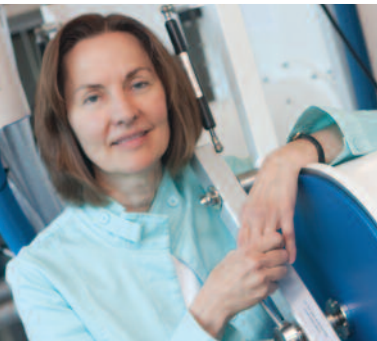


Stony Brook University

ANNUAL FINANCIAL REPORT | 2013-2014



Stony Brook University





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ON THE COVER. Across top, from left: SUNY Distinguished Professor Esther Takeuchi helped Stony Brook University earn the \$10 million Energy Frontier Research Center grant; students gather on campus; Yusuf A. Hannun, MD, Director of the Stony Brook University Cancer Center, was installed as the Joel Strum Kenny Professor in Cancer Research; students eat at the renovated West Side Dining facility. Bottom: Rendering of the Medical and Research Translation (MART) building, slated to open in 2016.

ON THE INSIDE COVER. Top: Stony Brook celebrates the opening of the Campus Recreation Field Complex. Bottom, clockwise: Seawolves play a home football game at LaValle Stadium; Anthropology Professor Patricia C. Wright won the world's top award for animal conservation for her work to protect lemurs; Assistant Professor Laurie T. Krug, Department of Molecular Genetics and Microbiology, pictured here with President Samuel L. Stanley Jr., MD (left) and Simons Foundation Chair James H. Simons, was selected as the first Stony Brook Discovery Prize Fellow; the 23,000-square-foot West Side Dining facility now serves more than 30,000 customers per week.



Neha Kinariwalla '14, of Sayville, New York, is the first Stony Brook undergrad to receive a Gates Cambridge Scholarship.



The Middle States Commission on Higher Education reaffirmed Stony Brook's accreditation and commended the University on its self-study process and report.



Blue Ocean Institute, established in 2003 by conservation pioneer Carl Safina, changed its name to The Safina Center at Stony Brook University, prompted by the recently established Carl Safina Endowed Research Chair for Nature and Humanity.

A Year of Momentum



STONY BROOK UNIVERSITY CONTINUES ITS TRAJECTORY OF EXCELLENCE with a commitment to cutting-edge research, education and discovery. It is ranked among the top 1 percent of higher education institutions in the world by the *Times Higher Education World University Rankings*, and among the top 40 public universities in the nation by *U.S. News & World Report*. Stony Brook is an institution that matters — to our region, our state, our nation and the world.

FACILITIES UPDATES

Adjacent to Stony Brook University Hospital on the Stony Brook Medicine campus, two new buildings are under construction and slated to open in 2016 — a 225,000-square-foot Hospital Pavilion and a 240,000-square-foot Medical and Research Translation (MART) building.

The Hospital Pavilion will dedicate two of its 10 stories to expand Stony Brook Children's Hospital, nearly doubling the existing number of beds available for young patients. Stony Brook Children's is the only dedicated children's hospital in the 100 miles between the Nassau/Queens border and Montauk, and the only such facility on Long Island associated with a medical research institution. Its expansion is key to continuing growth of the local region's healthcare infrastructure.

Next door, a groundbreaking marked the future MART building, which will facilitate research on the basis of human disease and translation of such research into FDA-approved diagnostic and treatment options. The MART will also be the new home of the Stony Brook University Cancer Center, where world-class care meets world-changing innovation.

Stony Brook's West Campus welcomed expanded dining options with the completion of a \$23 million West Side Dining renovation project. The updated facility serves about 1,500 more customers per day than its predecessor space, the Kelly Dining Center, and offers a comfortable, open layout with plenty of natural light and a wider variety of choices, many of which provide fresh, made-to-order food.

The University broke ground on Phase I of its new 759-room student housing facilities and 60,000-square-foot dining center, also on West Campus. Scheduled to be completed by fall 2016, the new development will offer additional residential options for upperclassmen and bring the total on-campus housing inventory to more than 10,300 beds, making Stony Brook University the largest campus housing program in the State University of New York (SUNY) system.

The University also opened its newly renovated Campus Recreation Field Complex. The three competition-size turf and grass fields measure more than 9 square acres, doubling the amount of recreational field space for student clubs, including men's and women's soccer, lacrosse, rugby, and intramurals such as Ultimate Frisbee and Quidditch.

ACADEMIC ACCOMPLISHMENTS AND ACCOLADES

Renowned conservationists Russell A. Mittermeier, PhD; Carl Safina, PhD; and Patricia C. Wright, PhD, all professors at Stony Brook, were three of the six finalists in competition for the world's leading award for animal conservation, the 2014 Indianapolis Prize. Mittermeier was nominated for his global efforts to conserve primates and build awareness of threats to biodiversity. Safina's nomination came from his years of work inspiring the preservation of ocean habitats and the marine animals within them.

But it was Wright's heroic and selfless dedication to protecting the lemurs, ecosystems and people of Madagascar that led to her winning the prize of \$250,000 and the coveted Lilly Medal. Lemurs are among the world's most endangered mammals, and Wright has spent decades helping to sustain them and the world in which they live. Her story is featured in the IMAX® 2014 film *Island of Lemurs: Madagascar 3D*.

Sir Simon K. Donaldson, Professor of Mathematics in the Simons Center for Geometry and Physics and the Department of Mathematics, was one of five recipients of the inaugural Breakthrough Prize in Mathematics. His discovery of new revolutionary invariants of four-dimensional manifolds and study of the relation between stability in algebraic geometry and in global differential geometry, both for bundles and for Fano varieties, amounted to an astounding \$3 million award and placement on the Selection Committee for future prizes.

Acclaimed energy storage researcher and SUNY Distinguished Professor Esther Takeuchi, PhD, helped Stony Brook earn the \$10 million Energy Frontier Research Center (EFRC) grant from the U.S. Department of Energy by leading an innovative proposal for developing safer, cooler, more efficient energy storage forms. New York



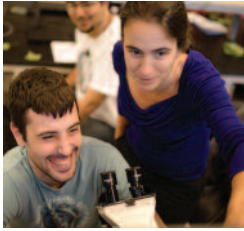
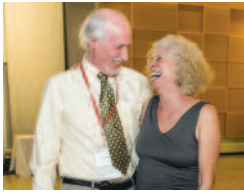
Pulitzer Prize-winning journalist and author Carl Bernstein, half of the reporting duo to break the Watergate scandal, joined Stony Brook faculty as Visiting Presidential Professor.

★

TEDxSBU hosted its inaugural full-day event at Stony Brook's Wang Center Theatre and showcased 18-minute talks in TED fashion from students, faculty, staff and alumni.

★

Critically acclaimed playwright and core faculty member Annie Baker earned the 2014 Pulitzer Prize for Drama for her play *The Flick*.



Alumni from Stony Brook's classes of 1961–1964 celebrated their 50th anniversary during a reunion weekend at the University and at Planting Fields at Oyster Bay, our first campus.



From 2011 to 2014, the Operational Excellence component of Project 50 Forward has saved Stony Brook nearly \$35 million, which is being reinvested into the University's core shared mission of teaching, research and service.



Stony Brook dedicated its Walter J. Hawrys Campus Recreation Center in honor of native Long Islander, World War II veteran and cancer survivor Walter J. Hawrys, owner of South Shore Brick Masons, which completed many buildings on campus.

State matched the funds, as did Stony Brook's College of Arts and Sciences and College of Engineering and Applied Sciences, Brookhaven National Laboratory, Columbia University and Rensselaer Polytechnic Institute. The award will benefit Stony Brook's multi-institutional EFRC, the Center for Mesoscale Transport Properties (m2m).

