Combined Financial Statements and Report of
Independent Certified Public Accountants

STONY BROOK FOUNDATION, INC. AND AFFILIATE

June 30, 2015 and 2014

STONY BROOK FOUNDATION, INC. AND AFFILIATE

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Grant Thornton LLP
757 Third Avenue, 9th Floor
New York, NY 10017

T 212.599.0100
F 212.370.4520
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Stony Brook Foundation, Inc. and Affiliate

We have audited the accompanying combined financial statements of the Stony Brook Foundation, Inc. and Affiliate (collectively, the "Foundation"), which comprise the combined statement of financial position as of June 30, 2015, and the related combined statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's responsibility for the combined financial statements
Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Stony Brook Foundation, Inc. and Affiliate as of June 30, 2015, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matter
The combined financial statements of the Stony Brook Foundation, Inc. and Affiliate as of and for the year ended June 30, 2014 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2014 combined financial statements in their report dated October 23, 2014. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Report on combining supplemental information
Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining supplemental schedules, presented on pages 27 and 28, are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining supplemental information has been subjected to the auditing procedures applied in the audit of the combined financial statements as of and for the year ended June 30, 2015, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining supplemental information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Grant Thornton LLP

New York, New York
October 19, 2015

STONY BROOK FOUNDATION, INC. AND AFFILIATE

Combined Statement of Financial Position

As of June 30, 2015, with summarized comparative information as of June 30, 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 72,830,673	$ 63,173,635
Pledges receivable, net	82,925,183	115,011,535
Loans and other receivables	436,629	1,040,440
Prepaid expenses	526,001	405,705
Inventory	38,317	46,583
Investments:		
Permanently restricted investments	125,675,822	112,306,028
Other investments	140,171,024	118,366,868
Total investments	265,846,846	230,672,896
Other long-term investment	279,000	279,000
Notes receivable	3,000,000	-
Bond issuance cost, net	34,975	43,719
Land, buildings, equipment and collections, net	12,395,836	14,815,405
Total assets	$ 438,313,460	$ 425,488,918
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 8,539,315	$ 6,524,273
Deferred revenue	328,141	5,211,085
Annuities payable	588,699	531,080
Funds held in trust for others	38,977,041	34,342,716
Bond payable	1,435,000	1,625,000
Total liabilities	49,868,196	48,234,154
UNRESTRICTED NET ASSETS		
Undesignated	15,796,083	11,086,057
Designated	9,585,473	10,076,445
Total unrestricted net assets	25,381,556	21,162,502
Temporarily restricted net assets	207,433,081	205,353,655
Permanently restricted net assets	155,630,627	150,738,607
Total net assets	388,445,264	377,254,764
Total liabilities and net assets	$ 438,313,460	$ 425,488,918

The accompanying notes are an integral part of this combined financial statement.

STONY BROOK FOUNDATION, INC. AND AFFILIATE

Combined Statement of Activities

For the year ended June 30, 2015, with summarized comparative information for the year ended June 30, 2014

	2015					2014
	Unrestricted		Temporarily	Permanently		
	Undesignated	Designated	Restricted	Restricted	Total	Total
REVENUES, GAINS AND OTHER SUPPORT						
Gifts and grants	$ 454,822	$ -	$ 36,614,579	$ 7,261,345	$ 44,330,746	$ 52,378,379
Gifts-in-kind and contributed services	471,644	90,000	465,315	33,108	1,060,067	1,437,410
Contracts and other support	2,681,837	432,903	1,286,576	-	4,401,316	4,128,986
Interest and dividend income	263,349	84,304	1,273,136	-	1,620,789	1,453,656
Net realized gains (losses) on investments	2,222,244	(20,580)	4,321,618	-	6,523,282	6,584,225
Net unrealized appreciation on investments	4,850,460	122,205	11,843,368	-	16,816,033	13,749,138
Net loss on disposal of capital assets	-	(33,316)	(1,830,483)	-	(1,863,799)	(18,681)
Net loss on sale of inventory	-	-	(2,800)	-	(2,800)	(3,650)
Rental income	125,816	-	306,786	-	432,602	417,452
Other income (loss)	1,521	22,623	(2,500)	4,000	25,644	15,118
Net assets released from restrictions	4,613,133	49,989,469	(54,602,602)	-	-	-
Total revenues, gains and other support	15,684,826	50,687,608	(327,007)	7,298,453	73,343,880	80,142,033
EXPENSES						
Campus program expenses:						
Instruction	150,000	18,560,199	-	-	18,710,199	13,571,811
Research	-	6,410,079	-	-	6,410,079	3,884,175
Public service	-	2,381,020	-	-	2,381,020	2,229,646
Academic support	103,134	1,219,226	-	-	1,322,360	1,045,836
Student services	38,123	520,925	-	-	559,048	365,854
Institutional support	5,081,893	15,354,322	-	-	20,436,215	56,971,818
Scholarships and fellowships	-	6,526,308	-	-	6,526,308	3,139,471
Total campus program expenses	5,373,150	50,972,079	-	-	56,345,229	81,208,611
General and administrative	2,611,883	-	-	-	2,611,883	2,233,894
Fundraising	2,887,087	-	-	-	2,887,087	2,609,612
Depreciation	2,680	306,501	-	-	309,181	326,270
Total expenses	10,874,800	51,278,580	-	-	62,153,380	86,378,387
Change in net assets	4,810,026	(590,972)	(327,007)	7,298,453	11,190,500	(6,236,354)
Transfers of net assets	(100,000)	100,000	2,406,433	(2,406,433)	-	-
Net assets, beginning of year	11,086,057	10,076,445	205,353,655	150,738,607	377,254,764	383,491,118
Net assets, end of year	$ 15,796,083	$ 9,585,473	$ 207,433,081	$ 155,630,627	$ 388,445,264	$ 377,254,764

The accompanying notes are an integral part of this combined financial statement.

