Combined Financial Statements and Report of
Independent Certified Public Accountants

STONY BROOK FOUNDATION, INC. AND AFFILIATE

June 30, 2017 and 2016

STONY BROOK FOUNDATION, INC. AND AFFILIATE

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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, 2017, and the related combined statements 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, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 2016 summarized comparative information

We have previously audited the Foundation's 2016 combined financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated November 11, 2016. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2016 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, 2017, 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

Melville, New York
October 25, 2017

STONY BROOK FOUNDATION, INC. AND AFFILIATE

Combined Statement of Financial Position

As of June 30, 2017, with summarized comparative information as of June 30, 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 63,902,602	$ 112,631,633
Pledges receivable, net	84,239,087	66,449,131
Loans and other receivables	491,254	726,333
Prepaid expenses	875,899	548,922
Inventory	19,126	25,889
Investments:		
Permanently restricted investments	151,537,676	137,424,764
Other investments	160,461,694	109,477,580
Total investments	311,999,370	246,902,344
Other long-term investment	379,000	279,000
Notes receivable	3,000,000	3,000,000
Bond issuance cost, net	-	26,231
Land, buildings, equipment and collections, net	17,441,538	16,839,556
Total assets	$ 482,347,876	$ 447,429,039
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 8,814,348	$ 8,570,282
Deferred revenue	280,712	377,854
Annuities payable	604,647	622,250
Funds held in trust for others	34,356,424	30,853,857
Long-term debt	829,005	1,230,000
Total liabilities	44,885,136	41,654,243
UNRESTRICTED NET ASSETS		
Undesignated	19,818,017	15,365,378
Designated	12,553,319	11,834,055
Total unrestricted net assets	32,371,336	27,199,433
Temporarily restricted net assets	232,633,600	213,157,999
Permanently restricted net assets	172,457,804	165,417,364
Total net assets	437,462,740	405,774,796
Total liabilities and net assets	$ 482,347,876	$ 447,429,039

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, 2017, with summarized comparative information for the year ended June 30, 2016

	2017					2016
	Unrestricted		Temporarily	Permanently		
	Undesignated	Designated	Restricted	Restricted	Total	Total
REVENUES, GAINS AND OTHER SUPPORT						
Gifts and grants	$ 438,419	$ -	$ 48,968,947	$ 10,957,026	$ 60,364,392	$ 48,158,172
Gifts-in-kind and contributed services	335,590	-	1,575,134	34,548	1,945,272	1,099,679
Contracts and other support	2,338,661	429,865	2,364,447	-	5,132,973	5,047,853
Interest and dividend income	623,226	78,994	700,519	-	1,402,739	2,494,532
Net realized gains on investments	1,238,102	5,630	1,855,005	-	3,098,737	10,711,293
Net unrealized appreciation on investments	6,685,484	467,276	16,374,151	-	23,526,911	1,152,567
Net loss on disposal of capital assets	-	-	-	-	-	(7,319)
Net loss on sale of inventory	-	-	(2,400)	-	(2,400)	(5,900)
Rental income	148,367	-	479,167	-	627,534	448,073
Other income	-	23,339	-	-	23,339	18,971
Net assets released from restrictions	3,538,470	52,776,297	(56,314,767)	-	-	-
Total revenues, gains and other support	15,346,319	53,781,401	16,000,203	10,991,574	96,119,497	69,117,921
EXPENSES						
Campus program expenses:						
Instruction	-	17,031,744	-	-	17,031,744	13,532,063
Research	-	3,549,728	-	-	3,549,728	3,848,234
Public service	-	3,148,724	-	-	3,148,724	2,772,989
Academic support	88,183	785,074	-	-	873,257	1,152,446
Student services	8,131	478,504	-	-	486,635	469,741
Institutional support	4,044,579	21,419,432	-	-	25,464,011	19,369,217
Scholarships and fellowships	-	6,914,757	-	-	6,914,757	3,663,080
Total campus program expenses	4,140,893	53,327,963	-	-	57,468,856	44,807,770
General and administrative	3,466,119	101,341	-	-	3,567,460	2,643,311
Fundraising	3,109,527	-	-	-	3,109,527	4,016,376
Depreciation	3,381	282,329	-	-	285,710	320,932
Total expenses	10,719,920	53,711,633	-	-	64,431,553	51,788,389
Change in net assets	4,626,399	69,768	16,000,203	10,991,574	31,687,944	17,329,532
Transfers of net assets	(173,760)	649,496	3,475,398	(3,951,134)	-	-
Net assets, beginning of year	15,365,378	11,834,055	213,157,999	165,417,364	405,774,796	388,445,264
Net assets, end of year	$ 19,818,017	$ 12,553,319	$ 232,633,600	$ 172,457,804	$ 437,462,740	$ 405,774,796