Joel Hurowitz and colleagues in the Stony Brook University Department of Geosciences received a \$1.4 million NASA grant to support the development and testing of the "Planetary Instrument for X-ray Lithochemistry" (PIXL), one of seven instruments chosen to be part of the scientific instrument payload of the Mars 2020 Rover mission. PIXL will help to link chemistry to small rock textural features potentially left by microbes, providing a first-of-its-kind look at the record of life on Mars.

Professors James Bliska, Laszlo Mihaly and Dianna Padilla were elected Fellows of the American Association for the Advancement of Science (AAAS) for their scientific and social efforts to advance science and its applications. Bliska's contributions to microbial pathogenesis; Mihaly's studies of high-temperature superconductors, fullerene materials and electron spin resonance; and Padilla's work in marine and freshwater ecology help represent Stony Brook's devotion to the future of science.

The SUNY Board of Trustees appointed four Stony Brook faculty to distinguished ranks this year as recommended by campus colleagues and SUNY Chancellor Nancy L. Zimpher. Kenneth Kaushansky, MD, MACP, Dean of the School of Medicine and Senior Vice President of Health Sciences; Robert Harvey, PhD, Chair of the Department of Cultural Analysis and Theory in the College of Arts and Sciences; and Vitaly Citovsky, Professor in the Department of Biochemistry and Cell Biology in the College of Arts and Sciences were appointed to the rank of Distinguished Professor. Patricia Wright, PhD, Professor of Anthropology in the College of Arts and Sciences, was appointed to the Distinguished Service Professor rank.

ADVANCEMENT UPDATES

Yusuf A. Hannun, MD, Director of the Stony Brook Cancer Center, was installed as the Joel Strum Kenny Professor in Cancer Research. Hannun joins a total of 41 endowed faculty at the University.

James and Robin Herrnstein donated \$3 million to help establish a new Global Health Institute at Stony Brook University's Centre ValBio in an effort to bring healthcare resources to Madagascar by driving cutting-edge health research in the region. Patricia Wright founded Centre ValBio in 2003 and works closely with the Herrnsteins.

A \$500,000 donation from the Stony Brook Foundation helped to establish the Discovery Fund, which will attract private philanthropic dollars that will continue to advance basic science research and discovery at the University. The Fund acts to counter years of federal funding cuts to scientific research.

LETTER TO THE PRESIDENT

May 1, 2015

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

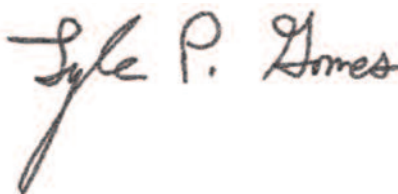
Dear Dr. Stanley:

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, 2014, 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 2014 Revenues	\$2.11 Billion	Research Awards	\$192.29 Million
Fiscal 2014 Expenditures	\$2.16 Billion	Foundation Revenue	\$80.14 Million

Total Revenue *(in millions)*

Tuition and Fees	\$186.2
State Appropriations	409.0
Federal Grants	138.5
State, Local and Private Grants, and Other	99.1
Auxiliary Services	84.4
Hospital	1,079.3
Nonoperating	117.7

Research Awards *(in millions)*

Federal	\$129.2
Philanthropic (Private)	17.1
State and Local	7.5
Other	38.4

Foundation *(in millions)*

Gifts and Gifts-in-Kind	\$53.8
Other	26.3
Net Assets-Endowment	196.4
Total Net Assets	377.3
Endowment Rate of Return	7.9%

FINANCIAL HIGHLIGHTS

Economic Impact

The entrepreneurial energy and economic strength of the University bring a combined benefit of \$4.7 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)	15,454
Academic	3,611
Non-Academic	5,062
Hospital	6,781
Average Monthly Payroll	\$80.2 million

Student Enrollment *(Fall 2014)*

Total Student Enrollment	24,648
<i>Undergraduate</i>	
Total Undergraduate Students	16,480
West Campus	15,251
HSC Campus	1,229
High School GPA Percent	93
Average SAT Score	1,265
<i>Graduate and Advanced Degrees</i>	
Total Graduate Students	8,168
West Campus	5,649
HSC Campus	2,519

Tuition and Fees *(2014-2015)*

<i>Undergraduate and Graduate</i>	
Undergraduate NYS	\$10,759
Undergraduate Nonresident	24,179
Graduate NYS	14,130
Graduate Nonresident	23,950
Graduate MBA NYS	16,980
Graduate MBA Nonresident	25,930
<i>HSC Professional</i>	
Medical NYS	\$40,481
Medical Nonresident	65,641
Dental NYS	45,566
Dental Nonresident	78,276
Physical Therapy NYS	25,070
Physical Therapy Nonresident	42,740

FINANCIAL HIGHLIGHTS

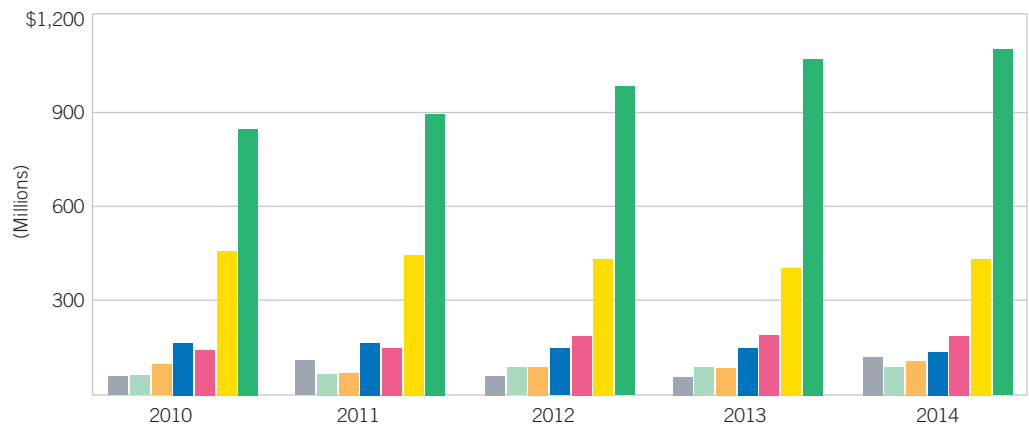
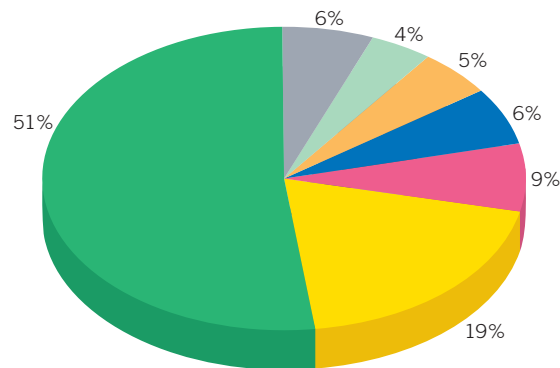
Revenue Results

Total revenues were \$2,114,150,636 and \$1,916,829,740 for the 2014 and 2013 fiscal years, respectively. The \$197 million revenue increase in 2014 resulted from the following:

- ▶ Hospital revenues exceeded 2013 by \$73 million from receivable reserve reductions and increased patient volume.
- ▶ State appropriations increased by \$50 million, to cover fringe benefits and hospital litigation accrual.
- ▶ Tuition and fee revenues increased by \$18 million from rate increments effected by NYSUNY 2020 legislation.
- ▶ Non operating revenues increased by \$48 million attributable to capital gifts and grants earnings.
- ▶ State, local and private grant revenues increased by \$19 which offset federal grant reductions of \$11 million.

