

**ANNUAL FINANCIAL REPORT
2003-2004**



Table of Contents	1
Letter to the President.....	3
Financial Highlights	4-7
Balance Sheet	8, 9
Statement of Changes in Fund Balances.....	10
Statement of Current Funds, Expenditures, and Other Changes	11
Notes to Financial Statements.....	12-17

SUPPLEMENTARY MATERIAL

General Fund	18-20
Income Fund Reimbursable Fund	21, 22
Research Foundation Fund	23-25
Stony Brook Foundation	26, 27
Faculty Student Association	28, 29
Special Programs Fund	30
Loan Fund.....	31
Plant Fund	32

November 30, 2004

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 the State University of New York at Stony Brook set forth the financial condition of the University at June 30, 2004 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 are provided to allow comparisons with the previous reporting period.

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, the Stony Brook Foundation, and the Faculty Student Association. It does not include the financial operations of the Clinical Practice Management Plan, which is separately reported to you. 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 "Richard L. Mann". The signature is written in a cursive, flowing style.

Richard L. Mann
Vice President for Administration

FACTS ABOUT STONY BROOK UNIVERSITY

Stony Brook University, one of sixty-four campuses that constitute the State University of New York, is among the nation's top-ranked institutions of higher education. The campus has become a powerful magnet for students and faculty seeking a fresh, next-generation approach to education, research, and community service.

Research Awards	\$160 Million	Revenues Fiscal 2004	1.3 Billion
		Expenditures Fiscal 2004	1.2 Billion
Awards by Source		Private Support	
Federal	127.3 million	Total Amount Raised in Fiscal 2004	15.1 million
Corporate and University	10.8 million	Stony Brook Foundation Total Assets	105.3 million
State and Local	10.5 million	(market value June 30, 2004)	
Philanthropic	6.4 million		
Other	5.0 million		

STUDENT STATISTICS - FALL 2004

Total number of students	21,685
Total undergraduate students	13,858
Women	6,797
Men	7,061
Average High School GPA 2004 Freshmen	91
Average SAT score for 2004 Freshmen	1,209
Total Advanced Degree Enrollment:	
Number of Graduate Students	7,827
School of Medicine	445
School of Dental Medicine	154

UNDERGRADUATE FIELDS OF STUDY

Social Sciences	3,227
Science/Mathematics	2,301
Health Professions	1,342
Engineering/Computer Science	1,322
Business	777
Humanities	742
Arts	308
Special/Undeclared	3,300

STUDENT TUITION RATES

Undergraduate Students	\$ 5,306
Nonresident Students	\$11,256
Graduate Students	\$ 7,426
Nonresident Students	\$11,026

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 13,500 full and part-time employees. Indirect employment on Long Island brings the total to nearly 30,000.

Total Employees (Full and part time)	13,720
Academic	4,471
Non-Academic	4,215
Hospital	5,034
Average Monthly Payroll	\$37.2 million

TOTAL REVENUE BY SOURCE

Tuition and Fees	\$134,773,590
State Appropriations	217,229,920
Hospital	475,566,095
Research	159,938,933
Stony Brook Foundation	22,255,916
Auxiliary Enterprise	91,298,060
LI State Veterans Home	29,854,992
Capital Construction	58,944,705
Other	30,457,819

OTHER HIGHLIGHTS

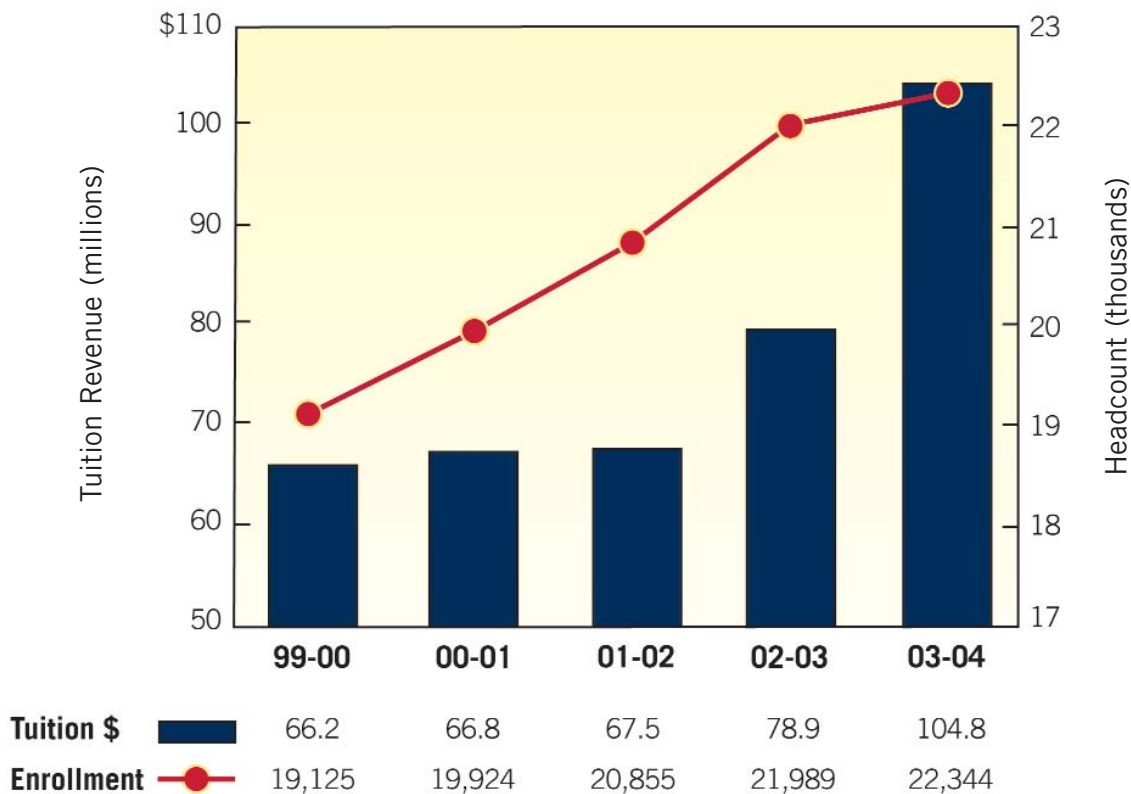
- ▶ Research at Stony Brook generated more than \$12M in royalties.
- ▶ Stony Brook provided \$134M in financial aid to 14,572 students in the form of grants, loans, scholarships and work study awards.
- ▶ Companies that graduated from the LI High Technology Incubator report annual incomes of over \$100M.
- ▶ The campus awarded 4,838 degrees.
- ▶ Stony Brook has more than 100,000 alumni.

TUITION REVENUES

Tuition revenues have increased from \$66 million in fiscal year 1999/2000 to almost \$105 million in 2003/04, a 63% increase for the five year period. The 2003/04 tuition revenues exceeded 2002/03 by \$26 million, a 33% increment. Although graduate enrollment has increased modestly over the past year, the tuition revenue increase is primarily attributable to rate increases in both the graduate and undergraduate tuition fees. The undergraduate full time tuition rate for resident and nonresident students is \$2,175 and \$5,150 which exceeded 2002/03 rates by 28% and 24%, respectively. The graduate resident and nonresident rates experienced a 36% and 25% increase from 2002/03 tuition fees, which were \$3,450 and \$5,250, respectively in 2003/04.

