

Stony Brook University

ANNUAL FINANCIAL REPORT | 2011-2012







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On the cover: The Simons Center for Geometry and Physics
 Inside front cover: President Stanley flashes the “three wins to Omaha” sign with
 the Seawolves baseball team, which was en route to the College World Series.



All-American runner Lucy Van Dalen won the mile in the 2012 NCAA Indoor Track Championships, becoming the first Stony Brook athlete to win a national championship. She also competed in the 2012 Olympics for her native New Zealand.



Under the NYSUNY 2020 initiative, Stony Brook can offer more classes and improve graduation rates.



Ground was broken on the Southampton campus for the new Marine Sciences Center — a facility that will help propel the School of Marine and Atmospheric Sciences to even greater heights.

A University on the Move

STONY BROOK UNIVERSITY IS RANKED IN THE TOP 1 PERCENT OF ALL UNIVERSITIES IN THE WORLD by the *Times Higher Education World University Rankings* and has been named one of the top 100 universities in the nation and one of the top 40 public universities by *U.S. News & World Report*. We have achieved real progress in academic prominence, student success, research breakthroughs and economic development. We are positioned perfectly to take our place among the world’s leading research universities.

NYSUNY 2020

In December 2011 Governor Andrew M. Cuomo and State University of New York Chancellor Nancy L. Zimpher came to Stony Brook to approve the University’s NYSUNY 2020 Challenge Grant application. The mission of this historic program is to make SUNY a leading catalyst for job growth throughout the state, strengthen the academic programs of the University Centers and demonstrate that New York is open for business. It leverages private sector and other source funding to further business growth and job creation.

NYSUNY 2020 combines New York State’s economic development goals with SUNY’s world-class educational system in a way that concurrently boosts higher learning and creates good paying jobs all over New York.

It enables Stony Brook University and the other three SUNY University Centers to increase operating revenue through modest, predictable tuition and fee increases over five years. With passage of this legislation, students and families will be able to plan properly for the cost of a college education for the first time in SUNY’s history.

The infusion of additional revenue generated through higher tuition will allow more than 250 faculty to be hired over the next five years — including those who are part of a cluster hiring initiative — to support interdisciplinary scholarship and cross-campus collaboration. This will enable Stony Brook to open its doors to an additional 1,200 students during that same time period.

Financial assistance will be given to students eligible for the New York State Tuition Assistance Program (TAP). In addition, Stony Brook will fund two new financial aid programs designed to supplement TAP: One is needs-based; the other merit-based. Both programs will exceed NYSUNY 2020 statutory requirements.

THE SIMONS GIFT

Stony Brook University has received one of the largest gifts ever bestowed upon public higher education in America and the largest to any institution in the State University of New York system: a transformative \$150 million investment by Jim and Marilyn Simons and the Simons Foundation. The gift will fund three major priorities: research excellence in the School of Medicine, faculty hires through new endowed professorships, and recruitment of top-level graduate and undergraduate students. In addition, the gift will enable the construction of the Medical and Research

Translation building, which will house eight floors devoted to imaging, neurosciences and cancer research.

Human capital is the fundamental strength of any research university, and the fastest path to excellence is through the recruitment of outstanding faculty. A portion of the Simons gift will be used to provide matching funds for 35 new endowed professorships during the next seven years.

Improving the quality of Stony Brook's graduate students increases applications to programs and reduces time to degree, particularly in underfunded disciplines. To address this we have created a Simons fund to support graduate students, which will create fellowships for Stony Brook's best students and dramatically improve the quality and quantity of research at Stony Brook.

A portion of the Simons gift and some of the revenue generated through the NYSUNY 2020 initiative will fund merit-based scholarships and needs-based aid for undergraduate students — initiatives that will enable Stony Brook to offer the most generous financial aid package of any of the SUNY schools.

An additional component of the Simons gift is a fund in which first-time alumni gifts will be matched under a program designed to encourage graduates to give back to their alma mater and increase Stony Brook University's overall alumni giving.

A BANNER YEAR FOR ATHLETICS

The 2011–2012 season was the best ever in the history of the Stony Brook Seawolves. A record seven of our 20 varsity teams — baseball, football, men's soccer, men's basketball, cross-country/track and field, men's lacrosse and women's tennis — won league championships. Our baseball team made national headlines by winning the Regionals then shocked the world by beating six-time College World Series champion LSU in the Super Regionals to become the first team in the Northeast in 20 years to appear in the College World Series.

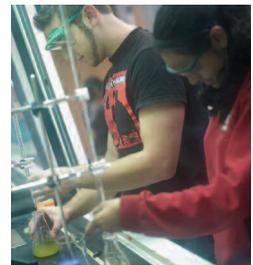
PROJECT 50 FORWARD UPDATE

Over the past year, on the Operational Excellence portion of Project 50 Forward we have become more efficient and effective while still preserving the fundamental core teaching, research and service missions of the University.

The Operational Excellence Steering Committee, under the leadership of President Stanley and Barbara Chernow, senior vice president for administration, has committed to implementing the following recommendations:

Procurement: Opportunities have been identified to reduce spending by using four key strategies: setting campuswide spending policies, monitoring adherence to those policies, proactively controlling spending, and managing purchase prices.

Organization: Comparisons with other universities proved that Stony Brook's administrative staff levels are lean, but a practical analysis showed that there is room for further improvement through increasing the number of reports to each manager and asking departments/colleges to share staff.



The 250,000-square-foot MART building will house a 30-room cancer clinic.



Stony Brook University's baseball team shocked the world by defeating LSU to advance to the College World Series.



The National Science Foundation recently ranked Stony Brook's Department of Chemistry ninth in terms of academic research and development spending at universities and colleges throughout the nation.



This past spring SUNY Korea — the only U.S. university that has been approved by the South Korean Ministry of Education, Science and Technology to offer degrees in South Korea — opened in Songdo.



Last summer President Stanley spent 10 days in Africa, where he saw the research and humanitarian efforts of University-affiliated institutes in Madagascar and in Kenya.



The Center for Communicative Science launched the Flame Challenge, an international contest that asks scientists to communicate complex science to an 11-year-old. The first challenge: What is a flame?

Process and capabilities: The Steering Committee supports the redesign and automation of many processes across the University.

Every effort to reduce costs, decrease spending and increase revenue has been chosen and will be executed with the goal of preserving our academic components. In addition, we will continue to find ways to reward excellence and invest in programs of quality.

NOTABLE FACULTY ACHIEVEMENTS

Four Stony Brook faculty — physics professors George Sterman, PhD, and Peter Stephens, PhD; neuroscience professor Lorna Role, PhD; and chemistry professor Benjamin Hsiao, PhD — were named American Association for the Advancement of Science Fellows in 2011.

The John Simon Guggenheim Memorial Foundation awarded 2011 Guggenheim Fellowships to three Stony Brook professors: Agnes Weiyun He, PhD; Sachiko Murata, PhD; and Jeffrey A. Segal, PhD. Segal also has been elected to the American Academy of Arts and Sciences.

Distinguished Professor Eckard Wimmer, PhD, has been named to the National Academy of Sciences.

Devinder Mahajan, PhD, a professor in the Department of Materials Science and Engineering and co-director of the program in Chemical and Molecular Engineering, who holds a joint appointment with Brookhaven National Laboratory, was named Stony Brook's first Jefferson Science Fellow.

President Barack Obama named Lillian Mujica-Parodi, PhD, an associate professor of biomedical engineering in the School of Medicine and director of the Laboratory for Computational Neurodiagnostics, one of the recipients of the Presidential Early Career Awards for Scientists and Engineers.

A team headed by Lei Zuo, PhD, assistant professor in the Department of Mechanical Engineering working through the Advanced Energy Research and Technology Center, has won the prestigious R&D 100 Award for developing an energy-harvesting shock absorber that converts vibration, bumps and motion experienced by the suspension of a vehicle or train into electric power.