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

2014 Revenues



	2010	2011	2012	2013	2014
Nonoperating	\$69,783,103	\$112,865,907	\$70,745,613	\$70,098,858	\$117,672,685
Auxiliary enterprises	70,863,696	75,936,275	81,417,153	82,082,151	84,444,720
State, local, and private grants and contracts, and other	87,564,042	76,071,298	83,828,303	80,474,837	99,132,463
Federal grants and contracts	151,785,805	158,315,802	148,917,156	150,135,313	138,461,932
Tuition and fees	133,596,787	143,507,337	159,544,536	168,672,430	186,194,593
State appropriations	450,143,611	419,640,532	404,169,900	359,031,670	408,953,548
Hospital and clinics	849,947,319	898,223,497	967,172,803	1,006,334,481	1,079,290,695

FINANCIAL HIGHLIGHTS

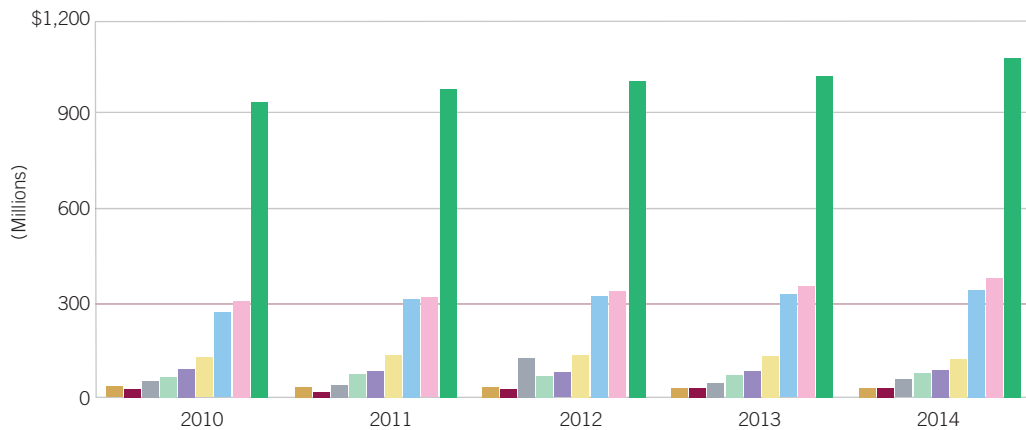
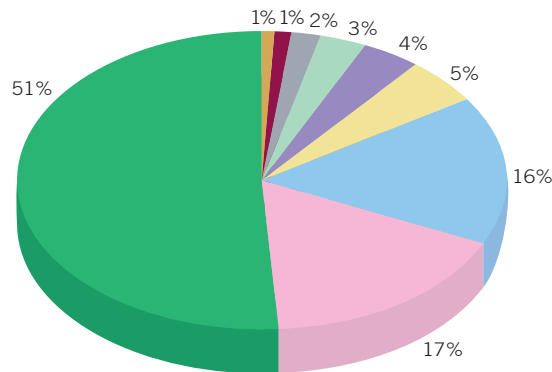
Expenditure Results

Expenditure totals were \$2,161,645,129 and \$2,049,446,950 for 2014 and 2013, respectively. The \$112 million expenditure increase was significantly attributable to the following:

- ▶ Hospital expenditures increased by \$77 million in other than personal service costs.
- ▶ Instruction expenditures increased by \$27 million from the installment of new faculty.
- ▶ Support service expenditures increased by \$8 million for the operation and maintenance of the facilities.

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

2014 Expenditures



	2010	2011	2012	2013	2014
Public service	\$27,367,360	\$29,023,711	\$22,953,875	\$22,236,037	\$22,351,901
Scholarships and fellowships	20,794,791	18,693,878	21,399,523	22,055,164	22,916,433
Nonoperating	53,304,612	39,509,259	109,905,493	40,291,726	48,827,590
Auxiliary enterprises	67,676,618	68,842,878	69,293,484	78,848,918	71,942,605
Depreciation expense	84,906,416	81,190,853	81,500,390	81,552,837	85,146,757
Research	113,210,691	120,766,424	113,143,283	115,777,574	108,991,363
Support services	280,628,723	313,585,538	316,139,706	322,789,135	331,639,545
Instruction	306,374,323	317,565,132	335,500,756	346,549,797	373,244,968
Hospital and clinics	921,640,586	961,545,417	999,678,636	1,019,345,762	1,096,583,967

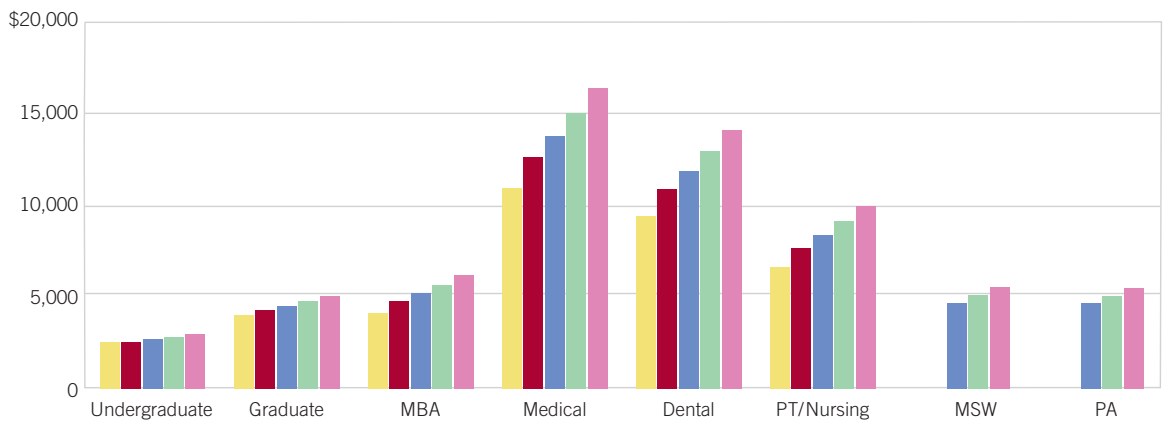
FINANCIAL HIGHLIGHTS

Tuition Revenue Graphs

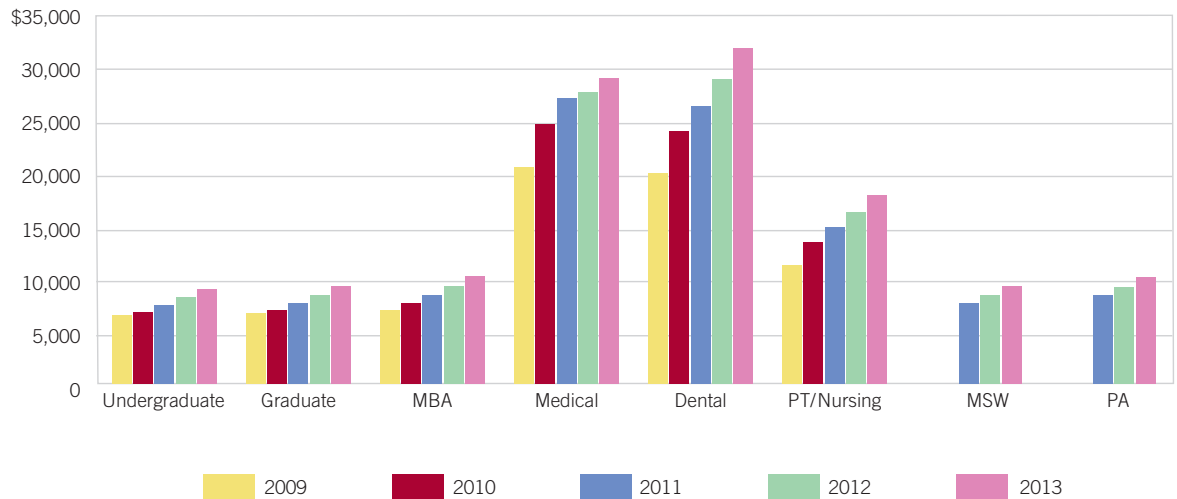
These graphs trend tuition rates based on residency status for Fall 2009 through Fall 2013. The following summarizes some of the key information depicted in these graphs.

