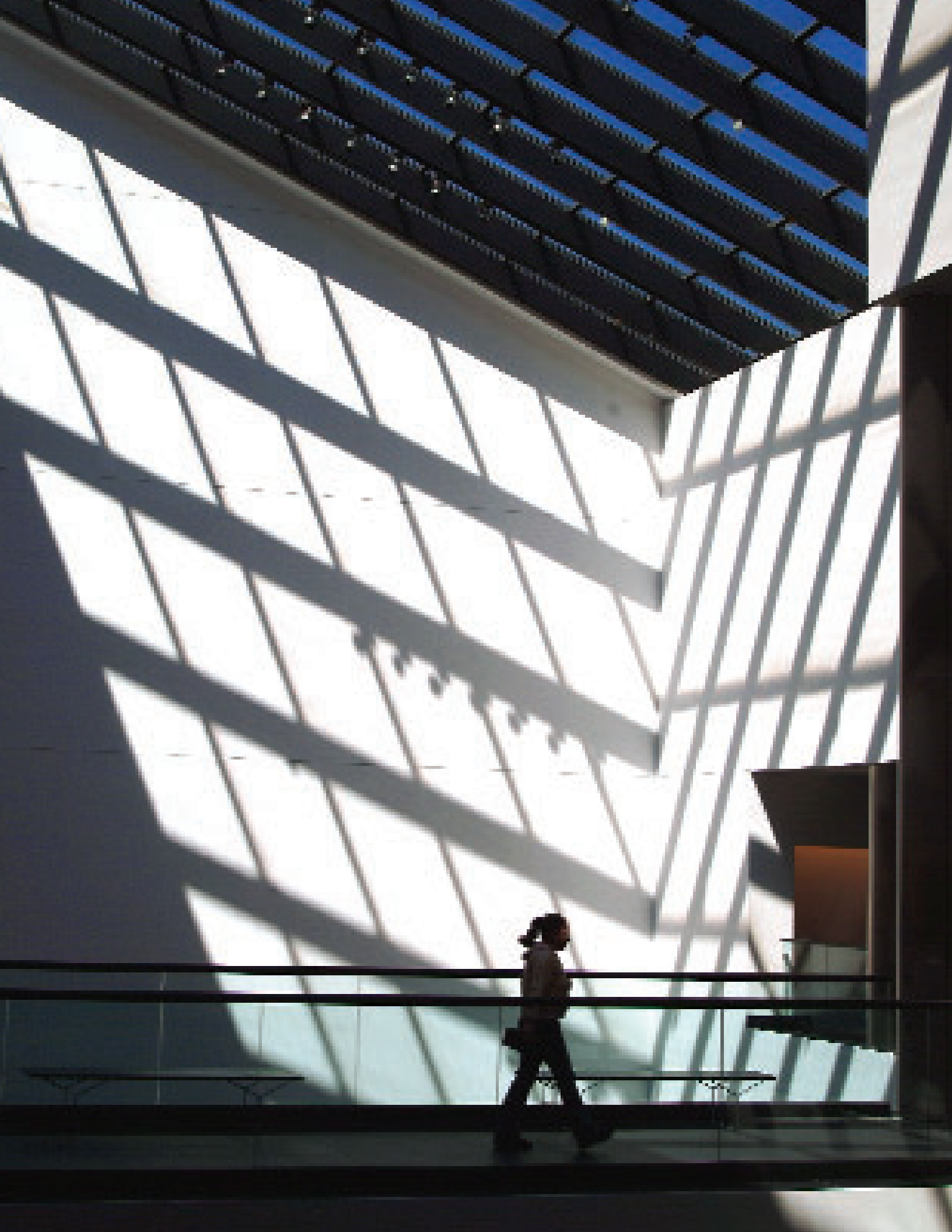


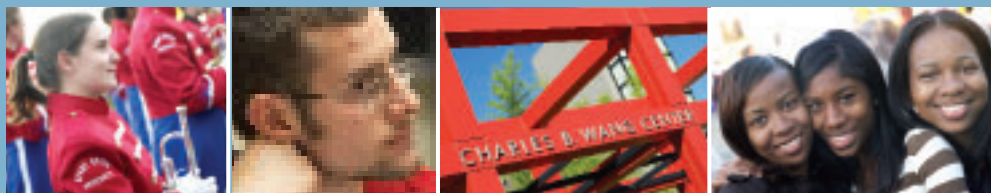
ANNUAL FINANCIAL REPORT

2006-2007

STONY BROOK UNIVERSITY







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## Stony Brook University is Red Hot!

**W**HEN NELSON ROCKEFELLER WAS GOVERNOR OF NEW YORK STATE he envisioned a State university on Long Island to “stand with the finest in the country.” Many were skeptical that the fledgling college with 148 students and 14 faculty members could achieve that lofty goal, but 50 years later, Stony Brook has exceeded even the most ambitious expectations. Today Stony Brook is one of the world’s premier universities.

Our research success has landed us in the top 2 percent of universities worldwide, according to the London *Times Higher Education Supplement* and the Shanghai Higher Education Institute. We have been recognized as one of the 100 best national universities and the 50 best public universities in *U.S. News & World Report*. Stony Brook is one of only 62 members of the elite Association of American Universities, along with Harvard, MIT, and Princeton. The *Wall Street Journal* ranked us eighth in the nation among public institutions for placing students in elite graduate schools in medicine, law, and business.

As of June 30, 2007, the University's comprehensive capital campaign, “The Emergence of Stony Brook” reported \$212,997,746 in gifts and pledges. We are most grateful for the generosity of thousands of alumni and friends who are making this first-ever campaign a tremendous success. The seven-year campaign, which has a goal of \$300 million, will continue through June 30, 2009.

## World-Class by Any Measure

With more than 100 innovative programs for undergraduates, Long Island’s only academic medical center, locations in Manhattan and Southampton, and a thriving research/business environment, the University excels on all fronts. But our first priority is to educate and enrich the lives of our more than 23,000 students. Stony Brook’s main campus comprises 1,100 wooded acres including a pond, bike trails, and an inviting Academic Mall. The University is 60 miles east of New York City on Long Island’s North Shore, a seashell’s throw from Long Island Sound, and less than an hour from the world-renowned Hamptons beaches.