MEDICINE HIGHLIGHTS

Stony Brook Medicine is in the midst of remarkable growth, including a 170-bed expansion, a new state-of-the-art neonatal intensive care unit, a dedicated pediatric emergency department, a new pediatric cardiology imaging laboratory, a pulmonary function laboratory and the largest minimally invasive surgery program for children in Suffolk County.

L. Reuven Pasternak, MD, has been named vice president for health systems and chief executive officer of Stony Brook University Hospital. Dr. Pasternak's responsibilities as vice president for health systems will include developing a network of facilities that will provide world-class academic healthcare and expanding Stony Brook Medicine's leadership on a regional, national and international basis.

LETTER TO THE PRESIDENT

February 22, 2013

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

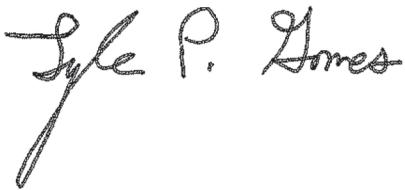
Dear Dr. Stanley:

The accompanying financial statements prepared from the accounting records of Stony Brook University (hereafter referred to as the University) set forth the financial condition of the University at June 30, 2012, including the results of its operations for the fiscal year. Notes to the financial statements should be considered an integral part of the statements and the report as a whole. Prior-year data is provided to allow comparisons with the previous reporting period.

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

The financial information included in this report incorporates the major operations of the University, including the separate entities of the State University of New York, the Research Foundation of the State University of New York, and the Faculty Student Association. The financial statements of the Stony Brook Foundation, a separate 501(c)(3) corporation, are presented on pages 18 and 19. The financial operations of the Clinical Practice Management Plan are not included in this report. The annual report has been prepared in accordance with accounting principles recommended by the American Institute of Certified Public Accountants and the National Association of College and University Business Officers to the degree practical.

Sincerely,

A handwritten signature in black ink that reads "Lyle P. Gomes". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

Lyle P. Gomes
Vice President for Finance and Chief Budget Officer

FINANCIAL HIGHLIGHTS

Stony Brook University at a Glance

Stony Brook University, one of 64 campuses that constitute the State University of New York, was established in 1957 as a college for the preparation of secondary school teachers of mathematics and science. Since its beginnings a half-century ago, Stony Brook University has been characterized by innovation, energy and progress, transforming the lives of people who earn degrees, work and make groundbreaking discoveries here. Our dramatic growth has turned what was once a small teacher preparation college into an internationally recognized research institution that is changing the world.

Stony Brook's 1,040-acre campus on Long Island's North Shore encompasses not only the main academic areas of the University, but also Stony Brook Medicine, which includes the five health sciences schools, the Hospital, Stony Brook Long Island Children's Hospital, the Long Island State Veterans Home, and our major healthcare centers, programs and clinics. The University's reach also extends to a Research and Development Park, four business incubators, Stony Brook Manhattan and our Southampton campus on Long Island's East End. Stony Brook also co-manages Brookhaven National Laboratory, joining Princeton, the University of Chicago, Stanford, and the University of California on the list of major institutions involved in a research collaboration with a national lab.

And Stony Brook is still growing. To the students, the scholars, the health professionals, the entrepreneurs and all the valued members who make up the vibrant Stony Brook community, this is a not only a great local and national university, but one that is making an impact on a global scale.

Fiscal 2012 Revenues	\$1.94 Billion	Research Awards	\$198.41 Million
Fiscal 2012 Expenditures	\$2.09 Billion	Foundation Revenue	\$185.45 Million

Total Revenue *(in millions)*

Tuition and Fees	\$159.5
State Appropriations	404.2
Federal Grants	148.9
State, Local and Private Grants, and Other	83.8
Auxiliary Services	109.0
Hospital	967.2
Nonoperating	70.8

Research Awards *(in millions)*

Federal	\$138.9
Philanthropic (Private)	19.5
State and Local	15.8
Other	24.2

Foundation *(in millions)*

Gifts and Gifts-in-Kind	\$174.1
Other	11.3
Net Assets-Endowment	125.4
Total Net Assets	332.7
Endowment Rate of Return	3.2%

FINANCIAL HIGHLIGHTS

Economic Impact

The entrepreneurial energy and economic strength of the University bring a combined benefit of \$4.6 billion to the economy of Long Island. Stony Brook has a remarkable record of fruitful collaboration with private enterprise. Through its high-technology incubators, the University has promoted the launch of 44 companies. The University is the largest single-site employer on Long Island, with more than 15,000 full- and part-time employees.

Stony Brook University has established itself as one of America's most dynamic public universities, a center of academic excellence and an essential part of the region's economy. Now, transformed by a historic \$150 million gift from Jim and Marilyn Simons and the Simons Foundation — among the top 10 gifts to public higher education in America — Stony Brook is poised to accelerate its trajectory of excellence.

The recent passage of NYSUNY 2020 legislation is significant and will help the University fulfill its academic and research mission, its community and healthcare mission, and its mission for regional economic development.

Employment

Total Employees (full and part time)	15,217
Academic	3,963
Non-Academic	4,981
Hospital	6,273
Average Monthly Payroll	\$75.3 million

Student Enrollment *(Fall 2012)*

Total Student Enrollment	24,113
<i>Undergraduate</i>	
Total Undergraduate Students	16,003
West Campus	14,884
HSC Campus	1,119
High School GPA Percent	92
Average SAT Score	1,235
<i>Graduate and Advanced Degrees</i>	
Total Graduate Students	8,110
West Campus	5,860
HSC Campus	2,250

Tuition and Fees *(2012-2013)*

<i>Undergraduate and Graduate</i>	
Undergraduate NYS	\$9,184
Undergraduate Nonresident	19,804
Graduate NYS	12,208
Graduate Nonresident	19,518
Graduate MBA NYS	13,968
Graduate MBA Nonresident	21,158

<i>HSC Professional</i>	
Medical NYS	\$33,510
Medical Nonresident	58,630
Dental NYS	36,970
Dental Nonresident	68,750
Physical Therapy NYS	20,814
Physical Therapy Nonresident	35,094

FINANCIAL HIGHLIGHTS

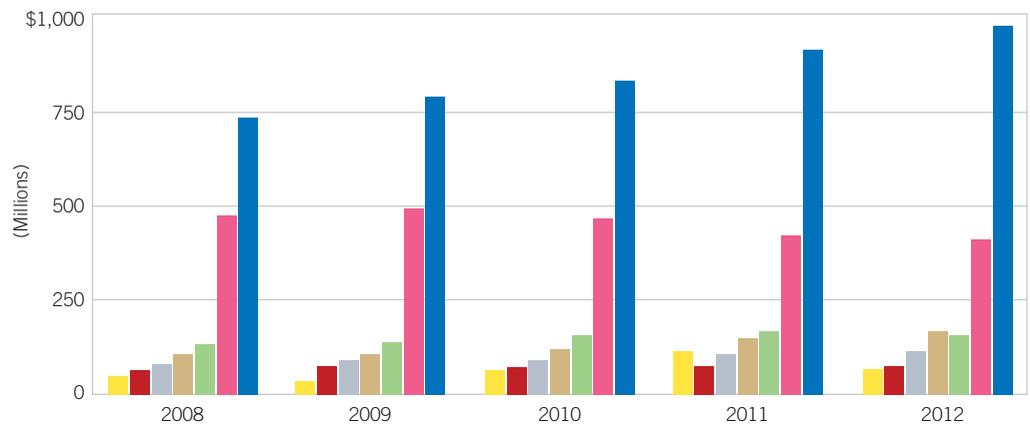
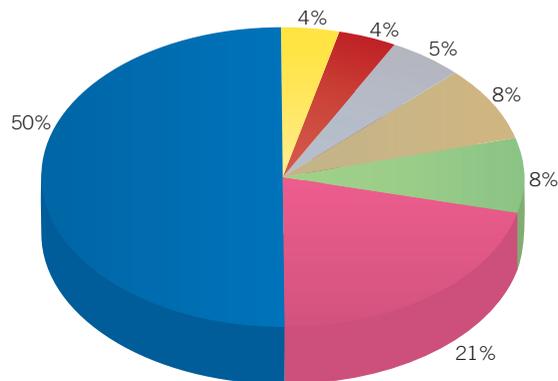
Revenue Results

Total revenues were \$1,943,459,797 and \$1,911,155,059 for the 2012 and 2011 fiscal years, respectively. The \$32 million revenue increase in 2012 resulted from the following:

- ▶ Hospital revenues exceeded 2011 by \$69 million from increased occupancy and patient rates.
- ▶ Tuition and fee revenues increased by \$16 million due to rate increments from NYSUNY 2020 legislation.
- ▶ Nonoperating revenues decreased by \$43 million with reductions to capital gifts and grants and student financial aid grants.
- ▶ State appropriations for the direct support of operations and indirect costs decreased \$15 million from 2011.