Due to reductions in state funded support, tuition rates have increased in both resident and non-resident tuition groups as authorized by the SUNY Board of Trustees. The most significant increase was in 2010 where total resident and non-resident rates averaged increases of 12% and 13%, respectively. With the adoption of SUNY 20/20, total rates for 2011 through 2013 have increased an average of 8% and 9% per year for resident and non-resident students, respectively.

Fall Resident Tuition Rates



Fall Non-Resident Tuition Rates

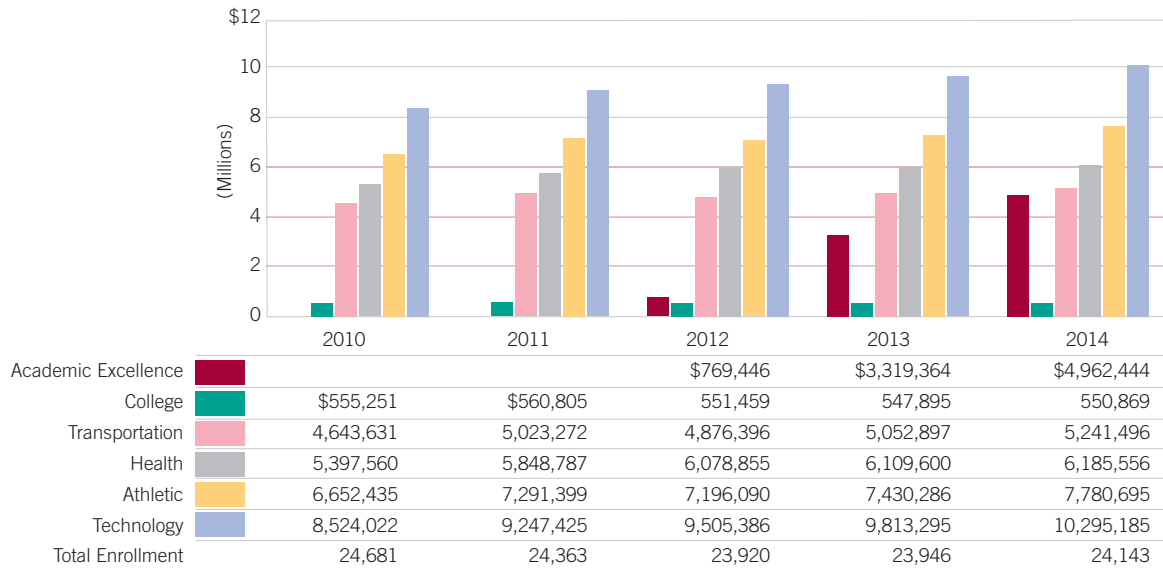


Comprehensive Fee Revenue

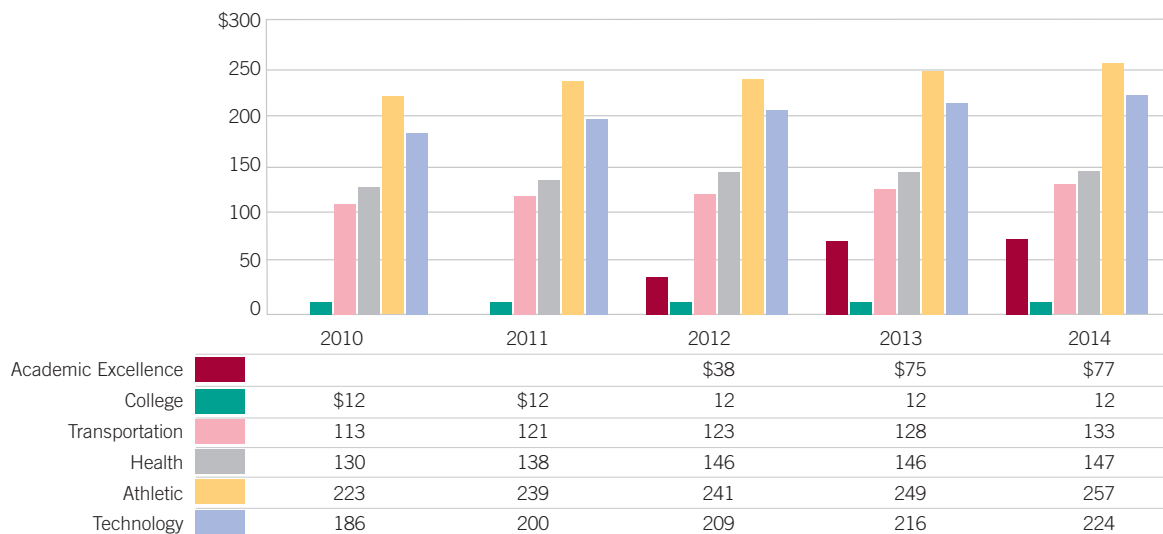
The comprehensive fee is a mandatory fee that is billed to all students, unless they meet waiver requirements. The fee consists of these following fee components: academic excellence, college, transportation, health services, athletic, and technology fee. With the exception of the athletic fee which 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. In 2011, rates 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. The passage of NYSUNY 20/20 established the academic excellence fee effective in Spring 2012 at the full-time rate of \$37.50, which increased to \$75 and \$112.50 in 2013 and 2014, respectively. All other comprehensive fees have averaged total rate increases between 2-3% in 2013 and 2014 with no significant fluctuations in enrollment.

Comprehensive Fee Revenue



Comprehensive Fee F/T Full-Year Rates



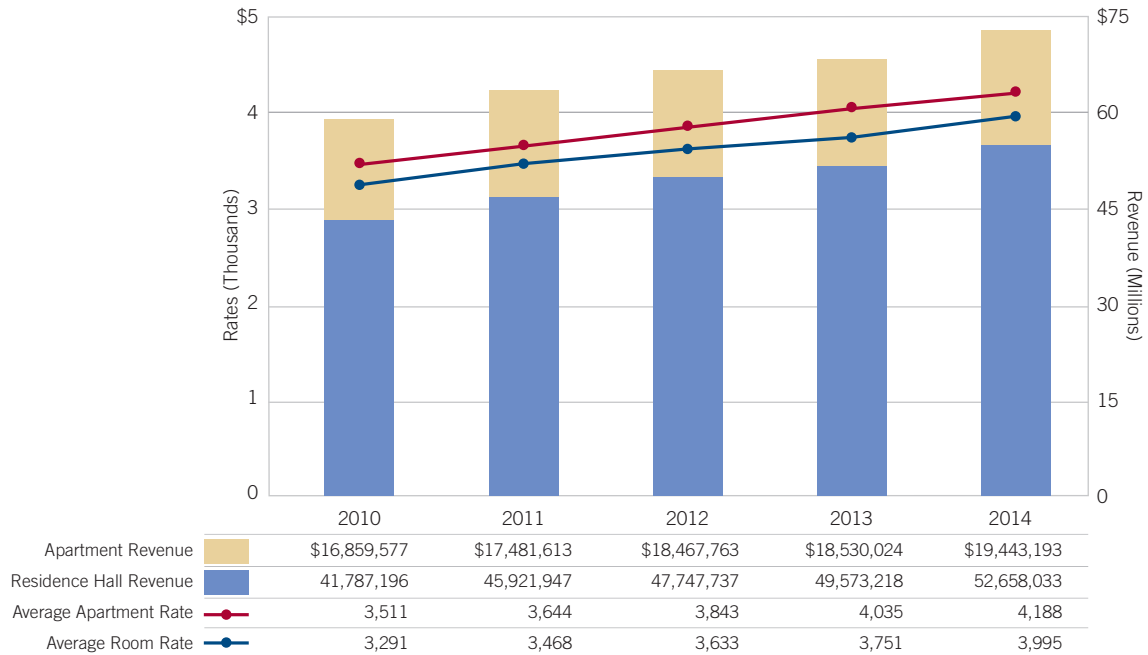
FINANCIAL HIGHLIGHTS

Apartment and Residence Hall Revenue

Stony Brook offers on-campus housing to non-commuter students by way of apartment rentals and residence halls, both containing 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 University 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 2010 through 2014. From 2010 through 2012, both apartment and resident hall rates have increased on average by 5%. Occupancy rates have increased cumulatively by 1% and 5% respectively, in the apartments and residence halls from 2012-2014.

