, the RF's cash and cash equivalents were \$1.5 million, an increase of 13.6 percent from the prior fiscal year due to fluctuations in daily bank activity and outstanding check balances.

**Accounts Receivable, Net**

This represents deficit amounts where the RF paid bills for sponsored programs activities before receiving money from sponsors, and reflects the amount due to the RF from sponsors. In comparison to fiscal year 2003-2004, sponsored programs accounts receivables decreased \$13.3 million mainly due to payments received for New York state awards.

**Accounts Receivable by Sponsor** (in millions)**Advances to Others**

Advances to others represent deficit amounts related to agency activity at the campus locations. In fiscal year 2004-2005, the balance decreased by \$5.6 million primarily due to payments received from one campus.

**Short-term Investments**

The RF has two types of short-term investments: liquid and operational. A liquid money market fund is used as an investment tool for the major nanoelectronics program at the University at Albany. Cash that will not be used for 30 days is moved to a professionally managed investment pool, the RF's operational pool. This pool is intended to enhance the RF's investment income while ensuring there is adequate liquidity for daily cash needs. Short-term investments decreased \$79.7 million from the prior year due to a greater allocation of assets to long-term investments and a net cash decrease of liquid assets.

Short-term investments also include a current portion of investments designated for post-retirement benefit obligation and represent assets that are restricted by the Board of Directors to pay post-retirement medical benefits for current and future retirees. The balance represents the estimate of the amount of benefits that will be paid in the next fiscal year.

**Non-current Assets**

The RF's non-current assets are assets that generally will not be converted to cash for a period of one year or more. Assets include long-term investments, long-term investments designated for post-retirement benefit obligation, due from broker for securities sold, net fixed assets and other assets.

**Long-term Investments**

The RF receives funds from many sources. To appropriately manage these funds, the RF established investment pools.

*Operational Pool:* Funds in this pool consist of cash advances from sponsors; agency funds that are received because the RF provides human resources and accounts payable administration services to SUNY-related organizations; campus reserve funds designated for campus development activities; and non-deferred gifts that are donated on behalf of a specific campus or the RF's central office.

*Endowment Pool:* This pool is composed of gifts from a donor who stipulated that the principal be maintained inviolate and in perpetuity as a condition of the gift. These are restricted funds.

*Planned Giving Pool:* Three categories of funds make up this pool, each representing a different type of planned giving instrument. The charitable gift annuity pool consists of irrevocable charitable gifts from donors who in return receive lifetime annuity payments. The pooled income fund pool consists of gift assets that are commingled for investment purposes—annual returns are distributed to the donors. Charitable trusts, or remainder trusts, are individual life income trusts that can state one or more beneficiaries with an income for life or a fixed term of years not to exceed 20.

The sum of the RF's long-term investments was \$161 million at the end of the fiscal year, an increase of \$66 million in comparison to the prior fiscal year. The increase is due to a greater allocation of assets to long-term investments and to investment income.

**Long-term Investments Designated for Post-retirement Benefit Obligation**

As health care costs continue to grow, the RF is committed to funding the liability for retiree health insurance. During fiscal year 2005 the RF board of directors approved a funding policy whereby money from current grants will be collected and placed into the retiree health reserve fund each year. The RF added \$4.5 million to this pool in the fourth quarter of fiscal year 2004-2005.

**Due from Broker for Securities Sold**

This asset decreased by \$3.3 million from the prior year and represents investment trade activity that occurred prior to June 30, 2005 that was not settled by June 30, 2005. The settlement date is usually three to five days after the trade date.

**Fixed Assets, Net**

The RF's office furniture, equipment, information system and the corporate office building are reported by subtracting the item's accumulated depreciation from its actual cost. This is known as capitalization. These assets decreased

\$5.4 million from the prior year due to current year depreciation levels in excess of fixed asset purchases. Generally, title to equipment purchased using sponsored funds is retained by the sponsor until such time as it is determined who will actually keep the item. This means that purchases of equipment charged to a grant or contract are not capitalized.

#### Other Assets

Other assets comprise prepaid expenses and funds maintained as part of a deferred compensation plan set up in accordance with section 457(b) of the Internal Revenue Code. These assets increased 45.9 percent from last year.

#### Current Liabilities

A liability is a financial obligation, or the cash outlay that must be made at a specific time, to satisfy the contractual terms of such an obligation. The RF's current liabilities—liabilities that must be paid within one year—include accounts payable and other accruals, deferred revenue, other current liabilities and the RF's line of credit.

#### Liabilities

<i>(in thousands)</i>	2005	2004
<b>Current liabilities:</b>		
Accounts payable and other accruals	\$ 86,750	\$ 80,346
Deferred revenue and deposits held for others	126,821	164,590
Other current liabilities	7,903	7,174
Line of credit	21,992	30,000
Total current liabilities	243,466	282,110
<b>Non-current liabilities:</b>		
Deposits held for others	2,874	2,376
Post-retirement benefit obligation	87,732	70,039
Due to broker for securities purchased	9,134	18,230
Long-term debt	7,808	10,978
Other long-term liabilities	1,333	914
Total non-current liabilities	108,881	102,537
Total	<u>\$ 352,347</u>	<u>\$ 384,647</u>

#### Accounts Payable and Other Accruals

Accrued expenses are amounts the RF owes for vendor payments, taxes, spending accounts, abandoned property, vacation time saved. This amount increased \$6.4 million in fiscal year 2004-2005 due to increases in year-end accruals related to workers' compensation and payroll.

#### Deferred Revenue and Deposits Held for Others

This represents surplus amounts for sponsored programs and agency activity that occur when the RF receives money from sponsors before it has to make expenditures for those programs.

Deferred revenue decreased \$37.8 million from last year due to expenditures related to the nanoelectronics program at the University at Albany.

#### Other Current Liabilities

Other current liabilities comprise the current portion of the post-retirement benefit obligation—the balance represents the estimate of the amount of retiree medical benefits that will be paid in the next fiscal year, and the current portion of long-term debt—the amount of payments to be made in the next twelve months.

#### Line of Credit

This liability represents the amount the RF borrows on an overnight basis to supplement its daily cash flow needs. This enables the RF to minimize the impact that routine fluctuations in daily cash flow have on its investment program, allowing investment managers to maintain a steady portfolio level, which enhances earnings over the long term. Currently, the University at Albany nanoelectronics program is using \$20 million of this line to cover sponsored programs deficits.

