

# Stony Brook University

ANNUAL FINANCIAL REPORT | 2012-2013



Stony Brook University









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On the cover: The Umbilic Torus, a symbol of Stony Brook University's commitment to the integral relationship between math, science, the arts and humanities.



Stony Brook's ranking has jumped 10 spots in the *U.S. News & World Report* survey of "Best National Universities in America," achieving its best ever ranking — 82nd, overall and 34th among public universities.



The School of Journalism has established the Marie Colvin Center for International Reporting, named in memory of the acclaimed war correspondent and Long Island native.



"Old Chemistry," one of the oldest buildings on campus, was converted into Frey Hall, a modern high-tech classroom building.

## A Vision Fulfilled

IN 56 SHORT YEARS STONY BROOK UNIVERSITY HAS GONE FROM A MODEST TEACHERS COLLEGE TO A MEMBER OF THE ELITE ASSOCIATION OF AMERICAN UNIVERSITIES (AAU), the top 62 research universities in North America. We are among the top 10 most selective public AAU universities in the United States, with more than 30,000 applicants for a freshman class of 2,700.

All this has been built on the shoulders of an outstanding faculty that has carried us to the brink of fulfilling our vision of becoming one of the premier research institutions in the world.

## START-UP NY

Start-Up NY is an economic initiative designed to bring new businesses to the areas surrounding SUNY and other university campuses in New York State by creating the opportunity to operate completely tax-free — no sales, property or business tax — while also partnering with the world-class higher education institutions in the SUNY system. Employees of participating companies will also be exempt from income taxes for five years.

For a business to participate in Start-Up NY, it must not only "be aligned with the academic mission of the campus, college or university," but it must also display a positive economic effect on the community, which includes creating and maintaining new jobs.

Start-Up NY will propel Stony Brook faster and further in our quest to expand our mission of developing knowledge, partnerships and economies for the people we serve: building collaborations between Stony Brook innovators and entrepreneurs, partnering with private developers to build innovative ecosystems for research and development, and providing startup companies with assistance and support.

## ANSWERING THE SIMONS CHALLENGE

A multitude of friends and former students have given to Stony Brook University in historic fashion, helping to raise a staggering \$200 million in 12 months. This collective gift — involving more than 1,500 donors — is the largest in the University's 56-year history, and is the sixth largest donation ever made to an American public university, according to *The Chronicle of Higher Education*. The catalyst was a \$50 million matching challenge grant as part of the \$150 million gift from philanthropist Jim Simons and his wife, Stony Brook alumna Marilyn Hawrys Simons '74, '84. Designed to transform the University's future through a wide range of educational and research endeavors, the Simons gift has already generated a record number of scholarships, fellowships, endowed chairs and professorships, and benefited dozens of strategic initiatives across campus, from the arts to marine sciences, from chemistry to medicine, from advanced computing to Hellenic studies, to name a few.

The Stony Brook Foundation had estimated it would take three to five years to raise donations needed to match the Simons challenge. The goal was met and surpassed within a 12-month period.

## INTERDISCIPLINARY CLUSTER HIRES

This exciting new initiative was undertaken as part of the NYSUNY 2020 plan to hire 250 faculty members. Its goal is to rejuvenate the intellectual capital of Stony Brook University and expand teaching and research in emerging fields of study that cut across traditional boundaries of academic disciplines. The interdisciplinary faculty cluster hires are aimed at addressing society's most vexing challenges through the collaboration of faculty in natural, life and social sciences; technology; medicine; humanities; policy; business; and the arts. The positions are designed for faculty members whose research and teaching interests are interdisciplinary. The goals of this initiative are to place Stony Brook University strategically on the emerging frontiers of research and knowledge and to enhance our ability to shape new fields of discovery, learning and engagement.

The proposals chosen for funding demonstrate the national and international relevance of the research field and its appropriateness to Stony Brook University; open up new avenues for interaction and synergy of faculty across different fields; demonstrate the anticipated impact of the proposed hires on undergraduate and graduate education in emerging fields of study; and demonstrate strong potential for significant impact on the academic world, New York State and the larger community. The clusters selected thus far include: Big Data for the Social Sciences, Center for Finance, Clinical Affective Neuroscience of Anxiety and Depression, Genomics, National Security Institute, Behavioral Political Economy, Biomolecular Imaging, Coastal Zone Management and Engineering, Joint Photon Sciences Institute and Smart Energy Technologies.

## PROJECT 50 FORWARD'S OPERATIONAL EXCELLENCE UPDATE

Since the launch of Project 50 Forward's Operational Excellence initiative, hundreds of Stony Brook faculty, administrators, staff and students have devoted countless hours to develop ways to enhance operations, improve services, streamline administrative burdens and manage costs.

In fiscal year 2011/2012, Operational Excellence projects saved the University more than \$12 million. In 2012/2013, we saved another \$10 million. Those savings were reinvested to enhance Stony Brook's fundamental missions: teaching, research and service.

In addition to saving time and money, Operational Excellence initiatives have eliminated redundancies, instituted shared support services in appropriate areas and initiated strategies to bring about a more effective and equitable use of manpower and resources.

Six Operational Excellence projects have been completed, 15 are currently in progress, with others planned for the future. Completed projects include:

- Enrollment Management
- Managed Output
- Risk Assessment
- Travel Services
- Policy Administration
- Library Consolidation



The new state-of-the-art LEED-certified Marine Sciences Center opened on the Stony Brook Southampton campus.



The Campus Recreation Center is a three-floor facility devoted entirely to the health and well-being of Stony Brook students, faculty and staff.



The Center for Communicating Science was renamed in honor of Alan Alda, the renowned actor, director and writer who has made communicating science to the public an art form.



Stony Brook broke ground for a new state-of-the-art Computer Science building.



Stony Brook Arena, the new state-of-the-art home of the Seawolves men's and women's basketball teams and other exciting events, will open in Fall 2014.



Strong skills and hard work proved to be a winning combination for the women's lacrosse team, cracking the national top 10 rankings for the first time, going 17-3.

## THE UNIVERSITY RESPONDS TO SUPERSTORM SANDY

During Superstorm Sandy, more than 7,000 students remained on campus. Residential Hall Directors, Resident Assistants, Residential Operations staff, Student Activities staff and the FSA Campus Dining operations staff provided continuous care for the student residents. The University experienced very limited power interruption due to its on-campus cogeneration plant.

The impact on campus facilities and services at Stony Brook's main campus, including Stony Brook Medicine and the Long Island State Veterans Home (LISVH), was well managed due to excellent preparation and planning by the University Police Office of Emergency Management under the direction of Chief of Police Robert Lenahan and Assistant Chief of Police Lawrence Zaccarese. It was their efforts, and the dedicated leadership of Senior Vice President for Administration Barbara Chernow, that facilitated a comprehensive effort to ensure very limited interruption of power, road access and provision of healthcare services. The Stony Brook Medicine Emergency Command Center for Stony Brook Medicine and LISVH accepted patients from other institutions experiencing power loss, and opened its facilities to Stony Brook faculty and staff.

## NEW LEADERSHIP AT THE STONY BROOK HEART INSTITUTE

James R. Taylor Jr., MD, FACS, and Harold A. Fernandez, MD, joined Stony Brook Medicine as Co-Directors of Stony Brook University Heart Institute. Dr. Taylor is Chief of the Division of Cardiothoracic Surgery, and Dr. Fernandez is Deputy Chief of the Division.

Dr. Taylor most recently served as Vice Chair of Cardiothoracic Surgery at St. Francis Hospital and Chair of Cardiothoracic Surgery at Good Samaritan Hospital. He received his medical degree from the Medical University of South Carolina, followed by residencies in general and cardiothoracic surgery at New York Hospital-Cornell Medical Center, where he served as chief resident.

Dr. Fernandez received his Bachelor of Science degree in molecular biology from Princeton University. He received his medical degree from Harvard Medical School, followed by a residency in general surgery and a fellowship in cardiothoracic surgery at New York University Medical Center.

For the past four years, Drs. Taylor and Fernandez have been recognized by Castle Connolly as New York Metro Area's Top Doctors.

## A BANNER YEAR FOR SEAWOLVES WOMEN

Stony Brook's women's varsity teams racked up five championships through a series of nail-biting rallies in 2012-2013, a feat never before achieved at the University.

Women's lacrosse captured its first regular season conference title and went 6-0 in America East play. The softball team beat No. 1 Albany twice en route to its second America East championship. Women's soccer knocked off the three top teams in the conference tourney en route to a title win, then faced No. 9 Maryland in the program's first-ever NCAA Tournament showing. In cross country, five scorers finished in the top 12. Women's tennis defeated Albany 4-0 in the America East Championship finals and was named ITA Academic All-American for its team GPA of 3.23.

## LETTER TO THE PRESIDENT

March 7, 2014

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

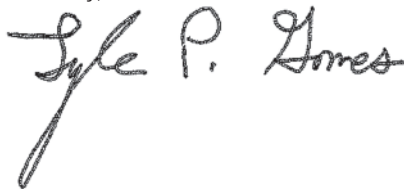
Dear Dr. Stanley:

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, 2013, 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 Research Foundation of the State University of New York. The financial statements of the Stony Brook University Component Units, which includes the Stony Brook Foundation and Faculty Student Association, 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. From 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. A dramatic trajectory of 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 2013 Revenues**            **\$1.92 Billion**            **Research Awards**            **\$204.39 Million**  
**Fiscal 2013 Expenditures**    **\$2.05 Billion**            **Foundation Revenue**        **\$100.31 Million**

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

|  |         |
|--|---------|
| Tuition and Fees                           | \$168.7 |
| State Appropriations                       | 359.0   |
| Federal Grants                             | 150.1   |
| State, Local and Private Grants, and Other | 87.5    |
| Auxiliary Services                         | 82.1    |
| Hospital                                   | 1,006.3 |
| Nonoperating                               | 70.1    |

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

|                         |         |
|-------------------------|---------|
| Federal                 | \$138.1 |
| Philanthropic (Private) | 20.6    |
| State and Local         | 14.9    |
| Other                   | 30.8    |

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

|                          |        |
|--------------------------|--------|
| Gifts and Gifts-in-Kind  | \$76.0 |
| Other                    | 24.3   |
| Net Assets-Endowment     | 154.7  |
| Total Net Assets         | 383.5  |
| Endowment Rate of Return | 10.3%  |



## 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.

In addition to being an engine for economic development, Stony Brook University is also a destination for the fine arts and entertainment on Long Island. The Staller Center has become a regional treasure, providing the campus and the surrounding communities with amazing local, national and international talent. The Wang Center is a destination for students, faculty and the community, celebrating Asian and Asian-American culture. Our athletics teams represent not only Stony Brook University, but this region, attracting students, faculty, staff and members of the community.