Apartment and Residence Hall Rates and Revenue



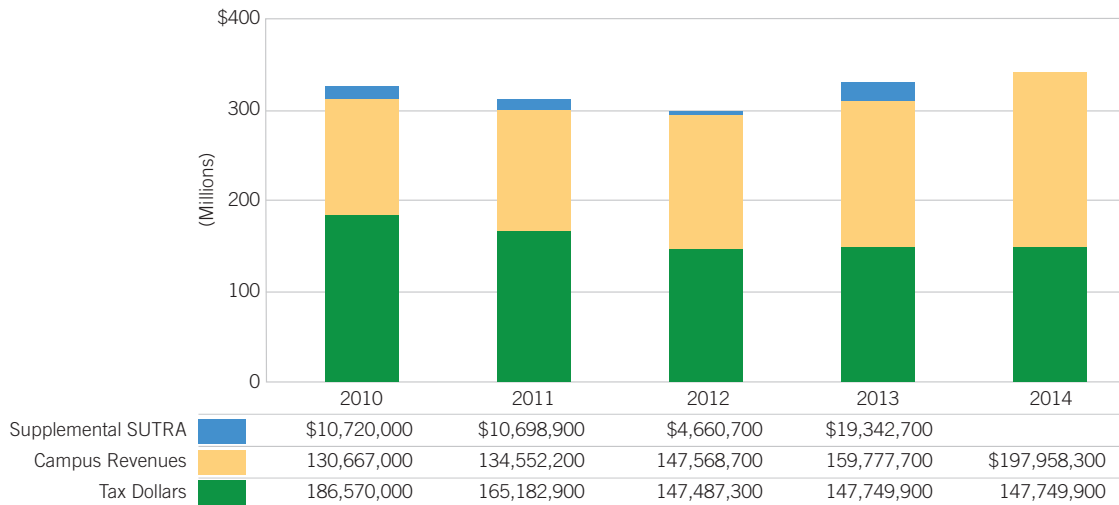
FINANCIAL HIGHLIGHTS

State Appropriations and University-wide Appropriations

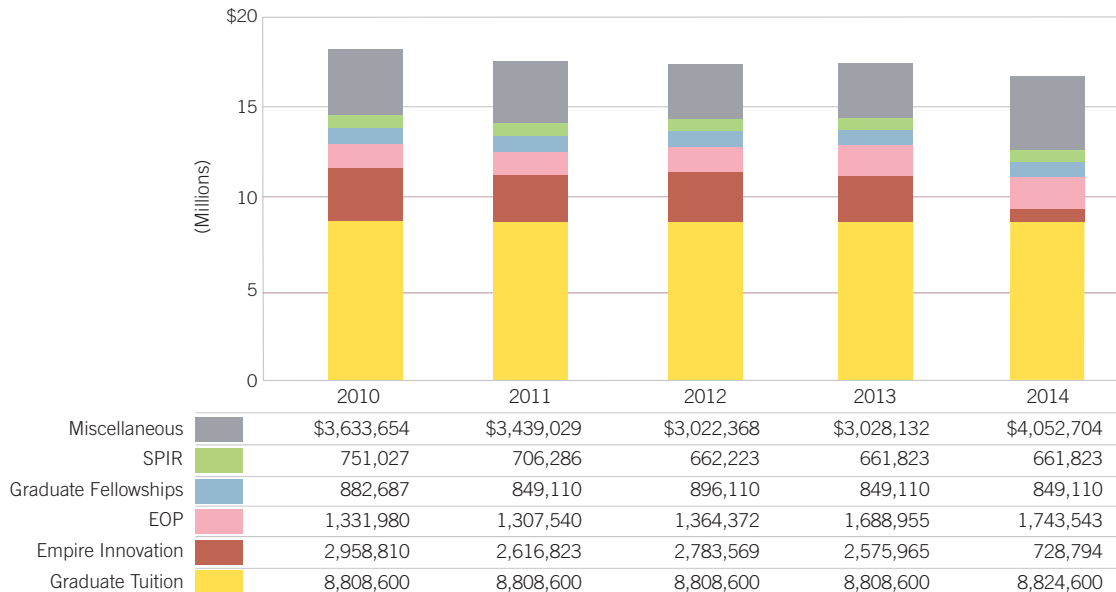
The University receives State appropriations to support its core operating budget in the form of State tax support and from tuition and revenue targets. In 2010-2013 the University also received SUTRA supplemental which represented a portion of campus revenue in excess of revenue targets. The following graph illustrates the State appropriation distributions for the period's from 2010 through 2014. From 2010 through 2014 state tax appropriations decreased by \$39 million, or -21%, while campus revenue appropriations increased by \$67 million, or 51%.

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 2010 through 2014 have been fairly consistent by program from year to year with the exception of a 2014 decline in Empire Innovation appropriations.

State Appropriations



University-wide Appropriations



ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$227,834,451	\$197,150,966
Deposits with trustees	\$11,368,881	\$15,411,554
Short-term investments	44,929,455	26,636,305
Accounts, notes, and loans receivable, net	309,299,839	291,640,980
Interest receivable	7,211	37,774
Appropriations receivable	18,082,479	26,488,965
Grants receivable	48,561,205	51,095,249
Inventories	10,931,250	10,138,639
Other assets	11,913,084	6,294,259
Total current assets	682,927,855	624,894,691
Noncurrent Assets		
Restricted cash and cash equivalents	17,513,695	862,926
Deposits with trustees	121,439,302	105,549,550
Accounts, notes, and loans receivable, net	16,351,327	5,767,563
Appropriations receivable	105,568,397	104,233,669
Long-term investments		5,337,677
Capital assets, net	1,669,461,488	1,603,932,976
Other assets	4,740,531	4,356,577
Total noncurrent assets	1,935,074,740	1,830,040,938
Total assets	2,618,002,595	2,454,935,629
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued liabilities	196,408,900	188,349,001
Interest payable	4,870,698	5,577,662
Student deposits	2,410,300	2,354,910
Deposits held in custody for others	2,074,779	117,599
Deferred revenue	32,286,156	31,270,523
Long-term liabilities-current portion	118,928,556	120,023,479
Other liabilities	1,283,303	850,226
Total current liabilities	358,262,692	348,543,400
Noncurrent Liabilities		
Long-term liabilities	2,180,308,168	1,980,389,604
Refundable government loan funds	6,885,386	6,913,124
Other liabilities	3,360,009	2,408,668
Total noncurrent liabilities	2,190,553,563	1,989,711,396
Total liabilities	2,548,816,255	2,338,254,796
NET POSITION		
Invested in capital assets, net of related debt	618,394,152	528,794,649
Loans - restricted and expendable	765,043	768,125
Unrestricted	(549,972,855)	(412,881,941)
Total net position	69,186,340	116,680,833
TOTAL LIABILITIES AND NET POSITION	\$2,618,002,595	\$2,454,935,629