In fiscal year 2004-2005, the RF's line of credit liability was \$22 million, a decrease of \$8 million due to increased payments from sponsors for sponsored programs activity.

#### Non-current Liabilities

The RF's non-current liabilities—liabilities that will not be paid for a period of one year or more—include deposits held for others, the long-term portion of the post-retirement benefit obligation, money due to broker for securities purchased, long-term debt and other long-term liabilities.

#### Deposits Held for Others

Deposits held for others represent amounts related to agency activity at the campus locations. Also included are planned gifts donated to campus foundations of \$0.5 million.

#### Post-retirement Benefit Obligation

This liability represents the actuarially-determined amount incurred to pay future retiree medical benefits.

In fiscal year 2004-2005, this liability increased \$17.7 million primarily due to continued increases in retiree medical benefits costs.

#### Due to Broker for Securities Purchased

This liability decreased by \$9.1 million from the prior year and represents investment trade activity that occurred prior to June 30, 2005 that was not settled by June 30, 2005. The settlement date is usually three to five days after the trade date.

#### Long-term Debt

This liability comprises amounts borrowed to finance the corporate office building, the RF information system and some capital leases.

Overall, this liability decreased \$3.2 million during the fiscal year due to debt principal payments made during fiscal year 2004-2005.

#### Other Long-term Liabilities

Other long-term liabilities are composed of funds maintained as part of a Deferred Compensation Plan set up in accordance with section 457(b) of the Internal Revenue Code.

This amount increased 45.9 percent to \$1.3 million in fiscal year 2004-2005 due to participant contributions.

**Net Assets**

The net assets of the RF represent funds specified for development activity at the campuses as outlined in the RF's Financial Plan. As of June 30, 2005, the RF's net assets were \$103 million, a decrease of \$1 million from the prior fiscal year.

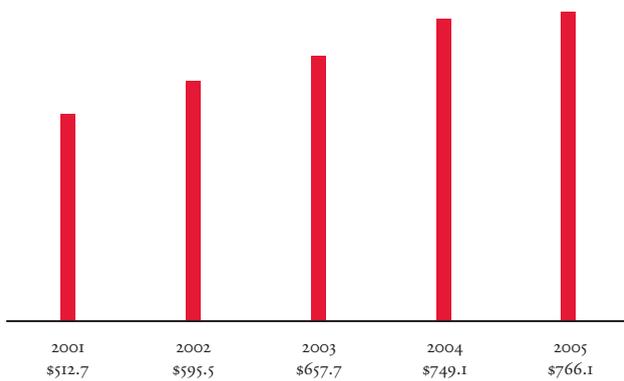
**STATEMENTS OF ACTIVITIES: YEARS ENDED JUNE 30, 2005 AND 2004**

The amount of money earned and spent by the RF is stated on the corporation's statement of activities. On an accrual basis, the RF earned revenue of \$766 million for fiscal year 2004-2005. Total expenses are \$767 million, reflecting a net decrease to fund balance of \$1 million for the fiscal year.

**Revenues**

The Research Foundation's (RF's) primary source of revenue is grants and gifts awarded for sponsored research activities, which represent 97 percent of the RF's total revenue. The upward revenue trend continued in fiscal year 2004-2005.

**Total Revenue, 5-year Trend** (in millions)



**Revenues:**

(in thousands)	2005	2004
Grants and gifts awarded for research and other sponsored activities:		
Direct revenues	\$ 616,902	\$ 604,549
F&A revenues	125,885	123,254
	<u>\$ 742,787</u>	<u>\$727,803</u>
Investment income	10,378	6,765
Inventions and licenses income	12,906	14,491
Total	<u>\$ 766,071</u>	<u>\$ 749,059</u>

**Grants and Gifts Awarded for Research and Other Sponsored Activities**

This is the total revenue awarded for sponsored activities, and includes facilities and administrative (F&A) cost recoveries, non-program gift income, non-sponsored income and agency fee income.

Grant and gifts revenue for fiscal year 2004-2005 was \$743 million, an increase of \$15 million over the last fiscal year mainly due to sponsored programs activity. The University at Albany experienced the most significant growth with sponsored programs activity increasing by 24 percent or \$32 million. The nanoelectronics program contributed significantly to this increase. Activity at the other University Centers was relatively consistent with that of the prior year. The University at Buffalo and Stony Brook University each exhibited a 2 percent increase, while revenue at Binghamton University declined 1 percent.

**Direct Revenues**

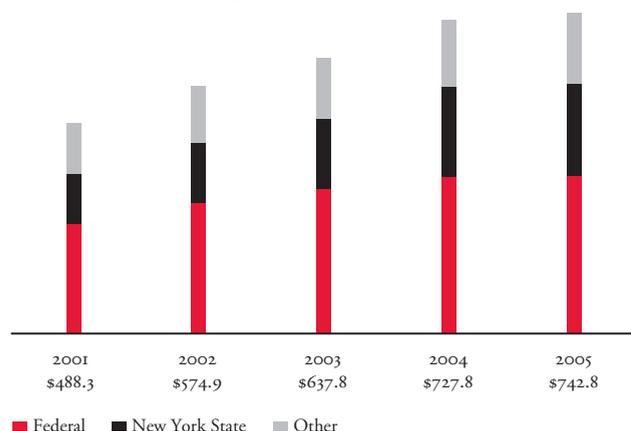
Revenue from projects sponsored directly by the federal government totaled \$365 million or 49 percent of total sponsored revenues. Of these federally sponsored projects, 56 percent of the funding was received from the Public Health Service. Other major federal sponsors included the National Science Foundation, the Agency for International Development and the Departments of Education, Defense and Energy. Revenue from projects sponsored by nonfederal sources—including federal flow-through funding—totaled \$378 million or 51 percent of the total. The combination of all federal funds (direct and flow-through) represents \$524 million or 71 percent.

New York state sponsored programs revenue increased by 2 percent while federally sponsored programs revenue increased less than 1 percent.

### F&A Revenues

F&A recoveries earned on grants and contracts administered by the RF were \$126 million for the fiscal year ending June 30, 2005, an increase of 2 percent over the prior year.

**Sponsored Revenue, 5-year Trend** (in millions)



### Investment Income

The RF invests the cash it receives from sponsors, agencies and its own operating reserves in its operational pool to earn income. The money is invested according to the RF's investment policy and guidelines.

Investment income for fiscal year 2004-2005 is \$10.4 million, a \$3.6 million increase from last fiscal year due to increased investment gains.