### Employment

|                                      |                |
|--------------------------------------|----------------|
| Total Employees (full and part time) | 15,536         |
| Academic                             | 4,092          |
| Non-Academic                         | 4,971          |
| Hospital                             | 6,473          |
| Average Monthly Payroll              | \$77.7 million |

### Student Enrollment *(Fall 2013)*

|                                      |        |
|--------------------------------------|--------|
| Total Student Enrollment             | 24,259 |
| <i>Undergraduate</i>                 |        |
| Total Undergraduate Students         | 16,107 |
| West Campus                          | 14,922 |
| HSC Campus                           | 1,185  |
| High School GPA Percent              | 93     |
| Average SAT Score                    | 1,265  |
| <i>Graduate and Advanced Degrees</i> |        |
| Total Graduate Students              | 8,152  |
| West Campus                          | 5,755  |
| HSC Campus                           | 2,397  |

### Tuition and Fees *(Fall 2013)*

|                                   |          |
|-----------------------------------|----------|
| <i>Undergraduate and Graduate</i> |          |
| Undergraduate NYS                 | \$9,956  |
| Undergraduate Nonresident         | 21,896   |
| Graduate NYS                      | 13,148   |
| Graduate Nonresident              | 21,628   |
| Graduate MBA NYS                  | 15,408   |
| Graduate MBA Nonresident          | 23,428   |
| <i>HSC Professional</i>           |          |
| Medical NYS                       | \$36,610 |
| Medical Nonresident               | 61,800   |
| Dental NYS                        | 41,148   |
| Dental Nonresident                | 76,358   |
| Physical Therapy NYS              | 22,828   |
| Physical Therapy Nonresident      | 38,718   |

## FINANCIAL HIGHLIGHTS

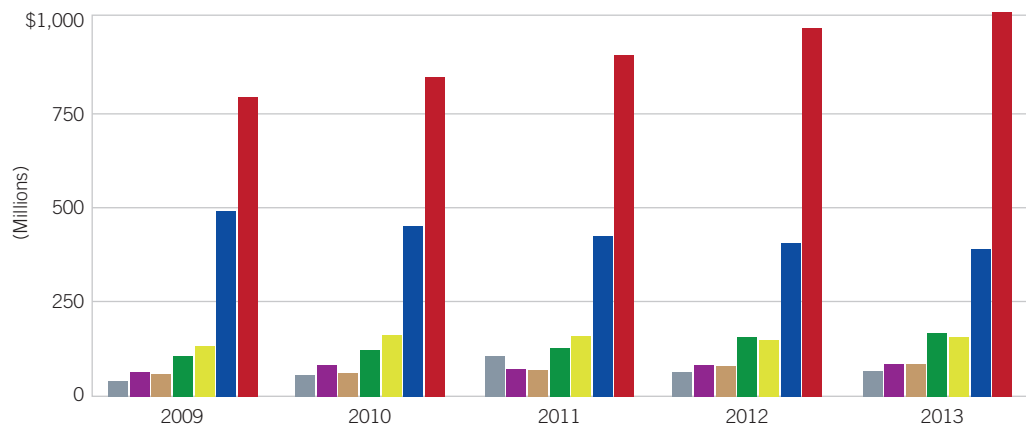
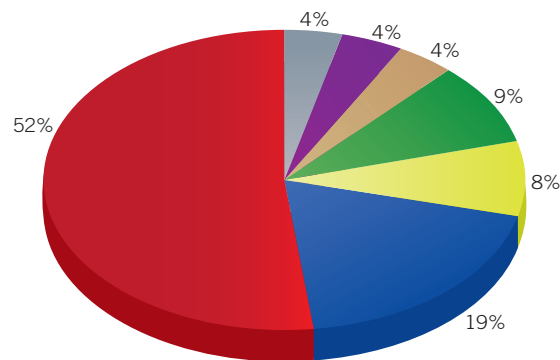
### Revenue Results

Total revenues were \$1,923,829,740 and \$1,915,795,464 for the 2013 and 2012 fiscal years, respectively. The \$8 million revenue increase in 2013 resulted from the following:

- ▶ Hospital revenues exceeded 2012 by \$39 million from occupancy and patient rate increases.
- ▶ Tuition and fee revenues increased by \$9 million from rate increments effected by NYSUNY 2020 legislation.
- ▶ State, local, and private grants and contracts and other revenue exceed 2012 by \$5 million.
- ▶ State appropriations for indirect State support for litigation decreased \$45 million from 2012.

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

### 2013 Revenues



|   | 2009         | 2010         | 2011          | 2012         | 2013          |
|---|--------------|--------------|---------------|--------------|---------------|
| Nonoperating  | \$31,305,585 | \$69,783,103 | \$112,865,907 | \$70,745,613 | \$70,098,858  |
| State, local, and private grants and contracts, and other | 77,422,766   | 87,564,042   | 76,071,298    | 83,828,303   | 87,474,837    |
| Auxiliary enterprises                                     | 74,782,644   | 70,863,696   | 75,936,275    | 81,417,153   | 82,082,151    |
| Tuition and fees  | 117,510,194  | 133,596,787  | 143,507,337   | 159,544,536  | 168,672,430   |
| Federal grants and contracts                              | 131,135,562  | 151,785,805  | 158,315,802   | 148,917,156  | 150,135,313   |
| State appropriations                                      | 488,541,209  | 450,143,611  | 419,640,532   | 404,169,900  | 359,031,670   |
| Hospital and clinics                                      | 802,132,418  | 849,947,319  | 898,223,497   | 967,172,803  | 1,006,334,481 |

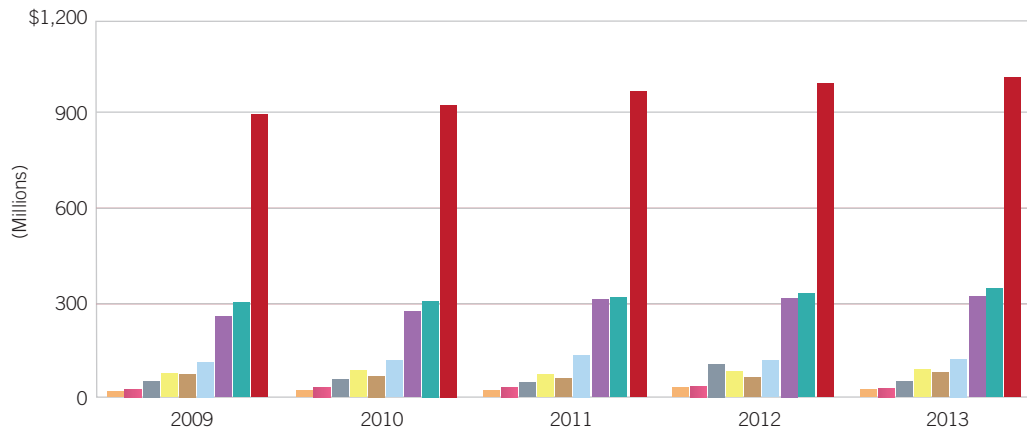
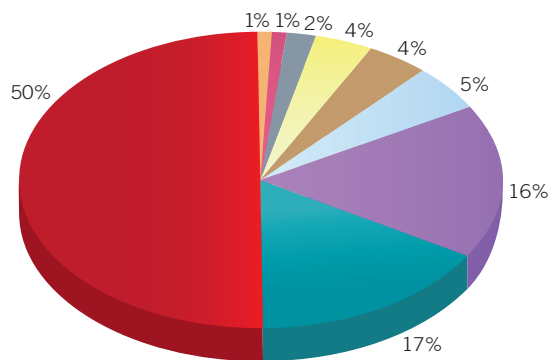
## Expenditure Results

Expenditure totals were \$2,049,446,950 and \$2,069,515,146 for 2013 and 2012, respectively. The \$20 million expenditure decrease was significantly attributable to the following:

- ▶ Nonoperating expenses decreased by \$69 million for prior year one-time capital expenditure purchases.
- ▶ Hospital expenditures increased by \$20 million in contractual and supplies and material costs.
- ▶ Instruction expenditures increased by \$12 million.
- ▶ Auxiliary expenditures increased by \$10 million due to utility, construction and contractual service costs.
- ▶ Support service expenditures increased by \$7 million due to costs for the recreation center, technology, and research services.

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

### 2013 Expenditures



|                              | 2009         | 2010         | 2011         | 2012         | 2013          |
|------------------------------|--------------|--------------|--------------|--------------|---------------|
| Scholarships and Fellowships | \$14,851,029 | \$20,794,791 | \$18,693,878 | \$21,399,523 | \$22,055,164  |
| Public Service               | 21,331,555   | 27,367,360   | 29,023,711   | 22,953,875   | 22,236,037    |
| Nonoperating                 | 47,185,611   | 53,304,612   | 39,509,259   | 109,905,493  | 40,291,726    |
| Depreciation Expense         | 74,839,456   | 84,906,416   | 81,190,853   | 81,500,390   | 81,552,837    |
| Auxiliary Enterprises        | 71,698,088   | 67,676,818   | 68,842,878   | 69,293,484   | 78,848,918    |
| Research                     | 101,958,550  | 113,210,691  | 120,766,424  | 113,143,283  | 115,777,574   |
| Support Services             | 263,158,373  | 280,628,723  | 313,585,538  | 316,139,706  | 322,789,135   |
| Instruction                  | 300,623,855  | 306,374,323  | 317,565,132  | 335,500,756  | 346,549,797   |
| Hospital and Clinics         | 898,436,550  | 921,640,586  | 961,545,417  | 999,678,636  | 1,019,345,762 |