The accompanying graphs depict revenue as a percentage of total current year revenue and over a five year trend.

2012 Revenues



Nonoperating	\$53,255,451	\$30,489,358	\$70,427,537	\$113,828,679	\$70,839,279
State, local, and private grants and contracts, and other	73,423,589	77,422,766	87,564,042	76,071,298	83,828,303
Auxiliary enterprises	89,308,775	98,426,016	96,372,834	101,567,914	108,987,820
Tuition and fees	107,684,274	117,510,194	133,596,787	143,507,337	159,544,536
Federal grants and contracts	129,278,710	131,135,562	151,785,805	158,315,802	148,917,156
State appropriations	462,596,126	488,541,209	450,143,611	419,640,532	404,169,900
Hospital and clinics	739,835,861	802,132,418	849,947,319	898,223,497	967,172,803

FINANCIAL HIGHLIGHTS

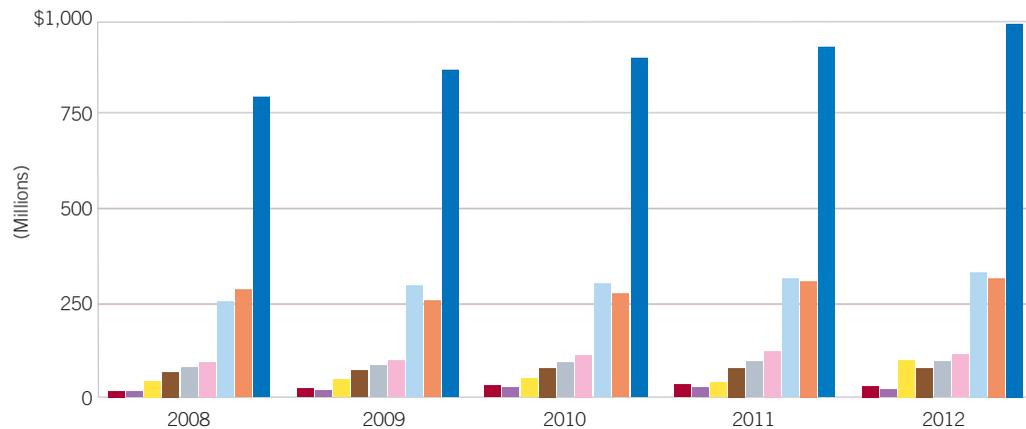
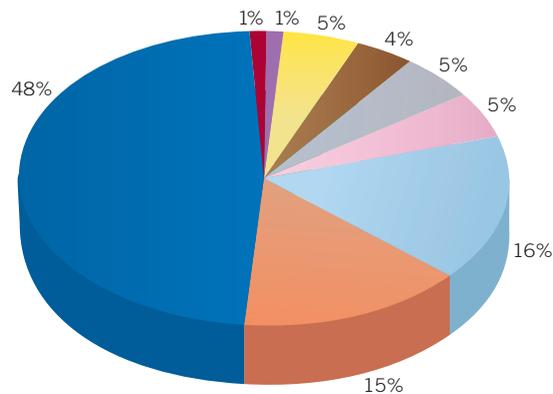
Expenditure Results

Expenditure totals were \$2,093,773,085 and \$1,981,367,549 for 2012 and 2011, respectively. The \$112 million expenditure increase was significantly attributable to the following:

- ▶ Nonoperating expenses increased by \$70 million due to capital expenditure purchases.
- ▶ Hospital expenditures exceeded 2011 expenses by \$38 million in contractual and litigation costs.

The accompanying graphs depict expenditure results as a percentage of current year total expenditures and over a five year trend.

2012 Expenditures



	2008	2009	2010	2011	2012
Public Service	\$17,962,163	\$21,331,555	\$27,367,360	\$29,023,711	\$22,953,875
Scholarships and Fellowships	13,057,477	14,851,029	20,794,791	18,693,878	14,875,964
Nonoperating	47,734,087	47,185,611	53,307,799	39,509,259	109,905,493
Depreciation Expense	72,392,368	77,025,976	87,140,700	83,225,026	83,633,511
Auxiliary Enterprises	92,596,325	99,215,943	96,168,779	97,453,164	97,941,861
Research	96,307,112	101,958,550	113,210,691	120,766,424	113,143,283
Instruction	277,869,390	300,623,855	306,374,323	317,565,132	335,500,756
Support Services	292,176,604	263,158,373	280,628,723	313,585,538	316,139,706
Hospital and Clinics	804,788,005	898,436,550	921,640,586	961,545,417	999,678,636

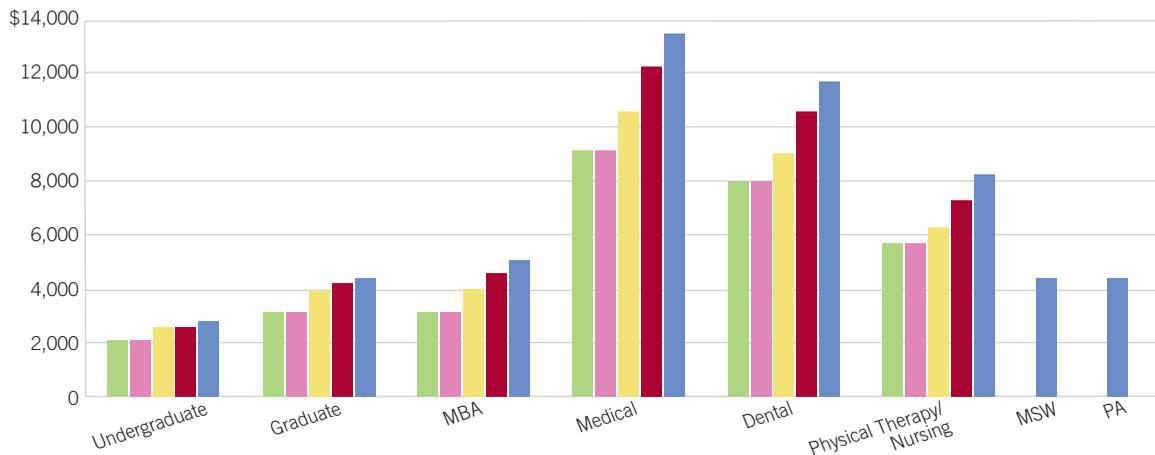
FINANCIAL HIGHLIGHTS

Tuition Revenue

The following graphs trend tuition rates based on residency status for Fall 2007 through Fall 2011. The following summarizes some of the key information depicted in these graphs.

Tuition rates remained constant in 2007 and 2008. A significant increase in rates occurred in 2009, due to reductions in state-funded support. Effectively, 2009 tuition rates increased across the board for resident and non-resident students by 14% and 21%, respectively. Continued reductions in state support for 10/11 led the SUNY Board of Trustees to increase all resident and non-resident rates, except for resident undergraduate, an average of 14% and 16%, respectively. The 11/12 resident tuition rates increased 6% for undergraduate and graduate students and 9% for remaining resident types; non-resident rates increased 10% across the board. In 11/12 SUNY established unique tuition rates for the Masters in Social Work (MSW) and Physician Assistant (PA) programs.