### Inventions and Licenses Income

Inventions that result from sponsored research belong to the RF, which is responsible for protecting the intellectual property and commercializing these technologies as part of its technology transfer service.

Royalty income decreased 10.9 percent from last year, reflecting a leveling of royalty income. Royalty income is also anticipated to decrease for next fiscal year.

### Expenses

The RF's total fiscal year 2004-2005 expenses were \$767 million and consisted of expenditures in two areas:

- Sponsored programs: expenses for externally funded research.
- Corporate: administration and support expenses for campus and central office operations.

### Expenses

(in thousands)	2005	2004
Sponsored programs	\$ 610,994	\$ 599,426
Administration and support	156,054	148,188
<b>Total</b>	<b>\$ 767,048</b>	<b>\$ 747,614</b>

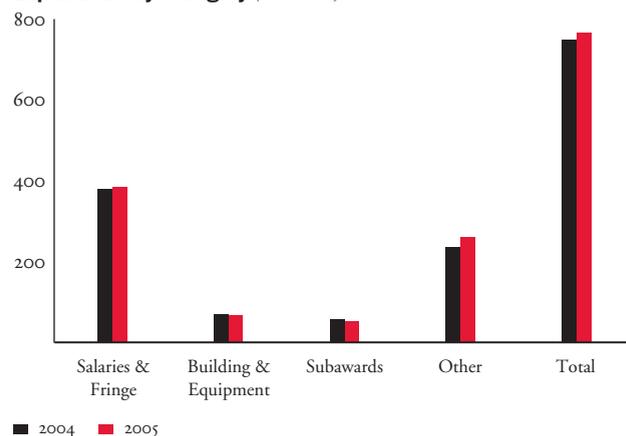
### Sponsored Programs

Sponsored programs revenue is driven by sponsored programs expenditures. Direct expenditures were \$611 million, an increase of \$11.6 million from last fiscal year.

### Administration and Support

The RF's campus and central office locations incur costs to have the infrastructure and staff in place to administer sponsored programs and other services. The RF uses the money it receives from F&A cost recovery, investments and agency fees to pay for these expenditures. Expenditures increased \$7.9 million during fiscal year 2004-2005. This increase is mainly due to increased campus spending.

**Expenditure by Category** (in millions)



# REPORT OF INDEPENDENT AUDITORS

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*To the Board of Directors  
The Research Foundation of State University of New York*

In our opinion, the accompanying balance sheets and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of The Research Foundation of State University of New York (the "Foundation") at June 30, 2005 and 2004, and the changes in its net assets and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation's management; our responsibility is to express an opinion on these financial statements based on

our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

September 12, 2005

**BALANCE SHEETS***June 30, 2005 and 2004*

	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,473,997	\$ 1,297,661
Accounts receivable, net	157,426,642	170,737,954
Advances to others	638,643	6,269,681
Short-term investments	55,854,866	135,554,644
Short-term investments — designated for post-retirement benefit obligation	3,885,000	3,888,000
Total current assets	<u>219,279,148</u>	<u>317,747,940</u>
Non-current assets:		
Long-term investments	161,323,591	95,382,574
Long-term investments — designated for post-retirement benefit obligation	47,017,695	39,548,828
Due from broker for securities sold	2,815,034	6,070,623
Fixed assets, net	23,560,830	28,942,734
Other assets	1,333,547	914,305
Total non-current assets	<u>236,050,697</u>	<u>170,859,064</u>
Total assets	<u>\$ 455,329,845</u>	<u>\$ 488,607,004</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 54,424,901	\$ 49,930,923
Accrued compensation	12,361,982	11,180,933
Accrued vacation	19,963,717	19,234,998
Deferred revenue	126,820,898	164,589,530
Current portion of post-retirement benefit obligation	3,885,000	3,888,000
Current portion of long-term debt	4,018,019	3,285,858
Line of credit	21,991,516	30,000,000
Total current liabilities	<u>243,466,033</u>	<u>282,110,242</u>
Non-current liabilities:		
Deposits held for others	2,873,670	2,376,357
Post-retirement benefit obligation	87,731,695	70,038,828
Due to broker for securities purchased	9,134,008	18,229,505
Long-term debt, net of current portion	7,807,585	10,977,670
Other liabilities	1,333,547	914,305
Total non-current liabilities	<u>108,880,505</u>	<u>102,536,665</u>
Total liabilities	<u>352,346,538</u>	<u>384,646,907</u>
<b>Net assets</b>		
Unrestricted	<u>102,983,307</u>	<u>103,960,097</u>
Total liabilities and net assets	<u>\$ 455,329,845</u>	<u>\$ 488,607,004</u>

*The accompanying notes are an integral part of the financial statements.*

## STATEMENTS OF ACTIVITIES

Years Ended, June 30, 2005 and 2004

	2005	2004
<b>Revenues</b>		
Grants and gifts awarded for research and other sponsored activities	\$ 742,787,086	\$ 727,803,846
Investment income	10,377,987	6,764,437
Inventions and licenses income	12,905,720	14,491,096
Total revenues	<u>766,070,793</u>	<u>749,059,379</u>
<b>Expenses</b>		
Sponsored programs	610,993,396	599,426,445
Administration and support	156,054,187	148,187,669
Total expenses	<u>767,047,583</u>	<u>747,614,114</u>
Net (decrease) increase in net assets	(976,790)	1,445,265
Net assets at beginning of year	103,960,097	102,514,832
Net assets at end of year	<u>\$ 102,983,307</u>	<u>\$ 103,960,097</u>