On Long Island’s East End, Stony Brook Southampton is one of the few colleges in America devoted to environmental sustainability; the campus is the home of the famed Southampton Writers Conference with faculty like Frank McCourt, Billy Collins, Roger Rosenblatt, and Alan Alda. In New York City, Stony Brook Manhattan brings some of Stony Brook’s programs to a wider audience.

Stony Brook prides itself on having created a learning environment that brings out the best in our high-achieving students. In addition to working with professors who are experts in their chosen fields, students have access to cutting-edge computing facilities and a 2-million-volume library.

Our learning doesn’t stop at the classroom door, there is a state-of-the-art 8,300-seat stadium from which you can watch our NCAA Division I sports teams, and the Staller Center for the Arts, featuring Broadway-caliber shows and concerts, first-run movies on the area’s largest film screen, and an annual independent film festival.



**TOP 100 national universities in America**

**TOP 50 public national universities in the country**

**TOP 50 primary care programs, School of Medicine**  
*U.S. News & World Report*



**TOP 100-150 universities in the world**

*Institute of Higher Education in Shanghai*



**SAT SCORES UP 80 POINTS since 1996**



**THREE NOBEL LAUREATES on Stony Brook faculty**





## Inventing Tomorrow

Stony Brook is poised at the threshold of the 21st century's most important research initiatives. We have recently broken ground on the new Advanced Energy Research and Technology Center, which will be at the forefront of developing new and efficient sources of alternative energy. It will be the centerpiece of our Research and Development Park, along with the Center for Excellence in Wireless and Information Technology, and the New York State Center for Advanced Technology in Sensor Systems and Diagnostic Tools.

A Stony Brook University-led team of international scientists was selected to *Time* magazine's list of "Top 10 Scientific Discoveries of 2007" for accurately dating a human skull found in South Africa in 1952.

Through our Cody Center, Stony Brook is leading the way to finding new and innovative treatments for autism and other developmental diseases. Other notable Stony Brook discoveries include the cause of Lyme disease, the link between birds and dinosaurs, and the technology that led to the development of the MRI.

## Where Undergraduates Thrive

Stony Brook is committed to becoming a national leader for excellence in undergraduate education at research universities. Stony Brook University President Shirley Strum Kenny was chair of the Boyer Commission report "Reinventing Undergraduate Education: A Blueprint for America's Research Universities," which generated intense national and international interest in its groundbreaking findings and recommendations. The University has sustained the focus on undergraduate education inspired by the report and has been an active and informed voice for promoting change.

One of the ways Stony Brook is transforming the undergraduate student experience is through the Undergraduate College system. Every first-year student enters Stony Brook as a member of one of six Undergraduate Colleges, designed to support and develop the unique interests of students and assist them in taking advantage of the vast resources Stony Brook has to offer. The Colleges are small but vital communities, offering individualized support while tailoring the first-year experience for students with similar interests.

Stony Brook's undergraduate students have a choice of more than 114 majors and minors and a number of State Education Department-approved combined bachelor's/master's degree programs, including a combined-degree MBA program. Our award-winning Undergraduate Research and Creative Activities (URECA) program involves students from every discipline and culminates each year in a celebration of their achievements. Undergraduates work side by side with graduate students, postdocs, and professors.

The Undergraduate School of Journalism has unveiled its "Newsroom of the Future," where students can gather and disseminate news simultaneously on video, online, and in print. We have also announced a groundbreaking University-wide News Literacy course, funded with a grant from the Knight Foundation.



The cause of Lyme disease was discovered at Stony Brook.



Researchers proved the link between smoking and emphysema.



Stony Brook was one of only ten recipients nationwide of a National Science Foundation award.



Stony Brook University's new School of Journalism is the first journalism school at a public university in New York State.





## Partnering with Business for a Stronger Long Island

As the only research university on Long Island, Stony Brook has a special responsibility to connect with the business, cultural, and governmental needs of our population through research, incubation, collaborative ventures, and meeting educational needs.

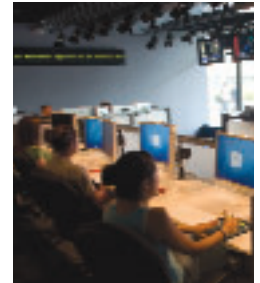
With a staff of approximately 14,000 employees, the University is the largest single-site employer on Long Island. It generates more than \$2.5 billion annually in regional economic impact and is a driving force in high-tech development for Long Island and New York State. Stony Brook has obtained more than \$600 million in financing assistance and funding for our partners. We have worked with more than 16,000 business clients and created or saved more than 17,000 jobs.

Stony Brook annually ranks in the top 20 universities nationwide in revenue derived from the licensing of technology developed on campus. In 2007, the figure was \$10.2 million.

The Calverton Business Incubator promotes industries that impact the economy of the East End of Long Island, nurturing the development of new agriculture, aquaculture, and environmental technologies. Long Island High Technology Incubator “graduates” earned more than \$100 million in corporate revenues in the past year. In addition, our Strategic Partnership for Industrial Resurgence (SPIR), offering advanced technology assistance, has worked with 220 companies on more than 1,800 projects, creating or saving more than 10,000 jobs.

## Poised for the Future

Stony Brook will mark its 50th anniversary with a year full of symposia, conferences, and celebrations. Whether it's making new scientific discoveries and medical treatments; training the next generation of newsmakers, news gatherers, and news consumers; or giving our students the extraordinary opportunity to help shape our response to the global challenges we face, we are confident that our next 50 years will be even more extraordinary than our first.



The University is estimated to have a regional economic impact of \$2.5 billion.



Stony Brook is the largest single-site employer on Long Island.



The University's New York State-designated Center of Excellence in Wireless and Information Technology will be a home for leading-edge research.



Also fueling new growth is the Long Island High Technology Incubator, where entrepreneurs have earned more than \$100 million in gross revenues.