STONY BROOK FOUNDATION, INC. AND AFFILIATE

Combined Statement of Functional Expenses

For the year ended June 30, 2015, with summarized comparative information for the year ended June 30, 2014

	2015					
	Campus Programs	General and Administrative	Fundraising	Depreciation	Total	2014 Total
Research support and awards	$ 17,916,164	$ -	$ -	$ -	$ 17,916,164	$ 49,209,807
Payroll	9,756,512	1,364,737	1,527,817	-	12,649,066	12,641,399
Investment expense	6,564,874	-	-	-	6,564,874	5,102,994
Cultivation and fund-raising events, meetings, travel and lodging	4,024,120	12,441	199,746	-	4,236,307	4,189,346
Professional fees	2,901,744	402,178	156,707	-	3,460,629	3,252,478
Equipment and rentals	2,344,577	51,023	25,749	-	2,421,349	1,143,615
Scholarship and fellowship awards	6,538,278	-	-	-	6,538,278	3,059,974
Supplies and expenses	1,891,828	103,246	117,608	-	2,112,682	2,031,519
Employee benefits	1,367,229	588,119	649,025	-	2,604,373	2,014,904
Repairs, maintenance and improvements	1,960,366	1,475	1,508	-	1,963,349	1,570,945
Consulting/honorarium	248,283	-	76,109	-	324,392	480,656
Tax expense	36,058	364	-	-	36,422	458,255
Printing and duplication	335,247	2,168	75,146	-	412,561	341,130
Depreciation and amortization	8,744	-	-	309,181	317,925	335,014
Data processing	128,767	8,891	37,615	-	175,273	131,470
Insurance	71,739	67,651	-	-	139,390	129,058
Interest expense	97,098	-	-	-	97,098	109,492
Telephone	67,598	6,397	317	-	74,312	81,746
Postage and shipping	63,718	3,046	19,678	-	86,442	79,773
Books and periodicals	22,285	147	62	-	22,494	14,812
Total expenses before depreciation allocation	56,345,229	2,611,883	2,887,087	309,181	62,153,380	86,378,387
Depreciation allocation	306,501	2,680	-	(309,181)	-	-
Total expenses	$ 56,651,730	$ 2,614,563	$ 2,887,087	$ -	$ 62,153,380	$ 86,378,387

The accompanying notes are an integral part of this combined financial statement.

STONY BROOK FOUNDATION, INC. AND AFFILIATE

Combined Statement of Cash Flows

For the year ended June 30, 2015, with summarized comparative information for the year ended June 30, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 11,190,500	$ (6,236,354)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	317,925	335,013
Forgiveness of employee loans	120,000	120,000
Change in allowance for uncollectible contributions	204,519	40,090
Net realized gains on investments	(6,523,282)	(6,584,225)
Net unrealized appreciation on investments	(16,816,033)	(13,749,138)
Donations of equipment, collections and land	(129,800)	(623,500)
Disposal of equipment	2,643,799	18,681
Donations of stocks for permanently restricted purposes	(806,222)	(54,914)
Permanently restricted contributions	(20,108,173)	(37,843,398)
Changes in operating assets and liabilities		
Pledges receivable	31,881,833	17,876,217
Other receivables	483,811	(41,540)
Prepaid expenses	(120,296)	(164,850)
Inventory	8,266	11,614
Accounts payable and accrued expenses	2,015,043	(723,721)
Deferred revenue	(4,882,944)	742,578
Annuities payable	57,619	(68,971)
Funds held in trust for others	4,634,325	(435,109)
Net cash provided by (used in) operating activities	4,170,890	(47,381,527)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital expenditures	(403,612)	(166,745)
Purchases of investments	(70,801,518)	(56,231,228)
Proceeds from sale of investments	58,966,883	39,821,377
Issuance of loans	(3,000,000)	-
Net cash used in investing activities	(15,238,247)	(16,576,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from permanently restricted contributions	20,108,173	37,843,398
Proceeds from sale of donated stocks for permanently restricted purposes	806,222	54,914
Payment of bond payable	(190,000)	(180,000)
Net cash provided by financing activities	20,724,395	37,718,312
Net change in cash and cash equivalents	9,657,038	(26,239,811)
CASH AND CASH EQUIVALENTS, beginning of year	63,173,635	89,413,446
CASH AND CASH EQUIVALENTS, end of year	$ 72,830,673	$ 63,173,635
Supplemental disclosures of cash flow information:		
Cash paid during the years for interest	$ 97,098	$ 109,492
Cash paid during the years for income taxes	-	527,000
Purchases of land, buildings, equipment and collections included within accounts payable and accrued expenses	172,197	403,612

The accompanying notes are an integral part of this combined financial statement.

1. BACKGROUND

The Stony Brook Foundation, Inc. and Affiliate (the "Foundation"), a not-for-profit, "no member" corporation chartered by the Education Department of the State of New York, was established in 1965. The purposes of the Foundation are as follows:

a. To assist in developing and increasing the resources of the State University of New York at Stony Brook ("Stony Brook University") in order to provide more extensive educational opportunities and services by making and encouraging gifts, grants, contributions and donations of real and personal property to or for the benefit of Stony Brook University.

b. To receive, hold, administer and dispose of gifts and grants, and to act without profit as trustee of educational or charitable trusts of benefit to and in keeping with the educational purposes and objectives of Stony Brook University.

c. To finance the conduct of studies and research of any and all fields of intellectual inquiry of benefit to and in keeping with the educational purposes and objectives of Stony Brook University and/or its constituent schools, and to enter into contractual relationships appropriate to the purposes of the Foundation.

d. To grant and/or administer scholarships and fellowships and to engage in experimental education activities and research projects.

Stony Brook Foundation Realty, Inc. ("SBFR") is a not-for-profit, wholly-owned affiliate of the Foundation which was incorporated in 1979 and is controlled by Foundation management. SBFR's purpose is to purchase, acquire, own, hold, sell, transfer, lease, mortgage, use, excavate, improve and develop lands, buildings and other real property improvements.

In June 1989, Stony Brook Foundation (Delaware), Inc. ("SBFD"), a not-for-profit corporation, was chartered in the state of Delaware for the purpose of managing donated real estate. The management of the Foundation will exercise control over the operating activities of SBFD. To date, SBFD has not received any donations of real estate and, accordingly, SBFD has not had any operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying combined financial statements include the accounts of the Foundation and its affiliate, SBFR (collectively referred to as the "Foundation" herein), and are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). All significant intercompany transactions have been eliminated. The prior year summarized comparative information has been derived from the audited combined financial statements for the year ended June 30, 2014 and does not represent a full presentation in accordance with US GAAP. Such data should be read in conjunction with the audited combined financial statements for the year ended June 30, 2014.