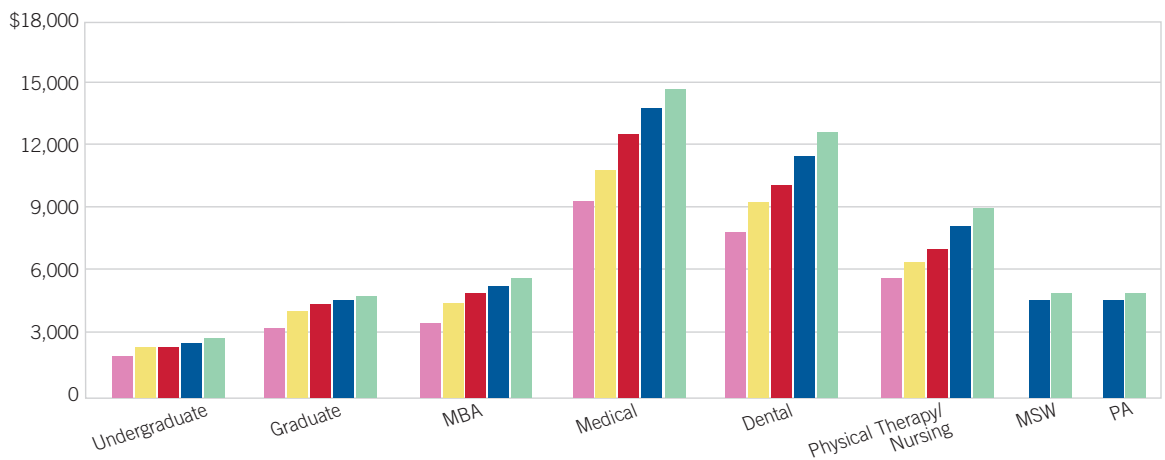
## FINANCIAL HIGHLIGHTS

### Tuition Revenue

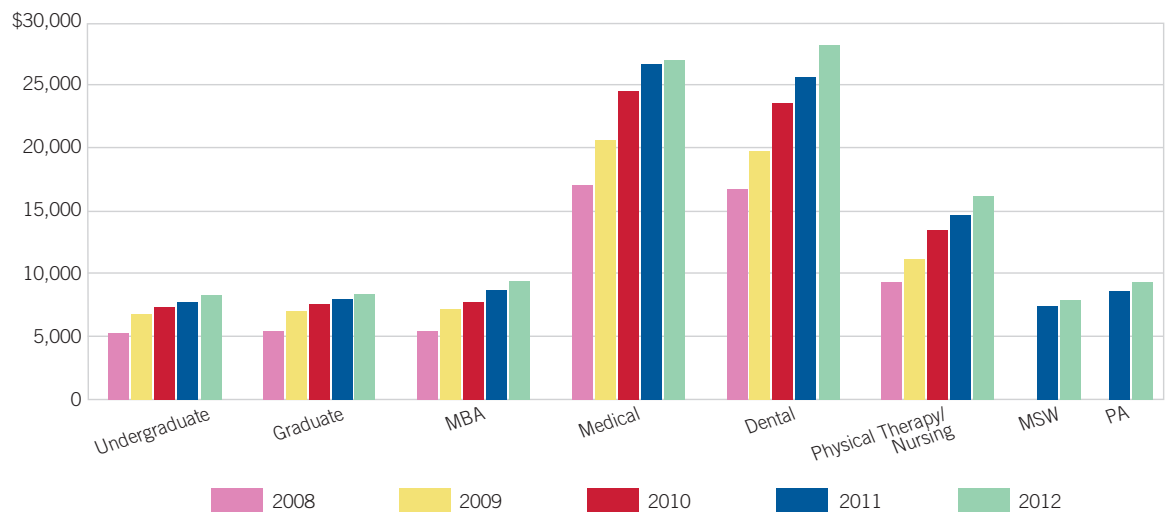
The following graphs trend tuition rates based on residency status for Fall 2008 through Fall 2012. The following summarizes some of the key information depicted in these graphs.

Tuition rates in 2008 were consistent with 2007. Reductions in state-funded support impacted 2009 tuition rates with increases across the board for resident and non-resident students by 14% and 21%, respectively. In 2010, the SUNY Board of Trustees increased all resident and non-resident rates by averages of 14%, except for the undergraduate resident rate which remained unchanged. With the adoption of SUNY 20/20, the 2011 and 2012 rates have increased an average of 8% and 10% per year, respectively, for resident and non-resident students.

### Fall Resident Tuition Rates



### Fall Non-Resident Tuition Rates

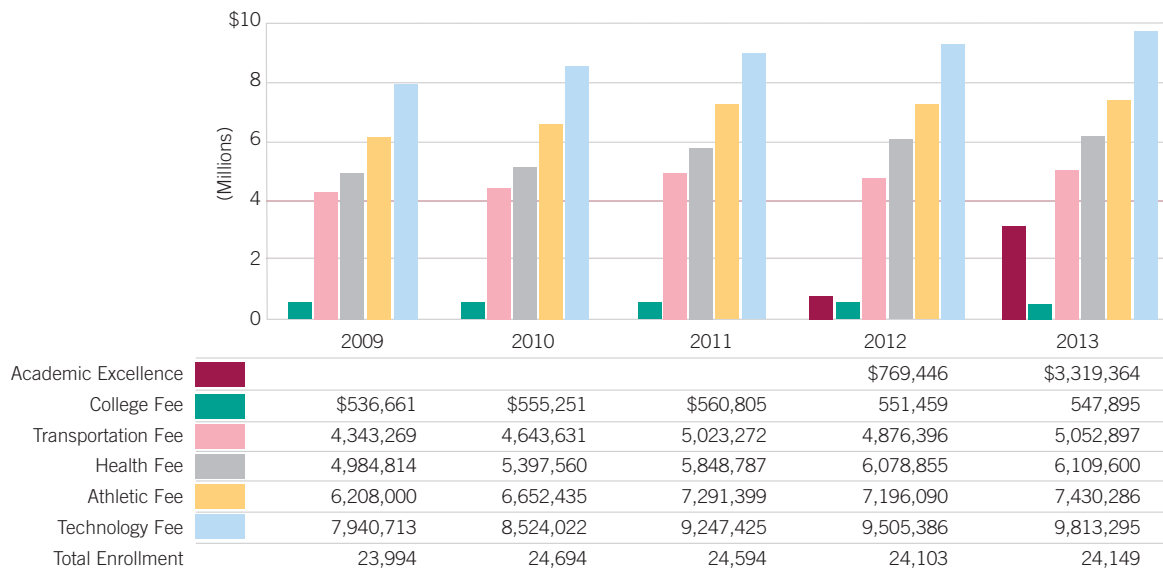


## Comprehensive Fee Revenue

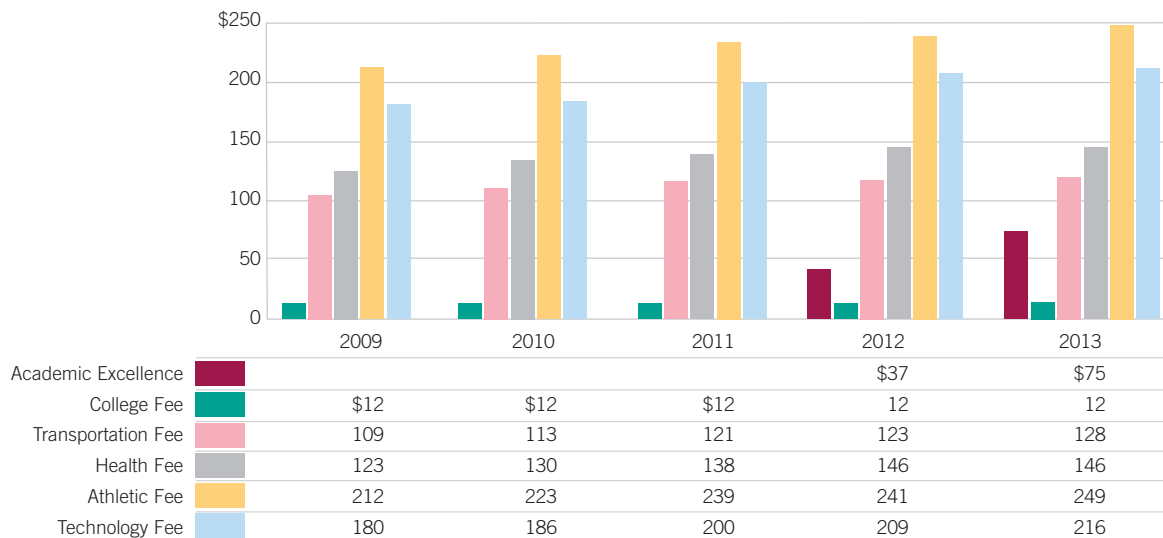
The comprehensive fee is a mandatory fee that is billed to all students, unless they meet waiver requirements. The fee consists of the following components: academic excellence, college, transportation, health services, athletic and technology fee. With the exception of the athletic fee which is billed solely to undergraduate students, comprehensive fee rates are 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. In 2010, enrollment increased by 3% and rates averaged a 4% per year increase (exclusive of college fee which holds its fixed rate of \$12.50). Rates in 2011 increased an average of 7% while enrollment was consistent with prior year. The 2012 rate increases fluctuated at 1%, 2% 4% and 5% for athletic, transportation, technology and health services, respectively. In addition, the passage of NYSUNY 20/20 established the academic excellence fee effective in Spring 2012 at the full-time rate of \$37.50 or \$800,000 in revenue for its first semester. In 2013, this fee increased to \$75 per semester which generated income of \$3.3 million. Increases in all other 2013 comprehensive fee components averaged 3% while enrollment was steady.