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, 2017, with summarized comparative information for the year ended June 30, 2016

	2017					
	Campus Programs	General and Administrative	Fundraising	Depreciation	Total	2016 Total
Research support and awards	$ 22,271,280	$ -	$ 311,035	$ -	$ 22,582,315	$ 17,289,934
Payroll	4,121,428	1,647,395	1,183,636	-	6,952,459	6,852,474
Investment expense	7,247,301	93,700	-	-	7,341,001	5,223,587
Cultivation and fund-raising events, meetings, travel and lodging	4,311,054	14,570	221,010	-	4,546,634	4,483,092
Professional fees	2,822,387	470,538	140,469	-	3,433,394	4,612,451
Equipment and rentals	1,768,319	105,122	19,047	-	1,892,488	1,664,526
Scholarship and fellowship awards	6,495,296	-	-	-	6,495,296	3,563,887
Supplies and expenses	1,884,314	134,353	163,683	-	2,182,350	2,222,372
Employee benefits	1,426,328	748,760	506,241	-	2,681,329	2,356,808
Repairs, maintenance and improvements	3,807,043	1,261	113,562	-	3,921,866	978,692
Consulting/honorarium	309,025	200,289	165,912	-	675,226	613,190
Tax expense	180,599	50	-	-	180,649	561,723
Printing and duplication	383,638	3,349	93,795	-	480,782	444,699
Depreciation and amortization	26,231	-	-	285,710	311,941	329,676
Data processing	162,258	59,416	125,201	-	346,875	214,867
Insurance	67,060	76,136	-	-	143,196	136,627
Interest expense	47,896	-	-	-	47,896	84,614
Telephone	66,517	6,950	1,249	-	74,716	70,383
Postage and shipping	52,809	5,571	61,230	-	119,610	70,896
Books and periodicals	18,073	-	3,457	-	21,530	13,891
Total expenses before depreciation allocation	57,468,856	3,567,460	3,109,527	285,710	64,431,553	51,788,389
Depreciation allocation	282,329	3,381	-	(285,710)	-	-
Total expenses	$ 57,751,185	$ 3,570,841	$ 3,109,527	$ -	$ 64,431,553	$ 51,788,389

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, 2017, with summarized comparative information for the year ended June 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 31,687,944	$ 17,329,532
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	311,941	329,676
Forgiveness of employee loans	20,000	160,000
Change in allowance for uncollectible contributions	553,792	664,109
Net realized gains on investments	(3,098,737)	(10,711,293)
Net unrealized appreciation on investments	(23,526,911)	(1,152,566)
Donations of equipment, collections and land	(90,500)	(120,650)
Disposal of equipment	-	7,319
Donations of stocks for permanently restricted purposes	(4,998,791)	(763,054)
Permanently restricted contributions	(13,870,362)	(10,948,203)
Changes in operating assets and liabilities:		
Pledges receivable	(18,343,748)	15,811,943
Other receivables	215,079	(449,704)
Prepaid expenses	(326,977)	(22,921)
Inventory	6,763	12,428
Accounts payable and accrued expenses	195,531	(1,121,337)
Deferred revenue	(97,142)	49,713
Annuities payable	(17,603)	33,551
Funds held in trust for others	3,502,567	(8,123,184)
Net cash (used in) provided by operating activities	(27,877,154)	985,359
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital expenditures	(748,657)	(3,499,017)
Purchases of investments	(83,030,285)	(104,260,241)
Proceeds from sale of investments	44,558,907	135,068,602
Net cash (used in) provided by investing activities	(39,220,035)	27,309,344
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from permanently restricted contributions	13,870,362	10,948,203
Proceeds from sale of donated stocks for permanently restricted purposes	4,898,791	763,054
Payments of principal on long-term debt	(406,310)	(205,000)
Extinguishment of long-term debt	(1,015,000)	-
Proceeds from issuance of long-term debt	1,020,315	-
Net cash provided by financing activities	18,368,158	11,506,257
Net change in cash and cash equivalents	(48,729,031)	39,800,960
CASH AND CASH EQUIVALENTS, beginning of year	112,631,633	72,830,673
CASH AND CASH EQUIVALENTS, end of year	$ 63,902,602	$ 112,631,633
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the years for interest	$ 47,896	$ 84,614
Cash paid during the years for income taxes	$ 131,469	$ 460,000
Purchases of land, buildings, equipment and collections included within accounts payable and accrued expenses	$ 48,535	$ 1,152,304