Net Assets

The Foundation's combined financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets, and changes in net assets, as follows:

a. ***Unrestricted net assets*** **-** The Foundation's unrestricted net assets consist of the following:

   Undesignated **-** Include all resources of the Foundation, which are expendable for carrying on the Foundation's operations.

   Designated **-** Include funds, property, plant, equipment and collections (net of accumulated depreciation) owned by the Foundation designated for campus programs by the Foundation's board of trustees.

b. ***Temporarily restricted net assets*** **-** Consists of net assets of the Foundation which have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Foundation pursuant to those stipulations.

Temporarily restricted net assets consist of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Campus programs	$ 197,265,246	$ 192,667,163
Land, buildings and collections	10,167,835	12,686,492
Total temporarily restricted net assets	$ 207,433,081	$ 205,353,655

c. ***Permanently restricted net assets*** - Include funds wherein the donors have stipulated that the principal contributed be invested and maintained intact. Income earned from those investments is available for expenditures according to restrictions, if any, imposed by the donors.

Permanently restricted net assets consist of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Endowment funds	$ 155,508,447	$ 150,620,816
Permanently restricted net assets	122,180	117,791
Total permanently restricted net assets	$ 155,630,627	$ 150,738,607

Cash and Cash Equivalents

Cash and cash equivalents include cash held in banks and money market accounts held by investment brokers. The Foundation considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents.

Fair Value

Fair value is defined in ASC 820-10 as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. The Foundation discloses fair value measurements by level within that hierarchy. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation as of the reporting date. Unobservable inputs reflect the Foundation’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. Since valuations are based on quoted prices that are readily available and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV as of the date of the statement of financial position or in the near term, which the Foundation has generally considered to be within one year.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV in the near term or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation’s perceived risk of that instrument.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. An investment is considered to be impaired, generally, if the individual investment's fair value is less than its cost basis for a period of time in excess of 12 months. Other-than-temporary impairment losses on investments are included in realized losses.

The Foundation also invests in alternative investments which include investments in limited partnerships, funds of funds, hedged equity funds, private equity funds and mutual funds that are unlisted or thinly traded. These investments are also recorded at fair value, which is based on the values provided by the general partners or fund managers.

Certain investments with no readily determinable fair values are recorded at net asset value per share as a practical expedient to estimating fair value.

Donated marketable securities are recorded at fair value at the date of the gift.

Other Long-Term Investment

The Foundation has a 3% membership interest in SBHC Private Equity IV, LLC's campus hotel (the "Hotel"). See Notes 6 and 17. This investment, in the amount of $279,000 has been accounted for under the cost method, as the Foundation owns less than 20% of the voting rights and does not have the ability to exercise significant influence over the operating and financial policies of SBHC Private Equity IV, LLC. The Foundation accounts for amounts distributed under the cost method as rental income.

Land, Buildings, Equipment and Collections

Land, buildings and equipment purchased in excess of $2,000 are recorded at cost, or if donated, at fair value at the date of donation. Depreciation is computed on the straight-line basis, with half-year convention, over the following estimated useful lives:

Buildings	30 years
Land improvements	5 years
Equipment and furnishings	5 years

Collections are not depreciated. Costs incurred for repairs, maintenance and minor improvements are charged to expense as incurred. Major improvements which substantially extend the useful lives of the assets are capitalized.

Annuities

The Foundation holds life annuities which represent assets made available to the Foundation, whereby, the Foundation is obligated to pay stipulated amounts, on a quarterly basis, to the designated individuals. Assets of annuity funds belong to the Foundation subject to the liability for future payments to annuitants. The fair value of investments held from life annuities is $689,665 and $629,918 at June 30, 2015 and 2014, respectively. The obligations due under the life annuities are classified as annuities payable on the Foundation's combined statement of financial position. Payments terminate, as specified in the agreement, upon the death of the annuitant. All of the Foundation's life annuities require that upon termination, the principal of the annuity funds be transferred to permanently restricted net assets or remain as temporarily restricted for certain purposes as restricted by the donor.

Revenue

Revenue is recorded by the Foundation on the accrual basis of accounting. The Foundation derives its revenue from gifts, grants, contracts, rent, and investment earnings.

Certain revenues received under contractual agreements may be subject to audits. In the opinion of management, any potential disallowances resulting from such audits would be immaterial to the Foundation's combined financial statements.

Gifts-in-kind

Donations of works of art, books and similar items are recorded at appraised value when received. When appraised value is not available, these items are recorded at a nominal value. Such donations are reported as gifts-in-kind in the accompanying combined statement of activities. Gains or losses from deaccessions of collections are reflected on the combined statement of activities as changes in the appropriate net asset classes.

Contributions

The Foundation records contributions of cash and other assets when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either restricted or unrestricted, depending on whether the donor has imposed a restriction on the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded as contributions at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Management must make estimates of the collectability of pledges and loans receivable. The carrying value of pledges and loans receivable have been reduced by an appropriate allowance for uncollectible accounts, based on historical collection experience, and therefore, approximates net realizable value. Receivables are written-off in the period in which they are deemed uncollectible and payments subsequently collected are recorded as revenue in the period received.

Conditional promises to give received in cash by the Foundation are recorded as deferred revenue. They are subsequently recognized as contributions in the period when the conditions have been substantially met.

The Foundation reports gifts of property, plant and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Support arising from contributed services of certain personnel and office space has been recognized in the accompanying combined financial statements. The computation of the value of these contributed services represents the compensation which would be paid to these individuals if they were to occupy certain management positions and the payment of office rent. The Foundation has recorded contributed services revenue of $446,644 and $412,404 for the years ended June 30, 2015 and 2014, respectively. An equivalent amount has been recorded as salary and rental expense.

Expenses

Expenses are recorded in the period incurred. Expenses are allocated into functional categories depending upon the ultimate purpose of the expense.

Advertising

All costs associated with advertising are expensed as incurred. Advertising costs were $450,163 and $539,297 for the years ended June 30, 2015 and 2014, respectively.