The five year enrollment trend has experienced a steady growth of 3,219 students, a 17% increase. This trend has been reflective in both undergraduate and graduate student enrollment. The 2003/04 fiscal year enrollment increase is attributed solely to the graduate student population. The graph on this page is intended to reflect the growth in tuition revenue as it relates to the growth in student enrollment.

TUITION REVENUES COMPARED TO ENROLLMENT STATISTICS

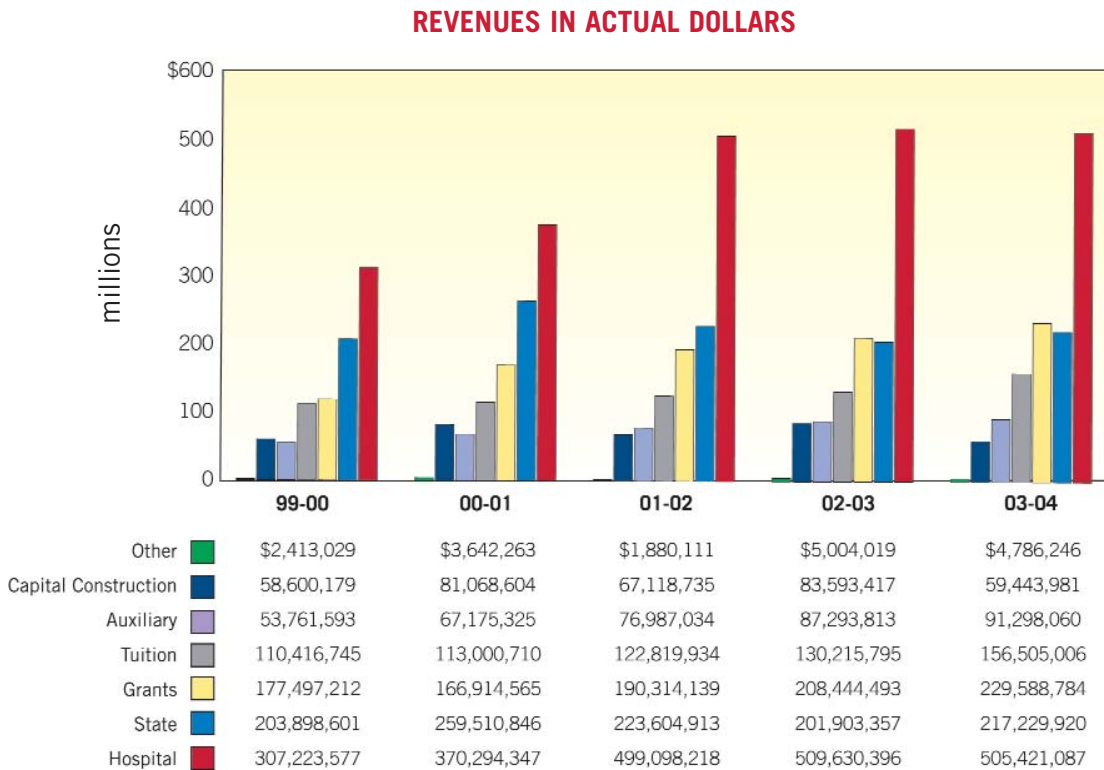
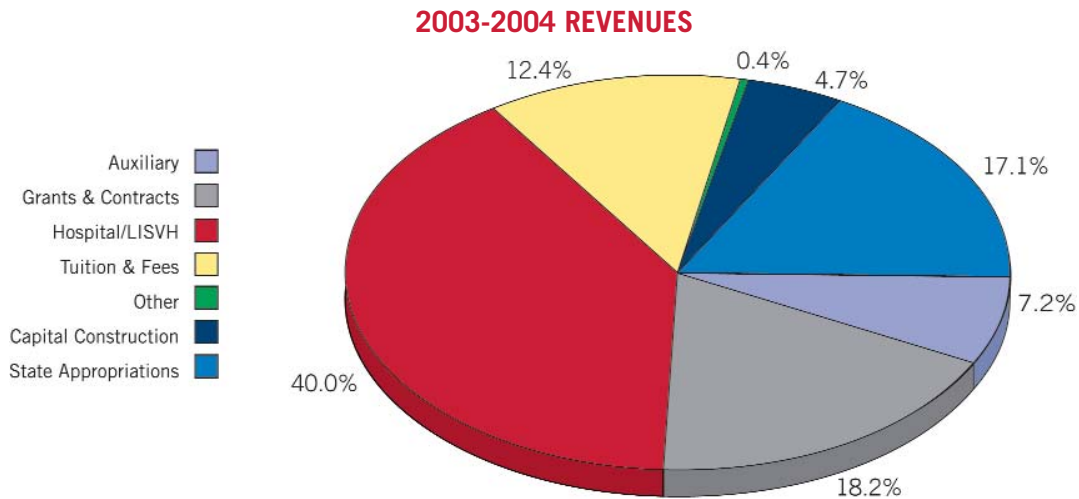


THE YEAR'S FINANCIAL RESULTS

The 2003/04 fiscal year generated revenues of \$1,264,273,084, exceeding 2002/2003 by \$38 million or 3%. The increase in revenue was the net result of:

- ▶ Increases in tuition rates and in graduate enrollments contributed to \$26 million growth in educational revenues.
- ▶ Revenues from gifts, grants and contracts rose by \$21 million.
- ▶ State appropriations exceeded prior year appropriations by \$15 million.
- ▶ Plant fund revenues decreased by \$24 million due to the completion of various construction projects.