Fall Resident Tuition Rates



Fall Non-Resident Tuition Rates



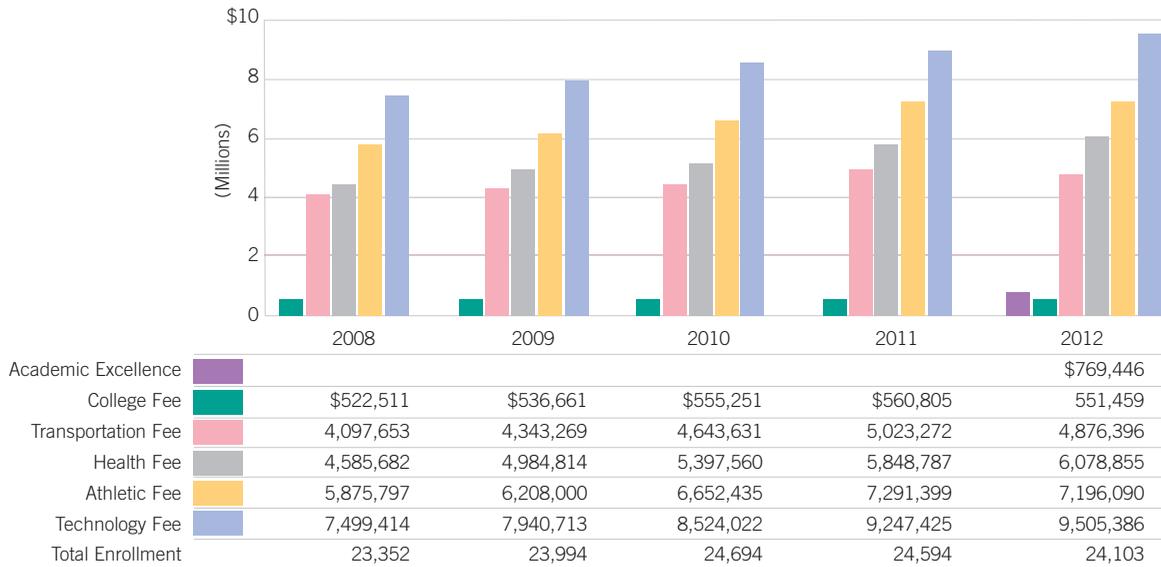
FINANCIAL HIGHLIGHTS

Comprehensive Fee Revenue

The comprehensive fee is a mandatory fee that is billed to all students, unless they meet waiver requirements. The fee consists of the following components: college, technology, transportation, health services, athletic and academic excellence fee. With the exception of the athletic fee, which is billed solely to undergraduate students, comprehensive fee rates were consistent for all student fee groups (undergraduate, graduate and professional students).

The following graph illustrates the growth in revenues attributed to the comprehensive fee components coupled with changes in enrollment. The 08/09 and 09/10 rates averaged a 4% per year increase, exclusive of college fee which is at a fixed rate, and enrollment increased by 3%. The 10/11 rates increased an average of 7% while enrollment was consistent with prior year. The 11/12 rate increases fluctuated at 1%, 2% 4% and 5% for athletic, transportation, health services and technology, respectively. In 11/12, the academic excellence fee was instituted at the full-time rate of \$37.50 through the passage of NYSUNY 20/20 that generated almost \$800,000 in revenue.

Comprehensive Fee Revenue



Comprehensive Fee F/T Full-Year Rates



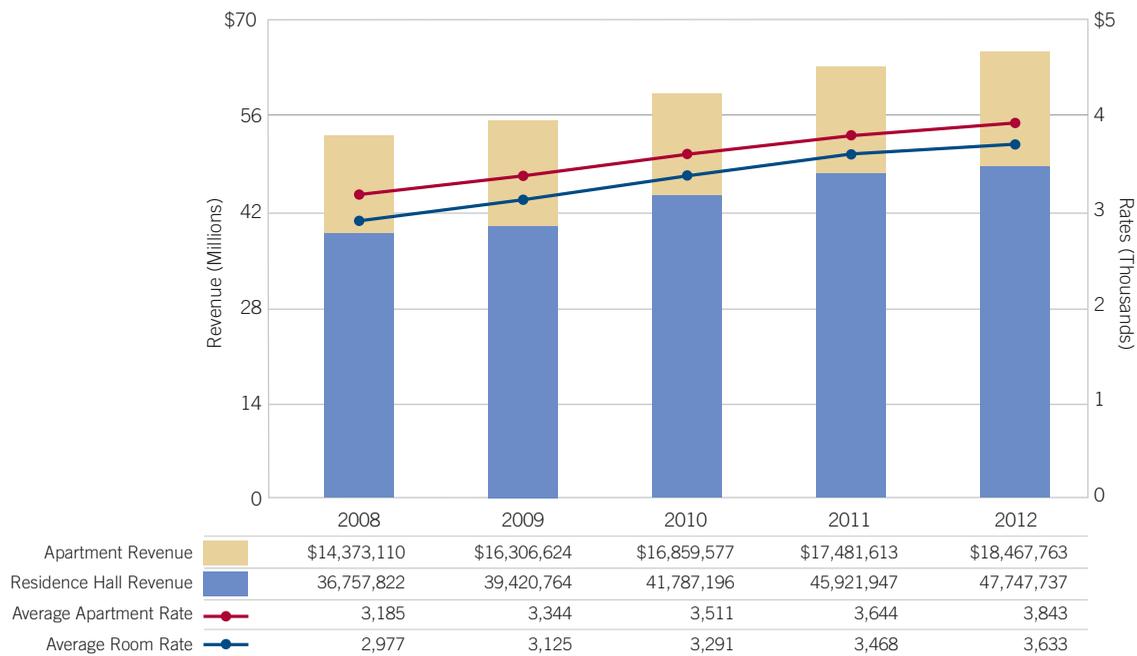
FINANCIAL HIGHLIGHTS

Apartment and Residence Hall Revenue

Stony Brook offers on-campus housing to non-commuter students by way of apartment rentals and residence halls, both having various living options and fee structures. Revenues associated with these facilities are maintained in the Dormitory Operating Fund which is reported as auxiliary enterprises in Stony Brook University Statement of Revenue, Expenses, and Changes in Net Assets.

Below is a graph of apartment and residence hall revenue and rates for the fiscal years 07/08 through 11/12. Overall, apartment and resident hall rates have increased annually by 5%. The most significant apartment revenue increases occurred in 08/09 and 11/12 equal to 13% and 6%, respectively, from the addition of west apartment building 2 (08/09) and greater occupancy (11/12). Resident hall revenues were greatest in 08/09 and 10/11 by 7% and 10%, respectively. The total resident hall and apartment occupied beds in Fall 2011 were 7,272 and 2,428, equal to 100% and 96% occupancy, respectively.