*The accompanying notes are an integral part of the financial statements.*

## STATEMENTS OF CASH FLOWS

Years Ended, June 30, 2005 and 2004

	2005	2004
<b>Cash flows from operating activities</b>		
Federal grants and contracts	\$ 481,517,217	\$ 515,443,492
State and local grants and contracts	118,329,317	110,365,510
Private gifts and grants	116,502,362	103,888,967
Other receipts	139,258,999	115,250,061
Salaries and wages payments	(337,264,992)	(322,532,751)
Employee benefits payments	(98,258,743)	(88,314,610)
Payments to suppliers/vendors	(401,797,421)	(387,995,966)
Operating interest, dividends and investment gains	5,749,075	4,067,785
Interest payments on capital debt/notes	(300,919)	(311,059)
Other payments	(13,658,649)	(16,542,780)
Net cash provided by operating activities	<u>10,076,246</u>	<u>33,318,649</u>
<b>Cash flows from financing activities</b>		
Cash overdraft	—	2,037,562
Principal payments on capital debt/notes	(3,732,256)	(3,272,944)
Proceeds from line of credit	276,252,828	234,082,704
Payments on line of credit	(284,261,312)	(214,082,704)
Net cash (used in) provided by financing activities	<u>(11,740,740)</u>	<u>18,764,618</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales of investments	722,647,564	691,820,599
Purchases of investments	(717,934,651)	(741,374,556)
Cash paid for purchases of fixed assets	(2,872,083)	(2,799,698)
Net cash provided by (used in) investing activities	<u>1,840,830</u>	<u>(52,353,655)</u>
Net increase (decrease) in cash and cash equivalents	176,336	(270,388)
Cash and cash equivalents, beginning of year	1,297,661	1,568,049
Cash and cash equivalents, end of year	<u>\$ 1,473,997</u>	<u>\$ 1,297,661</u>
<b>Reconciliation of change in net assets to net cash provided by operating activities</b>		
Change in net assets	\$ (976,790)	\$ 1,445,265
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(4,432,902)	(897,174)
Depreciation	8,669,173	8,342,093
Loss on disposal of fixed assets	972,146	333,342
Donated fixed assets	(93,000)	
Bad debt recovery	—	(1,000,000)
Change in assets and liabilities:		
Accounts receivable and other assets	12,892,070	(30,811,968)
Accrued investment income	172,975	(200,686)
Accounts payable and accrued expenses, net of cash overdraft	4,493,978	6,508,978
Other accruals and other liabilities	2,329,010	2,920,891
Deferred revenue	(37,768,632)	38,983,225
Deposits held for and advances to others	6,128,351	(10,574,467)
Post-retirement benefit obligation	17,689,867	18,269,150
Net cash provided by operating activities	<u>\$ 10,076,246</u>	<u>\$ 33,318,649</u>
<b>Noncash activity</b>		
Capital lease obligation	\$ 1,294,331	\$ —

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

## NOTE 1

### Organization

The Research Foundation (the "Foundation") is a private, non-profit corporation that supports the advancement of education, research and discovery at the State University of New York (SUNY). Established in 1951, the Foundation carries out its responsibilities pursuant to a 1977 contract with SUNY. Often referred to as "the 1977 Agreement," this contract has no specified termination date, reflecting the ongoing nature of the work the Foundation does for SUNY. The Foundation is tax-exempt under Internal Revenue Service Code section 501(c)(3).

Separate from SUNY, the Foundation is able to form partnerships that enhance SUNY's education, research and public service mission and spur economic development across New York state. Over the past few years, the Foundation broadened its scope to include a full range of professional programs and services needed to sustain and enhance SUNY's reputation and stature. The Foundation offers SUNY the following 10 services:

- Affiliated Corporations Establishment and Oversight
- Federal Relations

- Human Resources and Payroll Administration
- Information Technology and System Support
- Investment Management
- Philanthropy and Alumni Affairs Support
- Planned Gift Administration
- Purchasing and Payables Administration
- Sponsored Programs Administration
- Technology Transfer Management.

The Foundation comprises a central office and operating units at 30 campus locations across New York state. Sponsored programs functions delegated to the campuses are conducted under the supervision of Foundation operations managers who are appointed by the Foundation's board of directors on the recommendation of the respective campus presidents.

The Foundation is governed by a board of directors composed of researchers, campus and system administrators, SUNY trustees, and representatives of business and industry. The chancellor of the University serves as chair of the board ex officio.

## NOTE 2

### Summary of Significant Accounting Policies

#### Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amount of net assets and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of change in net assets during the reporting period. Actual results could differ from those estimates.

#### Revenue Recognition

Substantially all of the Foundation's revenues are exchange transactions derived from restricted grants, cost reimbursement contracts, and cooperative agreements, that provide for the recovery of direct and indirect costs, subject to audit. In the opinion of management no material adjustments are expected as a result of such audits. Grants and contracts awarded for research and other sponsored activities are recognized only to the extent of direct costs incurred or when such costs are eligible for reimbursement. Amounts received in excess of expenses are recorded as deferred revenues. The Foundation funds its operations primarily from recoveries of indirect costs provided from grants and contracts. Such recoveries are recorded in the year in which the direct costs are incurred or when such costs are eligible for reimbursement.

#### Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

The captions "Due from broker for securities sold" and "Due to broker for securities purchased" represent investment trade activity that took place prior to year end but had not been settled by year end. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and unrealized appreciation (depreciation), is reported in the statements of activities. The average cost of securities sold is used to determine the basis for computing realized gains or losses.

The Foundation does not require its investments to be collateralized. To minimize potential losses, the Foundation maintains a diversified investment portfolio and, with respect to debt instruments, has a policy of investing in primarily high quality securities with a minimum rating of BBB or equivalent. Investments are held with the investment custodian in the Foundation's name.

#### Fixed Assets

Fixed assets are stated at cost, net of accumulated depreciation, and are depreciated on a straightline basis over the estimated useful life of the assets. Estimated useful life (in years) of the Foundation's fixed assets are as follows:

Equipment and information system	5
Office furniture	7
Building	50

Upon sale or retirement of fixed assets, the cost and the related accumulated depreciation are removed from the

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accounts and the resulting gain or loss is recorded. Depreciation expense for the years ended June 30, 2005 and 2004 was \$8,669,173 and \$8,342,093, respectively. Generally, title to equipment purchased using sponsored funds is retained by the grantor institution until such time as final disposition is determined. Accordingly, purchases of equipment charged to the respective grant or contract are not capitalized.

#### **Accrued Vacation**

Foundation employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation up to a maximum of thirty days. Employees are not reimbursed for accumulated sick leave at termination.

#### **Cash Equivalents**

Cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents representing assets of the long-term investment portfolio are classified as long-term investments.

#### **Reclassifications**

Certain 2004 amounts have been reclassified to conform with the 2005 classified balance sheet presentation.

#### **Other Information**

Accounts receivable as of June 30, 2005 and 2004 are reported net of an allowance for doubtful accounts of \$8,000,000 and \$8,000,000, respectively.

Advances to others and deposits held for others represent amounts related to agency activity at the campus locations. Included in deposits held for others are planned gifts donated to campus foundations of approximately \$488,000.

The Foundation has been awarded approximately \$854,411,000 and \$863,192,000 of grants and contracts that have not been advanced or expended as of June 30, 2005 and 2004, respectively, and accordingly, such amounts have not been recorded in the financial statements.