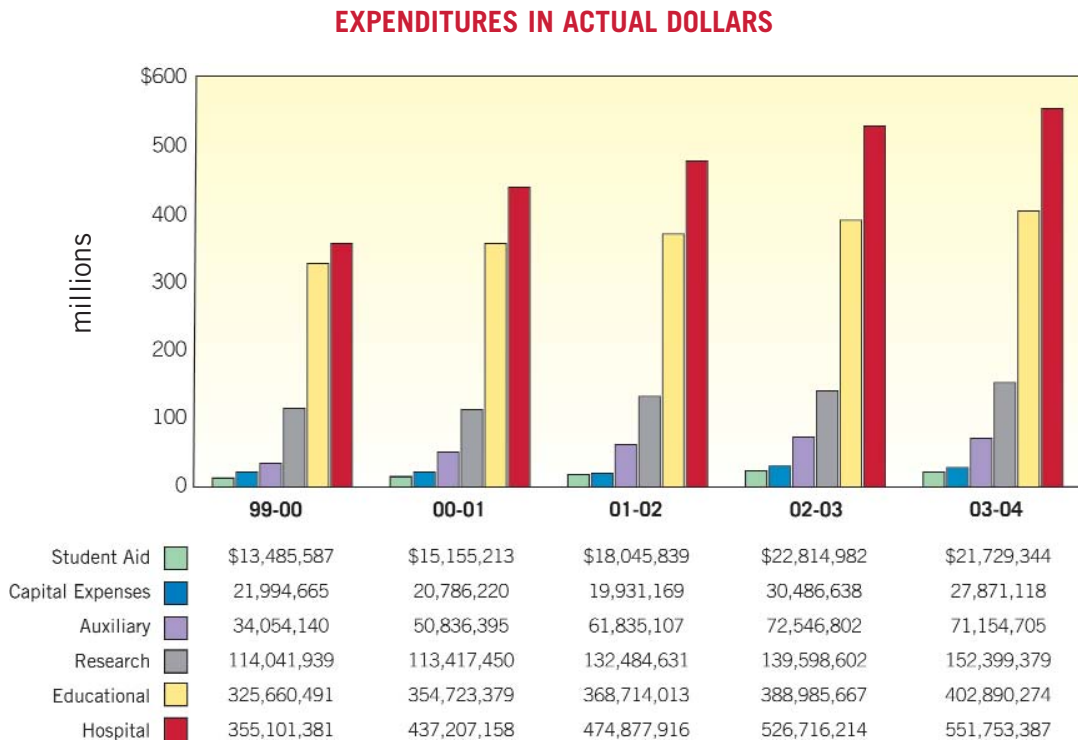
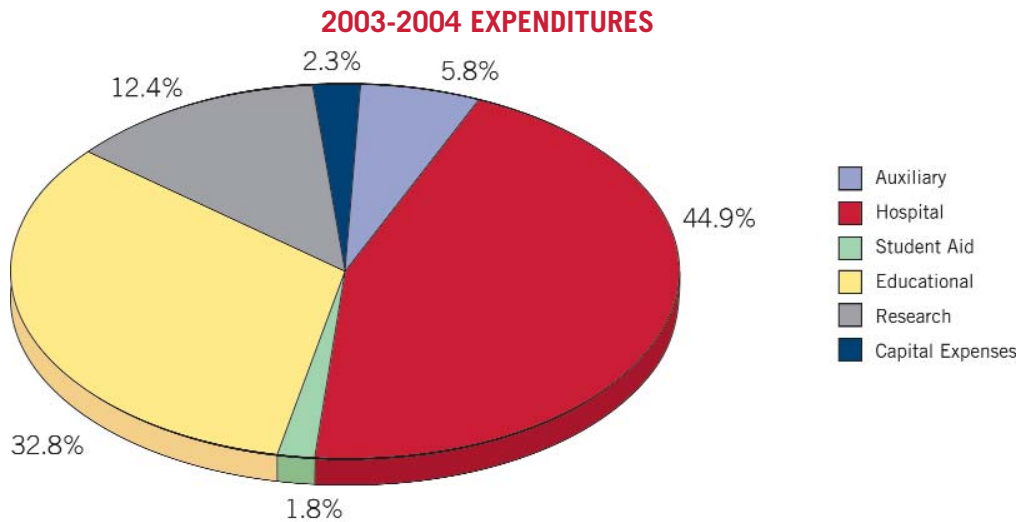
The following graphs depict revenue as a percentage of current year earnings and the five year trend by revenue source.



Expenditures increased as well to \$1,227,798,207 or \$47 million in excess of 2002/2003 expenditures as a result of:

- ▶ Hospital expenditures of \$25 million.
- ▶ Costs incurred for education, instruction and departmental research of \$14 million.
- ▶ Sponsored research costs increased by \$13 million.
- ▶ Reductions in capital spending, auxiliary and student aid expenditures total \$5 million.

The graphs below depict the uses of funds as a percentage of current year total expenditures and the institution's five year expenditure trend.



FOR THE YEARS ENDING JUNE 30

**ASSETS:
CURRENT FUNDS****Unrestricted:**

Cash in Bank	\$100,892,408	\$42,112,715
Marketable securities, at market	1,838,213	1,320,299
State appropriation receivable	17,840,974	36,187,878
Student receivables	9,686,166	9,376,879
Hospital patient receivables (net of allowance for doubtful accounts)	141,567,783	148,488,435
Long Island Veterans receivables	6,508,320	5,990,552
Other receivables	7,672,197	13,894,058
Inventories, at weighted average	3,394,224	4,662,909
Fixed Assets (net)	4,331,556	3,545,511
Other assets	1,054,380	1,291,324

Total unrestricted**294,786,221** **266,870,560****Restricted:**

Cash in Bank	5,183,621	8,509,497
Marketable Securities, at market	48,257,584	30,268,026
Other receivables	2,164,107	4,381,343
Other assets	6,379	41,973

Total restricted**55,611,691** **43,200,839****Total current funds****350,397,912** **310,071,399****LOAN FUNDS:**

Funds available for expenditures	438,787	773,492
Loans receivable - students	8,091,064	7,763,654

Total loan funds**8,529,851** **8,537,146****ENDOWMENT AND SIMILAR FUNDS:**

Cash	904,634	1,128,516
Marketable Securities, at market	36,503,775	32,973,551
Accounts Receivable	117,290	62,108

Total endowment and similar funds**37,525,699** **34,164,175****LIFE ANNUITY FUNDS:**

Cash	0	25,000
Marketable Securities, at market	578,149	503,182

Total life annuity funds**578,149** **528,182****PLANT FUNDS:****Unexpended:**

Funds available for expenditures	8,909,449	10,050,246
Other assets	132,546	139,900

Total unexpended**9,041,995** **10,190,146****Investment in plant:**

Land and Improvements	5,531,161	5,702,006
Buildings	380,796,578	355,948,555
Equipment	77,357,678	68,360,509
Library acquisition	26,097,415	25,348,336

Total investment in plant**489,782,832** **455,359,406****Total plant funds****498,824,827** **465,549,552****TOTAL ALL FUNDS****\$895,856,438** **\$818,850,454**

FOR THE YEARS ENDING JUNE 30

2004

2003

**LIABILITIES AND FUND BALANCE
CURRENT FUNDS:****Unrestricted:**

Unremitted collections of revenues	\$21,534,226	\$17,002,828
Accounts Payable and Notes Payable	35,502,313	36,483,593
Accrued liabilities	22,569,792	40,390,278
Reserve for inventories	3,126,243	4,424,696
Reserve for Hospital	40,000,000	74,167
Deferred revenue	24,053,681	20,734,253
Fund balance	147,999,966	147,760,745
Total unrestricted	294,786,221	266,870,560

Restricted

Accrued liabilities	2,993,394	2,724,334
Funds held in trust for others	28,352,824	15,537,348
Fund balance	24,265,473	24,939,157
Total restricted	55,611,691	43,200,839
Total current funds	350,397,912	310,071,399

LOAN FUNDS:

Fund balance	8,529,851	8,537,146
Total loan funds	8,529,851	8,537,146

ENDOWMENT AND SIMILAR FUNDS:

Accounts Payable and accrued expenses	7,778	109,962
Fund balance	37,517,921	34,054,213
Total endowment and similar funds	37,525,699	34,164,175

LIFE ANNUITY FUNDS:

Accounts Payable and accrued expenses	389,296	414,349
Fund balance	188,853	113,833
	578,149	528,182

PLANT FUNDS:**Unexpended:**

Accounts Payable and accrued expenses	3,048,315	3,150,947
Fund balance	5,993,680	7,039,199
Total unexpended	9,041,995	10,190,146

INVESTMENT IN PLANT:

Fund balance	489,782,832	455,359,406
Total investment in plant	489,782,832	455,359,406
Total plant funds	498,824,827	465,549,552