## Comprehensive Fee Revenue



## Comprehensive Fee Full-Time Rates (Single Semester Based)



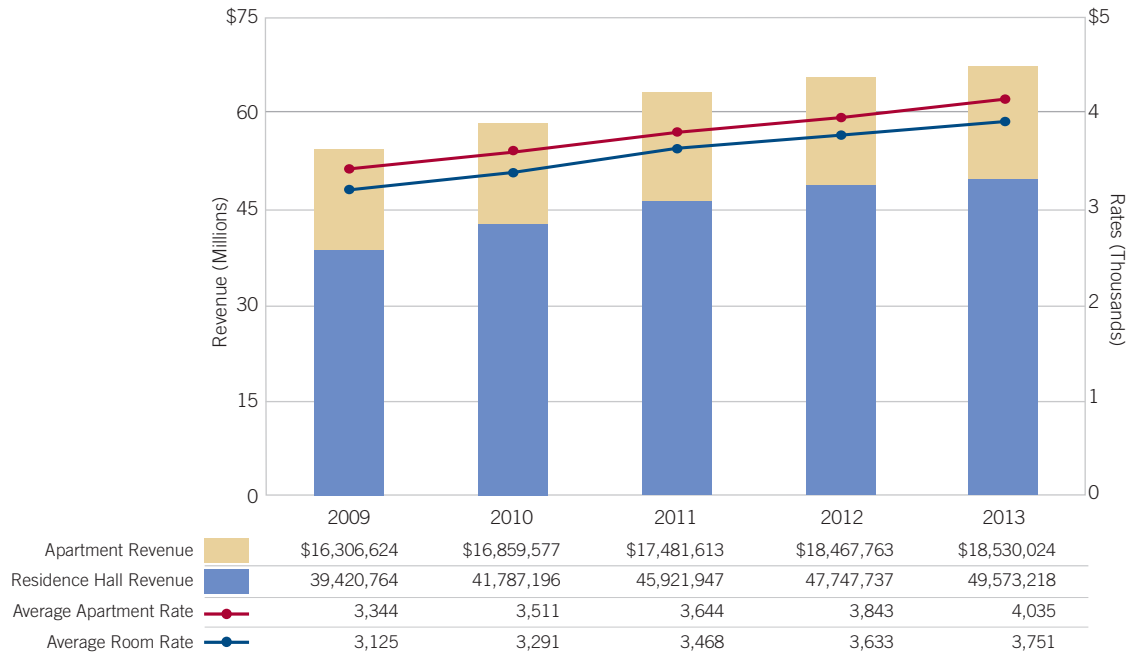
## FINANCIAL HIGHLIGHTS

### 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 within auxiliary enterprises in Stony Brook's Statement of Revenue, Expenses, and Changes in Net Position.

Below is a graph of apartment and residence hall revenue and rates for the fiscal years 2009 through 2013. From 2009 through 2012, both apartment and residence hall rates increased annually by 5%. In 2013, the apartment rate increased by 5% and the residence hall rate increased by 3%. Residence hall occupancies have exceeded 100% resulting in revenues that exceed the annual rate increases. Apartment occupancies have averaged at 95% so that revenue increases have fallen slightly below 5%.

### Apartment and Residence Hall Rates and Revenue





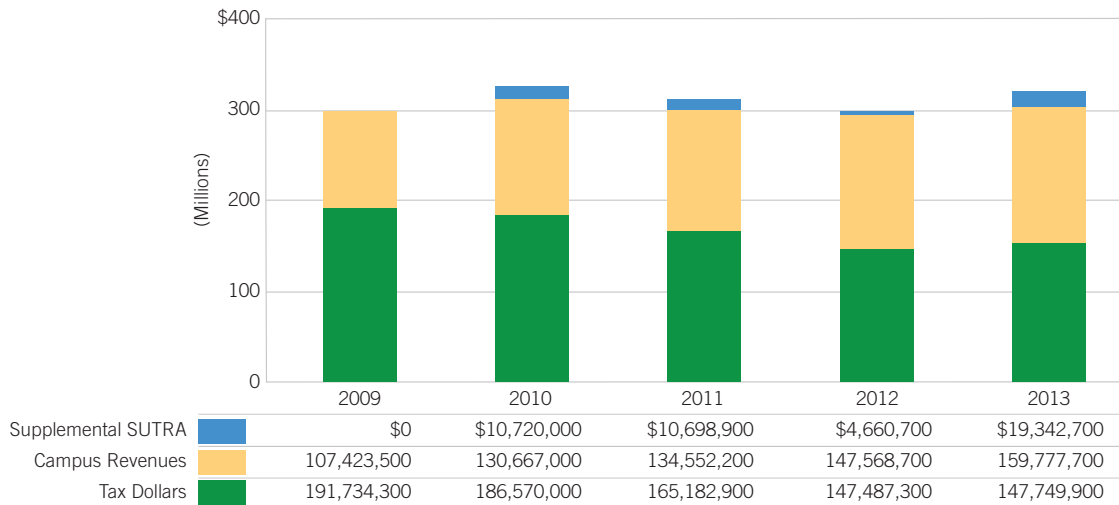
## FINANCIAL HIGHLIGHTS

### State Appropriations and University-wide Appropriations

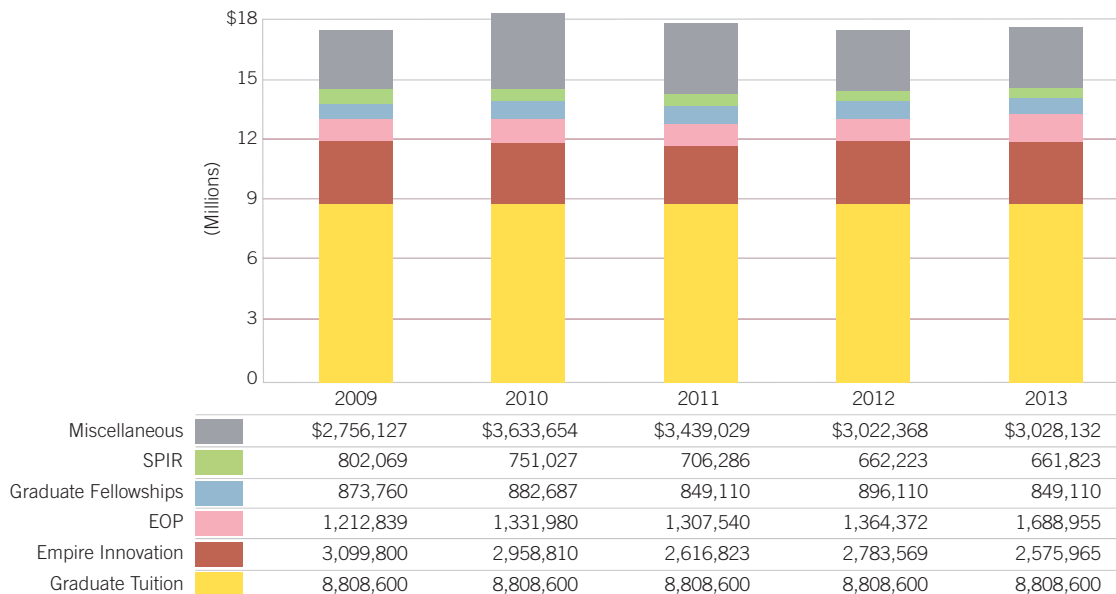
The University receives State appropriations to support its core operating budget in the form of State tax support and from tuition and revenue targets. In recent years, the University has also received SUTRA supplemental which represents a portion of campus revenue in excess of revenue targets. The following graph illustrates the State appropriation distributions for the period from 2009 through 2013. The 2009 through 2013 appropriation trends have experienced a state tax support decrease of \$44 million, or -23%, while campus revenues have increased by \$52 million, or 49%.

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 2009 through 2013 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 |                        |
|--|------------------------------|------------------------|
|  | 2013                         | 2012                   |
| <b>ASSETS</b>                              |                              |                        |
| <b>Current Assets</b>                      |                              |                        |
| Cash and cash equivalents                  | \$197,150,966                | \$262,856,191          |
| Deposits with trustees                     | 15,411,554                   | 13,115,703             |
| Short-term investments                     | 8,048,652                    | 15,530,358             |
| Accounts, notes, and loans receivable, net | 291,640,980                  | 276,111,834            |
| Interest receivable                        | 37,774                       | 22,480                 |
| Appropriations receivable                  | 26,488,965                   | 53,734,364             |
| Grants receivable                          | 51,095,249                   | 46,411,019             |
| Inventories                                | 10,138,639                   | 8,604,168              |
| Other assets                               | 6,294,259                    | 6,032,569              |
| <b>Total current assets</b>                | <b>606,307,038</b>           | <b>682,418,686</b>     |
| <b>Noncurrent Assets</b>                   |                              |                        |
| Restricted cash and cash equivalents       | 862,926                      | 811,425                |
| Deposits with trustees                     | 105,549,550                  | 36,170,947             |
| Accounts, notes, and loans receivable, net | 5,767,563                    | 5,823,213              |
| Appropriations receivable                  | 104,233,669                  | 127,732,637            |
| Long-term investments                      | 5,337,677                    | 5,398,869              |
| Capital assets, net                        | 1,603,932,976                | 1,500,426,722          |
| Other assets                               | 4,356,577                    | 4,308,224              |
| <b>Total noncurrent assets</b>             | <b>1,830,040,938</b>         | <b>1,680,672,037</b>   |
| <b>Total assets</b>                        | <b>2,436,347,976</b>         | <b>2,363,090,723</b>   |
| <b>LIABILITIES AND NET POSITION</b>        |                              |                        |
| <b>Current Liabilities</b>                 |                              |                        |
| Accounts payable and accrued liabilities   | 172,167,810                  | 324,159,395            |
| Interest payable                           | 5,577,662                    | 3,821,519              |
| Student deposits                           | 2,354,910                    | 2,491,733              |
| Deposits held in custody for others        | 117,599                      | 140,377                |
| Deferred revenue                           | 31,270,523                   | 28,265,118             |
| Long-term liabilities-current portion      | 120,023,479                  | 124,643,727            |
| Other liabilities                          | 850,226                      | 602,601                |
| <b>Total current liabilities</b>           | <b>332,362,209</b>           | <b>484,124,470</b>     |
| <b>Noncurrent Liabilities</b>              |                              |                        |
| Long-term liabilities                      | 2,061,693,456                | 1,711,769,571          |
| Refundable government loan funds           | 6,913,124                    | 6,864,828              |
| Other liabilities                          | 2,408,668                    | 1,744,125              |
| <b>Total noncurrent liabilities</b>        | <b>2,071,015,248</b>         | <b>1,720,378,524</b>   |
| <b>Total liabilities</b>                   | <b>2,403,377,457</b>         | <b>2,204,502,994</b>   |
| <b>NET POSITION</b>                        |                              |                        |
| Net investment in capital assets           | 528,794,649                  | 510,178,620            |
| Loans - restricted and expendable          | 768,125                      | 762,759                |
| Unrestricted                               | (496,592,255)                | (352,353,650)          |
| <b>Total net position</b>                  | <b>32,970,519</b>            | <b>158,587,729</b>     |
| <b>TOTAL LIABILITIES AND NET POSITION</b>  | <b>\$2,436,347,976</b>       | <b>\$2,363,090,723</b> |

See accompanying notes to financial statements.

