



Annual Financial Report

2007-2008 | Stony Brook University







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A Half-Century of Excellence

WITH 50 YEARS OF GROWTH AND INNOVATION BEHIND US, Stony Brook University has come a long way from its founding in 1957. We went from a small teachers' college to a member of the Association of American Universities, the elite organization of the top 62 research universities in North America. Our total student enrollment the first year was 148; today it is almost 24,000. From a freshman class of 148 in 1957, the same group numbers 2,700 today. We had 14 faculty members then; we have 2,100 now. From an enterprise operating out of a few borrowed buildings, we grew to a full-fledged educational, research, health care, and business complex composed of 222 buildings on 1,600 acres that includes the Main Campus, Stony Brook University Medical Center, the Long Island State Veterans Home, Stony Brook Manhattan, the Research and Development Park, three incubators on campus and at Calverton, New York, and the new Stony Brook Southampton campus.

This year Stony Brook received the largest gift ever given to SUNY, an honor first captured by the Charles B. Wang Center and now by the new Simons Center for Geometry and Physics, given by our former Chair of Math Jim Simons, and his wife, Marilyn, who holds a B.A. and Ph.D. in economics as well as an honorary doctorate from our University.

At our Staller Center for the Arts, national and international performers in music, theater, dance, and other arts perform to sold-out crowds year round. During the summer, on the area's largest screen, our annual independent film festival brings fans, directors, writers, and others to Staller's stage. And our 8,300-seat stadium is home to our NCAA Division I Seawolves teams and their fans—all showing their pride by wearing the University's trademark red.

At Stony Brook Southampton, the newly refurbished Avram Theater hosts performances such as the annual "Sustainable Treasures" music series. That campus also is home to the long-established M.F.A. writing program and the Summer Writers Conferences, which last year also featured the debut of Children's Book Writing and Screenwriting workshops.

At the Top of the Charts

Public recognition of Stony Brook as a world-class institution has exploded over the past 10 years. Stony Brook is ranked in the top 1 percent of universities worldwide by the 2008 *London Times Higher Education—QS World Ranking Survey*. We are named among the top 100 best national universities and the 50 best public universities by *U.S. News & World Report*.

Why? The University has shown a continuing upsurge in the quality of its educational offerings, the caliber of its students, and its myriad undergraduate research opportunities. As our student body has grown, we have become ever more selective, decreasing our acceptance rate from 56 percent to 43 percent. SAT score averages are still on the rise, having climbed 110 points in the past ten years. And the number of out-of-state freshmen entering Stony Brook has doubled in the past three years alone.



TOP 1% of all universities worldwide
London Times Higher Education—QS World Ranking Survey



TOP 100 best national universities in America

TOP 50 public national universities in the country
U.S. News & World Report



ONE OF ONLY 10 universities nationwide recognized by the National Science Foundation for combining research with undergraduate education



Inventing the Future

Originally created as a research university, Stony Brook today has become a powerhouse of invention and discovery, going from \$878,000 in 1965 to \$170 million in 2008 in research expenditures. Over the past 10 years the University has garnered 400 U.S. patents and earned royalties from its inventions totaling \$137 million over the same period.

The arrival of New York Blue—one of the planet’s most powerful supercomputers—links Stony Brook’s new Center for Computational Sciences with Brookhaven National Lab in a collaborative effort to strengthen supercomputing here. At peak performance, New York Blue is capable of 102 trillion calculations per second.

We have three Nobel Prize winners, a Fields Medalist, and many other award winners and members of prestigious academies, including faculty member and paleoanthropologist Richard Leakey, who became a Fellow of the Royal Society this year.

Transforming Undergraduate Education

Stony Brook is regularly cited—along with Berkeley, Harvard, MIT, and others—as one of the nation’s top institutions for undergraduate research. Our renowned Undergraduate Research and Creative Activities (URECA) program has produced Beckman, Churchill, Goldwater, and Marshall scholars.

The University’s students are a diverse, cosmopolitan group, hailing from all 50 states and more than 100 countries. Undergraduates belong to six themed freshman colleges that offer a dynamic first-year experience designed to help students succeed. With more than 150 majors, minors, and combined-degree programs for undergraduates, we offer an education that is all about choices.