TOTAL ALL FUNDS**\$895,856,438****\$818,850,454**

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEARS ENDING JUNE 30

	Current Funds Unrestricted	Current Funds Restricted	Loan Funds	Endowment & Similar Funds	Life Annuity Funds	Plant Funds Unexpended	Investment in Plant	2004 Total All Funds	2003 Total All Funds
REVENUES AND OTHER ADDITIONS:									
Educational and general revenues	\$134,773,590	\$20,959,495		\$435,379		\$336,542		\$156,505,006	\$130,215,795
Auxiliary enterprise revenues	91,298,060							91,298,060	87,293,813
Gifts, grants and contracts	93,827,164	132,217,982		1,834,299	\$10,670	1,698,669		229,588,784	208,444,493
State Appropriations (net of mandatory transfers)	217,077,899		\$152,021					217,229,920	201,903,357
Investment Gain/(Loss)	1,363,920	1,643,551		1,491,207	74,350	12		4,573,040	4,780,797
Hospital	475,566,095							475,566,095	481,905,161
LI Veterans Home services	29,854,992							29,854,992	27,725,235
Federal government			88,794					88,794	82,265
Interest on loans receivables			124,412					124,412	140,957
Expended for plant facilities						499,276	\$58,944,705	59,443,981	83,593,417
Total revenues and other additions	1,043,761,720	154,821,028	365,227	3,760,885	85,020	2,534,499	58,944,705	1,264,273,084	1,226,085,290
EXPENDITURES AND OTHER DEDUCTIONS:									
Educational and general expenditures	935,698,194	155,497,287		302,177		230,179		1,091,727,837	1,044,534,936
Auxiliary enterprise expenditures	71,144,705				10,000			71,154,705	72,546,802
Indirect cost recovered	36,672,025							36,672,025	33,613,036
Loan cancellations, repayments, and write-offs			372,522					372,522	178,806
Expended for plant facilities						3,049,968		3,049,968	
Depreciation of equipment						299,871	24,521,279	24,821,150	30,275,325
Total expenditures	1,043,514,924	155,497,287	372,522	302,177	10,000	3,580,018	24,521,279	1,227,798,207	1,181,148,905
OTHER TRANSFERS AND ADDITIONS/DEDUCTIONS									
Transfers among funds	(7,575)	2,575		5,000				0	0
Total other transfers and other deductions	(7,575)	2,575		5,000				0	0
Net increase (decrease) for the year	239,221	(673,684)	(7,295)	3,463,708	75,020	(1,045,519)	34,423,426	36,474,877	44,936,385
Fund balance at the beginning of year	147,760,745	24,939,157	8,537,146	34,054,213	113,833	7,039,199	455,359,406	677,803,699	632,867,314
FUND BALANCE AT END OF YEAR	\$147,999,966	\$24,265,473	\$8,529,851	\$37,517,921	\$188,853	\$5,993,680	\$489,782,832	\$714,278,576	\$677,803,699

STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES

FOR THE YEARS ENDING JUNE 30

	Unrestricted	Restricted	2004 Total	%	2003 Total	%
REVENUES:						
Student tuition and fees	\$132,271,736		\$132,271,736	11.0%	\$101,795,115	9.0%
Sales and services	2,091,690	\$1,892,153	3,983,843	0.3%	8,273,632	0.7%
Interest income		410,164	410,164	0.0%	313,058	0.0%
Student financial aid grants		19,067,342	19,067,342	1.6%	19,094,047	1.7%
Investment Income	1,363,920	1,643,551	3,007,471	0.3%	3,452,243	0.3%
Auxiliary enterprises	91,298,060		91,298,060	7.6%	87,293,813	7.7%
State Appropriations (net of mandatory transfers)	217,077,899		217,077,899	18.1%	201,774,697	17.7%
Gifts, grants and contracts	93,827,164	132,217,982	226,045,146	18.9%	205,585,101	18.1%
Hospital	475,566,095		475,566,095	39.7%	481,905,161	42.4%
LI Veterans Home services	29,854,992		29,854,992	2.5%	27,725,235	2.4%
Total Revenues	1,043,761,720	154,821,028	1,198,582,748	100.0%	1,137,212,102	100.0%
EXPENDITURES:						
Instruction and departmental research	171,269,838	17,751,945	189,021,783	15.8%	176,964,664	15.4%
Organized research	10,212,391		10,212,391	0.9%	10,884,432	0.9%
Sponsored research		105,514,963	105,514,963	8.8%	95,101,134	8.3%
Extension and public service	4,943,145	1,171,394	6,114,539	0.5%	8,659,037	0.8%
Organized activities	18,165,408	11,991,643	30,157,051	2.5%	35,924,037	3.1%
Hospital	551,753,387		551,753,387	46.0%	526,716,214	45.8%
Libraries	8,867,451		8,867,451	0.7%	9,399,194	0.8%
Student service	25,905,734	1,031	25,906,765	2.2%	26,111,590	2.3%
General administration	65,692,568	50,000	65,742,568	5.5%	58,378,514	5.1%
General institutional services	17,073,864		17,073,864	1.4%	13,037,658	1.1%
Operation and maintenance of plant	57,847,982	1,625,915	59,473,897	5.0%	60,109,107	5.2%
Student aid	3,966,426	17,390,396	21,356,822	1.8%	22,636,176	2.0%
Auxiliary enterprises	71,144,705		71,144,705	5.9%	72,537,470	6.3%
Indirect costs recovered	36,672,025		36,672,025	3.1%	33,613,036	2.9%
Total Expenditures	1,043,514,924	155,497,287	1,199,012,211	100.0%	\$1,150,072,263	100.0%
OTHER TRANSFERS:						
Transfers among funds	(7,575)	2,575	(5,000)		(\$43,000)	
Total Transfers	(7,575)	2,575	(5,000)		(\$43,000)	
NET INCREASE (DECREASE) IN FUND BALANCES	\$239,221	(\$673,684)	(\$434,463)		(\$12,903,161)	

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the institution, the accounts of the State University of New York at Stony Brook are maintained in accordance with the principles of “fund accounting.” This is the procedure by which resources for various purposes are classified for accounting and reporting into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and classified by fund group. The fund groups used by the State University of New York at Stony Brook are:

- ▶ Current Fund
- ▶ General Fund
- ▶ Income Fund Reimbursable Fund
- ▶ Research Foundation Fund
- ▶ Plant Fund
- ▶ Stony Brook Foundation Fund
- ▶ Faculty Student Association Fund
- ▶ Loan Fund

The following is a description of the functions of these fund groups:

Current Fund

The current funds group includes those economic resources of the institution which are expendable for any purpose in performing the primary objectives of the institution (i.e., instruction, research, academic related services, student affairs, institutional support services, maintenance and operations, auxiliary enterprises, and hospital) and which have not been designated by the governing bodies for other purposes.

The current funds group is divided into unrestricted and restricted current funds. Restricted current funds consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended. Restricted current funds are reported as revenues and expenditures only when expended for current operating purposes; therefore, unexpended grant and contract balances are not reflected.

Included as part of the unrestricted current funds are all General fund activity (State purpose, Hospital, and LISVH), the unrestricted activities of the Income Fund Reimbursable Fund, Faculty Student Association, and the Stony Brook Foundation. Included within the restricted current funds are the Research Foundation funds and the restricted activities of the Income Fund Reimbursable Fund, Faculty Student Association, and the Stony Brook Foundation. Also, in accordance with guidelines established by the National Association of Colleges and University Business Officers, Pell Grants, Supplemental Educational Opportunity Grants and Federal Work Study are reported as current restricted funds. The revenues are included as federal grants, and the expenditures are classified as student aid.

Grants made by the New York State Tuition Assistance Program (TAP) are not reported in the Restricted Current Fund Statement because of the substantial amount of TAP dollars that flow back into tuition revenues. There was \$17,449,437 of TAP dollars distributed to Stony Brook in fiscal year 2003/04, and \$13,546,125 for fiscal year 2002/03.