Uncertain Tax Positions

The Foundation and SBFR follow guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Foundation and SBFR are exempt from federal income tax under IRC section 501(c)(3), though both are subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Both the Foundation and SFBR have processes presently in place to ensure the maintenance of their respective tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ending June 30, 2012, 2013, 2014, and 2015 are still open to audit for both federal and state purposes. The Foundation and SBFR have determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Foundation derives unrelated business income from its limited partnership investments. The Foundation incurred an unrelated business income tax expense (for federal and New York State purposes) of $437,000 and $458,000, respectively, for the years ended June 30, 2015 and 2014. The Foundation is currently in the process of amending previously filed unrelated business income tax returns to recover taxes it overpaid; projected refunds for the previous three years are approximately $454,000.

Use of Estimates

The preparation of combined financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Other Significant Accounting Policies

Fees are charged by the Foundation to restricted campus programs based upon a defined percentage of gifts and grants received during the year to cover administrative costs. In fiscal years 2015 and 2014, these fees amounted to $3,146,534 and $3,491,639, respectively, and are included in net assets released from restrictions in the accompanying combined statement of activities.

Reclassifications

Certain accounts in the prior year combined financial statements have been reclassified for comparative purposes to conform with the presentation in the current year combined financial statements. These reclassifications have no effect on previously reported change in net assets.

Evaluation of Subsequent Events

Management has evaluated subsequent events through October 19, 2015, the date the combined financial statements were issued. The Foundation is unaware of any events that would require disclosure in the accompanying combined financial statements.

3. PLEDGES RECEIVABLE

Pledges receivable are reported at fair value using discount rates commensurate with the expected collection period, which at June 30, 2015 and 2014 range from 0.71% to 2.71%. Pledges receivable are summarized as follows at June 30, 2015 and 2014:

	2015	2014
Pledges receivable due in:		
Less than one year	$ 51,712,304	$ 42,632,379
One year to five years	31,889,358	74,812,043
More than five years	1,788,309	984,000
	85,389,971	118,428,422
Less: Present value adjustment	(1,760,339)	(2,916,957)
Less Allowance for uncollectible pledges	(704,449)	(499,930)
Net pledges receivable	$ 82,925,183	$ 115,011,535

At June 30, 2015 and 2014, approximately 71% and 78%, respectively of pledges receivable are due from members of the board of trustees and/or their affiliated organizations.

4. MORTGAGE, EMPLOYEE, STUDENT AND OTHER LOANS

Mortgage Loans

The Foundation has a Stony Brook Faculty Mortgage Loan Program ("New Mortgage Program"), which has been established as a faculty recruitment and retention tool to assist faculty in obtaining an owner-occupied primary first residence through a second mortgage financed through the Foundation. The amount is limited to the lesser of $50,000 or an amount such that the sum of the first and second mortgage does not exceed 95% of the appraised home value. The interest rate is set at the prime rate plus 2% as published in the Wall Street Journal on the date the mortgage is approved by the Foundation. The monthly payment consists of the interest portion of a standard 30-year fixed-rate mortgage. The final payment for the original loan amount is due at the end of seven years. As of June 30, 2015 and 2014, there were no borrowings under the New Mortgage Program.

Employee Loans

During the years ended June 30, 2015 and 2014, the Foundation issued loans to certain employees of Stony Brook University to assist in recruiting. As of June 30, 2015 and 2014, $180,000 and $900,000, of employee loans were outstanding. The loans bear interest between 0% and 2% and are due within five years.

Student Loans

The Foundation also issues short-term non-interest-bearing emergency loans to students which are payable within the current semester. For the year ended June 30, 2015 outstanding emergency loans, net of an allowance for doubtful accounts of $1,000, amounted to $17,546. For the year ended June 30, 2014 outstanding emergency loans, net of an allowance for doubtful accounts of $5,000, amounted to $33,256.

Notes Receivable

The Foundation issued an eight year, $3,000,000 loan to the Turkana Basin Institute, Limited on February 11, 2015. The interest rate is 5% per annum and due January and July each calendar year. The loan will be utilized to conduct activities in the furtherance of its educational and scientific mission.

The Turkana Basin Institute, Limited was established to advance the academic and research mission of the Stony Brook University in Kenya. It is a not-for-profit company limited by guarantee under the laws of Kenya. Turkana Basin Institute's programs assist Stony Brook University to attract excellent students, faculty and international scholars from around the world.

5. BOAT DONATION PROGRAM

In 2006, the Foundation initiated the Boat Donation Program to accept and sell donated boats and equipment to support the Marine Science Research Center located at the Southampton Campus. At June 30, 2015 and 2014, the balance in boat inventory pending future sale amounted to $26,000 and $29,900, respectively and is included in inventory on the accompanying statement of financial position.

6. INVESTMENTS

Investments consist of the following at June 30, 2015 and 2014:

	2015			
	Cost	Cumulative Unrealized Gains	Cumulative Unrealized Losses	Fair Value
Carried at fair value:				
Investments in U.S. equities funds	$ 48,182,985	$ 24,375,664	$ -	$ 72,558,649
Investments in global equity funds	7,638,281	1,698,597	-	9,336,877
Investments in diversified fixed income funds	34,489,246	-	(412,324)	34,076,922
Investments in multi-strategy funds	94,277,593	45,277,620	-	139,555,212
Investments in core-property funds	2,479,895	-	(377,153)	2,102,742
Investments in private equity funds	6,418,475	1,797,968	-	8,216,443
Total investments	$ 193,486,474	$ 73,149,848	$ (789,477)	$ 265,846,846

	2014			
	Cost	**Cumulative Unrealized Gains**	**Cumulative Unrealized Losses**	**Fair Value**
Carried at fair value:				
Investments in U.S. equities funds	$ 47,003,000	$ 15,316,592	$ -	$ 62,319,592
Investments in global equity funds	5,042,734	2,100,173	-	7,142,907
Investments in diversified fixed income funds	33,757,428	-	(204,069)	33,553,359
Investments in multi-strategy funds	84,740,622	38,121,076	-	122,861,698
Investments in core-property funds	4,081,580	104,536	-	4,186,116
Investments in private equity funds	516,439	92,785	-	609,224
Total investments	$ 175,141,803	$ 55,735,162	$ (204,069)	$ 230,672,896

The following table represents a reconciliation of the cumulative unrealized appreciation on investments at June 30, 2015 and 2014:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Fair Value**
Unrealized appreciation in fair value, June 30, 2014	$ 20,722,988	$ 34,807,797	$ 308	$ 55,531,093
Current year appreciation (foundation)	4,972,665	11,843,368	-	16,816,033
Current year appreciation (funds held for others)	-	13,245	-	13,245
Unrealized appreciation in fair value, June 30, 2015	$ 25,695,653	$ 46,664,410	$ 308	$ 72,360,371

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the combined financial statements. At June 30, 2015 and 2014, $529,519 and $1,027,262, respectively, of investments were in liquidation. In the opinion of management, these amounts are realizable.