## ANNUAL FINANCIAL REPORT

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

|  | FOR THE YEARS ENDING JUNE 30 |                      |
|--|------------------------------|----------------------|
|  | 2013                         | 2012                 |
| <b>OPERATING REVENUES</b>                            |                              |                      |
| Tuition and fees                                     | \$229,850,070                | \$207,526,481        |
| Less: scholarship allowances                         | (61,177,640)                 | (47,981,945)         |
| <b>Net tuition and fees</b>                          | <b>168,672,430</b>           | <b>159,544,536</b>   |
| Federal grants and contracts                         | 150,135,313                  | 148,917,156          |
| State grants and contracts                           | 13,937,224                   | 16,580,734           |
| Local grants and contracts                           | 181,232                      | 214,286              |
| Private grants and contracts                         | 57,835,960                   | 47,987,763           |
| University hospitals and clinics                     | 1,006,334,481                | 967,172,803          |
| Sales and services of auxiliary enterprises:         |                              |                      |
| Residence halls, net                                 | 55,143,733                   | 56,763,307           |
| Other auxiliary, net                                 | 26,938,418                   | 24,653,846           |
| Other operating                                      | 15,520,421                   | 19,045,520           |
| <b>Total operating revenues</b>                      | <b>1,494,699,212</b>         | <b>1,440,879,951</b> |
| <b>OPERATING EXPENSES</b>                            |                              |                      |
| Instruction  | 346,549,797                  | 335,500,756          |
| Research   | 115,777,574                  | 113,143,283          |
| Public service                                       | 22,236,037                   | 22,953,875           |
| Academic support                                     | 88,316,037                   | 85,682,267           |
| Student services                                     | 38,647,829                   | 33,084,812           |
| Institutional support                                | 106,953,405                  | 95,698,657           |
| Operation and maintenance of plant                   | 88,525,398                   | 94,829,032           |
| Scholarships and fellowships                         | 22,055,164                   | 21,399,523           |
| Hospitals and clinics                                | 1,019,345,762                | 999,678,636          |
| Residence halls                                      | 52,043,021                   | 45,119,048           |
| Other auxiliary                                      | 26,805,897                   | 24,174,436           |
| Depreciation and amortization expense                | 81,552,837                   | 81,500,390           |
| Other operating                                      | 346,466                      | 6,844,938            |
| <b>Total operating expenditures</b>                  | <b>2,009,155,224</b>         | <b>1,959,609,653</b> |
| <b>Operating loss</b>                                | <b>(514,456,012)</b>         | <b>(518,729,702)</b> |
| <b>NONOPERATING REVENUES (EXPENSES)</b>              |                              |                      |
| State appropriations                                 | 359,031,670                  | 404,169,900          |
| Federal and State student financial aid              | 48,442,395                   | 48,123,869           |
| Investment income, net of investment fees            | 2,156,437                    | 2,339,785            |
| Net realized and unrealized gains                    | 208,260                      |                      |
| Gifts  | 6,143,670                    | 4,958,650            |
| Interest expense on capital related debt             | (39,905,159)                 | (41,088,836)         |
| Loss on disposal of plant assets                     | (386,567)                    | 716,893              |
| Other nonoperating revenues (expenses), net          | 4,414,716                    | (58,695,668)         |
| <b>Net nonoperating revenues</b>                     | <b>380,105,422</b>           | <b>360,524,593</b>   |
| <b>Income (loss) before other revenues and gains</b> | <b>(134,350,590)</b>         | <b>(158,205,109)</b> |
| Capital gifts and grants                             | 8,733,380                    | 4,485,427            |
| <b>Increase (decrease) in net position</b>           | <b>(125,617,210)</b>         | <b>(153,719,682)</b> |
| Net position at the beginning of year                | 158,587,729                  | 312,307,411          |
| <b>NET POSITION AT THE END OF YEAR</b>               | <b>\$32,970,519</b>          | <b>\$158,587,729</b> |

See accompanying notes to financial statements.



# ANNUAL FINANCIAL REPORT

## STONY BROOK UNIVERSITY STATEMENT OF CASH FLOWS

|   | FOR THE YEARS ENDED  |                      |
|---|----------------------|----------------------|
|   | 2013                 | 2012                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |                      |                      |
| Tuition and fees  | \$169,317,182        | \$160,042,511        |
| Federal grants and contracts                                      | 148,655,975          | 149,256,954          |
| State and local grants and contracts                              | 12,842,116           | 15,990,785           |
| Private grants and contracts                                      | 63,915,756           | 48,990,668           |
| University hospitals and clinics                                  | 942,814,659          | 882,795,078          |
| Personal service payments   | (864,212,306)        | (833,140,412)        |
| Other than personal service payments                              | (592,422,723)        | (447,583,986)        |
| Payments for fringe benefits                                      | (176,722,051)        | (156,910,336)        |
| Payments for scholarships and fellowships                         | (23,395,374)         | (16,637,135)         |
| Loans issued to students  | (1,085,781)          | (1,184,940)          |
| Collection of loans to students                                   | 987,814              | 1,300,154            |
| Residence halls, net  | 55,111,776           | 56,525,633           |
| Other auxiliary, net  | 27,034,613           | 21,882,057           |
| Other operating   | 22,113,720           | 10,202,425           |
| <b>Net cash used by operating activities</b>                      | <b>(215,044,624)</b> | <b>(108,470,544)</b> |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>            |                      |                      |
| <b>State appropriations:</b>                                      |                      |                      |
| Operations  | 189,346,379          | 167,174,315          |
| Debt service  | 42,393,453           | 50,243,762           |
| Federal and State student financial aid grants                    | 48,442,395           | 48,123,869           |
| Private gifts and grants  | 6,143,670            | 4,958,650            |
| Repayment of short-term loans                                     | (3,909,460)          | (3,909,460)          |
| Other receipts  | (135,000,000)        | (361,848)            |
| <b>Net cash flows provided by noncapital financing activities</b> | <b>147,416,437</b>   | <b>266,229,288</b>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                      |                      |
| Proceeds from capital debt  | 337,388,572          | 128,831,425          |
| Capital appropriations  |                      |                      |
| Capital grants and gifts received                                 | 8,733,380            | 4,485,427            |
| Proceeds from sale of capital assets                              |                      |                      |
| Purchases of capital assets                                       | (12,584,865)         | (37,529,363)         |
| Payments to contractors   | (169,187,581)        | (132,593,971)        |
| Principal paid on capital debt and leases                         | (61,012,618)         | (63,104,310)         |
| Interest paid on capital debt and leases                          | (38,913,383)         | (41,245,252)         |
| Deposits with trustees  | (71,674,454)         | (20,213,420)         |
| Other receipts (payments)   |                      | (1,745,766)          |
| <b>Net cash used by capital and related financing activities</b>  | <b>(7,250,949)</b>   | <b>(163,115,230)</b> |

See accompanying notes to financial statements.

# ANNUAL FINANCIAL REPORT

## STONY BROOK UNIVERSITY STATEMENT OF CASH FLOWS

|  | <b>FOR THE YEARS ENDED</b> |                      |
|--|----------------------------|----------------------|
|  | <b>2013</b>                | <b>2012</b>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                            |                      |
| Proceeds from sales and maturities of investments  | 6,968,187                  |                      |
| Interest, dividends, and realized gains on investments                                   | 2,257,225                  | 2,302,679            |
| <b>Net cash provided (used) by investing activities</b>                                  | <b>9,225,412</b>           | <b>2,302,679</b>     |
| <b>Net change in cash</b>  | <b>(65,653,724)</b>        | <b>(3,053,807)</b>   |
| Cash - beginning of year   | 263,667,616                | 266,721,423          |
| <b>Cash - end of year</b>  | <b>198,013,892</b>         | <b>263,667,616</b>   |
| <b>END OF YEAR CASH COMPRISED OF</b>   |                            |                      |
| Cash and cash equivalents  | 197,150,966                | 262,856,191          |
| Restricted cash and cash equivalents   | 862,926                    | 811,425              |
| <b>Total cash - end of year</b>  | <b>198,013,892</b>         | <b>263,667,616</b>   |
| <b>RECONCILIATION OF NET OPERATING LOSS TO<br/>NET CASH USED BY OPERATING ACTIVITIES</b> |                            |                      |
| Operating loss   | (514,456,012)              | (518,729,702)        |
| <b>ADJUSTMENTS TO OPERATING LOSS</b>   |                            |                      |
| Depreciation and amortization expense  | 81,552,837                 | 81,500,390           |
| Fringe benefits and litigation costs provided by State                                   | 179,792,348                | 168,475,199          |
| <b>CHANGE IN ASSETS AND LIABILITIES</b>  |                            |                      |
| Receivables, net   | (20,145,431)               | (42,465,709)         |
| Inventories  | (1,534,471)                | (386,962)            |
| Other assets   | (312,199)                  | (6,564,010)          |
| Accounts payable, accrued expenses, and other liabilities                                | 60,207,438                 | 210,831,639          |
| Deferred revenue   | (35,089)                   | (1,103,252)          |
| Student deposits   | (136,823)                  | 39,317               |
| Deposits held for others   | 22,778                     | (67,454)             |
| <b>Net cash used by operating activities</b>   | <b>(215,044,624)</b>       | <b>(108,470,544)</b> |
| <b>SUPPLEMENTAL DISCLOSURES FOR NONCASH TRANSACTIONS</b>                                 |                            |                      |
| New capital leases / debt agreements   | 337,307,320                | 128,831,425          |
| Fringe benefits and litigation costs provided by the State                               | 179,792,348                | 168,475,199          |
| Noncash gifts  |                            | 150,000              |

See accompanying notes to financial statements.