General Fund

The General Funds group includes state appropriations approved by the legislature in the state operations budget, tuition, and related fees, Hospital, and Long Island State Veterans Home operating funds.

Income Fund Reimbursable (IFR)

The Income Fund Reimbursable Fund is a group of accounts whose activities support the campus' mission and operations. These accounts have clear and defined income/expenditure relationships. A unique aspect of these accounts is their ability to carry forward cash balances from one fiscal year to another.

Research Foundation Fund

The Research Foundation is a separate not-for-profit educational corporation and non-governmental legal entity, which operates as the fiscal administrator for the majority of the University's sponsored programs reported in the restricted current funds. Based on the unique relationship with the Research Foundation, a Balance Sheet and Statement of Changes in Fund Balance is not reported since the University does not have a legal claim to the Research Foundation's net assets. Instead, the Statement of Revenues and Expenditures has been reported for the programs including research, training, and public service activities of the state-operated campuses, which are supported by sponsored funds other than State of New York appropriations.

Plant Fund

The plant funds group consists of funds relating to investment in the University's physical properties, and unexpended monies to be used for the acquisition or construction of physical properties for the University.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. The governing bodies include the New York State Legislature, the New York State Division of the Budget, the Dormitory Authority, the SUNY Construction Fund, the State University of New York Board of Trustees and the State University of New York at Stony Brook Council.

Stony Brook Foundation

The Stony Brook Foundation, Inc. (the "Foundation") is a non-profit, "no member" corporation chartered by the Education Department of the State of New York. The purposes of the Foundation are to develop, administer and manage all transactions associated with the campus' fund raising activities which include gifts, grants, donations, scholarships and fellowships.

Faculty Student Association

The Faculty Student Association is a not-for-profit corporation, which has a contractual relationship with SUNY to provide various auxiliary services to the campus. Examples of these include food service contracts, administration of the campus bookstore, management of self-operating campus vending and laundry machines, etc.

Loan Fund

The loan funds group consists of monies for student loans provided by Perkins Loan, Nursing Loan, and Health Professions Medical and Dental Loan Programs. These monies were administered by the University and made available to qualified students.

2. BASIS OF ACCOUNTING

Accrual Basis

The State University of New York's budgetary period consists of a fifteen-month cycle commencing July 1, 2003 and ending September 30, 2004. A modified accrual basis of accounting was employed in the preparation of the financial statements. Funds committed at June 30, 2004 and expended by August 31, 2004 were recorded as accrued liabilities for the General Fund and Income Fund Reimbursable Fund. This represented a change in prior years' accounting method where funds were accrued based on commitments through the budgetary term ending September 30. This change in accounting method became effective in the fiscal year 1999/2000 and, for comparative purposes, a restatement was applied to the 98/99 financial statements.

The Faculty Student Association and Stony Brook Foundation audited statements were prepared using the full accrual method of accounting. The Research Foundation Fund and Plant Funds statements do not reflect accrued expenditures.

Accounts Receivable

The Student Receivable and Patient Receivable balances are stated net of the allowance for doubtful accounts. For the fiscal years 2003/04 and 2002/03, the allowances reserved for Student Receivables are \$3,927,812 and \$3,335,688, respectively. The allowances reserved for Patient Receivable doubtful account balances are \$290,089,217 and \$106,268,225, respectively for fiscal years 2003/04 and 2002/03.

Delinquent accounts are reported to the State Attorney General's Office for collection. The amount reported to the Attorney General included in Student Receivables is \$3,411,754 at fiscal year 2003/04 and \$2,973,432 for fiscal year 2002/03. The Patient Receivables reported to the Attorney General represent \$149,477,857 at fiscal year 2003/04, and \$8,896,063 for fiscal year 2002/03.

Fringe Benefits

Fringe benefits are not appropriated nor directly charged to the institution on State-funded positions, however, for report purposes, fringe benefits were imputed on salaries and wages based on the mandated New York State fringe benefit rate. The imputed fringe benefit rates for the 2003/04 and 2002/03 fiscal years were 36.24% and 33.96%, respectively.

Revenues

All State revenues from SUNY-established tuition and fees, hospital patient services and dormitory rentals are transferred to the State University, Hospital and Dormitory Income Funds to be applied first to the retirement of bond indebtedness and then to support operating budgets on a SUNY-wide basis. This revenue is reported as Unrestricted Current Funds. For reporting purposes, the entire amount of such revenues was netted against state appropriations provided to support related operations. Approved fees for support of specific programs and activities within the Income Fund Reimbursable Fund are transferred to the State University Income Fund as custodian.

3. INVENTORIES

Inventories are valued at the lower of cost or market as follows:

At Weighted Average	
Central Storeroom-Hospital	\$ 1,647,533
Central Storeroom-Main Campus	1,478,710
At Last-In, First Out:	
Faculty Student Association	267,981
Total Inventories	\$ 3,394,224

No inventories other than those noted above are reflected.

4. PLANT FUND

Customarily, this fund would include a sub-fund, Retirement of Indebtedness. The debt retirement for the Stony Brook campus is included in the State University of New York financial structure. Consequently, bonding interest costs, etc. associated with the funding of the investment in plant, are not shown.

Investment in Plant

This sub-fund reflects capital acquisitions from all major sources of funds. The following schedule outlines the extent of inclusion, as completed data were not available.

SUNY Capital Construction Fund	1957/1958 to present
SUNY Dormitory Authority	1957/1958 to present
State Purpose Appropriations	1974/1975 to present
IFR Fund	1974/1975 to present
Research Fund	1963/1964 to present
Stony Brook Foundation	1979/1980 to present
Faculty Student Association	1979/1980 to present

During the fiscal year 2002, the State University of New York adopted GASB pronouncement No.'s 34, 35, 37, and 38 which impacted the presentation, capitalization policy, asset lives and net carrying value of assets of the fund. The University at Stony Brook has applied these same pronouncements to the Investment in Plant Fund assets. As a result, the net asset values were retroactively restated for the fiscal year ended June 30, 2002, the cumulative effect of such was to restate the asset carrying values to \$400,840,880, a \$744,770,102 reduction to their previous value.

The University has established the straight-line method for depreciating all fixed assets. The fixed assets are depreciated based on the useful lives as established by State University of New York Fixed Asset Accounting System. In general, the building and components are depreciated between 25-50 years, equipment, furniture and fixtures lives range from 5 through 15 years, and library acquisitions are depreciated over a 10 year life. Land improvements that extend the useful life of the assets are depreciated based on the useful life of the asset.

5. FISCAL YEARS

The financial statements for all entities represent a twelve-month period ending June 30, 2004. The Loan Fund activity reported on the appropriate Balance Sheet and Statement of Changes in Fund Balance is compiled from the data recorded on the Fiscal Operations Report filed annually with the Department of Education for a fiscal period ending June 30, 2004. The Stony Brook Foundation and the Faculty Student Association's financial data were based on their certified audits by Deloitte & Touche, LLP for the fiscal year ending June 30, 2004.

6. NOTE RECEIVABLE

On July 1, 2001, the FSA loaned \$2,000,000 (the "Note") to UHSB for food service renovations and projects to be completed at UHSB. The proceeds from the Note were transferred at the request of UHSB into an FSA bank account. Disbursements from this account must be approved by UHSB. The Note is to be repaid by UHSB to the FSA over a five-year period in equal principal installments of \$400,000 per annum plus interest. At June 30, 2004 and 2003, the FSA held \$0 and \$32,984, respectively, of remaining proceeds from the Note.