Students in our School of Journalism—the only public undergraduate journalism school in New York—digitally edit news stories in a bi-level Newsroom of the Future equipped with the world’s leading software system for managing broadcast newsrooms. The school’s News Literacy program, the first of its kind in the nation, is designed to give students the skills to evaluate the credibility of news from print, broadcast, and the Web.

Stony Brook Southampton, on top of one of the world’s most-studied aquifers, on Long Island’s East End, is in its second year. This college dedicated to environmental sustainability offers small classes, a top-notch faculty, hands-on learning, and access to all of the resources of a major research university. Majors include Business Management with a specialization in sustainable business; Ecosystems and Human Impact; Environmental Design, Policy, and Planning; Environmental Studies; Marine Sciences; Marine Vertebrate Biology; and Sustainability Studies. Also offered are a combined-degree M.B.A. program and a minor in business management.



Student enrollment has grown to 24,000 from 17,600 in 1994.



Cited eight times in *U.S. News & World Report's* 2009 rankings of “Americas Best Graduate Schools.”



More than a third of Stony Brook graduates go on to graduate or professional school.



Stony Brook University Medical Center is the site of Long Island’s only School of Medicine.



Long Island's Economic Engine

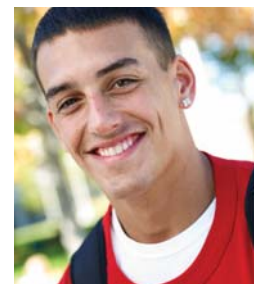
On our rapidly expanding campus, we have opened a new 246-acre Research and Development Park where a 100,000-square-foot Center of Excellence in Wireless and Information Technology serves as a research and test site for transitional and emerging wireless technologies.

With nearly 14,000 employees, Stony Brook is the largest single-site employer on Long Island, generating an estimated \$4.7 billion annually in regional economic impact. That accounts for nearly 4% of all economic activity in Nassau and Suffolk counties. Our Calverton Business Incubator promotes industries including agriculture/vitaculture, aquaculture, and environmental technologies that are the lifeblood of Long Island's East End. Our Long Island High Technology Incubator "graduates" report annual revenues of more than \$100 million.

Stony Brook has two Centers for Advanced Technology—one in sensor systems and one in biotechnology. The Center for Science and Mathematics Education is invested in strengthening science and math education at all levels. Even our undergraduates contribute to the well-being of the region via internships with major companies and organizations that lead to jobs after graduation. More than 350 companies recruit on campus.

Our Next 50 Years

Stony Brook's half-century of excellence in education, research, health care, business, and technology makes us uniquely poised to lead the way in solving the problems and demands of the next 50 years. Issues of sustainability, responsible economic development, new medicines, new technologies, and educating our students are just some of our missions. We look forward to a future in which the University will continue to grow and thrive as it has done so extraordinarily in its first 50 years.



The University is estimated to have a regional economic impact of \$4.7 billion.



Stony Brook faculty members are credited with more than 1,400 inventions and 400 U.S. patents.



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



Stony Brook contributes nearly 4% of all economic activity in Nassau and Suffolk counties.

LETTER TO THE PRESIDENT

January 21, 2009

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, 2008, including the results of its operations for the fiscal year. Notes to the financial statements should be considered an integral part of the statements and the report as a whole. Prior-year data is provided to allow comparisons with the previous reporting period.

Stony Brook University's financial statements are consolidated in the annual financial report of the State University of New York (hereafter referred to as SUNY) as a component unit. Effective June 30, 2007, the University adopted a financial statement format consistent with SUNY's audited financial statements 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 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,



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. 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 has received 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 150 majors and minors, 91 master's degree programs, 45 doctoral programs and 38 graduate certificate programs. The University also offers over 30 combined bachelor's and master's degree programs. Professional degrees are offered in medicine, dental medicine, nursing practice, and physical therapy.