The Foundation has invested in investment firms in which a Foundation board of trustee member is related to or is a majority stockholder of the respective investment firm. This amounted to approximately 25% and 27% of the total investment portfolio as of June 30, 2015 and 2014, respectively.

For the years ended June 30, 2015 and 2014, the annual management fees are based on a range of 0% to 2.50% of the respective investment values. Additionally, the annual performance fees are based on a range of 0% to 25% of the annual performance of the respective investments for the years ended June 30, 2015 and 2014.

During the years ended June 30, 2015 and 2014, the Foundation entered into subscription agreements with investment funds in the amount of $9,000,000 and $6,000,000 respectively. As of June 30, 2015 and 2014, the Foundation has remitted approximately $2,449,577 and $1,812,495, respectively, of this commitment to these investment funds with the remaining funds payable upon request.

In September 2009, the Foundation subleased a 13 acre parcel of land to SBHC Private Equity IV, LLC to be used for the construction, operation, and development of the Hotel with a termination date of June 2049. In consideration for this sublease, SBHC Private Equity IV, LLC provided the Foundation with a 3% membership interest in the Hotel for no monetary considerations. The Foundation used the income approach, a discounted cash flow model, to value the membership interest in the Hotel to be $279,000 at February 14, 2013. The Foundation did not account for the membership interest granted in September 2009 due to the uncertainty associated with an outstanding lawsuit which was concluded during the year ended June 30, 2014.

This investment has a carrying value of $279,000 at June 30, 2015 and 2014, respectively. As the membership interest was granted in consideration of the sublease arrangement, the Foundation has deferred the revenue arising from this transaction and will amortize the income on a straight-line basis over the term of the lease. For the years ended June 30, 2015 and 2014, approximately $7,659 and $7,600, respectively, was recorded as rental income under the straight-line method. The Foundation evaluates the carrying value of its investment for impairment annually or sooner if circumstances indicate that there is an other than temporary decline in the value of its investment. As of June 30, 2015 and 2014, no event had occurred that would adversely affect the carrying value of this investment.

7. FAIR VALUE MEASUREMENTS

The following tables present information about the Foundation's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2015 and 2014, and indicate the fair value hierarchy of the valuation techniques the Foundation utilized to determine such fair values:

	2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Carried at fair value				
Investments in U.S. equities funds	$ -	$ 28,755,082	$ 43,803,567	$ 72,558,649
Investments in global equity funds	-	-	9,336,877	9,336,877
Investments in diversified fixed income funds	33,388,912	-	688,011	34,076,923
Investments in multi-strategy funds	-	11,157,341	128,397,871	139,555,212
Investments in core-property funds	-	-	2,102,742	2,102,742
Investments in private equity funds	-	-	8,216,443	8,216,443
Total investments	$ 33,388,912	$ 39,912,423	$ 192,545,511	$ 265,846,846

	2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**	**Total**
Carried at fair value				
Investments in U.S. equities funds	$ -	$ 25,584,838	$ 36,734,754	$ 62,319,592
Investments in global equity funds	-	-	7,142,907	7,142,907
Investments in diversified fixed income funds	32,923,441	-	629,918	33,553,359
Investments in multi-strategy funds	-	5,562,827	117,298,871	122,861,698
Investments in core-property funds	-	-	4,186,116	4,186,116
Investments in private equity funds	-	-	609,224	609,224
Total investments	$ 32,923,441	$ 31,147,665	$166,601,790	$230,672,896

Reconciliation of Level 3 Assets at June 30, 2015 and 2014:

	2015	**2014**
Balance, beginning of year	$ 166,601,790	$ 133,480,444
Purchases	69,537,752	39,150,909
Sales	(58,796,886)	(25,312,326)
Realized gains	7,759,183	7,775,039
Net change in unrealized appreciation	12,773,249	11,507,724
Transfer out *	(5,329,576)	-
Balance, end of year	$ 192,545,511	$ 166,601,790

* One alternative investment was reclassified from Level 3 to Level 2 during 2015 due to changes in liquidity terms. The Foundation recognizes transfers at the date of the combined statement of financial position.

The Foundation uses the Net Asset Value ("NAV") to determine the fair value of all underlying investments which (a) do not have readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables list investments in other investment companies by major category:

	June 30, 2015				
Strategy	NAV per Share Range in Funds	No. of Funds	Fair Value	Redemption Terms *	Redemption Restrictions
Investments in U.S. Equities Funds [(a)]	$44 - $14,282	8	$ 72,558,649	75 - 445 days	2 Funds have 1 yr lock up, 1 Fund has 2 yr lock up
Investments in Global Equity Funds [(b)]	$170 - $9,409	3	9,336,877	135 - 410 days	1 Fund has a lock up provision of 18 months, 1 Fund has 3 yr lock-up
Investments in Diversified Fixed Income Funds [(c)]	$1 - $113	1	688,010	0 days	None
Investments in Multi-Strategy Funds [(d)]	$154 - $958,078	21	139,554,106	35 - 775 days	1 Fund has a lock up provision of 2 yrs, 1 Fund has an 18 month lock-up.
Total		33	$ 222,137,643		

	June 30, 2014				
Strategy	NAV per Share Range in Funds	No. of Funds	Fair Value	Redemption Terms *	Redemption Restrictions
Investments in U.S. Equities Funds [(a)]	$10 - $2,256	7	$ 62,319,592	75 - 445 days	2 Funds have 1 yr lock up, 1 Fund has 2 yr lock up
Investments in Global Equity Funds [(b)]	$166 - $7,929	2	7,142,907	0 - 135 days	1 Fund has a lock up provision of 18 months
Investments in Diversified Fixed Income Funds [(c)]	$1 - $113	1	629,918	0 days	None
Investments in Multi-Strategy Funds [(d)]	$154 - $958,078	20	122,861,698	0 - 775 days	1 Fund has a lock up provision of 2 yrs
Total		30	$ 192,954,115		