The interest rate on the Note shall be determined on an annual basis based on the remaining principal balance and current prevailing interest rates, as defined by the agreement. For the years ended June 30, 2004 and 2003, such rates were approximately 2.0% and 3.5%, respectively. At June 30, 2004 and 2003, the Association has accrued interest of \$24,000 and \$56,000, respectively, which is included in prepaid expenses and other assets in the accompanying combined statements of financial position. In addition, at June 30, 2004 and 2003, the Association held \$424,000 and \$456,000, respectively, to pay the annual installment payment plus accrued interest on the Note. Such amounts are included in funds held for others in the accompanying combined statements of financial position. On July 1, 2004, the third installment, including interest, was paid.

7. LIMITATION OF CONSOLIDATED FINANCIAL STATEMENTS

Although the component parts of the financial statements have been audited by an independent public accounting firm, the consolidation itself has not. An attempt has been made to eliminate inter-unit transactions to the extent practicable, however it is likely that there is some duplication of financial information which, in the opinion of management, does not materially distort the accuracy of the financial results reported.

FOR THE YEARS ENDING JUNE 30

	2004	2003
ASSETS:		
Cash	\$25,477,924	\$17,468,271
Hospital patient receivables (1)	141,567,783	148,488,435
Long Island Veteran Home Receivable	6,508,320	5,990,552
State Appropriation receivable	17,840,974	36,187,878
Student receivables (1)	9,686,166	9,376,879
Other receivables	418,364	232,565
Inventories-supplies (2)	3,126,243	4,424,696
Total Assets	\$204,625,774	\$222,169,276
LIABILITIES AND FUND BALANCE:		
Accounts payable	29,748,457	30,851,378
Accrued liabilities	17,840,974	36,187,878
Reserve for State-owned inventories	3,126,243	4,424,696
Unremitted collections of revenues	21,534,226	17,002,828
Deferred Revenue	18,677,404	15,671,064
Total Liabilities	90,927,304	104,137,844
Fund Balance	113,698,470	118,031,432
TOTAL LIABILITIES AND FUND BALANCE	\$204,625,774	\$222,169,276

(1) Net of Allowance for Doubtful Accounts of \$294,017,029 in 2004 and \$109,603,913 in 2003.

(2) Inventory includes hospital supplies.

FOR THE YEARS ENDING JUNE 30

	2004	%	2003	%
REVENUE AND OTHER ADDITIONS:				
Tuition and fees	\$104,782,029	6.8%	\$78,887,833	5.4%
Hospital patient services	478,746,873	31.2%	481,223,204	33.1%
Long Island State Veterans Home	29,854,992	2.0%	27,725,235	1.9%
Dormitory revenues	41,992,885	2.7%	40,383,123	2.8%
State appropriations-direct	715,025,023	46.6%	675,242,695	46.4%
State appropriations-fringe benefit	161,603,984	10.5%	149,488,283	10.3%
Auxiliary enterprises	2,287,836	0.2%	2,074,790	0.1%
Total revenues and other additions	1,534,293,622	100%	1,455,025,163	100%
EXPENDITURES AND OTHER DEDUCTIONS:				
Instruction and departmental research	154,987,206	17.6%	141,995,819	17.0%
Organized research	9,999,152	1.1%	9,861,845	1.2%
Extension and public service	2,121,680	0.2%	5,213,993	0.6%
Organized activities	9,925,514	1.1%	9,768,087	1.2%
Libraries	13,104,851	1.5%	10,499,651	1.3%
Student services	16,520,506	1.9%	17,129,021	2.0%
General administration	16,485,977	1.9%	17,012,052	2.0%
General institutional services	18,345,064	2.1%	12,730,801	1.5%
Operation and maintenance	56,472,190	6.4%	56,935,851	6.8%
Auxiliary enterprises	24,627,052	2.8%	26,216,810	3.1%
Hospital	552,519,858	62.9%	526,091,000	62.7%
Student aid	3,966,426	0.5%	5,094,144	0.6%
Total expenditures	879,075,476	100%	838,549,074	100%
MANDATORY TRANSFERS FOR:				
Retirement of indebtedness (to SUIF and DIFR)	659,551,108		634,162,881	
Total expenditures & other deductions	1,538,626,584		1,472,711,955	
Net increase (decrease) in fund balance	(4,332,962)		(17,686,792)	
Fund balance at beginning of year	118,031,432		135,718,224	
FUND BALANCE AT END OF YEAR	113,698,470		118,031,432	

OBJECT:	FOR THE YEARS ENDING JUNE 30			
	2004 EXPENDITURES	%	2003 EXPENDITURES	%
Personal services	\$445,926,555	50.7%	\$440,186,284	52.5%
Fringe benefits	161,603,984	18.4%	149,488,283	17.8%
Supplies and materials	106,432,869	12.1%	72,565,442	8.7%
Travel	878,213	0.1%	987,843	0.1%
Telephone and telegraph	3,663,836	0.4%	3,123,029	0.4%
Utilities	42,224,730	4.8%	40,887,776	4.9%
Library acquisitions	4,525,411	0.5%	3,233,761	0.4%
Equipment	7,146,694	0.8%	3,964,293	0.5%
Contractual services	100,414,343	11.4%	116,335,617	13.9%
Students and Honorariums	3,812,372	0.5%	5,165,250	0.5%
Total state purpose expenditures	876,629,007	99.7%	835,937,578	99.7%
Transfer of student activity fees to student governments	2,446,469	0.3%	2,611,496	0.3%
TOTAL	\$879,075,476	100.0%	\$838,549,074	100.0%

INCOME FUND REIMBURSABLE
BALANCE SHEET AND STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEARS ENDING JUNE 30

	2004	2003
BALANCE SHEET:		
ASSETS:		
Cash	\$63,360,270	\$14,750,135
Accounts Receivable	5,887,940	12,437,808
TOTAL ASSETS	\$69,248,210	\$27,187,943
LIABILITIES AND FUND BALANCE:		
Reserve for Hospital (1)	\$40,000,000	\$74,167
Deferred Revenue-Summer	4,469,866	4,324,091
Accrued liabilities	4,728,818	4,202,400
Fund Balance	20,049,526	18,587,285
TOTAL LIABILITIES AND FUND BALANCE	\$69,248,210	\$27,187,943
STATEMENT OF CHANGES IN FUND BALANCE:		
Revenue and other additions		
Tuition and fees	\$28,041,278	\$34,572,452
Auxiliary Service Revenues	138,021	112,012
Gifts, Grants and Contracts	24,856,743	21,627,840
Sales and Services	18,874,527	16,474,973
Patient Services	2,027,017	4,070,596
Assessment Revenue	3,439,725	2,855,059
TOTAL REVENUES AND OTHER ADDITIONS	\$77,377,311	\$79,712,932
EXPENDITURES AND OTHER DEDUCTIONS:		
Instruction and departmental research	\$29,275,422	\$34,120,132
Organized research	1,306,612	1,362,543
Extension and public service	3,304,131	2,660,190
Organized activities	7,712,747	7,435,291
Libraries	307,351	269,091
Student services	11,161,940	10,468,914
Operation and maintenance	5,251,534	3,605,978
General administration	3,389,971	2,975,879
General institutional services	4,068,927	4,828,143
Auxiliary enterprises	6,254,506	6,672,852
Hospital	3,881,929	4,024,370
TOTAL EXPENDITURES	\$75,915,070	\$78,423,383
Net increase (decrease) in fund balance	1,462,241	1,289,549
Fund balance at beginning of year	18,587,285	17,297,736
FUND BALANCE AT END OF YEAR	\$20,049,526	\$18,587,285

(1) This reserve is the result of a retroactive, multi-year federal subsidy.