# ANNUAL FINANCIAL REPORT

## STONY BROOK UNIVERSITY COMPONENT UNITS BALANCE SHEET

|   | FOR THE YEARS ENDING JUNE 30 |                      |
|---|------------------------------|----------------------|
|   | 2013                         | 2012                 |
| <b>ASSETS</b>                           |                              |                      |
| <b>Current Assets</b>                   |                              |                      |
| Cash and cash equivalents               | \$105,067,856                | \$56,001,380         |
| Accounts and notes receivable, net      | 3,481,361                    | 1,982,559            |
| Pledges receivable, net                 | 132,927,842                  | 147,458,066          |
| Investments                             | 202,480,091                  | 178,083,816          |
| Assets held for others                  | 1,568,604                    | 1,569,110            |
| Other assets                            | 4,026,062                    | 9,368,594            |
| Capital assets, net                     | 37,062,669                   | 30,051,083           |
| <b>Total assets</b>                     | <b>486,614,485</b>           | <b>424,514,608</b>   |
| <b>LIABILITIES AND NET ASSETS</b>       |                              |                      |
| <b>Liabilities</b>                      |                              |                      |
| Accounts payable and accrued expenses   | 10,122,799                   | 8,365,733            |
| Current portion of long-term debt       | 1,191,680                    | 1,394,627            |
| Deferred revenue                        | 6,248,498                    | 5,243,108            |
| Deposits held for others                | 36,346,429                   | 31,652,988           |
| Long-term debt                          | 13,076,383                   | 14,268,063           |
| Other liabilities                       | 7,854,354                    | 7,059,030            |
| <b>Total liabilities</b>                | <b>74,840,143</b>            | <b>67,983,549</b>    |
| <b>NET ASSETS</b>                       |                              |                      |
| <b>Unrestricted</b>                     |                              |                      |
| Fixed assets                            | 27,529,095                   | 23,698,983           |
| Campus programs                         | 9,241,198                    | 7,625,878            |
| Other                                   | 4,148,521                    | 4,224,861            |
| Undesignated                            | 2,933,440                    | (1,583,370)          |
| <b>Temporarily restricted</b>           |                              |                      |
| Scholarships and fellowships            | 19,182,263                   | 19,408,224           |
| Campus programs                         | 36,536,373                   | 30,717,788           |
| Research                                | 15,164,199                   | 11,163,497           |
| General operations and other            | 180,559,164                  | 169,392,227          |
| <b>Permanently restricted</b>           |                              |                      |
| Scholarships and fellowships            | 19,915,259                   | 16,648,003           |
| Campus programs                         | 67,849,190                   | 48,607,616           |
| Research                                | 1,841,100                    | 1,567,245            |
| General operations and other            | 26,874,540                   | 25,060,107           |
| <b>Total net assets</b>                 | <b>411,774,342</b>           | <b>356,531,059</b>   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$486,614,485</b>         | <b>\$424,514,608</b> |

See accompanying notes to financial statements.

## ANNUAL FINANCIAL REPORT

### STONY BROOK UNIVERSITY COMPONENT UNITS STATEMENT OF ACTIVITIES

|   | FOR THE YEARS ENDING JUNE 30 |                           |                           | 2013                 | 2012                 |
|---|------------------------------|---------------------------|---------------------------|----------------------|----------------------|
|   | UNRESTRICTED                 | TEMPORARILY<br>RESTRICTED | PERMANENTLY<br>RESTRICTED | TOTAL                | TOTAL                |
| <b>REVENUES</b>   |                              |                           |                           |                      |                      |
| Contributions, gifts, and grants                              | \$1,029,564                  | \$46,377,832              | \$28,608,157              | \$76,015,553         | 175,535,873          |
| Investment income, net  | 388,669                      | 1,561,911                 |                           | 1,950,580            | 1,620,166            |
| Net realized and unrealized gains                             | 6,275,037                    | 12,853,629                |                           | 19,128,666           | 6,734,189            |
| Food service  | 28,309,022                   |                           |                           | 28,309,022           | 26,773,799           |
| Other auxiliary services                                      | 7,360,906                    |                           |                           | 7,360,906            | 7,270,172            |
| Rental income   | 40,369                       | 311,006                   |                           | 351,375              | 335,816              |
| Sales and services  | 1,839,598                    | 1,745,638                 |                           | 3,585,236            | 1,336,726            |
| Other sources   | 271,645                      |                           |                           | 271,645              | 49,159               |
| Net assets released from restrictions                         | 46,143,903                   | (46,143,903)              |                           |                      |                      |
| <b>Total revenues</b>   | <b>91,658,713</b>            | <b>16,706,113</b>         | <b>28,608,157</b>         | <b>136,972,983</b>   | <b>219,655,900</b>   |
| <b>EXPENSES</b>   |                              |                           |                           |                      |                      |
| Food service  | 21,821,898                   |                           |                           | 21,821,898           | 20,167,569           |
| Other auxiliary services                                      | 5,264,948                    |                           |                           | 5,264,948            | 5,217,490            |
| Program expenses  | 33,597,368                   |                           |                           | 33,597,368           | 29,462,517           |
| Payments to State University:<br>Scholarships and fellowships | 5,626,434                    |                           |                           | 5,626,434            | 4,809,042            |
| Other   | 5,144,492                    |                           |                           | 5,144,492            | 3,410,863            |
| Depreciation and amortization expense                         | 2,165,378                    |                           |                           | 2,165,378            | 2,619,161            |
| Interest expense on capital-related debt                      | 130,603                      |                           |                           | 130,603              | 164,674              |
| Management and general  | 5,031,278                    |                           |                           | 5,031,278            | 5,100,488            |
| Fundraising   | 2,947,301                    |                           |                           | 2,947,301            | 2,649,409            |
| <b>Total expenditures</b>                                     | <b>81,729,700</b>            |                           |                           | <b>81,729,700</b>    | <b>73,601,213</b>    |
| <b>Increase (decrease) in net assets</b>                      | <b>9,929,013</b>             | <b>16,706,113</b>         | <b>28,608,157</b>         | <b>55,243,283</b>    | <b>146,054,687</b>   |
| Net assets at the beginning of year                           | 33,966,352                   | 230,681,736               | 91,882,971                | 356,531,059          | 210,476,372          |
| Transfer of net assets  | (43,111)                     | 4,054,150                 | (4,011,039)               |                      |                      |
| <b>NET ASSETS AT THE END OF YEAR</b>                          | <b>\$43,852,254</b>          | <b>\$251,441,999</b>      | <b>\$116,480,089</b>      | <b>\$411,774,342</b> | <b>\$356,531,059</b> |

See accompanying notes to financial statements.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

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

#### **Financial Presentation**

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

#### **Reporting Entity**

For financial reporting purposes, the University is comprised of sectors which include the university centers of the main campus, Manhattan, and Southampton, health science centers (including hospitals), colleges and schools, central services and other affiliated entities determined to be includable in the University's financial reporting entity. Inclusion in the entity is based primarily on the notion of financial accountability, defined in terms of a primary government (University) that is financially accountable for the organizations that make up its legal entity. Separate legal entities meeting the criteria for inclusion in the blended totals of the University reporting entity are described below.

The Research Foundation of State University of New York at Stony Brook (Research Foundation) is a separate not-for-profit educational corporation that operates as the fiscal administrator for the majority of the University's sponsored programs. The programs include research, training, and public service activities of the State-operated campuses supported by sponsored funds other than State appropriations. The activity of the Research Foundation has been included in these financial statements using GASB measurements and recognition standards. The financial activity was derived from audited financial statements of the Research Foundation for the years ended June 30, 2013 and 2012.

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, 2013 and 2012. To report construction fund activities related to the University, certain methodologies are used by SUNY to allocate plant fund balances by campus.

The Faculty Student Association (FSA) is a legally separate, nonprofit corporation, which as an independent contractor, operates, manages, and promotes educationally related services for the benefit of the campus community. The Stony Brook Foundation Inc. (the Foundation) is a legally separate, nonprofit, affiliated organization that receives and holds economic resources that is significant to, and entirely for the University, and is required to be included in the reporting entity using discrete presentation requirements. As a result, the combined totals of the FSA and the Foundation are separately presented as aggregate component units on financial statement pages 14 and 15 in the University's financial statements in accordance with display requirements prescribed by the Financial Accounting Standards Board (FASB). The financial data for these organizations was derived from each entity's individual audited financial statements for the years ended June 30, 2013 and 2012.

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.

The 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 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; a statement of revenues, expenses, and changes in net position, that distinguish



# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

between operating and nonoperating revenues and expenses; and a statement of cash flows, using the direct method of presenting cash flows from operations and other sources.

The University's policy for defining operating activities in the statement of revenues, expenses, and changes in net position 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.

During 2013, the University adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units that were blended and included in the consolidated University reporting entity in certain circumstances. The amendments to the criteria for blending improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic. This pronouncement required a restatement to the University's financial statements as of July 1, 2011 as certain component units previously included in the University reporting entity meet the criteria for discrete presentation.

The University also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This pronouncement required a restatement to the University's financial statements as of July 1, 2011, as deferred financing costs that were previously classified as assets will now be expensed. As required, under this standard, any gains or losses resulting from a refunding of debt will be reported as a deferred inflow of resources or deferred outflow of resources, respectively.

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

### *Net investment in capital assets*

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 position component subject to externally imposed conditions that require the University retain in perpetuity.

### *Restricted – expendable:*

Net position 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 component of net position:*

Included in unrestricted component of net position 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

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

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 | \$14,034 |
| Other auxiliary | 2,726    |

## Deferred Outflows of Resources

Deferred outflows of resources resulting from a loss in the refinancing of debt represents the difference between the reacquisition price and the net carrying amount of the old debt and is 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 2012 financial statements have been reclassified to conform to the 2013 presentation.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### *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 \$0 and (b) collateralized with securities held by a pledging financial institution were \$7.5 million at June 30, 2013.

### *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.

### *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 position 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 position as provided for under the terms of the gift, or as unrestricted.

Investments are comprised of investments of the Research Foundation. 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 \$13.8 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, 2013, accounts, notes, and loans receivables were summarized on the following page (in thousands):

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

| <b>ACCOUNTS, NOTES AND LOANS RECEIVABLE</b>           | <b>2013</b>      | <b>2012</b>      |
|---|------------------|------------------|
| Tuition and fees                                      | \$3,248          | \$2,826          |
| Allowance for uncollectible                           | (900)            | (997)            |
| <b>Net tuition and fees</b>                           | <b>2,348</b>     | <b>1,829</b>     |
| Room rent   | 775              | 728              |
| Allowance for uncollectible                           | (222)            | (229)            |
| <b>Net room rent</b>                                  | <b>553</b>       | <b>499</b>       |
| Patient fees, net of contractual allowances           | 329,751          | 368,040          |
| Allowance for uncollectible                           | (112,387)        | (115,294)        |
| <b>Net patient fees</b>                               | <b>217,364</b>   | <b>252,746</b>   |
| <b>Other, net</b>                                     | <b>70,321</b>    | <b>20,000</b>    |
| <b>Total accounts receivable and notes receivable</b> | <b>290,586</b>   | <b>275,074</b>   |
| Student loans   | 8,082            | 8,104            |
| Allowance for uncollectible                           | (1,259)          | (1,243)          |
| <b>Total student loans receivable</b>                 | <b>6,823</b>     | <b>6,861</b>     |
| <b>TOTAL, NET</b>                                     | <b>\$297,409</b> | <b>\$281,935</b> |

## 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 \$1.6 billion. Capital asset activity during the year is reflected in the following table (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.