The Foundation maintains a Deferred Compensation Plan established in accordance with Section 457(b) of the Internal Revenue Code. Plan funds are a part of the general assets of the Foundation and are subject to claims of creditors of the Foundation.

The net assets of the Foundation primarily represent funds specified for development activity at the campuses as outlined in the Foundation's board-approved financial plan.

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## **NOTE 3**

### **Affiliated Organizations**

The Foundation has established fourteen affiliated organizations to facilitate university-industry-government partnerships and accelerate the growth of sponsored programs and applied research opportunities at SUNY. This is sometimes done in cooperation with campus-based or related organizations. These entities limit liability to the Foundation and SUNY and often are able to meet the needs of SUNY and/or SUNY campuses that cannot be easily accomplished through existing structures. The Foundation does not have a financial interest in nor is it contingently liable to these affiliated organizations. The affiliated organizations are as follows:

#### **Binghamton Technologies Corporation (BTC)**

Binghamton Technologies Corporation (BTC) is a private, not-for-profit corporation formed by the Foundation to construct a high-technology facility at the eastern edge of the Binghamton University campus to assist in the economic development of the region. The Innovative Technologies Complex will house a new Bioengineering Department, the Center for Protein Dynamics, technology incubators for biotech and advanced sensor design companies, research laboratories, and Binghamton University's Division of Research, which oversees technology transfer and economic outreach. It will also serve as a magnet for faculty and graduate students and an engine for new ideas and businesses.

#### **Broad Hollow Bioscience Park, Inc.**

Broad Hollow Bioscience Park, Inc. is a not-for-profit corporation formed by the Foundation and Cold Spring Harbor Laboratory to establish a high-technology incubator facility

on the Farmingdale State College campus. Its purpose is to assist in the economic development of the region by attracting public and private funds to further research and biotechnology development, by facilitating the transfer of biotechnology resources to the marketplace, and by creating jobs.

#### **Brookhaven Science Associates, LLC (BSA)**

In a national competition against the country's leading research universities, the U.S. Department of Energy in 1997 selected Brookhaven Science Associates, LLC (BSA) to operate the world-famous Brookhaven National Laboratory (BNL)—a \$2 billion contract. Formed as a limited liability company by Battelle Memorial Institute (BMI) and the Foundation on behalf of Stony Brook University, BSA is the legal entity responsible for leading BNL successfully through the 21st century. In accordance with the LLC agreement, member profits and losses are allocated 50 percent each to Battelle and the Foundation. During 1998, Battelle and the Foundation each made an initial capital contribution of \$125,000.

The total assets of BSA as of September 30, 2004 and 2003 are \$11,133,432 and \$10,804,757, respectively. Total revenue for the years ended September 30, 2004 and 2003 are \$6,570,060 and \$6,706,548, respectively. Total expenses for the years ended September 30, 2004 and 2003 are \$2,685,436 and \$2,811,968, respectively. The Foundation records its share of the net earnings of BSA from BSA's most recent completed fiscal year. The Foundation records distributions received as a reduction of the investment balance.

#### **Calspan-UB Research Center, Inc. (CUBRC)**

Calspan-UB Research Center, Inc. (CUBRC) is a strategic partnership whose mission is to bring together scientists, engineers and resources from academia and industry to provide the synergy to expand the research capabilities of all

and to provide significant growth opportunities in western New York. Founded by Calspan Corporation, now General Dynamics, Inc., and the Foundation, acting on behalf of the University at Buffalo, CUBRC was incorporated in New York state in 1983 as an independent, not-for-profit, multidisciplinary research center. By making available the resources of both University at Buffalo and General Dynamics, CUBRC competes for research programs that would not be available to University at Buffalo or General Dynamics separately.

**Downstate Technology Center, Inc.**

Downstate Technology Center, Inc. is a private, not-for-profit corporation formed by the Health Science Center at Brooklyn Foundation, Inc. and the Foundation to provide a vehicle for the construction of an advanced biotechnology research park adjacent to the SUNY Downstate Medical Center to advance medical research, provide incubator space, and assist in the economic development of the borough of Brooklyn.

**Fuller Road Management Corporation (FRMC)**

Fuller Road Management Corporation (FRMC), a private, not-for-profit corporation, is a partnership between the Foundation and the University at Albany Foundation, Inc. to provide a vehicle for the construction of comprehensive research facilities that support a high-tech business incubator, workforce development, research and development and technology acceleration. On July 2, 2002, the Foundation guaranteed a loan in the amount of \$8,966,000 on behalf of FRMC. The outstanding balance of this loan at June 30, 2005 is \$8,814,635. As the assets of FRMC would not be distributed to the Foundation in the event of liquidation, and the Foundation is not receiving distributions, no equity investment has been recorded.

In May of 2005, the Foundation, as tenant, and FRMC, as landlord, executed an agreement for the lease of a clean room facility, which will be used for nanotechnology related research and development at the University at Albany. Commencing in May 2006 and during the term of the agreement, the annual rental payment of \$7,014,458 will be paid by the Foundation to FRMC, in quarterly installments of \$1,753,614.50. The annual rental payment may escalate annually at a rate not to exceed one percent. The Foundation is further obligated to pay to FRMC additional rent in the amount of \$268,555 in August of 2005 and in February of 2006, and \$136,599.50 in August of 2006. The term of the lease is from May 20, 2005 through September 30, 2035.

**Griffiss Institute Inc.**

The Griffiss Institute Inc. is a private, not-for-profit corporation formed by the Foundation in partnership with Mohawk Valley EDGE, Inc., Syracuse University, Polytechnic University and Utica College to establish a research facility at the Griffiss Business and Technology Park in Rome, New York. The mission of the Institute is to advance the study of the security and vulnerability of public and private information systems and infrastructure in the United States. The

Institute will focus on ensuring the security of information systems, developing a workforce of information security professionals, and creating a locale for information assurance services and products.

**Long Island High Technology Incubator (LIHTI)**

The Long Island High Technology Incubator (LIHTI), a private, not-for-profit corporation incorporated in 1989, is a partnership between the Foundation and the Stony Brook Foundation, Inc. LIHTI's mission is to target the development of new high-technology companies in a limited number of overlapping technology growth areas including biotechnology, environmental technologies, electronics, information technologies and new materials technologies.