Fiscal 2008 Revenues	\$1.64 Billion	Research Awards	\$163.8 Million
Fiscal 2008 Expenditures	\$1.71 Billion	Foundation Revenue	\$ 56.9 Million

Total Revenue *(in millions)*

Tuition and Fees	\$ 107.7
State Appropriations	462.6
Federal Grants	148.6
State Grants	17.4
Local and Private Grants	43.7
Auxiliary Services	89.3
Hospital	739.8
Capital and Investments	14.2
Other	21.1

Research Awards *(in millions)*

Federal	\$126.5
Philanthropic	13.2
Invention and Licenses	16.9
Other	7.2

Foundation *(in millions)*

Gifts and gifts in kind	\$ 49.3
Non-gifts	7.6
Net assets-endowment	102.5
Total net assets	163.4
Endowment rate of return	3.04%

Economic Impact

Stony Brook University is vital to the economy of the Long Island region. It is Long Island's largest single-site employer, providing jobs to more than 14,000 employees. As Long Island's only public research university, the University produces the educated workforce that drives the area's high-tech economy. In fact, according to a report released by the Center for Regional Policy Studies, the University's impact on the Long Island economy amounts to \$4.65 billion in increased output, or gross regional domestic product, and nearly 60,000 jobs.

Employment

Total Employees (Full and part time)	13,397
Academic	3,144
Non-Academic	4,716
Hospital	5,537
Average Monthly Payroll	\$64.9 million

Tuition & Fees *(Fall 2008)*

Undergraduate NYS	\$ 7,079
Undergraduate Nonresident	14,159
Graduate NYS	9,247
Graduate Nonresident	13,942
Medical NYS	28,873
Medical Nonresident	37,238

Student Enrollment *(Fall 2008)*

Total Student Enrollment	23,994
<i>Undergraduate</i>	
Total Undergraduate Students	15,924
West Campus	14,881
HSC Campus	1,043
Average High School GPA	91%
Average SAT Score	1,210
<i>Graduate and Advanced Degrees</i>	
Total Graduate Students	8,070
West Campus	5,921
HSC Campus	2,149

Undergraduate Major Fields of Study

Social Sciences	3,949
Engineering and Applied Sciences	2,431
Biological Science	2,542
Humanities and Fine Arts	1,448
Physical Science and Math	811
Health Technology and Management	1,321
Nursing	281
Marine/Oceanic Science	344
Social Welfare	90
Interdisciplinary Programs	129
Special/Undeclared	2,955

Other Facts

- Stony Brook was one of just 40 public and private universities in the country named a "Best Buy" by *Fiske Guide to Colleges*.
- Stony Brook is one of only 94 institutions in the country to be designated a "Very High Research University" by the Carnegie Foundation.
- For the last three years, Stony Brook has been responsible for 95% of the licensing revenues that have won SUNY its top 20 national ranking in technology transfer, according to the Association of University Technology Managers.
- Our Heart Center, the only cardiothoracic surgery service in Suffolk County, performs 800 open-heart operations a year.
- Stony Brook is a member of the prestigious Association of American Universities, the invitation-only organization of the best research universities in the country.

FINANCIAL HIGHLIGHTS

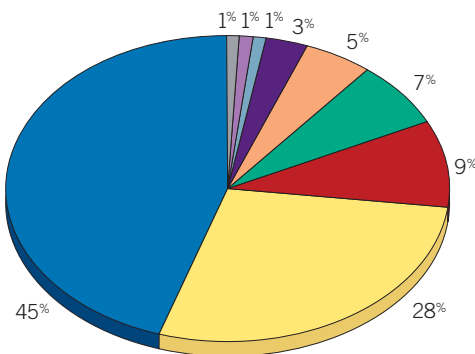
Revenue Results

Total revenues reported for 2008 were \$1,644,472,219, a decline from 2007 revenues of \$4 million which is attributable to the following net results:

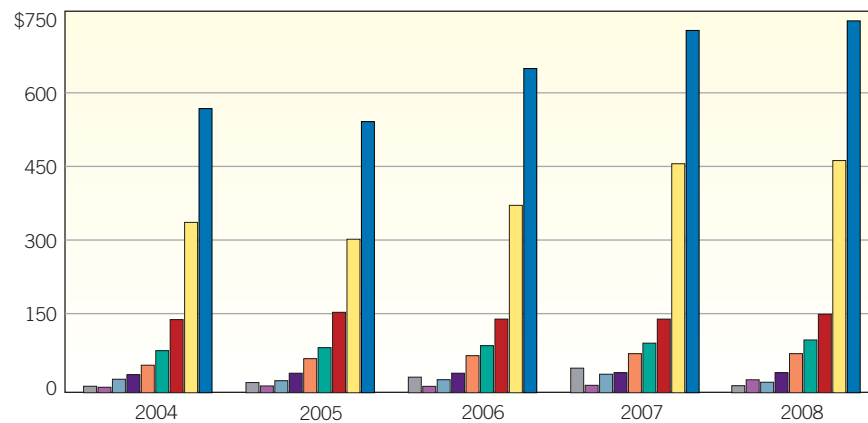
- ▶ Capital gifts and investment incomes declined by \$25 million and \$10 million, respectively from 2007 earnings.
- ▶ Federal, state, local and private grants and contracts decreased by \$16 million from 2007 revenues.
- ▶ State appropriations increased by \$5 million
- ▶ Hospital revenues increased by \$16 million.
- ▶ Tuition and fees, auxiliary enterprises and other revenue sources cumulatively increased by \$26 million.

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

2008 Revenues



Revenues in Actual Dollars *(in millions)*



	2004	2005	2006	2007	2008
Capital Gifts, Investments & Other	\$11,263,428	\$20,035,981	\$32,708,979	\$50,052,797	\$14,183,668
Other Revenue	13,092,357	14,941,720	12,573,855	14,201,700	21,092,477
State Grants and Contracts	27,098,073	24,462,809	26,204,889	37,764,237	17,436,797
Local & Private Grants & Contracts	36,036,366	39,109,606	39,184,281	40,583,985	43,698,627
Total Auxiliary Enterprises	55,361,711	68,166,506	74,237,545	78,131,947	89,308,775
Tuition & Fees	84,715,477	90,315,664	94,233,123	99,504,252	107,684,274
Federal Grants and Contracts	146,245,959	151,119,570	147,916,323	147,381,212	148,635,614
State Appropriations	340,927,649	300,104,220	374,890,340	457,298,911	462,596,126
Hospital and Clinics	567,504,111	541,858,006	647,003,475	723,389,839	739,835,861

FINANCIAL HIGHLIGHTS

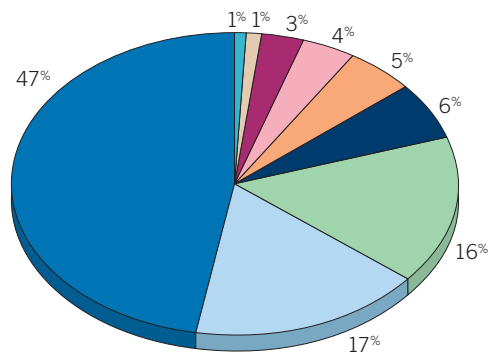
Expenditure Results

Expenditures reported for 2008 were \$1,714,883,531 which was a \$102 million increase or 6% from 2007 as a result of:

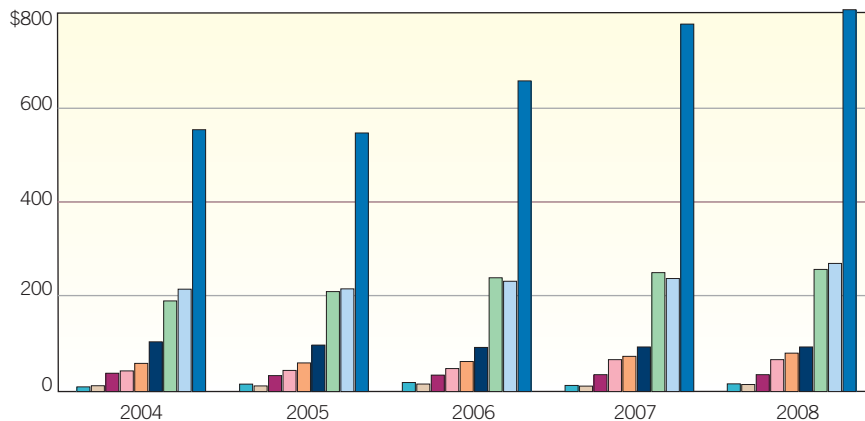
- ▶ Support services which include academic support, student services, administrative and institutional expenses were \$41 million greater than 2007 expenditures.
- ▶ Hospital and clinic expenditures increased by \$21 million, a 3% increase from 2007.
- ▶ Auxiliary services exceeded 2007 expenditures by \$17 million.
- ▶ Instruction and education expenditures were \$5 million in excess of 2007.
- ▶ Depreciation expenses associated with capital assets increased by \$4 million.
- ▶ Other operating and nonoperating expenditures increased by \$14 million.