## LETTER TO THE PRESIDENT

February 1, 2008

President Shirley Strum Kenny  
State University of New York at Stony Brook  
Administration Building, Room 310  
Stony Brook, NY 11794-1701

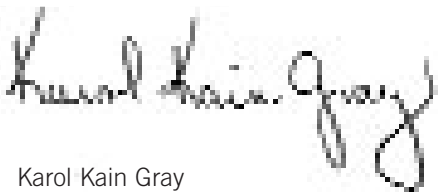
Dear Dr. Kenny:

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, 2007 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 has adopted a financial statement format consistent with SUNY's audited financial statements in order 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 at June 30, 2006 has been restated for the presentation of comparative financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Karol Kain Gray". The signature is written in a cursive style with a large, looping "G" at the end.

Karol Kain Gray  
Vice President for Finance and Administration

## FINANCIAL HIGHLIGHTS

### Stony Brook University at a Glance

Stony Brook University, one of sixty-four 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. In the nearly fifty years since its founding, the University has grown tremendously, and is now recognized as one of the nation's important centers of learning and scholarship.

Stony Brook University receives high rankings both nationally and internationally as cited by the following publications and institutions: the London *Times Higher Education Supplement*, Shanghai Higher Education Institute, *U.S. News & World Report* and the *Wall Street Journal*. With our growth in education, research, medicine, technology, and in the community, it's easy to see why the *New York Times* calls Stony Brook one of the nation's most dramatic rising stars.

The University offers more than 114 majors and minors, 80 master degree programs, 49 doctoral programs, and 40 graduate certificate programs. The University also offers over 20 combined bachelor and master degree programs.

<b>Fiscal 2007 Revenues</b>	<b>\$1.65 Billion</b>	<b>Research Awards</b>	<b>\$211.0 Million</b>
<b>Fiscal 2007 Expenditures</b>	<b>\$1.61 Billion</b>	<b>Foundation Revenue</b>	<b>\$ 34.1 Million</b>

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

Tuition and Fees	\$ 99.5
State Appropriations	457.3
Federal Grants and Contracts	147.4
State Grants and Contracts	37.8
Local and Private Grants	40.6
Auxiliary Services	78.1
Hospital	723.4
Capital and Investments	50.1
Other	14.2

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

Federal	\$127.7
State and Local	43.2
Philanthropic	17.1
Invention and Licenses	13.2
Other	9.8

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

Gifts and gifts in kind	\$ 17.6
Non-gifts	16.5
Net assets-endowment	61.7
Total net assets	126.4
Endowment rate of return	14.3%

### Economic Impact

Stony Brook University generates more than \$2.5 billion annually in regional economic impact. As Long Island's largest single-site employer, the University has more than 14,000 full and part-time employees. Indirect employment on Long Island brings the total to more than 30,000 as a result of collaborative ventures in research, industry and technology.

#### Employment

Total Employees (Full and part time)	14,314
Academic	3,704
Non-Academic	4,854
Hospital	5,756
Average Monthly Payroll	\$58.2 million

#### Student Tuition & Fees *(Full Time 2007-2008)*

Undergraduate NYS	\$ 6,732
Undergraduate Nonresident	12,992
Graduate NYS	8,729
Graduate Nonresident	12,749
Medical NYS	22,489
Medical Nonresident	37,189

#### Student Enrollment *(Fall 2007)*

Total Student Enrollment	23,351
<i>Undergraduate</i>	
Total Undergraduate Students	15,523
West Campus	14,575
HSC Campus	948
Average High School GPA	91%
Average SAT Score	1,230
<i>Graduate and Advanced Degrees</i>	
Total Graduate Students	7,828
West Campus	5,680
HSC Campus	2,148

#### Undergraduate Major Fields of Study

Social Sciences	3,890
Engineering and Applied Sciences	2,204
Biological Science	2,323
Humanities and Fine Arts	1,294
Physical Science and Math	787
Health Technology and Management	1,335
Nursing	305
Marine/Oceanic Science	197
Social Welfare	86
Interdisciplinary Programs	139
Special/Undeclared	3,003

### Other Facts

- ▶ Stony Brook is one of 16 Leadership Institutions named by the Association of American Colleges and Universities.
- ▶ Our Graduate School was awarded the CGS/Peterson's Award for Innovation in promoting an inclusive graduate community.
- ▶ The Emerson String Quartet, one of the world's foremost chamber ensembles, is part of our music faculty and is Quartet-in-Residence.
- ▶ Our Marine Science Research Center was given top ranking in coastal oceanography, ranked eighth overall by the National Research Council for Ph.D. programs in oceanography.
- ▶ Twenty-four Stony Brook doctors were named best doctors in New York State in the June 2007 issue of *New York Magazine*.
- ▶ The Stony Brook University Cancer Center is Long Island's only comprehensive cancer program backed by University-based research.

## FINANCIAL HIGHLIGHTS

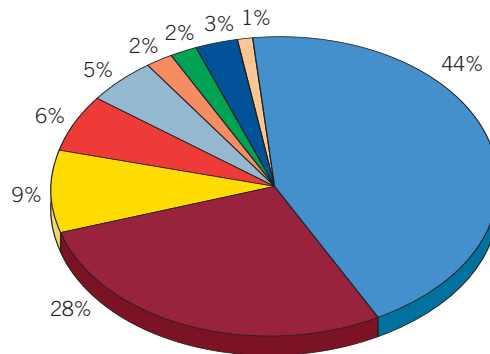
### Revenue Results

Total revenues reported for 2007 were \$1.65 billion, which exceeded 2006 revenues by \$199 million, or 14%. This increase in revenue was significantly attributable to the following:

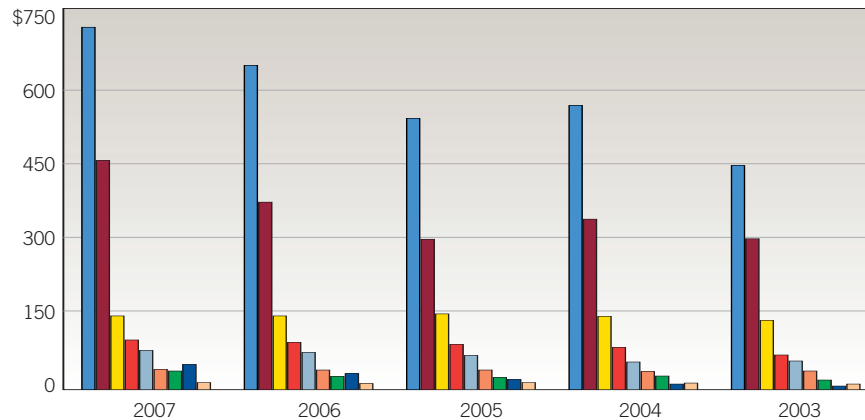
- State appropriations increased by \$82 million, a 22% increment from 2006 appropriations.
- Hospital revenues increased by \$76 million or 12%.
- Capital gifts and investment incomes increased \$8 million and \$9 million respectively, from 2006 earnings.
- State grants and contracts revenues grew by \$12 million, a 42% increase from 2006 revenues.
- Tuition and fees, auxiliary enterprises and other revenue sources cumulatively increased by \$12 million or 9%.

The accompanying graphs depict results as a percentage of current year revenues and over a five-year trend.

### 2007 Revenues



### Revenues in Actual Dollars (in millions)



	2007	2006	2005	2004	2003
Hospital and Clinics	\$723,389,839	\$647,003,475	\$541,858,006	\$567,504,111	\$447,333,842
State Appropriations	457,298,911	374,890,340	300,104,220	340,927,649	301,745,481
Federal Grants and Contracts	147,381,212	147,916,323	151,119,570	146,245,959	138,401,048
Tuition & Fees	99,504,252	94,233,123	90,315,664	84,715,477	69,444,276
Total Auxiliary Enterprises	78,131,947	74,237,545	68,166,506	55,361,711	57,135,602
Local & Private Grants & Contracts	40,583,985	39,184,281	39,109,606	36,036,366	37,257,769
State Grants and Contracts	37,764,237	26,204,889	24,462,809	27,098,073	19,668,727
Capital Gifts, Investments & Other	50,052,797	32,708,979	20,035,981	11,263,428	7,130,410
Other Revenue	14,201,700	12,573,855	14,941,720	13,092,357	11,124,394

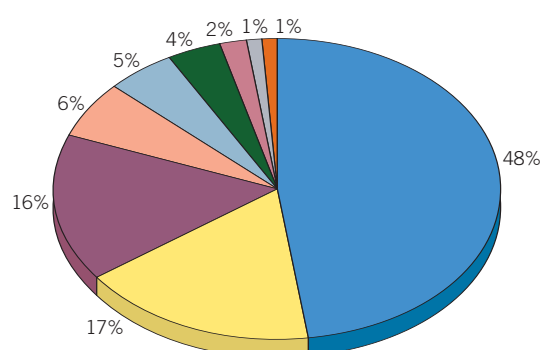
## Expenditure Results

Expenditures reported for 2007 were \$1.61 billion, which was a \$223 million increase or 16% from 2006 as a result of:

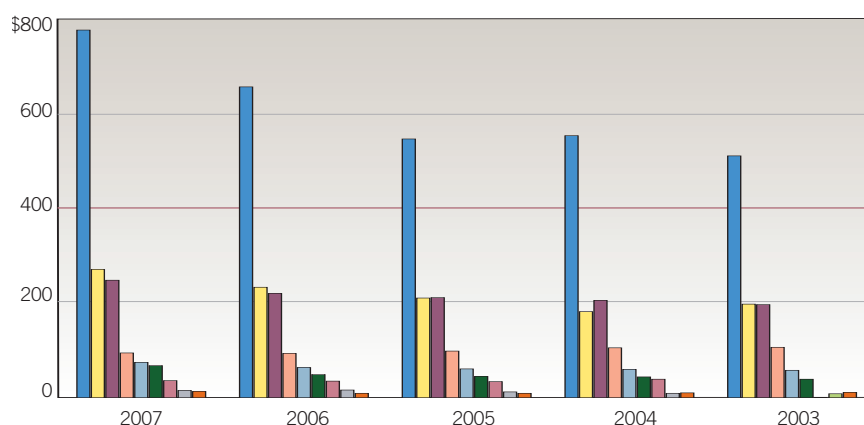
- ▶ Hospital and clinic expenditures increased by \$121 million, an 18% increase from 2006.
- ▶ Instruction and education expenditures were \$39 million in excess of 2006.
- ▶ Support services, which include academic support, student services, administrative and institutional expenses were \$29 million greater than 2006 expenditures.
- ▶ Depreciation expenses associated with capital assets increased by \$19 million.
- ▶ Auxiliary services exceeded 2006 expenditures by \$11 million.
- ▶ Total scholarship and fellowship expenditures increased by \$4 million.

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

## 2007 Expenditures



## Expenditures in Actual Dollars *(in millions)*



	2007	2006	2005	2004	2003
Hospital and Clinics	\$783,512,836	\$662,805,565	\$551,215,257	\$558,457,588	\$515,910,904
Instruction and Education	273,373,202	235,015,404	212,783,260	183,797,772	199,191,226
Support Services	250,962,785	222,039,822	213,527,658	207,331,251	198,061,108
Research	95,229,591	94,600,885	99,162,580	106,254,151	107,381,212
Total Auxiliary Enterprises	75,367,971	64,748,807	61,491,011	60,643,403	58,707,868
Depreciation Expense	68,846,789	49,977,555	45,208,570	44,261,267	39,505,752
Non-Operating	36,975,835	35,325,593	34,699,877	39,957,367	335,111
Public Service	15,942,266	16,385,209	12,449,803	9,810,949	8,649,770
Scholarships and Fellowships	13,015,421	9,729,445	9,870,403	10,980,262	11,254,743