**Nano Tech Resources, Inc.**

Nano Tech Resources, Inc. is a private, not-for-profit corporation formed by the Foundation to work with the University at Albany to help it meet its obligations in support of the Center of Excellence in Nanoelectronics by assisting in exploring and implementing corporate partnerships and securing external funding; to partner with the College of Nanoscale Science and Engineering at the University at Albany; and to link academic teaching and research with technology development.

**Neil D. Levin Graduate Institute of International Relations and Commerce Foundation, Inc.**

The Neil D. Levin Graduate Institute of International Relations and Commerce Foundation, Inc. is a not-for-profit corporation formed by the Foundation to facilitate donations, conduct fund-raising activities and provide a source of revenue for the benefit of the Levin Institute. The goal of the Foundation is to advance the mission of the Levin Institute through the enhancement of the faculty, students and staff and support of its academic, research and international programs.

**New York Maritime College Sailing Foundation, Inc. (NYMCSF)**

New York Maritime College Sailing Foundation, Inc. (NYMCSF) is a private, not-for-profit corporation formed by the Foundation to serve as the funding and supportive body in support of sailing programs at the State University of New York Maritime College. The goal of NYMCSF is to advance the college's mission through the enhancement of the faculty, student and staff for the benefit of midshipmen and to facilitate the program's short and long-term excellence through donations of funds, equipment or boats.

**Purchase College Advancement Corporation**

Purchase College Advancement Corporation is a private, not-for-profit corporation formed by the Foundation on behalf of Purchase College to develop a retirement community and faculty and staff housing on the grounds of Purchase College to further the objectives and purposes of the State University of New York.

**Source Sentinel, LLC**

Source Sentinel, LLC is a limited liability company formed by the Foundation, on behalf of SUNY ESF, O'Brien & Gere Limited and Sensis Corporation. Its mission is to bring together scientists, engineers, and resources from academia and industry to develop real-time detection and monitoring

products for the protection of drinking water supplies, distribution systems and treatment facilities against chemical and biological threats.

#### State Street Management Inc. (SSMI)

State Street Management Inc. (SSMI) is a not-for-profit realty holding corporation, incorporated in 1990, to purchase and hold real estate for the benefit of the Nelson A. Rockefeller Institute of Government.

## NOTE 4

### Investments

Investments by type, exclusive of investments designated for the post-retirement benefit obligation, consist of the following as of June 30:

	2005	2004
Cash equivalents	\$ 59,712,364	\$ 91,049,607
U.S. government securities	63,098,854	83,832,058
Mortgage/asset-backed securities	12,710,427	5,126,551
Corporate debt securities	12,450,768	13,322,823
Common stocks	54,087,303	28,819,423
Investment in equity partnership	739,910	730,925
High yield limited partnership	8,366,693	6,228,234
Other	6,012,138	1,827,597
Total	<u>\$217,178,457</u>	<u>\$ 230,937,218</u>

High yield limited partnership consists of securities with readily determinable market values.

For the years ended June 30, 2005 and June 30, 2004, investments classified as long-term are \$161,323,591 and \$95,382,574, respectively; investments classified as short-term are \$55,854,866 and \$135,554,644, respectively, exclusive of investments designated for the post-retirement benefit obligation.

The following is the composition of investment income in the financial statements:

	2005	2004
Dividends and interest	\$ 4,002,773	\$ 3,919,973
Realized and unrealized gains, net	4,432,902	897,174
Income from investment in equity partnership	1,942,312	1,947,290
Total return on investments	<u>\$ 10,377,987</u>	<u>\$ 6,764,437</u>

The board of directors has designated certain investments in common stocks for the purpose of funding post-retirement benefit obligations. These investments are separately disclosed on the balance sheet, and amounted to \$50,902,695 and \$43,436,828 at June 30, 2005 and 2004, respectively.

## NOTE 5

### Fixed Assets

Fixed assets consist of the following at June 30:

	2004	Additions	Retirements	2005
Building	\$ 6,500,000	\$ —	\$ —	\$ 6,500,000
Office furniture and equipment	42,434,045	3,125,083	2,744,178	42,814,950
Information systems	23,690,231	1,294,331	—	24,984,562
Total fixed assets	<u>\$ 72,624,276</u>	<u>\$ 4,419,414</u>	<u>\$ 2,744,178</u>	<u>\$ 74,299,512</u>
<b>Less accumulated depreciation</b>				
Building	\$ 260,000	\$ 130,000	\$ —	\$ 390,000
Office furniture and equipment	26,841,416	3,684,566	1,612,033	28,913,949
Information system	16,580,126	4,854,607	—	21,434,733
Total accumulated depreciation	<u>\$ 43,681,542</u>	<u>\$ 8,669,173</u>	<u>\$ 1,612,033</u>	<u>\$ 50,738,682</u>
Fixed assets, net	<u>\$ 28,942,734</u>	<u>\$ (4,249,759)</u>	<u>\$ 1,132,145</u>	<u>\$ 23,560,830</u>

## NOTE 6

### Post-retirement Benefit Obligation

The Foundation sponsors a defined benefit plan that covers substantially all non-student employees. The plan provides post-retirement medical benefits and is contributory for employees hired after 1985. Retirees who were employed

after 1985 are subject to the same cost sharing requirements as active employees. Annual allocations are made by management pursuant to a funding policy established by the board of directors. The assets are held in an unrestricted investment account designated by the board of directors. There are 5,635 participants in the plan, as of July 1, 2004. Contributions by the Foundation consisted of \$4,500,000 to increase plan reserves and \$3,277,167 for payment of plan benefits during the year ended June 30, 2005.