OBJECT:	FOR THE YEARS ENDING JUNE 30			
	2004 EXPENDITURES	%	2003 EXPENDITURES	%
Personal services	\$28,594,390	37.67%	\$29,590,493	37.73%
Fringe benefits	9,223,285	12.15%	7,966,824	10.16%
Supplies and materials	13,876,728	18.28%	14,166,202	18.06%
Travel	1,462,180	1.93%	1,388,131	1.77%
Contractual services	13,071,590	17.22%	16,429,916	20.95%
Library	100,254	0.13%	2,575,363	3.28%
Equipment	6,146,919	8.10%	3,451,395	4.40%
Administrative Overhead	3,439,724	4.53%	2,855,059	3.65%
TOTAL	\$75,915,070	100.00%	\$78,423,383	100.00%

FOR THE YEARS ENDING JUNE 30

2004

2003

REVENUE AND OTHER ADDITIONS:

Gifts, Grants and Contracts (via Research Foundation)	\$203,891,987	\$177,523,777
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Total revenues and other additions**203,891,987****177,523,777****EXPENDITURES AND OTHER DEDUCTIONS:**

Instruction and departmental research	\$17,751,945	\$12,491,666
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Sponsored research	105,514,963	95,101,134
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General administration	43,953,054	36,317,941
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Indirect costs recovered	36,672,025	33,613,036
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Total expenditures**203,891,987****177,523,777****Net increase (decrease) in fund balance****0****0**

Fund balance at beginning of year

0

0

FUND BALANCE AT END OF YEAR**\$0****\$0**

FOR THE YEARS ENDING JUNE 30

	2004	%	2003	%
	EXPENDITURES		EXPENDITURES	

SOURCES:

Federal government	\$127,347,175	62.5%	\$114,580,625	64.5%
Voluntary health organizations	1,907,629	0.9%	1,678,268	1.0%
University and other non-profit organizations	6,347,314	3.1%	5,907,665	3.3%
Commercial	4,497,193	2.2%	4,690,736	2.6%
Philanthropic organizations	3,516,629	1.7%	3,475,868	2.0%
Corporate Agreement	43,953,054	21.6%	36,317,941	20.5%
State and local government	10,531,590	5.2%	5,840,874	3.3%
Other	5,791,403	2.8%	5,031,800	2.8%

TOTAL	\$203,891,987	100.0%	\$177,523,777	100.0%
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FOR THE YEARS ENDING JUNE 30

OBJECT DIRECT COSTS:	2004		2003	
	EXPENDITURES	%	EXPENDITURES	%
Personal services and fringe benefits	\$74,720,404	36.7%	\$68,734,912	38.7%
Consultants	532,962	0.3%	352,424	0.2%
Fellowships and tuition	5,256,216	2.6%	4,720,213	2.7%
Equipment	6,884,384	3.4%	4,477,594	2.5%
Supplies and materials	14,758,976	7.2%	12,747,541	7.2%
Travel	3,100,054	1.5%	3,004,481	1.7%
Alterations and renovations	4,495,217	2.2%	576,584	0.3%
Printing and publishing	443,028	0.2%	438,389	0.3%
Subcontracts	8,860,288	4.3%	8,509,995	4.8%
General administration	43,953,054	21.6%	36,317,941	20.5%
Patient care	585,263	0.3%	242,935	0.1%
General Services	1,909,668	0.9%	1,858,874	1.0%
Miscellaneous	1,720,448	0.8%	1,928,858	1.1%
Total direct costs	167,219,962	82.0%	143,910,741	81.1%
Indirect costs	36,672,025	18.0%	33,613,036	18.9%
TOTAL	\$203,891,987	100.0%	\$177,523,777	100.0%

	For the Years Ending June 30,						2003
	2004					Total funds	
	Operating Funds Unrestricted	Operating Funds Restricted	Endowment funds	Plant funds	Life Annuity funds		
ASSETS:							Total funds
Cash	\$3,092,110	\$2,814,927	\$904,634	\$16,131		\$6,827,802	\$7,871,725
Accounts receivable		2,164,107	117,290			2,281,397	4,417,771
Marketable securities (Unrealized Gain/Loss)	1,838,213	48,257,584	36,503,775		\$578,148	87,177,720	65,065,058
Mortgages receivable							27,694
Plant assets	5,033			8,893,318		8,898,351	7,000,278
Due from other funds							3,114
Other assets		6,379		132,546		138,925	181,873
TOTAL ASSETS	\$4,935,356	\$53,242,997	\$37,525,699	\$9,041,995	\$578,148	\$105,324,195	\$84,567,513
LIABILITIES:							
Accounts payable and accrued expenses	1,787,044	2,993,394	7,777	3,048,315	389,295	8,225,825	7,268,113
Due to Restricted Funds							3,114
Funds held in trust for others		25,984,130				25,984,130	12,893,739
Total liabilities	1,787,044	28,977,524	7,777	3,048,315	389,295	34,209,955	20,164,966
Fund Balances	3,148,312	24,265,473	37,517,922	5,993,680	188,853	71,114,240	64,402,548
TOTAL LIABILITIES AND FUND BALANCES	\$4,935,356	\$53,242,997	\$37,525,699	\$9,041,995	\$578,148	\$105,324,196	\$84,567,513

STONY BROOK FOUNDATION, INC.
STATEMENT OF CHANGES IN FUND BALANCE

	For the Years Ending June 30,						2003
	2004		2003				
	Operating Funds Unrestricted	Endowment Restricted	Plant funds	Annuity funds	Life Total funds	Total funds	Total funds
REVENUE AND OTHER ADDITIONS:							
Gifts, grants and contracts	\$825,241	\$8,951,074	\$1,834,299	\$1,698,669	\$10,671	\$13,319,954	\$18,922,267
Sales and services	1,199,572	1,892,153	435,379	336,542		3,863,647	5,305,245
Investment income	1,363,920	1,643,552	1,491,207	12	74,349	4,573,040	4,780,797
Expended for plant facilities				499,276		499,276	299,598
TOTAL REVENUES AND OTHER ADDITIONS	3,388,733	12,486,779	3,760,885	2,534,499	85,020	22,255,916	29,307,907
EXPENSES AND OTHER DEDUCTIONS:							
Extension and public service		1,171,394	26,779		1,492	1,199,665	969,662
Academic support services	1,538,960	11,991,643	275,397	230,179	8,508	14,044,687	20,667,191
Depreciation				299,871		299,871	1,355,804
Total expenses and other deductions	1,538,960	13,163,037	302,176	530,050	10,000	15,544,223	22,992,657
Excess of revenues over expenses	1,849,773	(676,258)	3,458,709	2,004,449	75,020	6,711,693	6,315,250
Interfund transfers	(7,575)	2,575	5,000			0	0
Fund balance at beginning of year	1,306,114	24,939,156	34,054,213	3,989,231	113,833	64,402,547	58,087,298
FUND BALANCE AT END OF YEAR	\$3,148,312	\$24,265,473	\$37,517,922	\$5,993,680	\$188,853	\$71,114,240	\$64,402,548