# ANNUAL FINANCIAL REPORT

## STONY BROOK UNIVERSITY BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2007	2006
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$230,753,025	\$175,292,757
Short-term investments	60,443,071	54,939,393
Accounts, notes, and loans receivable, net	198,623,114	189,290,929
Interest receivable	1,008,893	758,094
Appropriations receivable	49,733,498	43,315,753
Grants receivable	19,015,121	18,960,894
Inventories	4,847,936	4,774,607
Other assets	2,786,652	1,945,089
<b>Total current assets</b>	<b>567,211,310</b>	<b>489,277,516</b>
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents	18,908,365	15,103,979
Deposits with trustees	37,079,531	13,271,299
Accounts, notes, and loans receivable, net	5,650,189	5,421,179
Appropriations receivable	44,377,779	29,357,589
Deferred financing costs	8,313,086	9,512,305
Long-term investments	81,041,151	66,466,439
Capital assets, net	918,637,455	786,863,596
<b>Total noncurrent assets</b>	<b>1,114,007,556</b>	<b>925,996,386</b>
<b>TOTAL ASSETS</b>	<b>1,681,218,866</b>	<b>1,415,273,902</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	148,591,291	142,751,745
Interest payable	16,271,222	17,719,988
Student deposits	2,254,590	2,166,193
Deposits held in custody for others	1,910,625	1,462,377
Deferred revenue	28,356,447	29,062,581
Long-term liabilities-current portion	101,426,905	94,053,529
Other liabilities	6,644,976	6,055,093
<b>Total current liabilities</b>	<b>305,456,056</b>	<b>293,271,506</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term liabilities	938,727,148	720,379,252
Refundable government loan funds	7,278,147	7,181,869
Other liabilities	1,206,499	972,442
<b>Total noncurrent liabilities</b>	<b>947,211,794</b>	<b>728,533,563</b>
<b>TOTAL LIABILITIES</b>	<b>1,252,667,850</b>	<b>1,021,805,069</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	302,351,006	222,956,743
Loans - restricted and expendable	808,683	797,985
Unrestricted	125,391,327	169,714,105
<b>TOTAL NET ASSETS</b>	<b>428,551,016</b>	<b>393,468,833</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$1,681,218,866</b>	<b>\$1,415,273,902</b>

## ANNUAL FINANCIAL REPORT

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

	FOR THE YEARS ENDING JUNE 30	
	2007	2006
<b>OPERATING REVENUES</b>		
Tuition and fees	\$136,878,766	\$128,829,426
Less: scholarship allowances	(37,374,514)	(34,596,303)
<b>Net tuition and fees</b>	<b>99,504,252</b>	<b>94,233,123</b>
Federal grants and contracts	147,381,212	147,916,323
State grants and contracts	37,764,237	26,204,889
Local grants and contracts	379,811	317,335
Private grants and contracts	40,204,174	38,866,946
University hospitals and clinics	723,389,839	647,003,475
Sales and services of auxiliary enterprises:		
Residence halls, net	41,703,256	41,319,546
Food service, net	16,564,402	15,436,525
Other auxiliary, net	19,864,288	17,481,474
Other operating	14,201,700	12,573,855
<b>Total operating revenues</b>	<b>1,140,957,171</b>	<b>1,041,353,491</b>
<b>OPERATING EXPENSES</b>		
Instruction	273,373,202	230,116,115
Research	95,229,591	94,310,680
Public service	15,942,266	16,287,443
Academic support	42,057,665	39,084,257
Student services	25,652,446	21,895,739
Institutional support	95,864,569	84,372,708
Operation and maintenance of plant	82,705,232	71,070,841
Scholarships and fellowships	13,015,421	9,729,445
Hospitals and clinics	783,512,836	658,602,138
Residence halls	34,276,547	27,311,400
Food service	18,585,956	17,864,689
Other auxiliary	22,505,468	19,411,872
Depreciation and amortization	68,846,789	49,977,555
Other operating	4,682,873	4,207,020
<b>Total operating expenditures</b>	<b>1,576,250,861</b>	<b>1,344,241,902</b>
<b>Operating loss</b>	<b>(435,293,690)</b>	<b>(302,888,411)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	457,298,911	374,890,340
Investment income, net of investment fees	12,677,545	7,953,033
Net realized and unrealized gains	5,836,426	1,031,333
Gifts	3,255,510	3,829,834
Interest expense on capital related debt	(36,517,299)	(32,506,581)
Loss on disposal of plant assets	(458,536)	(2,819,012)
<b>Net nonoperating revenues</b>	<b>442,092,557</b>	<b>352,378,947</b>
<b>Income (loss) before other revenues and gains</b>	<b>6,798,867</b>	<b>49,490,536</b>
Capital appropriations	789,539	1,779,793
Capital gifts and grants	27,493,777	18,114,986
<b>Increase in net assets</b>	<b>35,082,183</b>	<b>69,385,315</b>
<b>Net assets at the beginning of year</b>	<b>393,468,833</b>	<b>324,083,518</b>
<b>NET ASSETS AT THE END OF YEAR</b>	<b>\$428,551,016</b>	<b>\$393,468,833</b>

# ANNUAL FINANCIAL REPORT

## STONY BROOK FOUNDATION BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2007	2006
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$2,757,293	\$4,659,749
Accounts and notes receivable, net	1,637,709	347,215
Pledges receivable, net	23,058,137	24,500,289
Investments	118,677,111	103,059,530
Other assets	157,703	157,714
Capital assets, net	7,444,522	7,438,936
<b>TOTAL ASSETS</b>	<b>153,732,475</b>	<b>140,163,433</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	3,436,548	3,766,093
Current portion of long-term debt	125,000	120,000
Deposits held for others	20,915,067	22,747,188
Long-term debt	349,382	405,594
Other liabilities	2,555,000	2,680,000
<b>TOTAL LIABILITIES</b>	<b>27,380,997</b>	<b>29,718,875</b>
<b>NET ASSETS</b>		
<b>UNRESTRICTED</b>		
Board designated for:		
Fixed assets	4,869,447	4,638,936
Campus programs	15,126,633	14,863,454
Undesignated	3,169,637	(382,516)
<b>TEMPORARILY RESTRICTED</b>		
Scholarships and fellowships	16,875,765	16,039,830
Campus programs	20,634,041	36,123,941
Research	9,106,178	8,958,424
General operations and other	7,260,246	5,118,484
<b>PERMANENTLY RESTRICTED</b>		
Scholarships and fellowships	12,385,860	11,021,136
Campus programs	35,273,765	12,807,375
Research	1,257,010	1,255,494
General operations and other	392,896	
<b>TOTAL NET ASSETS</b>	<b>126,351,478</b>	<b>110,444,558</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$153,732,475</b>	<b>\$140,163,433</b>