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

2008 Expenditures



Expenditures in Actual Dollars *(in millions)*



	2004	2005	2006	2007	2008
Public Service	\$9,810,949	\$12,449,803	\$16,385,209	\$15,942,266	\$17,962,163
Scholarships and Fellowships	10,980,262	9,870,403	9,729,445	13,015,421	13,057,477
Nonoperating	39,957,367	34,699,877	35,325,593	36,975,835	47,734,087
Depreciation Expense	44,261,267	45,208,570	49,977,555	68,846,789	72,392,368
Total Auxiliary Enterprises	60,643,403	61,491,011	64,748,807	75,367,971	92,596,325
Research	106,254,151	99,162,580	94,600,885	95,229,591	96,307,112
Instruction	183,797,772	212,783,260	235,015,404	273,373,202	277,869,390
Support Services	207,331,251	213,527,658	222,039,822	250,962,785	292,176,604
Hospital and Clinics	558,457,588	551,215,257	662,805,565	783,512,836	804,788,005

ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$250,157,509	\$230,753,025
Short-term investments	49,349,015	60,443,071
Accounts, notes, and loans receivable, net	205,034,194	198,623,114
Interest receivable	387,511	1,008,893
Appropriations receivable	63,428,717	49,733,498
Grants receivable	30,573,423	19,015,121
Inventories	5,856,682	4,847,936
Other assets	6,322,330	2,786,652
Total current assets	611,109,381	567,211,310
Noncurrent Assets		
Restricted cash and cash equivalents	30,071,396	18,908,365
Deposits with trustees	73,833,617	37,079,531
Accounts, notes, and loans receivable, net	5,685,508	5,650,189
Appropriations receivable	42,565,535	44,377,779
Deferred financing costs	9,531,542	8,313,086
Long-term investments	70,731,800	81,041,151
Capital assets, net	1,031,790,696	918,637,455
Total noncurrent assets	1,264,210,094	1,114,007,556
TOTAL ASSETS	1,875,319,475	1,681,218,866
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	142,312,168	148,591,291
Interest payable	12,411,776	16,271,222
Student deposits	2,196,549	2,254,590
Deposits held in custody for others	2,682,912	1,910,625
Deferred revenue	29,113,732	28,356,447
Long-term liabilities-current portion	111,661,623	101,426,905
Other liabilities	8,268,955	6,644,976
Total current liabilities	308,647,715	305,456,056
Noncurrent Liabilities		
Long-term liabilities	1,200,311,779	938,727,148
Refundable government loan funds	6,883,363	7,278,147
Other liabilities	1,336,914	1,206,499
Total noncurrent liabilities	1,208,532,056	947,211,794
Total liabilities	1,517,179,771	1,252,667,850
NET ASSETS		
Invested in capital assets, net of related debt	296,873,903	302,351,006
Loans - restricted and expendable	764,818	808,683
Unrestricted	60,500,983	125,391,327
Total net assets	358,139,704	428,551,016
TOTAL LIABILITIES AND NET ASSETS	\$1,875,319,475	\$1,681,218,866