Apartment and Residence Hall Rates and Revenue



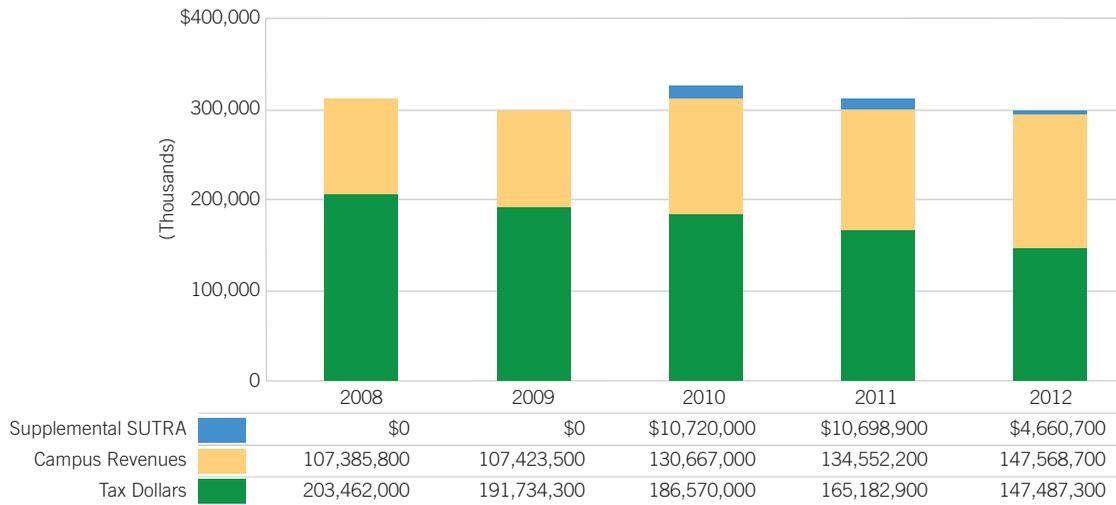
FINANCIAL HIGHLIGHTS

State Appropriations and University-wide Appropriations

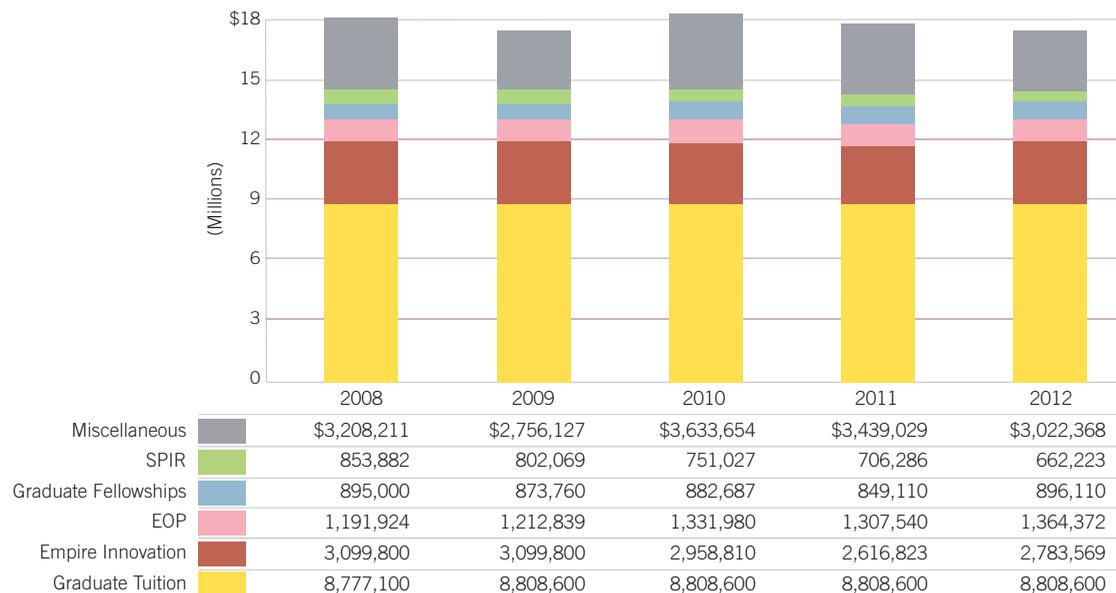
The University receives State appropriations to support its core operating budget in the form of State tax support and from tuition and revenue targets. In recent years, the University has also received SUTRA supplemental which represents a portion of campus revenue in excess of revenue targets. The following graph illustrates the State appropriation distributions for the period from 07/08 through 11/12. The 2007 through 2012 appropriation trends have experienced a state tax support decrease of \$56 million, or -28%, while campus revenues have increased by \$40 million or 37.4%.

In addition to State Appropriations, the University receives appropriations earmarked for specific programs. As documented in the graph data display, overall University-wide appropriations from 2007 through 2012 have been fairly consistent by program from year to year.

State Appropriations



University-wide Appropriations



ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$276,735,813	\$276,181,606
Deposits with trustees	13,115,703	\$12,499,070
Short-term investments	23,151,209	40,638,308
Accounts, notes, and loans receivable, net	277,432,821	245,908,044
Interest receivable	22,480	26,768
Appropriations receivable	53,734,364	62,596,328
Grants receivable	46,411,019	35,630,452
Inventories	9,150,994	8,611,429
Other assets	13,930,264	9,896,667
Total current assets	713,684,667	691,988,672
Noncurrent Assets		
Restricted cash and cash equivalents	2,380,535	2,267,027
Deposits with trustees	36,170,947	16,574,160
Accounts, notes, and loans receivable, net	5,823,213	5,867,708
Appropriations receivable	127,732,637	102,693,129
Deferred financing costs	13,630,382	12,580,637
Long-term investments	5,398,869	18,616,172
Capital assets, net	1,517,588,512	1,322,742,103
Other assets	4,308,224	
Total noncurrent assets	1,713,033,319	1,481,340,936
Total assets	2,426,717,986	2,173,329,608
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	327,051,677	176,035,718
Interest payable	3,821,519	5,169,758
Student deposits	2,491,733	2,452,416
Deposits held in custody for others	1,709,487	1,775,235
Deferred revenue	30,502,501	30,871,854
Long-term liabilities-current portion	124,909,370	124,981,392
Other liabilities	6,868,112	5,805,590
Total current liabilities	497,354,399	347,091,963
Noncurrent Liabilities		
Long-term liabilities	1,718,360,914	1,476,312,009
Refundable government loan funds	6,864,828	6,903,584
Other liabilities	14,943,726	3,514,645
Total noncurrent liabilities	1,740,169,468	1,486,730,238
Total liabilities	2,237,523,867	1,833,822,201
NET ASSETS		
Invested in capital assets, net of related debt	528,187,446	570,447,706
Loans - restricted and expendable	762,759	767,065
Unrestricted	(339,756,086)	(231,707,364)
Total net assets	189,194,119	339,507,407
TOTAL LIABILITIES AND NET ASSETS	\$2,426,717,986	\$2,173,329,608

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

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

	FOR THE YEARS ENDING JUNE 30	
	2012	2011
OPERATING REVENUES		
Tuition and fees	\$207,526,481	\$193,915,658
Less: scholarship allowances	(47,981,945)	(50,408,321)
Net tuition and fees	159,544,536	143,507,337
Federal grants and contracts	148,917,156	158,315,802
State grants and contracts	16,580,734	12,253,408
Local grants and contracts	214,286	876,263
Private grants and contracts	47,987,763	46,341,165
University hospitals and clinics	967,172,803	898,223,497
Sales and services of auxiliary enterprises:		
Residence halls, net	56,763,307	52,856,661
Food service, net	21,587,356	19,586,109
Other auxiliary, net	30,637,157	29,125,144
Other operating	19,045,520	16,600,462
Total operating revenues	1,468,450,618	1,377,685,848
OPERATING EXPENSES		
Instruction	335,500,756	317,565,132
Research	113,143,283	120,766,424
Public service	22,953,875	29,023,711
Academic support	85,682,267	80,354,038
Student services	33,084,812	32,239,695
Institutional support	95,698,657	104,126,771
Operation and maintenance of plant	94,829,032	91,809,181
Scholarships and fellowships	14,875,964	18,693,878
Hospitals and clinics	999,678,636	961,545,417
Residence halls	45,119,048	47,973,312
Food service	20,841,567	20,689,751
Other auxiliary	31,981,246	28,790,101
Depreciation and amortization expense	83,633,511	83,225,026
Other operating	6,844,938	5,055,853
Total operating expenditures	1,983,867,592	1,941,858,290
Operating loss	(515,416,974)	(564,172,442)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	404,169,900	419,640,532
Federal and State student financial aid	48,123,869	55,794,561
Investment income, net of investment fees	2,425,252	4,972,959
Net realized and unrealized gains	20,569	3,793,022
Gifts	4,958,650	1,668,641
Interest expense on capital related debt	(41,088,836)	(37,266,609)
Gain (loss) on disposal of plant assets	704,523	(2,242,650)
Other nonoperating revenues (expenses), net	(58,695,668)	9,542,910
Net nonoperating revenues	360,618,259	455,903,366
Income (loss) before other revenues and gains	(154,798,715)	(108,269,076)
Capital appropriations		80,529
Capital gifts and grants	4,485,427	37,976,057
Increase (decrease) in net assets	(150,313,288)	(70,212,490)
Net assets at the beginning of year	339,507,407	409,719,897
NET ASSETS AT THE END OF YEAR	189,194,119	339,507,407