* Redemption terms represent the liquidity frequency and the notification period related to each investment fund. The liquidity frequency refers to the frequency in which the Foundation is permitted to liquidate the related fund. The notification period refers to the time period in which the Foundation must inform the fund manager prior to its intent to commence liquidation of the fund.

a) Long-biased, equity hedge funds with a quant focus of investing in U.S. equities. The objective is to generate attractive net returns over the S&P 500 with lower volatility.

b) Hedged equity fund with a long bias, designed to give the manager the flexibility to invest both long and short in accordance with their global approach embracing a combination of growth, value, fundamental and technical elements. The objective is to outperform equities with less volatility and more consistent results than a long-only approach.

c) Focus on companies undergoing some form of transformation to their historical businesses or capital structures. The funds employ a disciplined process of fundamental, legal and regulatory analysis to identify misperceptions and mispricings (in both equity and credit markets) that have the potential to lead to outsized returns on capital.

d) Multiple strategies, including: convertible bond arbitrage, event-driven, equity restructuring and merger arbitrage, statistical equity arbitrage, global energy, options trading, fundamental long/short equity and fixed-income.

8. ENDOWMENT FUNDS

The Foundation follows the provisions of the "Not-for-Profit Entities Topic" of ASC 958, related to enhanced disclosures for endowment funds. On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Foundation adopted provisions regarding the classification of donor restricted endowment funds. Specifically, the Foundation shall classify the portion of the endowment funds that is not classified as permanently restricted net assets as temporarily restricted net assets (time restricted) until appropriated for expenditure by the Foundation. If the endowment fund is also subject to a purpose restriction, the reclassification of the appropriated amount to unrestricted net assets would not occur until the purpose restriction also has been met.

Interpretation of Relevant Law

The spending of endowment funds by a not-for-profit corporation in the State of New York is currently governed by the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Foundation has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund. The remaining portion of the donor restricted endowment fund (net investment earnings) that is not restricted by donors as permanently restricted is classified as temporarily restricted net assets due to time and/or purpose restrictions. The purpose restricted portion of the temporarily restricted endowment fund will be released when the respective donor restricted purposes are fulfilled. The time restricted portion of the temporarily restricted endowment fund will be released when those amounts are appropriated for expenditure by the Foundation.

In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the endowment funds.
- The purpose of the Foundation and the donor restricted endowment funds.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and appreciation/depreciation of investments.
- Other resources for the Foundation.
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment funds, giving due consideration to the effect that such alternatives may have on the Foundation.

Spending Formula

The Foundation's investments are managed to achieve the maximum total return within tolerable risk levels. The Foundation has a policy, whereby a portion of the investment income and realized and unrealized investment gains/losses are distributed each year for spending purposes. During fiscal years 2015 and 2014, the Foundation allocated a portion of its earnings to temporarily restricted net assets for campus programs at a defined rate based on the average market value of their respective net asset balances averaged over the previous five fiscal years. Such rate was 5.5% for temporarily restricted net assets during fiscal years 2015 and 2014. The Foundation charged the temporarily restricted net assets for campus programs a fee for administrative services at a rate of 1.0% for fiscal years 2015 and 2014 on the average market value of their respective net asset balances over the previous five fiscal years, which results in a net 4.5%, available for program spending during fiscal years 2015 and 2014. These administrative fees aggregated $1,330,251 and $1,105,886 in fiscal years 2015 and 2014, respectively, and are included within the combined statement of activities as an offset to revenue from contracts and other support.

Endowment Investment Policy

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of returns that can be utilized to fund its programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds.

Under this policy, as approved by the investment committee, the endowment assets are invested in a manner that is intended to achieve investment returns that are competitive versus pools of assets of similar nature and circumstances.

The following tables present the composition of endowment net assets by fund type at June 30, 2015 and 2014:

	2015			
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	$ 1,822,346	$ 43,907,828	$150,620,816	$196,350,990
Investment income	-	1,328,984	-	1,328,984
Unrealized gain on investment	122,205	11,869,731	-	11,991,936
Realized (loss) gain on investments	(20,580)	4,310,624	-	4,290,044
Transfers of net assets	-	-	(4,173,970)	(4,173,970)
Appropriation of endowment assets for expenditure	-	(5,553,071)	-	(5,553,071)
Gifts and other fund additions	13,550	1,066,881	7,294,064	8,374,495
Donor stipulated transfers of net assets	(106,579)	(161,456)	1,767,538	1,499,503
Investment fees and taxes	(67,288)	(6,127,507)	-	(6,194,796)
Endowment net assets, June 30, 2015	$ 1,763,655	$ 50,642,014	$155,508,447	$207,914,116

	2014			
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	$ 1,657,479	$ 36,660,954	$116,362,788	$154,681,221
Investment income	-	906,396	-	906,396
Unrealized gain on investment	128,269	9,670,837	-	9,799,106
Realized gain on investments	70,251	4,628,307	-	4,698,558
Transfers of net assets	-	-	(4,283,603)	(4,283,603)
Appropriation of endowment assets for expenditure	(71,680)	(4,739,556)	-	(4,811,236)
Gifts and other fund additions	-	621,170	37,897,822	38,518,992
Donor stipulated transfers of net assets	101,561	1,594,249	643,809	2,339,619
Investment fees and taxes	(63,534)	(5,434,529)	-	(5,498,063)
Endowment net assets, June 30, 2014	$ 1,822,346	$ 43,907,828	$150,620,816	$196,350,990

9. LAND, BUILDINGS, EQUIPMENT AND COLLECTIONS

Land, buildings, equipment and collections, net are summarized as follows at June 30, 2015 and 2014:

	2015	2014
Buildings	$ 6,521,514	$ 7,021,514
Land improvements	390,090	384,865
Equipment and furnishings	125,385	119,325
	7,036,989	7,525,704
Less: Accumulated depreciation	(2,484,766)	(2,267,252)
	4,552,223	5,258,452
Land	1,122,854	3,322,854
Artwork and books	6,328,433	6,234,099
Construction in Progress	392,326	-
Net land, buildings, equipment and collections	$ 12,395,836	$ 14,815,405

In an effort to reduce potential risks and exposure associated with assets used within the research and teaching environment, management has decided to transfer title of certain equipment to Stony Brook University. During fiscal year 2015 and 2014, $2,178,025 and $2,104,847, respectively, of equipment acquisitions, which were recorded as research support and awards within the combined statement of functional expenses were transferred to Stony Brook University.