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 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 exercised 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. On May 11, 2017, SBFD was dissolved.

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, 2016 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, 2016.

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, 2017 and 2016:

	2017	2016
Campus programs	$ 217,489,600	$ 198,610,387
Land, buildings and collections	15,144,000	14,547,612
Total temporarily restricted net assets	$ 232,633,600	$ 213,157,999

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, 2017 and 2016:

	2017	2016
Endowment funds	$ 172,334,690	$ 165,294,639
Other permanently restricted net assets	123,114	122,725
Total permanently restricted net assets	$ 172,457,804	$ 165,417,364

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 Accounting Standards Codification ("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 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

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.

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.

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU") No. 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* ("ASU 2015-07"). The amendments within ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value ("NAV") per share as a practical expedient. ASU 2015-07 is effective for non-public entities with fiscal years beginning after December 15, 2016, however early adoption is permitted. The reporting entity is required upon adoption to apply the amendments retrospectively to all periods presented.

The Foundation adopted ASU 2015-07 effective June 1, 2016 and has applied the amendments retroactively for all periods presented, as required by the ASU. The adoption of this new guidance by the Foundation only amended disclosure requirements and did not have an impact on the Foundation's financial statements for the periods presented.

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 NAV 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 $662,944 and $646,661 at June 30, 2017 and 2016, respectively, and are included in cash and cash equivalents and other investments on the accompanying statement of financial position. The Foundation is mandated by New York State Insurance Law to keep, as a reserve, an additional 26.5% of its outstanding annuity contracts, which equaled $494,497 and $482,173 at June 30, 2017 and 2016, respectively.

The obligations due under the life annuities are classified as annuities payable on the Foundation's combined statement of financial position and totaled $604,647 and $622,250 at June 30, 2017 and 2016, respectively. 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 $335,590 and $72,846 for the years ended June 30, 2017 and 2016, 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 $580,557 and $641,425 for the years ended June 30, 2017 and 2016, respectively, and are included in supplies and expenses on the accompanying statement of functional expenses.

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 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 approximately $131,469 and $534,000, for the years ended June 30, 2017 and 2016, respectively. The Foundation amended previously filed unrelated business income tax returns to recover taxes it overpaid;

most of these refunds have been received, except for an outstanding New York State refund for fiscal year 2012 totaling $37,500.

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 2017 and 2016, these fees amounted to $1,803,704 and $2,353,727, 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 25, 2017, 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, 2017 and 2016 ranged from 0.71% to 2.71%. Pledges receivable are summarized as follows at June 30, 2017 and 2016:

	2017	2016
Pledges receivable due in:		
Less than one year	$ 24,504,079	$ 26,633,205
One year to five years	43,302,885	37,841,639
More than five years	24,027,146	5,244,302
	91,834,110	69,719,146
Less: Present value adjustment	(5,672,673)	(1,901,457)
Less Allowance for uncollectible pledges	(1,922,350)	(1,368,558)
Net pledges receivable	$ 84,239,087	$ 66,449,131

At June 30, 2017 and 2016, approximately 63% and 38%, 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, 2017 and 2016, there were no borrowings under the New Mortgage Program.