|                                       | <b>JUNE 30<br/>2011</b> | <b>ADDITIONS</b> | <b>RETIREMENTS</b> | <b>JUNE 30<br/>2012</b> | <b>ADDITIONS</b> | <b>RETIREMENTS</b> | <b>JUNE 30<br/>2013</b> |
|---------------------------------------|-------------------------|------------------|--------------------|-------------------------|------------------|--------------------|-------------------------|
| Land                                  | \$76,727                | \$101,300        |                    | \$178,027               | \$6,876          |                    | \$184,903               |
| Infrastructure and land improvements  | 93,322                  | 37,236           | \$4,494            | 126,064                 | 5,839            | \$833              | 131,070                 |
| Buildings                             | 1,387,226               | 59,477           | 3,667              | 1,443,036               | 134,554          | 1,745              | 1,575,845               |
| Equipment, library books and artwork  | 467,924                 | 37,529           | 5,858              | 499,595                 | 27,305           | 2,631              | 524,269                 |
| Construction in progress              | 276,861                 | 133,374          | 98,681             | 311,554                 | 158,799          | 147,291            | 323,062                 |
| <b>Total Capital Assets</b>           | <b>2,302,060</b>        | <b>368,916</b>   | <b>112,700</b>     | <b>2,558,276</b>        | <b>333,373</b>   | <b>152,500</b>     | <b>2,739,149</b>        |
| Less: accumulated depreciation:       |                         |                  |                    |                         |                  |                    |                         |
| Infrastructure and land improvements  | 54,954                  | 4,597            | 4,213              | 55,338                  | 5,397            | 748                | 59,987                  |
| Buildings                             | 581,414                 | 36,269           | 3,161              | 614,522                 | 40,649           | 1,671              | 653,500                 |
| Equipment, library books and artwork  | 356,680                 | 38,275           | 6,966              | 387,989                 | 35,675           | 1,935              | 421,729                 |
| <b>Total accumulated depreciation</b> | <b>993,048</b>          | <b>79,141</b>    | <b>14,340</b>      | <b>1,057,849</b>        | <b>81,721</b>    | <b>4,354</b>       | <b>1,135,216</b>        |
| <b>CAPITAL ASSETS, NET</b>            | <b>\$1,309,012</b>      | <b>\$289,775</b> | <b>\$98,360</b>    | <b>\$1,500,427</b>      | <b>\$251,652</b> | <b>\$148,146</b>   | <b>\$1,603,933</b>      |

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### 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, 2013, other than facilities obligations, which are included as of March 31, 2013, total obligations are summarized in the following table (in thousands).

|                                    | JUNE 30,<br>2011   | ADDITIONS        | REDUCTIONS       | JUNE 30,<br>2012   | ADDITIONS        | REDUCTIONS       | JUNE 30,<br>2013   | CURRENT<br>PORTION |
|------------------------------------|--------------------|------------------|------------------|--------------------|------------------|------------------|--------------------|--------------------|
| Long-term debt:                    |                    |                  |                  |                    |                  |                  |                    |                    |
| Educational Facilities             | \$544,999          | \$116,022        | \$30,427         | \$630,594          | \$266,069        | \$29,051         | \$867,612          | \$39,261           |
| Residence Hall Facilities          | 194,081            | 21,471           | 8,179            | 207,373            | 71,239           | 11,469           | 267,143            | 9,958              |
| Capital Leases                     | 36,928             |                  | 17,272           | 19,656             |                  | 1,768            | 17,888             | 1,860              |
| Other long-term debt - ESDC        | 9,951              |                  | 7,226            | 2,725              |                  | 2,725            |                    |                    |
| Other long-term debt - RF          |                    | 2,564            |                  | 2,564              | 81               |                  | 2,645              |                    |
| Other long-term debt - Gyrodyne    |                    | 32,502           |                  | 32,502             |                  | 16,000           | 16,502             | 4,000              |
| <b>Total long-term debt</b>        | <b>785,959</b>     | <b>172,559</b>   | <b>63,104</b>    | <b>895,414</b>     | <b>337,389</b>   | <b>61,013</b>    | <b>1,171,790</b>   | <b>55,079</b>      |
| Other long term liabilities:       |                    |                  |                  |                    |                  |                  |                    |                    |
| Compensated Absences               | 666,130            | 235,034          | 120,699          | 780,465            | 194,276          | 94,294           | 880,447            | 48,391             |
| Loan from State                    | 24,245             | 24               | 3,909            | 20,360             | 42               | 3,909            | 16,493             | 7,800              |
| Litigation                         | 119,134            | 25,224           | 4,184            | 140,174            |                  | 27,187           | 112,987            | 8,754              |
| Total other long-term liabilities  | 809,509            | 260,282          | 128,792          | 940,999            | 194,318          | 125,390          | 1,009,927          | 64,945             |
| <b>TOTAL LONG-TERM LIABILITIES</b> | <b>\$1,595,468</b> | <b>\$432,841</b> | <b>\$191,896</b> | <b>\$1,836,413</b> | <b>\$531,707</b> | <b>\$186,403</b> | <b>\$2,181,717</b> | <b>\$120,024</b>   |

### Educational Facilities

The University, through DASNY, has entered into financing agreements to finance various educational facilities which have a maximum 30-year life. Athletic facility debt is aggregated with educational facility debt. Debt service is paid by, or from specific appropriations of, the State. During the year, Personal Income Tax Revenue Bonds (PIT) were issued for the purpose of financing capital construction and major rehabilitation for educational facilities in the amount of \$266 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 \$71.2 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.



# ANNUAL FINANCIAL REPORT

## NOTES TO 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, 2013, was \$16.5 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, or after ten years of service for those joining after January 1, 2010.

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

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

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

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### 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 12 percent for enrollee coverage and 27 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 \$40.6 million. The University's annual OPEB cost and increase in the OPEB obligation, relating to its state employees, for the year ended June 30, 2013, is as follows (in thousands):

|   |                  |
|---|------------------|
| Annual required contribution and annual OPEB cost | \$140,439        |
| Benefits paid during year                         | 40,603           |
| <b>Increase in OPEB Obligation</b>                | <b>99,836</b>    |
| Net obligation at beginning of year               | 657,641          |
| <b>NET OBLIGATION AT END OF YEAR</b>              | <b>\$757,477</b> |

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

The actuarial valuation utilizes a frozen entry age actuarial cost method. The actuarial assumptions include a 3.1 percent discount rate, payroll growth rate of 3.0 percent, and an annual healthcare cost trend rate for medical coverage of 9 percent initially, reduced by decrements to a rate of 4.8 percent after seven 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. The plan provides post-retirement medical benefits and is contributory for employees hired after 1985. In fiscal years 2011 and 2013, the Research Foundation amended the plan to increase the participant contribution rates for those hired after 1985 with the specific rates to be determined based on an employee's years of service.

Contributions by the Research Foundation are made pursuant to a funding policy established by its Board of Directors. Assets are held in a Voluntary Employee Benefit Association (VEBA) trust and are considered plan assets in determining the funded status or funding progress of the plan under GASB reporting and measurement standards. The Research Foundation post-retirement obligation for the year ended June 30, 2013, was \$ 57.7 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 \$11.2 million. On the following page is a summary of the future minimum rental commitments under non-cancelable real property and equipment leases with terms exceeding one year (in thousands).

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

| <b>YEARS ENDING JUNE 30,</b> |                 |
|------------------------------|-----------------|
| 2014                         | \$8,309         |
| 2015                         | 6,164           |
| 2016                         | 5,706           |
| 2017                         | 4,200           |
| 2018                         | 2,780           |
| 2019-23                      | 5,226           |
| <b>TOTAL</b>                 | <b>\$32,385</b> |

### *10. Contingencies*

The State is contingently liable in connection with claims and other legal actions involving the University, including those currently in litigation arising in the normal course of University activities. The University does not carry malpractice insurance and, instead, administers these types of cases in the same manner as all other claims against the State involving University activities in that any settlements of judgments and claims are paid by the State from an account established for this purpose. With respect to pending and threatened litigation, the medical malpractice liability includes incurred but not reported (IBNR) loss estimates. The estimate of IBNR losses is actuarially determined based on historical experience using a discounted present value of estimated future cash payments. The University has recorded a liability and a corresponding appropriation receivable of approximately \$113 million at June 30, 2013 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.

### *11. Related Parties*

The University's single largest source of revenue is State appropriations. State appropriations take the form of direct assistance, debt service on educational facility and PIT bonds, fringe benefits for State employees, and litigation expenses for which the State is responsible. State appropriations totaled \$359 million and \$404 million and represented approximately 19 percent and 21 percent of total revenues for the 2013 and 2012 fiscal years, respectively. The State University's continued operational viability is substantially dependent upon a consistent and proportionate level of ongoing State support.

### *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.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### *13. Condensed Financial Statement Information of the Research Foundation*

The condensed financial statement information of the Research Foundation, contained in the combined totals of the State University reporting entity in accordance with GASB accounting and reporting requirements, is shown below (in thousands):

| <b>CONDENSED BALANCE SHEET</b>  | <b>2013</b>       | <b>2012</b>       |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| Current assets  | \$71,973          | \$74,150          |
| Capital assets  | 6,241             | 6,362             |
| Other assets  | 9,694             | 9,707             |
| <b>Total assets</b>   | <b>87,908</b>     | <b>90,219</b>     |
| <b>LIABILITIES</b>  |                   |                   |
| Current liabilities   | 29,072            | 28,646            |
| Noncurrent liabilities  | 94,771            | 101,056           |
| <b>Total liabilities</b>  | <b>123,843</b>    | <b>129,702</b>    |
| <b>NET POSITION</b>   |                   |                   |
| Invested in capital assets, net   | 3,595             | 6,363             |
| Unrestricted  | (39,530)          | (45,846)          |
| <b>Total net position</b>   | <b>(35,935)</b>   | <b>(39,483)</b>   |
| <b>TOTAL LIABILITIES AND NET POSITION</b>                                     | <b>\$87,908</b>   | <b>\$90,219</b>   |
| <b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b> |                   |                   |
| <b>OPERATING REVENUES</b>   |                   |                   |
| Federal grants and contracts  | \$138,070         | \$138,896         |
| State grants and contracts  | 14,911            | 15,841            |
| Private grants and contracts  | 20,583            | 19,490            |
| Other operating revenues  | 19,810            | 24,186            |
| <b>Total operating revenues</b>   | <b>193,374</b>    | <b>198,413</b>    |
| <b>EXPENSES</b>   |                   |                   |
| Instruction   | 17,095            | 14,264            |
| Research  | 106,497           | 104,261           |
| Public service  | 12,182            | 13,148            |
| Institutional support   | 61,650            | 60,195            |
| Other operating expenses  | 1,718             | 1,682             |
| Depreciation and amortization expense   | 1,697             | 1,572             |
| <b>Total operating expenses</b>   | <b>200,839</b>    | <b>195,122</b>    |
| Operating income  | (7,465)           | 3,291             |
| Net nonoperating revenues/(expenses)  | 11,013            | (29,970)          |
| Increase (decrease) in net position   | 3,548             | (26,679)          |
| Net position at the beginning of year   | (39,483)          | (12,804)          |
| <b>NET POSITION AT THE END OF YEAR</b>  | <b>(\$35,935)</b> | <b>(\$39,483)</b> |
| <b>CONDENSED STATEMENT OF CASH FLOWS</b>                                      |                   |                   |
| Cash flows from operating activities  | (\$7,033)         | (\$2,090)         |
| Cash flows from capital and related financing activities                      | (1,498)           |                   |
| Cash flows from investing activities  | 8,523             | 1,960             |
| Net change in cash  | (8)               | (130)             |
| <b>Cash - beginning of year</b>   | <b>79</b>         | <b>209</b>        |
| <b>Cash - end of year</b>   | <b>\$70</b>       | <b>\$79</b>       |