The following table sets forth the plan's funded status reconciled with the amount shown in the Foundation's financial statements at June 30:

	2005	2004
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$136,419,678	\$ 131,055,678
Service cost	7,680,000	5,960,000
Interest cost	8,918,000	8,169,000
Plan participants' contributions	53,000	61,000
Plan amendments	(2,513,000)	—
Actuarial (gain) loss	38,240,000	(5,259,000)
Benefits paid	(3,330,000)	(3,567,000)
Benefit obligation at end of the year	<u>185,467,678</u>	<u>136,419,678</u>
Benefit obligation at end of the year	(185,467,678)	(136,419,678)
Unrecognized actuarial loss	93,312,000	59,165,000
Unrecognized prior service cost	(2,234,000)	
Unrecognized transition cost	2,772,983	3,327,850
Accrued benefit cost	<u>\$ (91,616,695)</u>	<u>\$ (73,926,828)</u>

**Weighted-average assumptions as of June 30**

Discount rate	5.25%	6.25%
Expected return on plan assets	8%	8%

**Components of net periodic benefit cost**

Service cost	\$ 7,680,000	\$ 5,960,000
Interest cost	8,918,000	8,169,000
Expected return on plan assets	(3,475,000)	(3,354,000)
Amortization of prior service cost	(279,000)	
Amortization of transition obligation	555,000	555,000
Net amortization and deferral	4,602,000	5,124,000
Net periodic benefit cost	<u>\$ 18,001,000</u>	<u>\$ 16,454,000</u>

**Estimated future benefit payments (net of retiree contributions)**

First year	\$ 3,885,000
Second year	4,422,000
Third year	5,100,000
Fourth year	5,801,000
Fifth year	6,663,000
Next five years	47,273,000

For measurement purposes, annual rates of increase in the per capita cost of covered health care benefits of 10 percent for both the indemnity plan and for the health maintenance organization (HMO) plan were assumed for 2005. The rate for both plans was assumed to decrease gradually to 5 percent through 2013 and remain at that level thereafter. The Foundation recorded an expense of \$10,224,000 and \$20,782,000 in 2005 and 2004, respectively, to recognize the unrecoverable amount of the unfunded plan obligation (Note 10).

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A

one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost		
Components	\$ 3,700,000	\$ (2,888,000)
Effect on post-retirement benefit obligation	\$ 34,699,000	\$ (27,724,000)

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 has been reflected assuming that the Foundation will continue to provide a prescription drug benefit to plan participants that is at least actuarially equivalent to Medicare Part D and that the Foundation will receive the federal subsidy indefinitely.

**Estimated Gross Amount of Subsidy Receipts**

First year	\$ (103,000)
Second year	(233,000)
Third year	(267,000)
Fourth year	(308,000)
Fifth year	(349,000)
Next five years	(2,623,000)

**Investment Policies and Strategies**

The plan's primary investment goal is to achieve the expected required return, consistent with prudent investment management. The plan's asset allocation is structured to meet a long-term targeted total return. Borrowing from the diversification techniques developed under Modern Portfolio Theory, the plan's assets are invested so that total portfolio risk exposure and risk-adjusted returns meet the plan's long-term total return goal.

The Foundation's investment managers exercise full investment discretion within guidelines outlined in the Foundation's Investment Policy. The investment managers are charged with the responsibility of managing the assets with the care, skill, prudence and diligence that a prudent investment professional in similar circumstances would exercise.

The individual investment managers are provided specific investment guidelines under which they are to invest their assets. In general, investment managers are expected to remain fully invested. Equity and fixed income managers are expected to invest, through best execution, in assets that they deem to be prudent investments.

The Foundation's Investment Policy prohibits the use of derivatives for purposes of leverage or unrelated speculation. The Policy also outlines certain securities, strategies and investments that are ineligible for inclusion within the plan.

**Basis Used to Determine the Overall Expected Long-Term Rate of Return on Assets Assumption**

The Foundation works with a consultant to develop the long-term rate of return assumptions used to model and determine the overall asset allocation. The consultant's asset allocation committee is responsible for determining the asset class assumptions. Forecast returns are based on a combination of historical returns, current market conditions and their forecast for the capital markets over the next 5-7 years. The consultant analyzes the historic trends of asset class index returns since inception of the asset class over various

market cycles and economic conditions. Approximately 75 percent of the return assumption is based on historical information and 25 percent is based on current or forward-looking information. All asset class assumptions are within certain bands around the long-term historical averages. Adjustments to historical returns are based on a number of factors including, but not limited to, current market valuations, yield, inflation and various economic indicators.

The plan's asset allocation in the table at right is expected to meet the plan's expected return.

Asset Class	Target	Permissible Ranges
<b>Equities</b>	70%	60 - 80%
Large Cap Growth	20	—
Large Cap Core	30	—
Small Cap Core	10	—
International	10	—
<b>Fixed Income</b>	30%	20 - 40%
Long-Term FI	20	—
High Yield FI	10	—

## NOTE 7

### Retirement Plans

The Foundation maintains a non-contributory defined contribution retirement plan for substantially all non-student employees. Contributions are based on a percentage of earnings and range from 8 percent to 15 percent, depending on date of hire. Employees become fully vested in contributions made by the Foundation after the completion of five years of service. Contributions are allocated to individual employee accounts. Vested participants have the option of having contributions to their accounts deposited in either the Teachers

Insurance and Annuity Association ("TIAA"), which offers a guaranteed income account, or in the College Retirement Equities Fund ("CREF"), which offers an assortment of stocks, bonds, real estate, and money market investments. The payroll for Foundation employees covered by TIAA/CREF for its fiscal year ended June 30, 2005 was \$296,013,000. The Foundation pension contributions were approximately \$21,639,000 and \$22,169,000 for the years ended June 30, 2005 and 2004, respectively. These contributions are equal to 100 percent of the required contributions for the year.

## NOTE 8

### Long-Term Debt and Other Long-Term Liabilities

The Foundation entered into an agreement during fiscal year 2001-2002 with the City of Albany Industrial Development Agency (IDA) whereby the IDA issued both a taxable and a tax-exempt series of bonds for the purpose of providing funds to acquire a parcel of real estate together with the existing building thereon. The Foundation occupies and conducts most of its central office operations from this location. For the year ended June 30, 2005, the long-term debt associated with these bond issuances is as follows: The tax-exempt bond issuance totaled \$5,600,000 with maturity in 2032.

The interest rate of 2.4 percent at June 30, 2005 is applicable through July 1, 2005. The taxable bond issuance totaled \$900,000 with maturity in 2009. The interest rate is 3.59 percent at June 30, 2005, and is also applicable through July 1, 2005. Thereafter, the bonds will bear interest at variable rates as established by First Albany Corporation, as remarketing agent. The adjustable rate for the tax-exempt

bonds will not exceed 12 percent per annum and the adjustable rate for the taxable bonds will not exceed 15 percent per annum.

In fiscal year 1999-2000, the Foundation entered into a tax-exempt leasing program through the City of Albany IDA to finance development of a new information system. The borrowing totaled \$16,300,000 and was collateralized by the associated equipment. During fiscal year 2002-2003, the Foundation refinanced the amount outstanding on this borrowing. The amount refinanced, including additional costs associated with the refinancing, was \$7,806,080. The refinanced amount is at an effective annual rate of 2.67 percent and all other terms and conditions of the original tax-exempt lease remain the same. Payments on the debt are due on the first day of each calendar quarter.