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY STATEMENT OF CASH FLOWS

	FOR THE YEARS ENDED	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$160,042,511	\$143,524,403
Federal grants and contracts	149,256,954	158,547,790
State and local grants and contracts	15,990,785	12,959,627
Private grants and contracts	48,990,668	47,236,394
University hospitals and clinics	882,795,078	833,231,929
Personal service payments	(843,867,057)	(824,381,014)
Other than personal service payments	(463,820,402)	(497,508,653)
Payments for fringe benefits	(161,033,018)	(170,804,372)
Payments for scholarships and fellowships	(10,113,576)	(11,071,307)
Loans issued to students	(1,184,940)	(879,983)
Collection of loans to students	1,300,154	1,009,080
Residence halls, net	56,525,633	52,849,895
Food service, net	21,590,705	19,802,780
Other auxiliary, net	27,815,113	26,701,949
Other operating	12,163,886	13,724,408
Net cash used by operating activities	(103,547,506)	(195,057,074)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations:		
Operations	167,174,315	220,891,794
Debt service	50,243,762	30,981,857
Federal and State student financial aid grants	48,123,869	55,166,740
Private gifts and grants	4,958,650	1,668,641
Repayment of short-term loans	(3,909,460)	(3,909,460)
Other receipts	(361,848)	4,339,610
Net cash flows provided by noncapital financing activities	266,229,288	309,139,182
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	128,831,425	71,270,553
Capital appropriations		80,529
Capital grants and gifts received	4,485,427	5,754,346
Proceeds from sale of capital assets	620	
Purchases of capital assets	(38,270,122)	(21,234,746)
Payments to contractors	(132,593,971)	(112,563,247)
Principal paid on capital debt and leases	(63,843,620)	(60,224,533)
Interest paid on capital debt and leases	(41,617,458)	(37,266,609)
Deposits with trustees	(20,213,420)	17,310,680
Other receipts (payments)	(1,745,766)	(338,804)
Net cash used by capital and related financing activities	(164,966,885)	(137,211,831)

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY
STATEMENT OF CASH FLOWS

	FOR THE YEARS ENDED	
	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	546,573	942,380
Interest, dividends, and realized gains on investments	2,408,715	6,004,002
Purchases of investments	(2,470)	(541,360)
Net cash provided (used) by investing activities	2,952,818	6,405,022
Net change in cash	667,715	(16,724,701)
Cash - beginning of year	278,448,633	295,173,334
Cash - end of year	279,116,348	278,448,633
END OF YEAR CASH COMPRISED OF		
Cash and cash equivalents	276,735,813	276,181,606
Restricted cash and cash equivalents	2,380,535	2,267,027
Total cash - end of year	279,116,348	278,448,633
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	(515,416,974)	(564,172,442)
ADJUSTMENTS TO OPERATING LOSS		
Depreciation and amortization expense	83,633,511	83,225,026
Fringe benefits and litigation costs provided by State	168,475,199	165,125,059
CHANGE IN ASSETS AND LIABILITIES		
Receivables, net	(42,260,849)	(18,510,585)
Inventories	(539,565)	(1,072,110)
Other assets	(8,341,821)	(375,316)
Accounts payable, accrued expenses, and other liabilities	211,298,777	141,240,073
Deferred revenue	(369,353)	(394,982)
Student deposits	39,317	29,843
Deposits held for others	(65,748)	(151,640)
Net cash used by operating activities	(103,547,506)	(195,057,074)
SUPPLEMENTAL DISCLOSURES FOR NONCASH TRANSACTIONS		
New capital leases / debt agreements	128,831,425	71,270,553
Fringe benefits and litigation costs provided by the State	168,475,199	165,125,059
Noncash gifts	4,388,670	32,451,357

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

STONY BROOK FOUNDATION BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$42,121,758	\$12,063,755
Accounts and notes receivable, net	661,572	1,046,668
Pledges receivable, net	147,458,066	48,174,210
Investments	170,462,965	153,381,459
Other assets	254,090	196,187
Capital assets, net	12,889,293	12,406,422
Total assets	373,847,744	227,268,701
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	5,473,451	4,906,633
Current portion of long-term debt	170,000	160,000
Deposits held for others	30,083,878	27,996,866
Long-term debt	1,805,000	1,975,000
Other liabilities	3,617,350	1,934,108
Total liabilities	41,149,679	36,972,607
NET ASSETS		
Unrestricted		
Board designated for		
Campus programs	7,625,878	6,472,918
Undesignated	2,507,480	2,699,185
Temporarily restricted		
Scholarships and fellowships	19,408,224	19,495,053
Campus programs	30,717,788	25,912,776
Research	11,163,497	10,362,109
General operations and other	169,392,227	45,829,186
Permanently restricted		
Scholarships and fellowships	16,648,003	15,593,371
Campus programs	48,607,616	36,364,337
Research	1,567,245	1,267,227
General operations and other	25,060,107	26,299,932
Total net assets	332,698,065	190,296,094
TOTAL LIABILITIES AND NET ASSETS	\$373,847,744	\$227,268,701

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

STONY BROOK FOUNDATION
STATEMENT OF ACTIVITIES

	FOR THE YEARS ENDING JUNE 30			2012	2011
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
REVENUES					
Contributions, gifts, and grants	\$1,000,930	\$154,282,050	\$16,282,629	\$171,565,609	\$20,965,057
Investment income, net	61,327	1,476,835		1,538,162	299,277
Net realized and unrealized gains	3,151,496	3,562,124		6,713,620	15,459,555
Rental income		335,816		335,816	409,421
Sales and services	1,336,726	1,180,057		2,516,783	2,739,074
Program income and special events		2,790,886		2,790,886	2,700,170
Other sources (uses)	14,588	(19,822)		(5,234)	(17,021)
Net assets released from restrictions	38,485,038	(38,485,038)			
Total revenues	44,050,105	125,122,908	16,282,629	185,455,642	42,555,533
EXPENSES					
Program expenses	29,147,816			29,147,816	34,066,984
Payments to State University: Scholarships and fellowships	4,809,042			4,809,042	1,608,529
Other	3,236,968			3,236,968	1,689,015
Depreciation and amortization expense	723,618			723,618	606,637
Interest expense on capital-related debt	131,851			131,851	142,034
Management and general	2,354,967			2,354,967	1,921,538
Fundraising	2,649,409			2,649,409	2,372,816
Total expenditures	43,053,671			43,053,671	42,407,553
Increase (decrease) in net assets	996,434	125,122,908	16,282,629	142,401,971	147,980
Net assets at the beginning of year	9,172,103	101,599,124	79,524,867	190,296,094	190,148,114
Transfer of net assets	(35,179)	3,959,704	(3,924,525)		
NET ASSETS AT THE END OF YEAR	\$10,133,358	\$230,681,736	\$91,882,971	\$332,698,065	\$190,296,094

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Basis of Presentation

Financial Presentation

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

Reporting Entity

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

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

Inclusion in the reporting entity is also required for legally separate, tax-exempt, affiliated organizations that (a) receive or hold economic resources that are significant to, and entirely or almost entirely for the direct benefit of, the primary government, its component units, or its constituents and (b) the primary government, or its component units, is entitled to, or can otherwise access, a majority of the economic resources received or held by the separate organization. As a result, the Stony Brook Foundation Inc. (the Foundation) is included in the University's reporting entity. The Foundation is presented as an aggregate component unit on financial statement pages 18 and 19 in the University's financial statements in accordance with display requirements prescribed by the Financial Accounting Standards Board (FASB). The financial activity was derived from financial statements of the Foundation for the year end June 30, 2012 and 2011.