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	
	2014	2013
OPERATING REVENUES		
Tuition and fees	\$248,386,702	\$229,850,070
Less: scholarship allowances	(62,192,109)	(61,177,640)
Net tuition and fees	186,194,593	168,672,430
Federal grants and contracts	138,461,932	150,135,313
State grants and contracts	7,383,966	13,937,224
Local grants and contracts	93,286	181,232
Private grants and contracts	60,527,395	57,835,960
University hospitals and clinics	1,079,290,695	1,006,334,481
Sales and services of auxiliary enterprises:		
Residence halls, net	58,505,133	55,143,733
Other auxiliary, net	25,939,587	26,938,418
Other operating	31,127,816	8,520,421
Total operating revenues	1,587,524,403	1,487,699,212
OPERATING EXPENSES		
Instruction	373,244,968	346,549,797
Research	108,991,363	115,777,574
Public service	22,351,901	22,236,037
Academic support	83,861,504	88,316,037
Student services	39,017,716	38,647,829
Institutional support	108,138,741	106,953,405
Operation and maintenance of plant	100,383,885	88,525,398
Scholarships and fellowships	22,916,433	22,055,164
Hospitals and clinics	1,096,583,967	1,019,345,762
Residence halls	48,318,529	52,043,021
Other auxiliary	23,624,076	26,805,897
Depreciation and amortization expense	85,146,757	81,552,837
Other operating	237,699	346,466
Total operating expenditures	2,112,817,539	2,009,155,224
Operating loss	(525,293,136)	(521,456,012)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	408,953,548	359,031,670
Federal and State student financial aid	46,430,569	48,442,395
Investment income, net of investment fees	1,672,706	2,156,437
Net realized and unrealized gains	2,848,029	208,260
Gifts	3,419,933	6,143,670
Interest expense on capital related debt	(45,148,243)	(39,905,159)
Loss on disposal of plant assets	(3,679,347)	(386,567)
Other nonoperating revenues (expenses), net	12,090,990	4,414,716
Net nonoperating revenues	426,588,185	380,105,422
Income (loss) before other revenues and gains	(98,704,951)	(141,350,590)
Capital appropriations	2,322	
Capital gifts and grants	51,208,136	8,733,380
Increase (decrease) in net position	(47,494,493)	(132,617,210)
Net position at the beginning of year	116,680,833	249,298,043
NET POSITION AT THE END OF YEAR	69,186,340	116,680,833

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY STATEMENT OF CASH FLOWS

	FOR THE YEARS ENDED	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$186,651,280	\$169,317,182
Federal grants and contracts	137,813,650	148,655,975
State and local grants and contracts	9,984,193	12,842,116
Private grants and contracts	66,293,850	63,915,756
University hospitals and clinics	976,762,278	942,814,659
Personal service payments	(896,636,485)	(864,212,306)
Other than personal service payments	(549,818,194)	(592,422,723)
Payments for fringe benefits	(176,885,235)	(176,722,051)
Payments for scholarships and fellowships	(20,390,889)	(23,395,374)
Loans issued to students	(1,409,368)	(1,085,781)
Collection of loans to students	1,042,519	987,814
Residence halls, net	56,048,170	55,111,776
Other auxiliary, net	27,221,932	27,034,613
Other operating	9,095,780	22,113,720
Net cash used by operating activities	(174,226,519)	(215,044,624)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations:		
Operations	156,141,967	189,346,379
Debt service	48,510,385	42,393,453
Federal and State student financial aid grants	46,430,569	48,442,395
Private gifts and grants	3,419,933	6,143,670
Repayment of short-term loans	(1,524,003)	(3,909,460)
Other receipts	10,156,765	(135,000,000)
Net cash flows provided by noncapital financing activities	263,135,616	147,416,437
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	232,159,202	337,388,572
Capital appropriations	2,322	
Capital grants and gifts received	51,208,136	8,733,380
Purchases of capital assets	(41,563,022)	(12,584,865)
Payments to contractors	(129,217,119)	(169,187,581)
Principal paid on capital debt and leases	(98,877,501)	(61,012,618)
Interest paid on capital debt and leases	(45,271,140)	(38,913,383)
Deposits with trustees	(11,847,080)	(71,674,454)
Net cash used by capital and related financing activities	(43,406,202)	(7,250,949)

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY
STATEMENT OF CASH FLOWS

	FOR THE YEARS ENDED	
	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments		6,968,187
Interest, dividends, and realized gains on investments	1,831,359	2,257,225
Net cash provided (used) by investing activities	1,831,359	9,225,412
Net change in cash	47,334,254	(65,653,724)
Cash - beginning of year	198,013,892	263,667,616
Cash - end of year	245,348,146	198,013,892
END OF YEAR CASH COMPRISED OF		
Cash and cash equivalents	227,834,451	197,150,966
Restricted cash and cash equivalents	17,513,695	862,926
Total cash - end of year	245,348,146	198,013,892
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	(525,293,136)	(521,456,012)
ADJUSTMENTS TO OPERATING LOSS		
Depreciation and amortization expense	85,146,757	81,552,837
Fringe benefits and litigation costs provided by State	213,570,920	179,792,348
CHANGE IN ASSETS AND LIABILITIES		
Receivables, net	(28,242,623)	(20,145,431)
Inventories	(792,611)	(1,534,471)
Other assets	(6,002,779)	(312,199)
Accounts payable, accrued expenses, and other liabilities	91,534,634	67,207,438
Deferred revenue	(2,135,111)	(35,089)
Student deposits	(55,390)	(136,823)
Deposits held for others	(1,957,180)	22,778
Net cash used by operating activities	(174,226,519)	(215,044,624)
SUPPLEMENTAL DISCLOSURES FOR NONCASH TRANSACTIONS		
New capital leases / debt agreements	232,159,202	337,388,572
Fringe benefits and litigation costs provided by the State	213,570,920	179,792,348

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY COMPONENT UNITS BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$82,214,910	\$105,067,856
Accounts and notes receivable, net	3,654,050	3,481,361
Pledges receivable, net	115,011,535	132,927,842
Investments	240,065,623	202,480,091
Assets held for others	2,189,754	1,568,604
Other assets	2,190,830	4,026,062
Capital assets, net	38,480,663	37,062,669
Total assets	483,807,365	486,614,485
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	9,330,689	10,122,799
Current portion of long-term debt	1,222,498	1,191,680
Deferred revenue	6,781,200	6,248,498
Deposits held for others	36,532,470	36,346,429
Long-term debt	11,853,885	13,076,383
Other liabilities	8,703,376	7,854,354
Total liabilities	74,424,118	74,840,143
NET ASSETS		
Unrestricted		
Fixed assets	29,765,381	27,529,095
Campus programs	10,076,445	9,610,847
Other	5,524,272	4,148,521
Undesignated	7,924,887	2,563,791
Temporarily restricted		
Scholarships and fellowships	22,547,210	19,182,263
Campus programs	50,268,409	36,536,373
Research	14,313,943	15,164,199
General operations and other	118,224,093	180,559,164
Permanently restricted		
Scholarships and fellowships	21,547,258	19,915,259
Campus programs	87,155,382	67,849,190
Research	3,054,338	1,841,100
General operations and other	38,981,629	26,874,540
Total net assets	409,383,247	411,774,342
TOTAL LIABILITIES AND NET ASSETS	\$483,807,365	\$486,614,485