## ANNUAL FINANCIAL REPORT

### STONY BROOK FOUNDATION STATEMENT OF ACTIVITIES

	FOR THE YEARS ENDING JUNE 30			2007	2006
	TEMPORARILY UNRESTRICTED	PERMANENTLY RESTRICTED	RESTRICTED	TOTAL	TOTAL
<b>REVENUES</b>					
Contributions, gifts, and grants	\$2,830,428	\$14,103,225	\$3,975,837	\$20,909,490	\$55,602,329
Investment income, net	(1,650,736)	2,393,912		743,176	826,330
Net realized and unrealized gains	7,936,877	4,136,459		12,073,336	9,032,667
Rental income		398,595		398,595	317,595
Other sources	22,603	(9,380)		13,223	14,960
Net assets released from restrictions	13,137,571	(13,137,571)			
<b>Total revenues</b>	<b>22,276,743</b>	<b>7,885,240</b>	<b>3,975,837</b>	<b>34,137,820</b>	<b>65,793,881</b>
<b>EXPENSES</b>					
Program expenses	10,009,579			10,009,579	22,857,564
Payments to State University:					
Scholarships and fellowships	2,870,369			2,870,369	4,427,537
Other	958,740			958,740	
Depreciation and amortization expense	1,145,792			1,145,792	1,144,194
Interest expense on capital-related debt	174,587			174,587	181,296
Management and general	1,613,463			1,613,463	1,360,501
Fundraising	1,458,370			1,458,370	1,483,492
<b>Total expenditures</b>	<b>18,230,900</b>			<b>18,230,900</b>	<b>31,454,584</b>
<b>Increase in net assets</b>	<b>4,045,843</b>	<b>7,885,240</b>	<b>3,975,837</b>	<b>15,906,920</b>	<b>34,339,297</b>
Net assets at the beginning of year	19,119,874	66,240,679	25,084,005	110,444,558	76,105,261
Net asset reclass		(20,249,689)	20,249,689		
<b>Net assets at the beginning of the year</b>	<b>19,119,874</b>	<b>45,990,990</b>	<b>45,333,694</b>	<b>110,444,558</b>	<b>76,105,261</b>
<b>NET ASSETS AT THE END OF YEAR</b>	<b>\$23,165,717</b>	<b>\$53,876,230</b>	<b>\$49,309,531</b>	<b>\$126,351,478</b>	<b>\$110,444,558</b>

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

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

#### Financial Presentation

Effective June 30, 2007, Stony Brook University (the University) has adopted a financial statement format consistent with the State University of New York's (SUNY) audited financial statements. The University has assumed this position in order to conform to GASB and FASB pronouncements. The University relied on information provided by SUNY for the allocation of various net asset values not easily identified by the University. The financial information at June 30, 2006, has been restated for the presentation of comparative financial statements.

#### Reporting Entity

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

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

Inclusion in the reporting entity is also required for legally-separate, tax-exempt, affiliated organizations that (a) receive or hold economic resources that are significant to, and entirely or almost entirely for the direct benefit of, the primary government, its component units, or its constituents and (b) the primary government, or its component units, is entitled to, or can otherwise access, a majority of the economic resources received or held by the separate organization. As a result, the Stony Brook Foundation Inc. (Foundation) is included in the University's reporting entity. The Foundation is presented as an aggregate component unit on financial statement pages 18 and 19 in the University's financial statements in accordance with display requirements prescribed by the Financial Accounting Standards Board (FASB). The financial activity was derived from audited financial statements of the Foundation for the year ended June 30, 2007 and 2006.

The Research Foundation of State University of New York at Stony Brook (Research Foundation) is a separate not-for-profit educational corporation that operates as the fiscal administrator for the majority of the University's sponsored programs. The programs include research, training, and public service activities of the State-operated campuses supported by sponsored funds other than State appropriations. The activity of the Research Foundation has been included in these financial statements using GASB measurements and recognition standards. The financial activity was derived from audited financial statements of the Research Foundation for the year ended June 30, 2007 and 2006.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

The Faculty Student Association (FSA) is a campus-based, not-for-profit corporation, which as an independent contractor, operates, manages, and promotes educationally related services for the benefit of the campus community. Although a separate and independent legal entity, the FSA carries out operations which are integrally related to the University and, therefore, is included in the financial statements of the University. The financial data for the FSA was derived from individually audited financial statements for the year ended June 30, 2007 and 2006.

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, 2007 and 2006. To report construction fund activities related to the University, certain methodologies are used by SUNY to allocate plant fund balances by campus.

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

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

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

During 2007, the University adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of other post employment benefits (OPEB) expenses, the related assets or liabilities and note disclosures in the financial statements. The objective of this statement is to improve the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB expenses over a period that approximates the employees' years of service and provides information about actuarial accrued assets or liabilities associated with OPEB, and whether, and to what extent, funding progress is being made.

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

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

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

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

*Invested in capital assets, net of related debt:*

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

*Restricted – nonexpendable:*

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

*Restricted – expendable:*

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

*Unrestricted, all other categories of net assets:*

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

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

## Revenues

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



# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

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	\$7,462
Food service	\$3,749
Other auxiliary	\$3,739

### Deferred Financing Costs

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

### Compensated Absences

Employees accrue annual leave based primarily on the number of years employed up to a maximum rate of 21 days per year up to a maximum of 40 days. The compensated absences liability at June 30, 2007 was \$45 million.

### Inventories

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

### Fringe Benefits

Employee fringe benefit costs (e.g., health insurance, worker's compensation, retirement and post-retirement benefits) are paid by the State on behalf of the University (except for the University hospitals, which pay their own fringe benefit costs) at a fringe benefit rate determined by the State. The University records an expense and corresponding State appropriation revenue for fringe benefit costs based on the fringe benefit rate applied to total eligible personal service costs incurred.