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, 2017 outstanding emergency loans, net of an allowance for doubtful accounts of $1,000, amounted to $8,775. For the year ended June 30, 2016 outstanding emergency loans, net of an allowance for doubtful accounts of $1,000, amounted to $21,691. Such loans are included in loans and other receivables on the accompanying combined statement of financial position.

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 is due in full on February 17, 2023. 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, 2017 and 2016, the balance in boat inventory pending future sale amounted to $4,000 and $9,900, respectively and is included in inventory on the accompanying combined statement of financial position.

6. INVESTMENTS

Investments consist of the following at June 30, 2017 and 2016:

	2017			
	Cost	Cumulative Unrealized Gains	Cumulative Unrealized Losses	Fair Value
Carried at fair value:				
Investments in U.S. equities funds	$ 67,577,308	$ 50,343,310	$ -	$ 117,920,618
Investments in global equity funds	20,263,061	3,769,503	-	24,032,564
Investments in diversified fixed income funds	35,693,097	-	(548,600)	35,144,497
Investments in multi-strategy funds	60,017,628	41,040,660	-	101,058,288
Investments in core-property funds	2,718,167	-	(413,601)	2,304,566
Investments in private equity funds	18,653,165	2,885,672	-	21,538,837
Investments	204,922,426	98,039,145	(962,201)	301,999,370
Pending investment purchases *	10,000,000	-	-	10,000,000
Total investments	$ 214,922,426	$ 98,039,145	$ (962,201)	$ 311,999,370

* Amounts included above as pending investment purchases as of June 30, 2017 reflect cash disbursement to two investment funds that have not been credited to the Foundation's capital account as of June 30, 2017.

	2016			
	Cost	Cumulative Unrealized Gains	Cumulative Unrealized Losses	Fair Value
Carried at fair value:				
Investments in U.S. equities funds	$ 47,712,981	$ 36,685,938	$ -	$ 84,398,919
Investments in global equity funds	7,363,925	1,836,831	-	9,200,756
Investments in diversified fixed income funds	35,084,283	-	(520,848)	34,563,435
Investments in multi-strategy funds	65,137,725	34,111,894	-	99,249,619
Investments in core-property funds	2,576,661	-	(335,136)	2,241,525
Investments in private equity funds	15,501,914	1,746,176	-	17,248,090
Total investments	$ 173,377,489	$ 74,380,839	$ (855,984)	$ 246,902,344

The following table represents a reconciliation of the cumulative unrealized appreciation on investments at June 30, 2017 and 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Fair Value
Unrealized appreciation in fair value, June 30, 2016	$ 26,031,034	$ 47,493,513	$ 308	$ 73,524,855
Current year appreciation (foundation)	7,152,760	16,374,151	-	23,526,911
Current year appreciation (funds held for others)	-	25,178	-	25,178
Unrealized appreciation in fair value, June 30, 2017	$ 33,183,794	$ 63,892,842	$ 308	$ 97,076,944

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, 2017 and 2016, $266,074 and $361,052, 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 15% and 17% of the total investment portfolio as of June 30, 2017 and 2016, respectively.

For the years ended June 30, 2017 and 2016, 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, 2017 and 2016. Investment expenses totaled $7,341,001 and $5,223,587 for the years ended June 30, 2017 and 2016, respectively.

During the years ended June 30, 2017 and 2016, the Foundation entered into subscription agreements with investment funds in the amount of $17,000,000 and $12,000,000, respectively. As of June 30, 2017 and 2016, the Foundation has remitted approximately $500,000 and $1,695,464, 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, 2017 and 2016, 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, 2017 and 2016, approximately $7,700 and $7,700, 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, 2017 and 2016, 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, 2017 and 2016, and indicate the fair value hierarchy of the valuation techniques the Foundation utilized to determine such fair values:

2017	Significant Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Investments Reported at Net Asset Value	Total
Carried at fair value					
Investments in U.S. equities funds	$ -	$ -	$ -	$ 117,920,618	$ 117,920,618
Investments in global equity funds	13,382,181	-	-	10,650,383	24,032,564
Investments in diversified fixed income funds	34,520,129	-	-	624,368	35,144,497
Investments in multi-strategy funds	-	-	-	101,058,288	101,058,288
Investments in core-property funds	-	-	-	2,304,566	2,304,566
Investments in private equity funds	-	-	-	21,538,837	21,538,837
Total investments	$ 47,902,310	$ -	$ -	$ 254,097,060	$ 301,999,370

2016	Significant Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Investments Reported at Net Asset Value	Total
Carried at fair value					
Investments in U.S. equities funds	$ -	$ -	$ -	$ 84,398,811	$ 84,398,811
Investments in global equity funds	-	-	-	9,200,756	9,200,756
Investments in diversified fixed income funds	33,927,793	-	-	635,750	34,563,543
Investments in multi-strategy funds	-	-	-	99,249,619	99,249,619
Investments in core-property funds	-	-	-	2,241,525	2,241,525
Investments in private equity funds	-	-	-	17,248,090	17,248,090
Total investments	$ 33,927,793	$ -	$ -	$ 212,974,551	$ 246,902,344

The Foundation uses the 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, 2017				
Strategy	NAV per Share Range in Funds	No. of Funds	Fair Value	Redemption Terms *	Redemption Restrictions
Investments in U.S. Equities Funds [(a)]	$44 - $15,935	13	$ 117,920,618	75 - 445 days	2 Funds have 1 yr lock up, 1 Fund has 2 yr lock up
Investments in Global Equity Funds [(b)]	$216 - $8,406	3	10,650,383	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 - $243	1	624,368	0 days	None
Investments in Multi-Strategy Funds [(d)]	$207 - $1,018,701	24	101,058,288	35 - 775 days	1 Fund has a lock up provision of 2 yrs, 2 Funds have 1 yr lock up, 1 Fund has an 18 month lock-up
Investments in Core-Property Funds [(e)]	$578	1	2,304,566	30 days	None
Investments in Private Equity Funds [(f)]	N/A	14	21,538,837	No liquidity	N/A
Total		56	$ 254,097,060		

	June 30, 2016				
Strategy	NAV per Share Range in Funds	No. of Funds	Fair Value	Redemption Terms *	Redemption Restrictions
Investments in U.S. Equities Funds [(a)]	$35 - $14,830	10	$ 84,398,811	75 - 445 days	2 Funds have 1 yr lock up, 1 Fund has 2 yr lock up
Investments in Global Equity Funds [(b)]	$180 - $7,819	3	9,200,756	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 - $115	1	635,750	0 days	None
Investments in Multi-Strategy Funds [(d)]	$158 - $932,672	20	99,249,619	35 - 775 days	1 Fund has a lock up provision of 2 yrs, 2 Funds have 1 yr lock up, 1 Fund has an 18 month lock-up
Investments in Core-Property Funds [(e)]	$562	1	2,241,525	30 days	None
Investments in Private Equity Funds [(f)]	N/A	14	17,248,090	No Liquidity	N/A
Total		49	$ 212,974,551		

* 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.

e. Private REIT investing directly in U.S. real properties; sectors (apt, office, retail, industrial).

f. Private equity funds are investment funds organized as limited partnerships that are not publicly traded. The funds use extensive use of debt financing to purchase companies, which they restructure and attempt to resell for a higher value.

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 2017 and 2016, 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 2017 and 2016. 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 2017 and 2016 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 2017 and 2016. These administrative fees aggregated $1,597,359 and $1,506,241 in fiscal years 2017 and 2016, 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, 2017 and 2016:

	2017			
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	$ 4,780,697	$ 49,581,539	$ 165,294,639	$ 219,656,875
Investment income	-	777,475	-	777,475
Unrealized gain on investments	467,276	16,362,533	-	16,829,809
Realized gain on investments	5,630	1,831,474	-	1,837,104
Transfers of net assets	-	216,425	(4,029,868)	(3,813,443)
Appropriation of endowment assets for expenditure	-	(6,321,457)	-	(6,321,457)
Gifts and other fund additions	-	1,920,693	10,991,184	12,911,877
Donor stipulated transfers of net assets	451,160	(459,130)	78,735	70,765
Investment fees and taxes	(171,753)	(7,810,398)	-	(7,982,151)
Endowment net assets, June 30, 2017	$ 5,533,010	$ 56,099,154	$ 172,334,690	$ 233,966,854