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY COMPONENT UNITS STATEMENT OF ACTIVITIES

	FOR THE YEARS ENDING JUNE 30			2014	2013
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
REVENUES					
Contributions, gifts, and grants	\$964,336	\$14,953,141	\$37,898,312	\$53,815,789	\$76,015,553
Investment income, net	593,793	922,711		1,516,504	1,950,580
Net realized and unrealized gains	6,803,335	14,356,126		21,159,461	19,128,666
Food service	30,274,629			30,274,629	28,309,022
Other auxiliary services	7,231,019			7,231,019	7,360,906
Rental income	108,891	308,561		417,452	351,375
Sales and services	2,420,164	1,705,172		4,125,336	3,585,236
Other sources	46,557	(6,000)		40,557	271,645
Net assets released from restrictions	81,241,941	(81,241,941)			
Total revenues	129,684,665	(49,002,230)	37,898,312	118,580,747	136,972,983
EXPENSES					
Food service	23,290,685			23,290,685	21,821,898
Other auxiliary services	5,121,157			5,121,157	5,264,948
Program expenses	29,224,396			29,224,396	33,597,368
Payments to State University: Scholarships and fellowships	2,596,478			2,596,478	5,626,434
Other	49,841,915			49,841,915	5,144,492
Depreciation and amortization expense	2,813,490			2,813,490	2,165,378
Interest expense on capital-related debt	429,279			429,279	130,603
Management and general	5,044,830			5,044,830	5,031,278
Fundraising	2,609,612			2,609,612	2,947,301
Total expenditures	120,971,842			120,971,842	81,729,700
Increase (decrease) in net assets	8,712,823	(49,002,230)	37,898,312	(2,391,095)	55,243,283
Net assets at the beginning of year	43,852,254	251,441,999	116,480,089	411,774,342	356,531,059
Transfer of net assets	725,908	2,913,886	(3,639,794)		
NET ASSETS AT THE END OF YEAR	\$53,290,985	\$205,353,655	\$150,738,607	\$409,383,247	\$411,774,342

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, 2014 and 2013.

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, 2014 and 2013. 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 18 and 19 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, 2014 and 2013.

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

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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.

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 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	\$15,192
Other auxiliary	3,939

Deferred Outflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by a government that is applicable to a future reporting period. 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.

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NOTES TO FINANCIAL STATEMENTS

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 is a not-for-profit corporation as described in Section 501(c) (3) of the Internal Revenue Service Code and is 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 2013 financial statements have been reclassified to conform to the 2014 presentation.

2. Cash and Cash Equivalents

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

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

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

The New York State Comprehensive Annual Financial Report contains the GASB No. 40 risk disclosures for deposits held in the State treasury. Deposits not held in the State treasury that are not covered by depository insurance and are: (a) uncollateralized were \$0 and (b) collateralized with securities held by a pledging financial institution were \$16.2 million at June 30, 2014.

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NOTES TO FINANCIAL STATEMENTS

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 \$45 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, 2014, accounts, notes, and loans receivables were summarized as follows (in thousands):

	2014	2013
Tuition and fees	\$4,141	\$3,248
Allowance for uncollectible	(1,048)	(900)
Net tuition and fees	3,093	2,348
Room rent	967	775
Allowance for uncollectible	(283)	(222)
Net room rent	684	553
Patient fees, net of contractual allowances	349,637	329,751
Allowance for uncollectible	(82,425)	(112,387)
Net patient fees	267,212	217,364
Other, net	47,626	70,321
Total accounts receivable and notes receivable	318,615	290,586
Student loans	8,290	8,082
Allowance for uncollectible	(1,254)	(1,259)
Total student loans receivable	7,036	6,823
TOTAL, NET	\$325,651	\$297,409

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NOTES TO FINANCIAL STATEMENTS

6. Capital Assets

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

Capital assets, net of accumulated depreciation, totaled \$1.7 billion. Capital asset activity during the year is reflected in the table below (in thousands). Closed projects and retirements represent capital assets retired and assets transferred from construction in progress for projects completed and the related capital assets placed in service.

	JUNE 30 2012	ADDITIONS	RETIREMENTS	JUNE 30 2013	ADDITIONS	RETIREMENTS	JUNE 30 2014
Land	\$178,027	\$6,876		\$184,903	\$2,421		\$187,324
Infrastructure and land improvements	126,064	5,839	833	131,070	24,923	3,019	152,974
Buildings	1,443,036	134,554	1,745	1,575,845	131,245	11,400	1,695,690
Equipment, library books and artwork	499,595	27,305	2,631	524,269	41,563	8,375	557,457
Construction in progress	311,554	158,799	147,291	323,062	119,779	165,326	277,515
Total Capital Assets	2,558,276	333,373	152,500	2,739,149	319,931	188,120	2,870,960
Less: accumulated depreciation:							
Infrastructure and land improvements	55,338	5,397	748	59,987	6,543	2,970	63,560
Buildings	614,522	40,649	1,671	653,500	44,923	9,965	688,458
Equipment, library books and artwork	387,989	35,675	1,935	421,729	33,901	6,149	449,481
Total accumulated depreciation	1,057,849	81,721	4,354	1,135,216	85,367	19,084	1,201,499
CAPITAL ASSETS, NET	\$1,500,427	\$251,652	\$148,146	\$1,603,933	\$234,564	\$169,036	\$1,669,461

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, 2014, other than facilities obligations, which are included as of March 31, 2014, total obligations are summarized in the following table (in thousands).

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NOTES TO FINANCIAL STATEMENTS

	JUNE 30, 2012	ADDITIONS	REDUCTIONS	JUNE 30, 2013	ADDITIONS	REDUCTIONS	JUNE 30, 2014	CURRENT PORTION
Long-term debt:								
Educational Facilities	\$630,594	\$177,765	\$29,051	\$779,308	\$68,923	\$27,867	\$820,364	\$35,891
Residence Hall Facilities	207,373	71,239	11,469	267,143	109,040	80,790	295,393	7,324
Capital Leases	19,656		1,768	17,888	20,500	1,859	36,529	5,946
Other long-term debt - ESDC	2,725		2,725					
Other long-term debt - RF	2,564	81		2,645		145	2,500	
Other long-term debt - Gyrodyne	32,502	7,000	16,000	23,502	4,000	4,000	23,502	4,000
Other long-term debt - SUNY 2020					20,006		20,006	
Total long-term debt	895,414	256,085	61,013	1,090,486	222,469	114,661	1,198,294	53,161
Other long term liabilities:								
Compensated Absences	780,465	194,276	94,294	880,447	193,978	100,083	974,342	50,643
Loan from State	20,360	42	3,909	16,493	24	2,809	13,708	7,800
Litigation	140,174		27,187	112,987	4,262	4,356	112,893	7,325
Total other long-term liabilities	940,999	194,318	125,390	1,009,927	198,264	107,248	1,100,943	65,768
TOTAL LONG-TERM LIABILITIES	\$1,836,413	\$450,403	\$186,403	\$2,100,413	\$420,733	\$221,909	\$2,299,237	\$118,929

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 \$69 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.

In March 2013, the State enacted legislation amending the Public Authorities Law and Education Law of the State. The amendments, among other things, authorized the State University (SUNY) to assign to DASNY all of SUNY's rights, title and interest in dormitory facilities revenues derived from payments made by students and others for use and occupancy of certain dormitory facilities. The amendments further authorize DASNY to issue State University

ANNUAL FINANCIAL REPORT

NOTES TO FINANCIAL STATEMENTS

of New York Dormitory Facilities Revenue Bonds payable from and secured by the dormitory facilities revenues assigned to it by SUNY. The enacted legislation also created a special fund to be held by the State's Commissioner of Taxation and Finance on behalf of DASNY. All of the dormitory facilities revenues collected by the University are required to be deposited in this special fund.