10. CONDITIONAL PROMISES TO GIVE

As of June 30, 2015, the Foundation received $10,852,500 of conditional promises to give. $1,762,500 is conditional based on a year by year basis, $1,500,000 is conditional upon affirmative litigation results within the donor organization, $90,000 is conditional upon the continued employment of certain faculty and $7,500,000 is conditional upon matching. As of 2015, the Foundation received in cash the amount of $2,516,250 related to the conditional promises to give.

11. FUNDS HELD IN TRUST FOR OTHERS

The Foundation holds funds as a trustee/disbursing agent for auxiliary agencies of Stony Brook University, which amounted to $38,977,041and $34,342,716 as of June 30, 2015 and 2014, respectively. The amounts included in cash and cash equivalents are $22,539,129 and $10,355,282 as of June 30, 2015 and 2014, respectively. The balance is included in other investments in the accompanying combined statement of financial position. The Foundation charges fees to these agencies for administrative costs, based upon negotiated rates, which amounted to $2,681,837 and $2,053,350 for fiscal years 2015 and 2014, respectively, and are included in contracts and other support in the combined statement of activities.

12. BOND PAYABLE

During November 1999, the Foundation, through an underwriter, issued a 20-year Town of Brookhaven Industrial Development Agency bond for $3,300,000 to provide the financing for the acquisition, construction and equipping of a 17,000 square foot facility for the purpose of developing a day care center with a capacity of approximately 160 children. The bond payable bears interest at 6.50% through November 1, 2020. The bond payable is secured by a first mortgage on the project facility and a corporate guarantee by the Foundation. The financing was interest-only for the first 12 months followed by 20 years of a self-amortizing debt service schedule. Principal payments began November 2001 and are to be paid annually. There are no financial covenants attached to the financing.

The Foundation incurred $174,875 in bond issuance costs, which are being amortized over the life of the bond. Accumulated amortization amounted to $139,900 and $131,156 at June 30, 2015 and 2014, respectively.

At June 30, 2015, future principal payments on the bond are as follows:

2016	$ 205,000
2017	215,000
2018	230,000
2019	245,000
2020	260,000
Thereafter	280,000
	$ 1,435,000

13. OTHER AFFILIATE ORGANIZATION

Long Island High Technology Incubator, Inc. - In 1985, the New York State Legislature allocated certain funds to the Urban Development Corporation for the purpose of forming an incubator project on the campus of Stony Brook University. Long Island High Technology Incubator, Inc. ("LIHTI") was formed for the purpose of administering the project. The purpose of such project is to provide a leadership role in promoting economic development on Long Island. The Foundation has entered into a partnership with the Research Foundation of Stony Brook University as co-members of LIHTI in order to promote the project. This arrangement is to operate the on-campus incubator/innovation facility, which commenced operations in November 1992.

14. CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Foundation to credit risk, consist principally of temporary cash investments. The Foundation places its temporary cash investments with various financial institutions. The cash amounts exceed the Federal Deposit Insurance Corporation coverage limit. The Foundation does not anticipate any losses on such accounts.

At June 30, 2015 and 2014, approximately 68% and 76%, respectively, of pledges receivable are due from one donor.

15. LINE OF CREDIT

At June 30, 2015 and 2014, the Foundation maintained a $20,000,000 line of credit with a financial institution. As of June 30, 2015 and 2014, the Foundation had no borrowings against the line of credit. Any borrowings under the line of credit would bear interest at the amount of each CB Floating Rate Advance at the CB Floating rate plus the Applicable Margin and each LIBOR rate advance at the adjusted LIBOR rate. The CB Floating Rate is defined as the greater of the prime rate and the adjusted one month LIBOR rate. The Applicable Margin is defined as 1.00% per annum in respect to any LIBOR rate advance. The agreement expires on December 31, 2015.

16. STONY BROOK FOUNDATION REALTY

During 1990, SBFR leased from SUNY and New York State a 13-acre parcel of land for the purpose of constructing a campus hotel. The Foundation provided SBFR with $450,000, evidenced by a note for the aforementioned purpose. The Foundation charged SBFR interest of 10% on the outstanding balance under this note through June 30, 1990 and, thereafter, no interest has been charged.

The original ground lease between SBFR and State University of New York was amended in November 2009 to revise the payment provision. Under the amendment, rent payments commenced in February 2013, the month in which the Hotel was first opened to the public for business.

17. COMMITMENTS, CONTINGENCIES AND RELATED ORGANIZATION TRANSACTIONS

The Foundation leases certain ground space, office facility space and residential properties under operating leases that have initial or remaining noncancelable terms in excess of one year that expire through 2049.

At June 30, 2015, future minimum rental payments, by year and in the aggregate, under the leases are as follows:

2016	$ 247,149
2017	100,000
2018	100,000
2019	100,000
2020	100,000
Thereafter	2,900,000
	$ 3,547,149

In 1989, The State University of New York leased to Stony Brook Foundation Realty, Inc. ("SBFR"), a wholly-owned affiliate of the Foundation, a parcel of land comprising approximately 11 acres adjacent to the Stony Brook University campus (the "Hotel Site") for the purpose of constructing a hotel. In order to pay for the expenses incurred by SBFR in connection with the aforesaid lease, SBFR borrowed $450,000 from the Foundation, evidenced by a note (the "Foundation Loan"). The Foundation charged SBFR interest on the outstanding balance of the Foundation Loan through June 30, 1990 and, thereafter, no interest has been charged.

In September 2009, SBFR subleased the Hotel Site to SBHC Private Equity IV, LLC ("SBHC") for the construction and operation of the Hotel with a sublease termination date of June 2049 (the "Sublease"). Sublease rent payments equal $100,008 for the year and commenced on February 14, 2013. Every year on February 1st, the Sublease anniversary date, the Sublease rent payments will increase 3%. In addition to rent payments, the Foundation received a 3% membership interest in the Hotel pursuant to the Sublease. For the years ended June 30, 2015 and 2014, Sublease rent was equal to $125,816 and $108,891, respectively. SBFR will use the net Sublease rent payments to repay the Foundation Loan. It is anticipated that the Foundation Loan will be repaid on or before December 31, 2017.