	2016			
	Unrestricted Designated	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, June 30, 2015	$ 1,763,655	$ 50,642,014	$ 155,508,447	$ 207,914,116
Investment income	-	1,827,441	-	1,827,441
Unrealized gain on investments	56,737	827,591	-	884,328
Realized gain on investments	26,107	7,247,538	-	7,273,645
Transfers of net assets	-	(65,934)	(4,171,962)	(4,237,896)
Appropriation of endowment assets for expenditure	-	(6,826,638)	-	(6,826,638)
Gifts and other fund additions	-	978,556	13,648,754	14,627,310
Donor stipulated transfers of net assets	3,031,298	312,835	309,400	3,653,533
Investment fees and taxes	(97,100)	(5,361,864)	-	(5,458,964)
Endowment net assets, June 30, 2016	$ 4,780,697	$ 49,581,539	$ 165,294,639	$ 219,656,875

9. LAND, BUILDINGS, EQUIPMENT AND COLLECTIONS

Land, buildings, equipment and collections, net are summarized as follows at June 30, 2017 and 2016:

	2017	**2016**
Buildings	$ 6,776,168	$ 6,776,168
Land improvements	390,090	390,090
Equipment and furnishings	163,401	134,483
	7,329,659	7,300,741
Less: Accumulated depreciation	(3,091,409)	(2,805,699)
	4,238,250	4,495,042
Land	1,122,854	1,122,854
Artwork and books	6,534,764	6,444,264
Construction in progress	5,545,670	4,777,396
Net land, buildings, equipment and collections	$ 17,441,538	$ 16,839,556

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 2017 and 2016, $4,830,598 and $1,057,497, 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

During fiscal 2017, the Foundation recognized revenue totaling $2,978,235 related to the conditional promises to give. As of June 30, 2017, the Foundation had $8,754,706 of conditional promises to give remaining, of which $2,254,706 is conditional upon the continued employment of certain faculty, $6,450,000 is conditional upon matching and $50,000 pending future supplemental retirement proceeds.

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 $34,356,424 and $30,853,857 as of June 30, 2017 and 2016, respectively. The amounts included in cash and cash equivalents are $26,794,244 and $14,492,399 as of June 30, 2017 and 2016, 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 $2,058,544 and $2,529,064 for fiscal years 2017 and 2016, respectively, and are included in contracts and other support in the combined statement of activities.

12. LONG-TERM DEBT

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 was 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 were no financial covenants attached to the financing.

On November 30, 2016, the Foundation entered into an agreement to refinance the bonds through an unsecured commercial loan in the amount of $1,020,315, maturing on September 30, 2020. The annual interest rate is fixed at 2.92% for the four year term of the loan. Debt covenants include a debt service coverage ratio of at least 1.25 to 1.00.

Accumulated bond amortization amounted to $0 and $148,644 at June 30, 2017 and 2016, respectively.

At June 30, 2017, future principal payments on the commercial loan are as follows:

2018	$ 255,080
2019	255,080
2020	255,080
2021	63,765
	$ 829,005

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, 2017 and 2016, approximately 58% and 34%, respectively, of pledges receivable are due from one donor.

15. LINE OF CREDIT

At June 30, 2017 and 2016, the Foundation maintained a $20,000,000 line of credit with a financial institution. As of June 30, 2017 and 2016, 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, 2017.

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 noncancellable terms in excess of one year that expire through 2072.

At June 30, 2017, future minimum rental payments, by year and in the aggregate, under the leases are as follows:

2018	$ 526,713
2019	203,800
2020	100,000
2021	100,000
2022	100,000
Thereafter	5,042,618
	$ 6,073,131

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, 2017 and 2016, Sublease rent was equal to $148,367 and $138,878, respectively.

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.