In August 2013, bonds with a par amount of \$59.2 million were issued by DASNY for the University's construction and rehabilitation of the residential facilities. Also under this new program, bonds with a par amount of \$49.9 million were issued to refinance \$53.0 million of existing residential facility obligations. These bonds are special obligations of DASNY payable solely from the dormitory facilities revenues collected by the State University as agent for DASNY. In prior years, the University defeased various obligations, whereby proceeds of new obligations were placed in an irrevocable trust to provide for all future debt service payments on the defeased obligations. Accordingly, the trust account assets and liabilities for the defeased obligations are not included in the University's financial statements.

Capital Lease Arrangements

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

Loan - State STIP Pool

In prior years, the University experienced operating cash-flow deficits precipitated by cash-flow difficulties experienced by the Hospital. In connection with these cash-flow deficits, as authorized by State Finance Law, the University borrowed funds with interest from the short-term investment pool of the State. The amount outstanding under this borrowing from the State at June 30, 2014, was \$13.7 million. During the year, \$2.8 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 NYSSRSSL 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.

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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.

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 \$42.5 million. The University's annual OPEB cost and increase in the OPEB obligation, relating to its state employees, for the year ended June 30, 2014, is as follows (in thousands):

Annual required contribution and annual OPEB cost	\$141,700
Benefits paid during year	42,487
Increase in OPEB Obligation	99,213
Net obligation at beginning of year	757,477
NET OBLIGATION AT END OF YEAR	\$856,690

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-students. 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.

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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, 2014, was \$ 51.3 million.

9. Commitments

The University has entered into contracts for the construction and improvement of various projects. The University is also committed under numerous operating leases covering real property and equipment. Rental expenditures reported for the year under such operating leases were approximately \$8.3 million. The following is a summary of the future minimum rental commitments under non-cancelable real property and equipment leases with terms exceeding one year (in thousands).

YEARS ENDING JUNE 30,	
2015	\$6,164
2016	5,706
2017	4,200
2018	2,780
2019	2,433
2020-24	2,793
TOTAL	\$24,076

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, 2014 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 \$409 million and \$359 million and represented approximately 19.3 percent and 18.7 percent of total revenues for the 2014 and 2013 fiscal years, respectively. The University's continued operational viability is substantially dependent upon a consistent and proportionate level of ongoing State support.

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NOTES TO FINANCIAL STATEMENTS

12. Condensed Financial Statement Information of the Research Foundation

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

CONDENSED BALANCE SHEET	2014	2013
ASSETS		
Current assets	\$104,435	\$90,561
Capital assets	8,671	6,241
Other assets	4,741	9,694
Total assets	117,847	106,496
LIABILITIES		
Current liabilities	46,710	45,253
Noncurrent liabilities	99,427	94,771
Total liabilities	146,137	140,024
NET POSITION		
Invested in capital assets, net	6,036	3,596
Unrestricted	(34,326)	(37,124)
Total net position	(28,290)	(33,528)
TOTAL LIABILITIES AND NET POSITION	117,847	106,496
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
OPERATING REVENUES		
Federal grants and contracts	\$129,159	\$138,070
State Grants and Contracts	7,549	14,911
Private Grants and Contracts	17,133	20,583
Other operating revenues	36,600	19,810
Total operating revenues	190,441	193,374
EXPENSES		
Instruction	14,888	17,095
Research	106,715	106,497
Public service	11,750	12,182
Institutional support	50,029	61,650
Other operating expenses	2,001	1,718
Depreciation and amortization expense	1,665	1,697
Total operating expenses	187,048	200,839
Operating Income	3,393	(7,465)
Net nonoperating revenues/(expenses)	1,845	11,013
Increase (decrease) in net position	5,238	3,548
Net position at the beginning of year	(33,528)	(37,076)
NET POSITION AT THE END OF YEAR	(28,290)	(33,528)
CONDENSED STATEMENT OF CASH FLOWS		
Cash flows from operating activities	2,849	(7,033)
Cash flows from capital and related financing activities	(4,240)	(1,498)
Cash flows from investing activities	1,358	8,523
Net change in cash	(33)	(8)
Cash - beginning of year	70	78
Cash - end of year	\$37	\$70

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13. 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.

14. Subsequent Events

In July 2014, SUNY issued Personal Income Tax Revenue Bonds totaling \$694 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.

15. Component Units

The reported totals of the discretely presented component units include the campus related Foundation and the auxiliary service entity, the Faculty Student Association (FSA). 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 the 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 provides benefits to their campus, students, faculty, staff and alumni. The FSA 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.

These organizations 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 \$52.3 million to the University, principally for scholarships.

Net Asset Classifications

Unrestricted net position 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.

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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 \$240 million as of June 30, 2014.

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 \$38.4 million as of June 30, 2014. Capital asset classifications are summarized as follows (in thousands):

Land and land improvements	\$3,708
Building	36,234
Equipment	12,696
Artwork and library books	6,234
Construction in progress	705
Total capital assets	59,577
Less accumulated depreciation	21,097
CAPITAL ASSETS, NET	\$38,480

Long-term Debt

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

YEARS ENDING JUNE 30	
2015	\$1,222
2016	1,259
2017	1,292
2018	1,330
2019	1,369
Thereafter	6,604
TOTAL	\$13,076

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Condensed Financial Statement Information

The table following displays the combined totals of the Foundation and auxiliary services corporation (FSA) (in thousands):

COMBINED BALANCE SHEETS						
	FOUNDATION	FSA	2014 TOTAL	FOUNDATION	FSA	2013 TOTAL
ASSETS						
Investments	\$230,952	\$9,114	\$240,066	\$194,208	\$8,271	\$202,479
Capital assets, net	14,815	\$23,665	38,480	14,370	\$22,693	37,063
Other assets	179,722	25,539	205,261	223,812	23,260	247,072
Total assets	425,489	58,318	483,807	432,390	54,224	486,614
LIABILITIES						
Current liabilities	46,609	14,739	61,348	47,094	13,478	60,572
Long-term debt/notes	1,625	11,451	13,076	1,805	12,463	14,268
Total liabilities	48,234	26,190	74,424	48,899	25,941	74,840
NET ASSETS						
Unrestricted	21,163	32,128	53,291	15,569	28,283	43,852
Temporarily restricted	205,353		205,353	251,442		251,442
Permanently restricted	150,739		150,739	116,480		116,480
Total Net Assets	377,255	32,128	409,383	383,491	28,283	411,774
TOTAL LIABILITIES AND NET ASSETS	\$425,489	\$58,318	\$483,807	\$432,390	\$54,224	\$486,614
COMBINED STATEMENT OF ACTIVITIES						
REVENUES						
Contributions, gifts and grants	\$53,816		\$53,816	\$76,015		\$76,015
Food and auxiliary services		\$37,506	37,506		\$35,670	35,670
Sales and services	4,125		4,125	3,585		3,585
Other revenue	22,201	933	23,134	20,717	985	21,702
Total revenues	80,142	38,439	118,581	100,317	36,655	136,972
EXPENSES						
Food and auxiliary services		28,412	28,412		27,087	27,087
Program expenses	28,797	427	29,224	33,148	449	33,597
Other expenses	57,581	5,755	63,336	16,376	4,669	21,045
Total expenses	86,378	34,594	120,972	49,524	32,205	81,729
Total change in net assets	(6,236)	3,845	(2,391)	50,793	4,450	55,243
Net assets at the beginning of year	383,491	28,283	411,774	332,698	23,833	356,531
NET ASSETS AT THE END OF YEAR	\$377,255	\$32,128	\$409,383	\$383,491	\$28,283	\$411,774

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Stony Brook University