The Foundation is also contractually obligated per long-term lease agreements for capital equipment.

A summary of the Foundation's long-term debt, as well as other long-term liabilities, are summarized as follows:

	2004	Additions	Reductions	2005	Current Portion
<b>Long-term debt:</b>					
Lease obligations	\$ 2,735,572	\$ 1,294,332	\$ 1,000,843	\$ 3,029,061	\$ 1,346,476
Bonds payable	11,527,956	—	2,731,413	8,796,543	2,671,543
Total long-term debt	14,263,528	\$ 1,294,332	\$ 3,732,256	\$ 11,825,604	\$ 4,018,019
<b>Other long-term liabilities:</b>					
Post-retirement benefit obligation	\$ 73,926,828	\$ 21,020,000	\$ 3,330,133	\$ 91,616,695	\$ 3,885,000
Other	914,305	419,242	—	1,333,547	—
Deposits held for others	2,376,357	646,320	149,007	2,873,670	—
Due to broker for securities purchased	18,229,505	9,134,008	18,229,505	9,134,008	—
Total other long-term liabilities	\$ 95,446,995	\$ 31,219,570	\$ 21,708,645	\$ 104,957,920	\$ 3,885,000
Total long-term liabilities	\$ 109,710,523	\$ 32,513,902	\$ 25,440,901	\$ 116,783,524	\$ 7,903,019

Fiscal Year	Bonds Payable—Building		Bonds Payable—Information Systems		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ —	\$ 153,248	\$ 2,671,543	\$ 44,713	\$ 1,346,476	\$ 58,416	\$ 4,018,019	\$ 256,377
2007	135,000	148,401	—	—	1,045,833	24,508	1,180,833	172,909
2008	145,000	143,196	—	—	581,081	5,327	726,081	148,523
2009	150,000	137,811	—	—	55,671	73	205,671	137,884
2010	155,000	132,960	—	—	—	—	155,000	132,960
2011-15	875,000	603,000	—	—	—	—	875,000	603,000
2016-20	1,035,000	486,840	—	—	—	—	1,035,000	486,840
2021-25	1,220,000	349,560	—	—	—	—	1,220,000	349,560
2026-30	1,430,000	188,400	—	—	—	—	1,430,000	188,400
2031-35	980,000	24,120	—	—	—	—	980,000	24,120
Total	<u>\$ 6,125,000</u>	<u>\$ 2,367,536</u>	<u>\$ 2,671,543</u>	<u>\$ 44,713</u>	<u>\$ 3,029,061</u>	<u>\$ 88,324</u>	<u>\$ 11,825,604</u>	<u>\$ 2,500,573</u>

Interest rates range from 2.4 percent to 3.59 percent

Interest rate 2.67 percent

Interest rates range from 1.55 percent to 9.95 percent

**Line of Credit**

The Foundation maintains one revolving line of credit for \$30,000,000 of which \$21,991,516 was used as of June 30, 2005. The agreement for the revolving line of credit was

executed during the year ended June 30, 2002. The lending is at prime rate less 2 percent and is payable daily based upon the available amount in the Foundation's overnight investment account.

**NOTE 9**

**University at Buffalo Foundation Services, Inc.**

The Foundation has signed an agreement with the University at Buffalo Foundation Services, Inc. (UBFS) to enable UBFS to enter into contracts and accept grants for certain sponsored programs (generally excluding federal, New York state and foreign) on behalf of the University at Buffalo. Under this agreement, UBFS serves as an agent for the Foundation. Activity through UBFS amounted to approximately \$3,177,000 and \$3,416,000 for the years ended June 30, 2005 and 2004, respectively.

**NOTE 10**

**Administration and Support**

These expenses are funded primarily from revenue received from grants for the reimbursement of facilities and administrative (F&A) costs. F&A costs are overhead expenses incurred to support sponsored research and other sponsored programs within the university. Expenses incurred include sponsored programs support and development, institutional and departmental support, academic support, maintenance and operations, and administrative costs. Unreimbursed post-retirement medical expense, included in administration and support expense, was \$10,224,000 and \$20,782,000 in 2005 and 2004, respectively (Note 6).

**NOTE 11**

**Revenues**

	2005	2004
Federal grants and contracts	\$ 519,341,476	\$ 523,363,633
State grants and contracts	110,431,053	98,414,666
Local grants and contracts	12,252,617	13,928,667
Private grants and contracts	94,661,978	86,973,281
Investment income, net of investment fees	5,945,085	5,867,263
Net realized and unrealized gains	4,432,902	897,174
Gifts	542,545	185,030
Capital gifts and grants	253,000	—
Other sources	18,210,137	19,429,665
Total revenues	<u>\$ 766,070,793</u>	<u>\$ 749,059,379</u>

**NOTE 12**

**Functional Expenses**

	2005	2004
Instruction	\$ 117,584,949	\$ 109,284,101
Research	383,738,748	368,341,793
Public service	105,875,355	112,748,426
Academic support	8,133,530	5,550,785
Student services	1,569,120	953,467
Operations & maintenance	18,518,885	21,589,857
Institutional support	117,587,421	118,565,029
Scholarships and fellowships	4,061,844	1,594,162
Hospitals	35,493	—
Depreciation and amortization expense	8,669,173	8,342,093
Interest expense on capital related debt	300,919	311,059
Loss on disposal of plant assets	972,146	333,342
Other operating expenses	—	—
Total expenses	<u>\$ 767,047,583</u>	<u>\$ 747,614,114</u>

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The Research Foundation  
35 State Street  
Albany, NY 12207-2826  
(518) 434-7000

**Vice President**

**Corporate Communications:**

Catherine Kaszluga

**Editor:**

Joanne Lafrancois

**Contributing writers:**

Elizabeth Piga  
David Perilstein

**Photography:**

Mary Koniz Arnold; Media Services,  
HSC, Stony Brook University;  
Nancy J. Parisi/UB Office of News  
Services; Joe Putrock; Timothy Raab;  
Jon Reis Photo & Design; Walter Smith;  
Ashok Subramanian

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Foundation's 2005 annual report,  
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**Catherine Kaszluga**

Vice President  
Corporate Communications  
The Research Foundation  
35 State Street  
Albany, New York 12207-2826  
(518) 434-7066  
[cathy.kaszluga@rfsuny.org](mailto:cathy.kaszluga@rfsuny.org)