## ANNUAL FINANCIAL REPORT

### NOTES TO FINANCIAL STATEMENTS

#### *14. Restatement of Beginning of the Year Net Position*

The provisions of GASB Statements No. 61 and No. 65 have been applied to the beginning of the 2012 fiscal year net position. The following is a reconciliation of the total net position as previously reported at July 1, 2011 to the total restated net position (in thousands):

|   |                   |
|---|-------------------|
| Total net position as previously reported at July 1, 2011 | \$339,507         |
| Change due to adoption of GASB 61                         | (20,180)          |
| Change due to adoption of GASB 65                         | ( 7,020)          |
| <b>TOTAL NET POSITION AT JULY 1, 2011 (RESTATED)</b>      | <b>\$ 312,307</b> |

As a result of adopting GASB Statement No. 61, auxiliary service corporations, which were previously blended in the consolidated financial reporting entity of the University, are now reported in the totals of the discretely presented component units. In addition, with the adoption of GASB Statement No. 65, deferred financing costs that were previously classified as assets are now expensed. The resulting effect of adopting these pronouncements was a reduction in net position of \$27 million.

#### *15. Subsequent Events*

In July 2013, SUNY issued Personal Income Tax Revenue Bonds totaling \$231 million for the purpose of financing capital construction and major rehabilitation for educational facilities. Stony Brook's share of these obligations can not be estimated at this time.

In August 2013, SUNY entered into agreements with DASNY to issue obligations totaling \$440 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 \$59 million. This financing was issued under a self-supporting program to finance SUNY Dormitory facilities under a new DASNY Dormitory Facilities Revenue Bond resolution in accordance with enacted legislation. Under this bond program, bonds are not considered state-supported debt and do not carry a University general obligation pledge.

#### *16. Component Units*

Due to the adoption of GASB Statement No. 61, the auxiliary services entity, or the FSA, which was previously blended in the consolidated financial reporting entity of the University, is now reported in the totals of the discretely presented component units. The corporation is a campus-based, legally separate, nonprofit organization which, as independent contractor, operates, manages, and promotes educationally related services for the benefit of the campus community. Discretely presented component unit information also includes the campus-related foundation. The Foundation is a nonprofit organization responsible for the fiscal administration of revenues and support received for the promotion, development and advancement of the welfare of campuses, the University and its students, faculty, staff and alumni. The Foundation receives the majority of their support and revenues through contributions, gifts and grants and provide benefits to their campus, students, faculty, staff and alumni.

These are 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 organizations 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 \$10.8 million to the University, principally for scholarships.



# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### Net Asset Classifications

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

### Investments

All investments with readily determinable fair values have been reported in the financial statements at fair value. Realized and unrealized gains and losses are recognized in the statement of activities. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investments of the University discretely presented component units were \$202 million as of June 30, 2013.

### 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 \$37.1 million as of June 30, 2013. Capital asset classifications are summarized as follows (in thousands):

|                               |               |
|-------------------------------|---------------|
| Land and land improvements    | \$3.7         |
| Buildings                     | 23.4          |
| Equipment                     | 10.8          |
| Artwork and library books     | 5.5           |
| Construction in progress      | 12.2          |
| <b>Total capital assets</b>   | <b>55.6</b>   |
| Less accumulated depreciation | 18.5          |
| <b>CAPITAL ASSETS, NET</b>    | <b>\$37.1</b> |

### Long-term Debt

The component units have entered into various financing arrangements through the issuance of Industrial Development Agency, and Housing Authority bonds, for the construction of a day care center and student residence hall facilities. The following is a summary of the future minimum annual debt service requirements for the next five years and thereafter (in thousands):

| <b>YEARS ENDING JUNE 30</b> |                 |
|-----------------------------|-----------------|
| 2014                        | \$1,192         |
| 2015                        | 1,222           |
| 2016                        | 1,259           |
| 2017                        | 1,292           |
| 2018                        | 1,330           |
| Thereafter                  | 7,973           |
| <b>TOTAL</b>                | <b>\$14,268</b> |

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### Restatement of Beginning of the Year Net Assets

The adoption of GASB No. 61 required a restatement of the discretely presented component unit financial statements as of July 1, 2011, as certain component units previously included in the University reporting entity meet the criteria for discrete presentation. The following is a reconciliation of the total net assets as previously reported at July 1, 2011 to the total restated net assets (in thousands):

|   |                  |
|---|------------------|
| Total net assets as previously reported at July 1, 2011 | \$190,296        |
| Change due to adoption of GASB 61                       | 20,180           |
| <b>TOTAL NET ASSETS AT JULY 1, 2011 (RESTATED)</b>      | <b>\$210,476</b> |

### Condensed Financial Statement Information

The table below displays the combined totals of the Foundation and the FSA (in thousands):

| <b>COMBINED BALANCE SHEETS</b>          | <b>FOUNDATION</b> | <b>FSA</b>      | <b>2013<br/>TOTAL</b> | <b>FOUNDATION</b> | <b>FSA</b>      | <b>2012<br/>TOTAL</b> |
|---|-------------------|-----------------|-----------------------|-------------------|-----------------|-----------------------|
| <b>ASSETS</b>                           |                   |                 |                       |                   |                 |                       |
| Investments                             | \$194,208         | \$8,271         | \$202,479             | \$170,463         | \$7,621         | \$178,084             |
| Capital assets, net                     | 14,370            | 22,693          | 37,063                | 12,889            | 17,162          | 30,051                |
| Other assets                            | 223,812           | 23,260          | 247,072               | 190,496           | 25,884          | 216,380               |
| <b>Total assets</b>                     | <b>432,390</b>    | <b>54,224</b>   | <b>486,614</b>        | <b>373,848</b>    | <b>50,667</b>   | <b>424,515</b>        |
| <b>LIABILITIES</b>                      |                   |                 |                       |                   |                 |                       |
| Current liabilities                     | 47,094            | 13,478          | 60,572                | 39,175            | 13,146          | 52,321                |
| Long-term debt/notes                    | 1,805             | 12,463          | 14,268                | 1,975             | 13,688          | 15,663                |
| <b>Total liabilities</b>                | <b>48,899</b>     | <b>25,941</b>   | <b>74,840</b>         | <b>41,150</b>     | <b>26,834</b>   | <b>67,984</b>         |
| <b>NET ASSETS</b>                       |                   |                 |                       |                   |                 |                       |
| Unrestricted                            | 15,569            | 28,283          | 43,852                | 10,133            | 23,833          | 33,966                |
| Temporarily restricted                  | 251,442           |                 | 251,442               | 230,682           |                 | 230,682               |
| Permanently restricted                  | 116,480           |                 | 116,480               | 91,883            |                 | 91,883                |
| <b>Total Net Assets</b>                 | <b>383,491</b>    | <b>28,283</b>   | <b>411,774</b>        | <b>332,698</b>    | <b>23,833</b>   | <b>356,531</b>        |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$432,390</b>  | <b>\$54,224</b> | <b>\$486,614</b>      | <b>\$373,848</b>  | <b>\$50,667</b> | <b>\$424,515</b>      |
| <b>COMBINED STATEMENT OF ACTIVITIES</b> |                   |                 |                       |                   |                 |                       |
| <b>REVENUES</b>                         |                   |                 |                       |                   |                 |                       |
| Contributions, gifts and grants         | \$76,015          |                 | \$76,015              | \$175,536         |                 | \$175,536             |
| Food and auxiliary services             |                   | 35,670          | 35,670                |                   | 34,044          | 34,044                |
| Sales and services                      | 3,585             |                 | 3,585                 | 1,337             |                 | 1,337                 |
| Other revenue                           | 20,717            | 985             | 21,702                | 8,583             | 156             | 8,739                 |
| <b>Total Revenues</b>                   | <b>100,317</b>    | <b>36,655</b>   | <b>136,972</b>        | <b>185,456</b>    | <b>34,200</b>   | <b>219,656</b>        |
| <b>EXPENSES</b>                         |                   |                 |                       |                   |                 |                       |
| Food and auxiliary services             |                   | 27,087          | 27,087                |                   | 25,385          | 25,385                |
| Program expenses                        | 33,148            | 449             | 33,597                | 29,139            | 323             | 29,462                |
| Other expenses                          | 16,376            | 4,669           | 21,045                | 13,915            | 4,839           | 18,754                |
| <b>Total expenses</b>                   | <b>49,524</b>     | <b>32,205</b>   | <b>81,729</b>         | <b>43,054</b>     | <b>30,547</b>   | <b>73,601</b>         |
| <b>Total change in net assets</b>       | <b>50,793</b>     | <b>4,450</b>    | <b>55,243</b>         | <b>142,402</b>    | <b>3,653</b>    | <b>146,055</b>        |
| Net assets at the beginning of year     | 332,698           | 23,833          | 356,531               | 190,296           | 20,180          | 210,476               |
| <b>NET ASSETS AT THE END OF YEAR</b>    | <b>\$383,491</b>  | <b>\$28,283</b> | <b>\$411,774</b>      | <b>\$332,698</b>  | <b>\$23,833</b> | <b>\$356,531</b>      |