During 2009, SBFR entered into an operating agreement with SBHC which provided the Foundation with a 3% interest in profits and losses of the SBHC. The intent of this agreement was to supplement the rental income from the Sublease entered into with SBHC. For the year ended June 30, 2014, a loss of approximately $4,000 was recognized by SBFR related to the operating agreement. For the year ended June 30, 2015, there was no gain or loss recognized. The 3% income or loss is recorded as rental income on the combined statement of activities.

The Research Foundation of the State University of New York ("Research Foundation") pays payroll and certain related costs (including employee benefit expenses, which are charged at a percentage agreed upon by the parties) for the Foundation. The Foundation subsequently reimburses the Research Foundation for all of these costs, plus a processing fee. At June 30, 2015 and 2014, $843,673 and $530,103, respectively, were due to the Research Foundation for payroll and related costs. Such amounts are included in accounts payable and accrued expenses in the accompanying combined statement of financial position.

18. LOSS AND CONTINGENCY FROM BLMIS

In August 2010, the Foundation was informed by counsel for the trustee in the Bernard L. Madoff Securities LLC ("BLMIS") bankruptcy proceeding in the United States Bankruptcy Court (the "BLMIS Trustee") alleged that the Foundation received $3,135,671 more through redemptions from its account with BLMIS than the principal the Foundation had invested with BLMIS. On December 2, 2010, the BLMIS Trustee filed a lawsuit in the Bankruptcy court for the Southern District of New York seeking recovery of this amount. The lawsuit does not accuse the Foundation or any of its employees of any wrongdoing. A decision dated September 27, 2011 by United States District Court Judge Rakoff held that the Trustee's claims for funds withdrawn from BLMIS investment accounts are not subject to recovery by the Trustee to the extent that the withdrawals occurred more than two years prior to the filing of the BLMIS bankruptcy proceeding. All of the funds withdrawn by the Foundation from its BLMIS account occurred more than two years prior to that filing. The District Court's decision was affirmed by the United States Court of Appeals for the Second Circuit and the United States Supreme Court denied the Trustee's petition seeking review by that court. On June 30, 2015, the BLMIS Trustee filed a Notice of Voluntary Dismissal with Prejudice of Adversary Proceeding. The Notice of Dismissal concludes the pending litigation.

COMBINING SUPPLEMENTAL SCHEDULES

STONY BROOK FOUNDATION, INC. AND AFFILIATE
Combining Schedule of Financial Position
As of June 30, 2015

	Stony Brook Foundation, Inc.	Stony Brook Foundation, Realty, Inc.	Eliminations	Combined
ASSETS				
Cash and cash equivalents	$ 72,689,184	$ 141,489	$ -	$ 72,830,673
Pledges receivable, net	77,415,876	5,509,307	-	82,925,183
Loans and other receivables	436,629	-	-	436,629
Prepaid expenses	526,001	-	-	526,001
Inventory	38,317	-	-	38,317
Investments				
Permanently restricted investments	125,675,822	-	-	125,675,822
Other investments	140,170,924	100	-	140,171,024
Total investments	265,846,746	100	-	265,846,846
Other long term investment	-	279,000	-	279,000
Notes receivable	3,411,419	-	(411,419)	3,000,000
Bond issuance cost, net	34,975	-	-	34,975
Land, buildings, equipment and collections, net	12,182,759	213,077	-	12,395,836
Total assets	$ 432,581,906	$ 6,142,973	$ (411,419)	$ 438,313,460
LIABILITIES AND NET ASETS				
LIABILITIES				
Accounts payable and accrued expenses	$ 8,245,153	$ 705,581	$ (411,419)	$ 8,539,315
Deferred revenue	67,295	260,846	-	328,141
Annuities payable	588,699	-	-	588,699
Funds held in trust for others	38,977,041	-	-	38,977,041
Bond payable	1,435,000	-	-	1,435,000
Total liabilities	49,313,188	966,427	(411,419)	49,868,196
UNRESTRICTED NET ASSETS				
Undesignated	16,128,844	(332,761)	-	15,796,083
Designated	9,585,473	-	-	9,585,473
Total unrestricted net assets	25,714,317	(332,761)	-	25,381,556
TEMPORARILY RESTRICTED NET ASSETS	201,923,774	5,509,307	-	207,433,081
PERMANENTLY RESTRICTED NET ASSETS	155,630,627	-	-	155,630,627
Total net assets	383,268,718	5,176,546	-	388,445,264
Total liabilities and net assets	$ 432,581,906	$ 6,142,973	$ (411,419)	$ 438,313,460

STONY BROOK FOUNDATION, INC. AND AFFILIATE
Combining Statement of Activities
For the year ended June 30, 2015

	Stony Brook Foundation, Inc.	Stony Brook Foundation, Realty, Inc.	Eliminations	Combined
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and grants	$ 38,821,440	$ 5,509,306	$ -	$ 44,330,746
Gifts-in-kind and contributed services	1,060,067	-	-	1,060,067
Contracts and other support	4,401,316	-	-	4,401,316
Interest and dividend income	1,620,789	-	-	1,620,789
Net realized gains on investments	6,523,282	-	-	6,523,282
Net unrealized appreciation on investments	16,816,033	-	-	16,816,033
Net loss on disposal of capital assets	(1,863,799)	-	-	(1,863,799)
Net loss on sale of inventory	(2,800)	-	-	(2,800)
Rental income	306,786	125,816	-	432,602
Other income	24,308	1,336	-	25,644
Total revenues, gains, and other support	67,707,422	5,636,458	-	73,343,880
EXPENSES				
Campus program expenses				
Instruction	18,710,199	-	-	18,710,199
Research	6,410,079	-	-	6,410,079
Public service	2,381,020	-	-	2,381,020
Academic support	1,322,360	-	-	1,322,360
Student services	559,048	-	-	559,048
Institutional support	20,332,915	103,300	-	20,436,215
Scholarships and fellowships	6,526,308	-	-	6,526,308
Total campus program expenses	56,241,929	103,300	-	56,345,229
General and administrative	2,611,883	-	-	2,611,883
Fundraising	2,887,087	-	-	2,887,087
Depreciation	309,181	-	-	309,181
Total expenses	62,050,080	103,300	-	62,153,380
Change in net assets	5,657,342	5,533,158	-	11,190,500
Net assets, beginning of year	377,611,377	(356,613)	-	377,254,764
Net assets, end of year	$ 383,268,719	$ 5,176,545	$ -	$ 388,445,264