The Research Foundation of State University of New York at Stony Brook (Research Foundation) is a separate not-for-profit educational corporation that operates as the fiscal administrator for the majority of the University's sponsored programs. The programs include research, training, and public service activities of the State-operated campuses supported by sponsored funds other than State appropriations. The activity of the Research Foundation has been included in these financial statements using GASB measurements and recognition standards. The financial activity was derived from audited financial statements of the Research Foundation for the year ended June 30, 2012 and 2011.

The Faculty Student Association (FSA) is a campus-based, not-for-profit corporation, which as an independent contractor, operates, manages, and promotes educationally related services for the benefit of the campus community. Although a separate and independent legal entity, the FSA carries out operations which are integrally related to the University and, therefore, is included in the financial statements of the University. The financial data for the FSA was derived from individually audited financial statements for the year ended June 30, 2012 and 2011.

ANNUAL FINANCIAL REPORT

NOTES TO FINANCIAL STATEMENTS

The State University Construction Fund (Construction Fund) is a public benefit corporation that designs, constructs, reconstructs, and rehabilitates SUNY facilities to an approved master plan. It is a separate legal entity that carries out operations which are integrally related to SUNY, and its reporting components, and therefore, the financial activity related to the University's share of Construction Fund is included in the financial statements as of the Construction Fund's fiscal year end of March 31, 2012 and 2011. To report construction fund activities related to the University, certain methodologies are used by SUNY to allocate plant fund balances by campus.

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

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

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

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

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

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

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

Invested in capital assets, net of related debt:

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

Restricted – nonexpendable:

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

ANNUAL FINANCIAL REPORT

NOTES TO FINANCIAL STATEMENTS

Restricted – expendable:

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

Unrestricted, all other categories of net assets:

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

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

Revenues

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

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

Residence halls	\$10,436
Food service	5,186
Other auxiliary	4,952

Deferred Financing Costs

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

Compensated Absences

Employees accrue annual leave based primarily on the number of years employed up to a maximum rate of 21 days per year up to a maximum of 40 days.

Inventories

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

Fringe Benefits

Employee fringe benefit costs (e.g., health insurance, worker's compensation, retirement and post-retirement benefits) are paid by the State on behalf of the University (except for the University hospitals, which pay their own fringe

benefit costs) at a fringe benefit rate determined by the State. The University records an expense and corresponding State appropriation revenue for fringe benefit costs based on the fringe benefit rate applied to total eligible personal service costs incurred.

Tax Status

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

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

Use of Estimates

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

Reclassifications

Certain amounts displayed in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

2. Cash and Cash Equivalents

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

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

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

The New York State Comprehensive Annual Financial Report contains the GASB No. 40 risk disclosures for deposits held in the State treasury. Deposits not held in the State treasury that are not covered by depository insurance and are: (a) uncollateralized were \$16.1 million and (b) collateralized with securities held by a pledging financial institution were \$3.3 million at June 30, 2012.

3. Deposits with Trustees

Deposits with trustees primarily represent Dormitory Authority of the State of New York (DASNY) bond proceeds needed to finance capital projects and to establish required building and equipment replacement and debt service reserves. Pursuant to financing agreements with DASNY, bond proceeds, including interest income, are restricted for capital projects or debt service. Also included are non-bond proceeds which have been designated for capital projects and equipment.

ANNUAL FINANCIAL REPORT

NOTES TO FINANCIAL STATEMENTS

4. Investments

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

Investments are comprised of investments of the Research Foundation and the auxiliary services corporations. The Research Foundation maintains a diverse investment portfolio and with respect to debt instruments, has a policy of investing in primarily high quality securities. Investments are held with the investment custodian in the Research Foundation's name. Investments at fiscal year end are \$21 million.

Investments of the auxiliary services corporations were derived from the audited financial statements. The composition of investments at fiscal year end consists of non-equity investments of \$2.8 million and equity investments of \$4.8 million

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

5. Accounts, Notes, and Loans Receivable

At June 30, 2012, accounts, notes, and loans receivables were summarized as follows (in thousands):

	2012	2011
Tuition and fees	2,826	3,930
Allowance for uncollectible	(997)	(920)
Net tuition and fees	1,829	3,010
Room rent	728	691
Allowance for uncollectible	(229)	(225)
Net room rent	499	466
Patient fees, net of contractual allowances	368,040	333,277
Allowance for uncollectible	(115,294)	(111,178)
Net patient fees	252,746	222,099
Other, net	21,321	19,218
Total accounts receivable and notes receivable	276,395	244,793
Student loans	8,104	8,201
Allowance for uncollectible	(1,243)	(1,218)
Total student loans receivable	6,861	6,983
TOTAL, NET	283,256	251,776

ANNUAL FINANCIAL REPORT

NOTES TO FINANCIAL STATEMENTS

6. Capital Assets

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

Capital assets, net of accumulated depreciation, totaled \$1.5 billion. Capital asset activity during the year is reflected in the table below (in thousands). Closed projects and retirements represent capital assets retired and assets transferred from construction in progress for projects completed and the related capital assets placed in service.

	JUNE 30 2010	ADDITIONS	RETIREMENTS	JUNE 30 2011	ADDITIONS	RETIREMENTS	JUNE 30 2012
Land	\$74,343	\$2,384		\$76,727	\$101,300		\$178,027
Infrastructure and land improvements	88,321	6,340	1,339	93,322	37,236	\$4,494	126,064
Buildings	1,319,182	90,806	6,330	1,403,658	60,589	3,667	1,460,580
Equipment, library books and artwork	474,886	15,827	12,230	478,483	38,128	5,877	\$510,734
Construction in progress	244,082	113,279	77,991	279,370	138,158	99,843	\$317,685
Total Capital Assets	2,200,814	228,636	97,890	2,331,560	375,411	113,881	2,593,090
Less: accumulated depreciation:							
Infrastructure and land improvements	53,086	3,207	1,339	54,954	4,597	4,213	55,338
Buildings	560,002	35,430	6,027	589,405	37,347	3,161	623,591
Equipment, library books and artwork	330,171	44,387	10,099	364,459	39,085	6,971	396,573
Total accumulated depreciation	943,259	83,024	17,465	1,008,818	81,029	14,345	1,075,502
CAPITAL ASSETS, NET	\$1,257,555	\$145,612	\$80,425	\$1,322,742	\$294,382	\$99,536	\$1,517,588

7. Long-term Liabilities

The University has entered into capital leases and other financing agreements with DASNY to finance most of its capital facilities. The University has also entered into financing arrangements with the New York Power Authority under the statewide energy services program. Equipment purchases are also made through DASNY's Tax-exempt Equipment Leasing Program (TELP), various state sponsored equipment leasing programs, or private financing arrangements. At June 30, 2012, other than facilities obligations, which are included as of March 31, 2012, total obligations are summarized in the following table (in thousands).