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, 2017 and 2016, $808,780 and $580,744, 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.

COMBINING SUPPLEMENTAL SCHEDULES

STONY BROOK FOUNDATION, INC. AND AFFILIATE
Combining Schedule of Financial Position
As of June 30, 2017

	Stony Brook Foundation, Inc.	Stony Brook Foundation, Realty, Inc.	Eliminations	Combined
ASSETS				
Cash and cash equivalents	$ 73,464,312	$ 438,290	$ -	$ 73,902,602
Pledges receivable, net	84,239,087	-	-	84,239,087
Loans and other receivables	491,254	-	-	491,254
Prepaid expenses	875,899	-	-	875,899
Inventory	19,126	-	-	19,126
Investments				
Permanently restricted investments	151,537,676	-	-	151,537,676
Other investments	150,461,594	100	-	150,461,694
Total investments	301,999,270	100	-	301,999,370
Other long-term investments	100,000	279,000	-	379,000
Notes receivable	3,368,434	-	(368,434)	3,000,000
Land, buildings, equipment and collections, net	11,984,651	5,456,887	-	17,441,538
Total assets	$ 476,542,033	$ 6,174,277	$ (368,434)	$ 482,347,876
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses	$ 8,493,284	$ 689,498	$ (368,434)	$ 8,814,348
Deferred revenue	35,154	245,558	-	280,712
Annuities payable	604,647	-	-	604,647
Funds held in trust for others	34,356,424	-	-	34,356,424
Long-term debt	829,005	-	-	829,005
Total liabilities	44,318,514	935,056	(368,434)	44,885,136
UNRESTRICTED NET ASSETS				
Undesignated	20,088,103	(270,086)	-	19,818,017
Designated	12,553,319	-	-	12,553,319
Total unrestricted net assets	32,641,422	(270,086)	-	32,371,336
TEMPORARILY RESTRICTED NET ASSETS	227,124,293	5,509,307	-	232,633,600
PERMANENTLY RESTRICTED NET ASSETS	172,457,804	-	-	172,457,804
Total net assets	432,223,519	5,239,221	-	437,462,740
Total liabilities and net assets	$ 476,542,033	$ 6,174,277	$ (368,434)	$ 482,347,876

STONY BROOK FOUNDATION, INC. AND AFFILIATE
Combining Statement of Activities
For the year ended June 30, 2017

	Stony Brook Foundation, Inc.	Stony Brook Foundation, Realty, Inc.	Eliminations	Combined
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and grants	$ 60,364,392	$ -	$ -	$ 60,364,392
Gifts-in-kind and contributed services	1,945,272	-	-	1,945,272
Contracts and other support	5,132,973	-	-	5,132,973
Interest and dividend income	1,402,739	-	-	1,402,739
Net realized gains on investments	3,098,737	-	-	3,098,737
Net unrealized appreciation on investments	23,526,911	-	-	23,526,911
Net loss on disposal of capital assets	-	-	-	-
Net loss on sale of inventory	(2,400)	-	-	(2,400)
Rental income	479,167	148,367	-	627,534
Other income	23,339	-	-	23,339
Total revenues, gains, and other support	95,971,130	148,367	-	96,119,497
EXPENSES				
Campus program expenses:				
Instruction	17,031,744	-	-	17,031,744
Research	3,549,728	-	-	3,549,728
Public service	3,148,724	-	-	3,148,724
Academic support	873,257	-	-	873,257
Student services	486,635	-	-	486,635
Institutional support	25,359,487	104,524	-	25,464,011
Scholarships and fellowships	6,914,757	-	-	6,914,757
Total campus program expenses	57,364,332	104,524	-	57,468,856
General and administrative	3,560,240	7,220	-	3,567,460
Fundraising	3,109,527	-	-	3,109,527
Depreciation	285,710	-	-	285,710
Total expenses	64,319,809	111,744	-	64,431,553
Change in net assets	31,651,321	36,623	-	31,687,944
Net assets, beginning of year	400,572,197	5,202,599	-	405,774,796
Net assets, end of year	$ 432,223,518	$ 5,239,222	$ -	$ 437,462,740