FOR THE YEARS ENDING JUNE 30

ASSETS:**Current Assets**

Cash and cash equivalents	\$4,721,341	\$5,657,748
Cash for replacement of state-owned equipment	510,962	493,020
Receivables-net	965,893	818,558
Investments	6,098,495	5,534,829
Inventories-net	267,981	238,213
Note receivable	400,000	400,000
Prepaid expenses and other current assets	249,347	91,324

Total Current Assets**13,214,019****13,233,692**

Note Receivable - Net of current portion	800,000	1,200,000
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Fixed Assets - Net	4,331,556	3,545,511
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TOTAL ASSETS**\$18,345,575****\$17,979,203****LIABILITIES AND NET ASSETS:****Current:**

Accounts payable and accrued expenses	2,424,589	2,464,019
Funds held for others	2,368,694	2,643,609
Deferred revenue	906,411	739,098
Due to LISVH	1,352,795	2,144,879

Total Current Liabilities**7,052,489****7,991,605****Other Long Term Liabilities****189,428****151,683****Total Liabilities****7,241,917****8,143,288****Net Assets:**

Undesignated	6,772,102	6,290,404
Plant	4,331,556	3,545,511

Total Net Assets**11,103,658****9,835,915****TOTAL LIABILITIES AND NET ASSETS****\$18,345,575****\$17,979,203**

FOR THE YEARS ENDING JUNE 30

	2004		2003	
	REVENUES	EXPENDITURES	NET PROFIT (LOSS)	NET PROFIT (LOSS)
REVENUES AND OTHER ADDITIONS:				
Vending Services	\$834,427	\$625,044	\$209,383	\$151,378
Dining Services	35,043,877	33,318,044	1,725,833	1,209,685
Management Services	908,301	116,709	791,592	683,554
Retail Services	6,730,833	6,479,031	251,802	61,142
Other Services	343,167	154,706	188,461	110,385
	43,860,605	40,693,534		
Net income from auxiliary enterprises			3,167,071	2,216,144
Investment Income			410,164	313,058
Total revenues and other additions			3,577,235	2,529,202
EXPENDITURES AND OTHER DEDUCTIONS:				
General and administrative			1,869,492	1,654,971
University Support			440,000	403,227
Total expenditures and other deductions			2,309,492	2,058,198
Net increase in net assets			1,267,743	471,004
Net assets at beginning of year			9,835,915	9,364,911
NET ASSETS AT END OF YEAR			\$11,103,658	\$9,835,915

SPECIAL PROGRAM FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEARS ENDING JUNE 30 ,

	COLLEGE WORK STUDY PROGRAM	SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS	PELL GRANTS	2004 TOTAL	2003 TOTAL
STATEMENT OF CHANGES IN FUND BALANCE:					
Revenue and Other Additions:					
Federal	\$1,272,651	\$984,403	\$16,407,024	\$18,664,078	\$18,762,082
State	403,264			403,264	331,965
Total Revenues	1,675,915	984,403	16,407,024	19,067,342	19,094,047
EXPENDITURES AND OTHER DEDUCTIONS:					
Student Salaries	1,625,915			1,625,915	1,327,861
Job Locator and Development Program	50,000			50,000	50,000
Administrative Costs		1,031		1,031	174,154
Scholarships Approved		983,372	16,407,024	17,390,396	17,542,032
Total Expenditures	1,675,915	984,403	16,407,024	19,067,342	19,094,047
Net Increase (Decrease) in Fund Balance	0	0	0	0	0
Fund Balance at beginning of year	0	0	0	0	0
FUND BALANCE AT END OF YEAR	\$0	\$0	\$0	\$0	\$0

FOR THE YEARS ENDING JUNE 30 ,

	PERKINS LOANS	MEDICAL LOANS	DENTAL LOANS	2004 TOTAL	2003 TOTAL
BALANCE SHEET ASSETS:					
Funds available for Expenditure	\$380,648	\$1,344	\$56,795	\$438,787	\$773,492
Loans Receivable	7,754,595	10,762	325,707	8,091,064	7,763,654
TOTAL ASSETS	\$8,135,243	\$12,106	\$382,502	\$8,529,851	\$8,537,146
LIABILITIES AND FUND BALANCE:					
Fund Balance	8,135,243	12,106	382,502	8,529,851	8,537,146
TOTAL LIABILITIES AND FUND BALANCE	\$8,135,243	\$12,106	\$382,502	\$8,529,851	\$8,537,146
STATEMENT OF CHANGES IN FUND BALANCE:					
Revenue and Other additions:					
Federal	\$88,794			\$88,794	82,265
State	29,598			29,598	27,717
Interest Income	118,913	\$784	\$4,715	124,412	140,956
Other	120,823		1,600	122,423	100,944
Total Revenues and Other Additions	358,128	784	6,315	365,227	351,882
Expenditures And Other Deductions					
Administrative Costs	209,815			209,815	53,109
Repayments of Principal/Int./Other Inc. to Fed. Gov't.		6,477		6,477	18,946
Repayments of Principal/Int./Other Inc. to Institution		1,016		1,016	2,100
Miscellaneous Costs	154,917		297	155,214	104,651
Total Expenditures and Other Deductions	364,732	7,493	297	372,522	178,806
Net Increase (decrease) in fund balance	(6,604)	(6,709)	6,018	(7,295)	173,076
Fund balance at beginning of year	8,141,847	18,815	376,484	8,537,146	8,364,070
FUND BALANCE AT END OF YEAR	\$8,135,243	\$12,106	\$382,502	\$8,529,851	\$8,537,146

**PLANT FUNDS
BALANCE SHEET AND STATEMENT OF CHANGES IN FUND BALANCE**
FOR THE YEARS ENDING JUNE 30

	2004	2003
ASSETS:		
Unexpended Plant Fund:		
Funds available for expenditure	\$0	\$3,049,968
Total unexpended plant fund	\$0	\$3,049,968
Investment in Plant:		
Land	3,886,653	3,886,653
Land Improvements	1,644,508	1,815,353
Building	380,796,578	355,948,555
Equipment	77,357,678	68,360,509
Library acquisitions	26,097,415	25,348,336
Total investment in plant	489,782,832	455,359,406
TOTAL ASSETS	\$489,782,832	\$458,409,374
LIABILITIES AND FUND BALANCE:		
Unexpended Plant Fund:		
Fund balance	\$0	\$3,049,968
Total unexpended plant fund	\$0	\$3,049,968
Investment in Plant:		
Net investment in plant	489,782,832	455,359,406
Total investment in plant	489,782,832	455,359,406
TOTAL LIABILITIES AND FUND BALANCE	\$489,782,832	\$458,409,374
STATEMENT OF CHANGES IN FUND BALANCE:		
	FISCAL YEAR ENDED JUNE 30, 2004	
	UNEXPENDED PLANT FUND	INVESTMENT IN PLANT
Revenues and other additions:		
Expended for plant facilities		\$58,944,705
Total revenues and other additions		\$58,944,705
Expenditures and other deductions:		
Expended for plant facilities	3,049,968	
Depreciation of equipment		24,521,279
Total expenditures and other deductions:	3,049,968	24,521,279
Net increase (decrease) in fund balance	(3,049,968)	34,423,426
Fund balance at beginning of year	3,049,968	455,359,406
FUND BALANCE AT END OF YEAR	\$0	\$489,782,832



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