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NOTES TO FINANCIAL STATEMENTS

	JUNE 30, 2010	ADDITIONS	REDUCTIONS	JUNE 30, 2011	ADDITIONS	REDUCTIONS	JUNE 30, 2012	CURRENT PORTION
Long-term debt:								
Educational Facilities	\$504,301	\$62,610	\$21,912	\$544,999	\$116,022	\$30,427	\$630,594	\$30,154
Residence Hall Facilities	210,496		16,415	194,081	21,471	8,179	207,373	8,626
Capital Leases	60,282		23,354	36,928		17,272	19,656	1,767
Other long-term debt - ESDC	16,655		6,704	9,951		7,226	2,725	2,725
Other long-term debt - RF					2,564		2,564	
Other long-term debt - Gyrodyne					32,502		32,502	16,000
Total long-term debt	791,734	62,610	68,385	785,959	172,559	63,104	895,414	59,272
Other long term liabilities:								
Compensated Absences	540,837	218,800	93,507	666,130	235,034	120,699	780,465	45,130
Loan from State	28,092	62	3,909	24,245	24	3,909	20,360	7,800
Litigation	108,529	14,530	3,925	119,134	25,224	4,184	140,174	12,442
Other long-term liabilities	2,557	3,373	105	5,825	1,453	421	6,857	265
Total other long-term liabilities	680,015	236,765	101,446	815,334	261,735	129,213	947,856	65,637
TOTAL LONG-TERM LIABILITIES	\$1,471,749	\$299,375	\$169,831	\$1,601,293	\$434,294	\$192,317	\$1,843,270	\$124,909

Educational Facilities

The University, through DASNY, has entered into financing agreements to finance various educational facilities which have a maximum 30-year life. Athletic facility debt is aggregated with educational facility debt. Debt service is paid by, or from specific appropriations of, the State. During the year, Personal Income Tax Revenue Bonds (PIT) were issued for the purpose of financing capital construction and major rehabilitation for educational facilities in the amount of \$107 million.

Residence Hall Facilities

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

During the year, the University entered into agreements with DASNY to issue residential hall facility obligations totaling \$21.5 million for the purpose of financing capital construction and major rehabilitation for residential hall facilities.

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

Capital Lease Arrangements

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

Loan - State STIP Pool

In prior years, the University experienced operating cash-flow deficits precipitated by cash-flow difficulties experienced by the Hospital. In connection with these cash-flow deficits, as authorized by State Finance Law, the University borrowed funds with interest from the short-term investment pool of the State. The amount outstanding under this borrowing from the State at June 30, 2012, was \$20.4 million. During the year, \$3.9 million was paid on these loans.

8. Retirement

Retirement Benefits

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

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

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

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

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

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

Post-employment and Post-retirement Benefits

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

Employee contribution rates for NYSHIP are established by the State and are generally 10 percent for enrollee coverage and 25 percent for dependent coverage. NYSHIP premiums are being financed on a pay-as-you-go basis. During the fiscal year, the State, on behalf of the University, paid health insurance premiums of \$39.1 million. The University's annual OPEB cost and increase in the OPEB obligation, relating to its state employees, for the year ended June 30, 2012, is as follows (in thousands):

Annual required contribution and annual OPEB cost	\$157,520
Benefits paid during year	39,081
Increase in OPEB Obligation	118,439
Net obligation at beginning of year	539,202
NET OBLIGATION AT END OF YEAR	\$657,641

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

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

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

The Research Foundation sponsors a separate single employer defined benefit post-retirement plan (Plan) that provides health insurance and medical benefits that covers substantially all non-student Research Foundation employees. The Research Foundation Board of Directors administers the plan and has the authority to establish and amend the benefit provisions offered. Contribution rates for employees hired after 1985 are 10 percent for employee coverage, and 25 percent for dependent coverage. Contributions by the Research Foundation are made

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pursuant to a funding policy established by its Board of Directors. In 2009, a separate legal trust was established and the assets held in the trust are considered Plan assets in determining the funding status of the Plan. The Research Foundation post-retirement obligation for the year ended June 30, 2012, was \$ 58.2 million.

9. Commitments

The University has entered into contracts for the construction and improvement of various projects. The University is also committed under numerous operating leases covering real property and equipment. Rental expenditures reported for the year under such operating leases were approximately \$8.6 million. The following is a summary of the future minimum rental commitments under non-cancelable real property and equipment leases with terms exceeding one year (in thousands).

YEARS ENDING JUNE 30,	
2013	\$6,977
2014	6,627
2015	4,557
2016	4,041
2017	2,473
2018-22	4,810
TOTAL	\$29,485

10. Contingencies

The State is contingently liable in connection with claims and other legal actions involving the University, including those currently in litigation arising in the normal course of University activities. The University does not carry malpractice insurance and, instead, administers these types of cases in the same manner as all other claims against the State involving University activities in that any settlements of judgments and claims are paid by the State from an account established for this purpose. With respect to pending and threatened litigation, the University has recorded a liability and a corresponding appropriation receivable of approximately \$127.7 million at June 30, 2012 for hospitals and clinics unfavorable judgments, both anticipated and awarded but not yet paid.

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

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11. Related Parties

The University's single largest source of revenue is State appropriations, which represents approximately 21 percent of total revenues for the fiscal year. The State University is dependent on this appropriation to carry on its operations.

12. Federal Grants and Contracts and Third-Party Reimbursement

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

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

13. Subsequent Events

In September 2012, SUNY entered into agreements with DASNY to issue obligations totaling \$235 million for the purpose of financing capital construction and major rehabilitation for residential hall facilities. Stony Brook's share of these obligations is estimated at \$69 million.

SUNY was a defendant in litigation on behalf of the University to resolve a dispute over the price paid for land in an eminent domain action. The New York Court of Claims issued an opinion awarding the plaintiff what it was seeking plus interest. In July 2012, the plaintiff was paid \$167.5 million which was recorded as a liability by the University at June 30, 2012.

14. Foundations

Discretely presented component unit information is comprised principally of the campus-related Foundation. The Foundation is a not-for-profit organization responsible for the fiscal administration of revenues and support received for the promotion, development and advancement of the welfare of its campus, its students, faculty, staff and alumni. The Foundation receives the majority of its support and revenues through contributions, gifts and grants and provide benefits to the campus, students, faculty, staff and alumni.

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

During the year, the foundation distributed \$8.0 million to the University, principally for scholarships.

Net Asset Classifications

Unrestricted net assets represent resources whose uses are not restricted by donor-imposed stipulations and are generally available for the support of the University campus and Foundation programs and activities. Temporarily restricted net assets represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or are removed by specific actions. Permanently restricted net assets represent resources that

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donors have stipulated must be maintained permanently. The income derived from the permanently restricted net assets is permitted to be spent in part or in whole, restricted only by the donors' wishes.

New York Prudent Management of Institutional Funds Act (NYPMIFA) has been adopted by the Foundation. Under the accounting standards, the portion of a donor restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until appropriated for expenditure. This requirement resulted in a reclassification from unrestricted net assets to temporarily restricted net assets. This represented the unappropriated portion of permanently restricted endowments whose earnings are designated by donors for the unrestricted use of the Foundation.

Investments

All investments with readily determinable fair values have been reported in the financial statements at fair value. Realized and unrealized gains and losses are recognized in the statement of activities. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investments of the Foundation were \$170 million as of June 30, 2012.

Capital Assets

Capital assets are stated at cost, if purchased, or fair value at date of receipt, if acquired by gift. Land improvements, buildings, and equipment are depreciated over their estimated useful lives using the straight-line method. Capital assets, net of accumulated depreciation, totaled \$12.9 million as of June 30, 2012. Capital asset classifications are summarized as follows (in thousands):

Land and land improvements	\$3.7
Buildings	5.9
Equipment	6.4
Artwork and library books	3.0
Construction in Progress	0.3
Total capital assets	19.3
Less accumulated depreciation	6.4
CAPITAL ASSETS, NET	\$12.9

Long-term Debt

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

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The Foundation incurred \$174,875 in bond issuance costs, which are being amortized over the life of the bond. Accumulated amortization amounted to \$113,669 and \$104,925 at June 30, 2012 and 2011, respectively. At June 30, 2012, future principal payments on the bond are as follows (in thousands):

YEARS ENDING JUNE 30	
2013	\$170
2014	180
2015	190
2016	205
2017	215
Thereafter	1,015
TOTAL	\$1,975



Stony Brook University