### Tax Status

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

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

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### 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.

### *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.

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 depositary insurance and are: (a) uncollateralized were \$5 million and (b) collateralized with securities held by a pledging financial institution were \$9 million at June 30, 2007.

### *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 assets if the terms of the gift require that such earnings be added to the principal of a permanent endowment fund, or as increases in restricted-expendable net assets as provided for under the terms of the gift, or as unrestricted.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

Investments are comprised of investments of the Research Foundation and the auxiliary services corporations. The Research Foundation maintains a diverse investment portfolio and with respect to debt instruments, has a policy of investing in primarily high quality securities. Investments are held with the investment custodian in the Research Foundation's name. Investments at fiscal year end are \$132 million, of which \$23.3 million is designated for the post-retirement benefit plan.

Investments of the auxiliary services corporations were derived from the audited financial statements. The composition of investments at fiscal year end consists of non-equity investments of \$7.3 million and equity investments of \$2.2 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, 2007, accounts, notes, and loans receivable were summarized as follows (in thousands):

Tuition and fees	\$2,449
Allowance for uncollectible	(583)
<b>Net tuition and fees</b>	<b>1,866</b>
Room rent	642
Allowance for uncollectible	(224)
<b>Net room rent</b>	<b>418</b>
Patient fees, net of contractual allowances	296,466
Allowance for uncollectible	(113,411)
<b>Net patient fees</b>	<b>183,055</b>
Other, net	11,688
<b>Total accounts receivable and notes receivable</b>	<b>197,027</b>
Student loans	8,552
Allowance for uncollectible	(1,306)
<b>Total student loans receivable</b>	<b>7,246</b>
<b>TOTAL, NET</b>	<b>\$204,273</b>

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### 6. Capital Assets

Capital assets are stated at cost, or in the case of gifts, fair value at the date of receipt. Building renovations and additions costing over \$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 3 to 50 years.

Capital assets, net of accumulated depreciation, totaled \$919 million. 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 2006	ADDITIONS	RETIREMENTS	JUNE 30 2007
Land	\$30,621	\$4,332	\$17	\$34,936
Infrastructure and land improvements	56,759	6,216	88	62,887
Buildings	957,226	83,367	2,415	1,038,178
Equipment, library books and artwork	346,519	87,301	8,271	425,549
Construction in progress	136,337	107,822	87,855	156,304
<b>Total Capital Assets</b>	<b>1,527,462</b>	<b>289,038</b>	<b>98,646</b>	<b>1,717,854</b>
Less: accumulated depreciation:				
Infrastructure and land improvements	48,622	1,494	105	50,011
Buildings	464,496	24,406	1,857	487,045
Equipment, library books and artwork	227,480	41,611	6,931	262,160
<b>Total accumulated depreciation</b>	<b>740,598</b>	<b>67,511</b>	<b>8,893</b>	<b>799,216</b>
<b>CAPITAL ASSETS, NET</b>	<b>\$786,864</b>	<b>\$221,527</b>	<b>\$89,753</b>	<b>\$918,638</b>

### 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, 2007, other than facilities obligations, which are included as of March 31, 2007, total obligations are summarized in the following table (in thousands).

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	CURRENT PORTION
Long-term debt:					
Educational Facilities	\$402,588	\$105,265	\$47,635	\$460,218	\$17,658
Residence Hall Facilities	121,695	24,300	6,584	139,411	5,510
Capital Leases	80,308	36,780	24,493	92,595	20,735
<b>Total long-term debt</b>	<b>604,591</b>	<b>166,345</b>	<b>78,712</b>	<b>692,224</b>	<b>43,903</b>
Other long term liabilities:					
Compensated Absences	82,756	211,430	62,720	231,466	38,219
Loan from State	68,676	3,623	12,283	60,016	7,800
Litigation	36,760	39,720	20,680	55,800	11,422
Other long-term liabilities	112	592	56	648	83
<b>Total other long-term liabilities</b>	<b>188,304</b>	<b>255,365</b>	<b>95,739</b>	<b>347,930</b>	<b>57,524</b>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$792,895</b>	<b>\$421,710</b>	<b>\$174,451</b>	<b>\$1,040,154</b>	<b>\$101,427</b>

## Educational Facilities

The University, through DASNY, has entered into financing agreements to finance various educational facilities which have a maximum 30-year life. Athletic facility debt is aggregated with educational facility debt. Debt service is paid by, or from specific appropriations of, the State. During the year, Personal Income Tax Revenue Bonds (PIT) were issued for the purpose of financing capital construction and major rehabilitation for educational facilities in the amount of \$105 million.

## Residence Hall Facilities

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

During the year, the University entered into agreements with DASNY to issue residential hall facility obligations totaling \$24.3 million for the purpose of financing capital construction and major rehabilitation for residential hall facilities.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

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, 2007 was \$60.0 million. During the year, \$12.3 million was paid on these loans. The University incurred an interest cost of \$3.6 million at an average interest rate of 5.3 percent.

## *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.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

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

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

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

### Post-employment and Post-retirement Benefits

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

Employee contribution rates for NYSHIP are established by the State and are generally 10 percent for enrollee coverage and 25 percent for dependent coverage. NYSHIP premiums are being financed on a pay-as-you-go basis. During the fiscal year, the State, on behalf of the University, paid health insurance premiums of \$28.9 million. The University's annual OPEB cost and increase in the OPEB obligation, relating to its state employees, for the year ended June 30, 2007 is as follows (*in thousands*):

Annual required contribution and annual OPEB cost	\$144,542
Less benefits paid during year	28,912
<b>Increase in OPEB Obligation</b>	<b>115,630</b>
Net obligation at beginning of year	0
<b>NET OBLIGATION AT END OF YEAR</b>	<b>\$115,630</b>



# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

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

The actuarial valuation utilizes a frozen entry age actuarial cost method. The actuarial assumptions include a 4.2 percent discount rate, payroll growth rate of 3.5 percent, and an annual healthcare cost trend rate for medical coverage of 10 percent initially, reduced by decrements to a rate of 5 percent after 6 years.

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

The Research Foundation sponsors a separate single employer defined benefit post-retirement plan (Plan) that provides health insurance and medical benefits that covers substantially all non-student Research Foundation employees. The Research Foundation Board of Directors administers the plan and has the authority to establish and amend the benefit provisions offered. Contribution rates for employees hired after 1985 are 10 percent for employee coverage, and 25 percent for dependent coverage. Contributions by the Research Foundation are made pursuant to a funding policy established by its Board of Directors. The Research Foundation post-retirement obligation for the year ended June 30, 2007, was \$64.3 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 \$7.7 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).

<b>YEARS ENDING JUNE 30</b>	
2008	\$5,307
2009	6,282
2010	3,793
2011	1,627
2012	1,106
2013-17	107
2018-22	60
<b>TOTAL</b>	<b>\$18,282</b>

### *10. Contingencies*

The State is contingently liable in connection with claims and other legal actions involving the University, including those currently in litigation arising in the normal course of University activities. The University does not carry malpractice insurance and, instead, administers these types of cases in the same manner as all other claims against the State involving University activities in that any settlements of judgments and claims are paid by the State from an account established for this purpose. With respect to pending and threatened litigation, the University has recorded a liability and a corresponding appropriation receivable of approximately \$55.8 million at June 30, 2007 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, which represents approximately 28 percent of total revenues for the fiscal year. The University is dependent on this appropriation to carry on its operations.

### *12. Federal Grants and Contracts and Third-Party Reimbursement*

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

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

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### *13. Subsequent Events*

In July and August 2007, SUNY entered into agreements on behalf of the University with the DASNY to issue obligations for the construction and rehabilitation of educational facilities and \$52 million for the construction and rehabilitation of residential facilities.

### *14. Foundations*

Discretely presented component unit information is comprised principally of the campus-related Foundation. The Foundation is a not-for-profit organization responsible for the fiscal administration of revenues and support received for the promotion, development and advancement of the welfare of its campus, its students, faculty, staff and alumni. The Foundation receives the majority of its support and revenues through contributions, gifts and grants, and provides benefits to the campus, students, faculty, staff and alumni. The Foundation is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. All of the financial data for the organization was derived from its individual financial statements, reported in accordance with generally accepted accounting principles promulgated by FASB, as of the June 30 fiscal year end.

During the year, the Foundation distributed \$3.8 million to the University principally for scholarships.

Separately issued financial statements of the Foundation and other related entities may be obtained in writing to:

Stony Brook Foundation  
230 Administration Building  
Stony Brook, NY 11794-1188

### *Net Asset Classifications*

Unrestricted net assets represent resources whose uses are not restricted by donor-imposed stipulations and are generally available for the support of the University campus and Foundation programs and activities. Temporarily restricted net assets represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or are removed by specific actions. Permanently restricted net assets represent resources that donors have stipulated must be maintained permanently. The income derived from the permanently restricted net assets is permitted to be spent in part or in whole, restricted only by the donors' wishes. The beginning net asset amounts have been revised from those previously reported to reclassify amounts to conform to donor intentions. The result of the reclassifications was to increase restricted net assets by \$20.3 million and decrease permanently restricted net assets by \$20.3 million.

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### Investments

All investments with readily determinable fair values have been reported in the financial statements at fair value. Realized and unrealized gains and losses are recognized in the statement of activities. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investments of the Foundation were \$119 million as of June 30, 2007. The composition of investments is as follows (in thousands):

Equities – domestic	\$24
Equities – international	16
Equities – private	1
Fixed income	27
Multi-strategy	48
Core property	3
<b>TOTAL INVESTMENTS</b>	<b>\$119</b>

### 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 \$7.4 million as of June 30, 2007. Capital asset classifications are summarized as follows: (in thousands)

Land and land improvements	\$ .2
Buildings	4.0
Equipment	14.6
Artwork and library books	2.1
<b>Total capital assets</b>	<b>20.9</b>
Less accumulated depreciation	13.5
<b>CAPITAL ASSETS, NET</b>	<b>\$7.4</b>

# ANNUAL FINANCIAL REPORT

## NOTES TO FINANCIAL STATEMENTS

### Long-term Debt

In November 1999, the Foundation through an underwriter, issued a 20-year Town of Brookhaven Industrial Development Agency bond for \$3,300,000 for the purpose of developing a day care center. The bond payable bears interest at a rate of 5.75% per annum through November 1, 2008 and 6.50% per annum from November 2, 2008 through November 1, 2020. The bond payable is secured by a first mortgage on the project facility and a corporate guarantee by the Foundation. The financing was interest only for the first 12 months followed by 20 years of a self-amortizing debt service schedule. Principal payments began November 2001 and are to be paid annually. There are no financial covenants attached to the financing.

The Foundation incurred \$174,875 in bond issuance costs, which are being amortized over the life of the bond. Accumulated amortization amounted to \$69,950 and \$61,206 at June 30, 2007 and 2006, respectively. At June 30, 2007, future principal payments on the bond are as follows: (in thousands)

<b>YEARS ENDING JUNE 30</b>	
2008	\$125
2009	130
2010	140
2011	150
2012	160
Thereafter	1,975
<b>TOTAL</b>	<b>\$2,680</b>

STONY BROOK WILL MARK ITS 50TH ANNIVERSARY WITH A YEAR FULL OF SYMPOSIA, CONFERENCES, AND CELEBRATIONS. WHETHER IT'S MAKING NEW SCIENTIFIC DISCOVERIES AND MEDICAL TREATMENTS; TRAINING THE NEXT GENERATION OF NEWSMAKERS, NEWS GATHERERS, AND NEWS CONSUMERS; OR GIVING OUR STUDENTS THE EXTRAORDINARY OPPORTUNITY TO HELP SHAPE OUR RESPONSE TO THE GLOBAL CHALLENGES WE FACE, **WE ARE CONFIDENT THAT OUR NEXT 50 YEARS WILL BE EVEN MORE EXTRAORDINARY THAN OUR FIRST.**