ANNUAL FINANCIAL REPORT

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

	FOR THE YEARS ENDING JUNE 30	
	2008	2007
OPERATING REVENUES		
Tuition and fees	\$144,199,029	\$136,878,766
Less: scholarship allowances	(36,514,755)	(37,374,514)
Net tuition and fees	107,684,274	99,504,252
Federal grants and contracts	148,635,614	147,381,212
State grants and contracts	17,436,797	37,764,237
Local grants and contracts	552,779	379,811
Private grants and contracts	43,145,848	40,204,174
University hospitals and clinics	739,835,861	723,389,839
Sales and services of auxiliary enterprises:		
Residence halls, net	45,109,484	41,703,256
Food service, net	18,584,501	16,564,402
Other auxiliary, net	25,614,790	19,864,288
Other operating	21,092,477	14,201,700
Total operating revenues	1,167,692,425	1,140,957,171
OPERATING EXPENSES		
Instruction	277,869,390	273,373,202
Research	96,307,112	95,229,591
Public service	17,962,163	15,942,266
Academic support	49,928,756	42,057,665
Student services	31,857,356	25,652,446
Institutional support	104,414,931	95,864,569
Operation and maintenance of plant	102,007,181	82,705,232
Scholarships and fellowships	13,057,477	13,015,421
Hospitals and clinics	804,788,005	783,512,836
Residence halls	49,965,424	34,276,547
Food service	20,333,725	18,585,956
Other auxiliary	22,297,176	22,505,468
Depreciation and amortization expense	72,392,368	68,846,789
Other operating	3,968,380	4,682,873
Total operating expenditures	1,667,149,444	1,576,250,861
Operating loss	(499,457,019)	(435,293,690)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	462,596,126	457,298,911
Investment income, net of investment fees	12,370,068	12,677,545
Net realized and unrealized gains	(4,190,253)	5,836,426
Gifts	1,300,894	3,255,510
Interest expense on capital related debt	(45,128,435)	(36,517,299)
Loss on disposal of plant assets	(2,143,327)	(458,536)
Other nonoperating expenses, net	(462,325)	
Net nonoperating revenues	424,342,748	442,092,557
Income (loss) before other revenues and gains	(75,114,271)	6,798,867
Capital appropriations	1,375,716	789,539
Capital gifts and grants	3,327,243	27,493,777
Increase in net assets	(70,411,312)	35,082,183
Net assets at the beginning of year	428,551,016	393,468,833
NET ASSETS AT THE END OF YEAR	\$358,139,704	\$428,551,016

ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY STATEMENT OF CASH FLOWS

	FOR THE YEARS ENDING JUNE 30	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$107,866,897	\$100,496,516
Federal grants and contracts	147,387,670	147,329,712
State and local grants and contracts	17,524,575	38,332,418
Private grants and contracts	43,590,925	41,765,988
University hospitals and clinics	681,611,686	669,381,224
Personal service payments	(690,971,959)	(653,851,137)
Other than personal service payments	(448,355,877)	(412,878,493)
Payments for fringe benefits	(129,173,553)	(116,163,014)
Payments for scholarships and fellowships	(13,057,477)	(13,015,421)
Loans issued to students	(1,143,752)	(1,890,698)
Collection of loans to students	730,810	1,365,478
Residence halls, net	44,880,930	42,582,776
Food service, net	17,876,915	16,960,219
Other auxiliary, net	27,838,191	20,937,965
Other operating	5,286,906	14,898,396
Net cash used by operating activities	(188,107,113)	(103,748,071)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations		
Operations	242,051,691	227,418,653
Debt service	61,976,447	73,161,828
Private gifts and grants	1,300,894	3,255,510
Repayment of short-term loans	(7,800,000)	(7,800,000)
Net cash flows provided by noncapital financing activities	297,529,032	296,035,991
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	173,504,968	118,047,645
Capital appropriations	1,375,716	789,539
Capital grants and gifts received	3,327,243	27,493,777
Purchases of capital assets	(57,653,905)	(91,421,812)
Payments to contractors	(110,018,135)	(86,977,505)
Principal paid on capital debt and leases	(55,753,511)	(78,712,066)
Interest paid on capital debt and leases	(45,128,435)	(36,517,299)
Other receipts	1,316,095	2,502,818
Net cash used by capital and related financing activities	\$(89,029,964)	\$(144,794,903)

ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY STATEMENT OF CASH FLOWS

	FOR THE YEARS ENDING JUNE 30	
	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	\$2,691,233	\$5,457,201
Interest, dividends, and realized gains on investments	9,938,377	11,332,308
Purchases of investments	(2,454,050)	(5,017,872)
Net cash provided by investing activities	10,175,560	11,771,637
Net change in cash	30,567,515	59,264,654
Cash - beginning of year	249,661,390	190,396,736
Cash - end of year	280,228,905	249,661,390
END OF YEAR CASH COMPRISED OF		
Cash and cash equivalents	250,157,509	230,753,025
Restricted cash and cash equivalents	30,071,396	18,908,365
Total cash - end of year	280,228,905	249,661,390
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	(499,457,019)	(435,293,690)
ADJUSTMENTS TO OPERATING LOSS		
Depreciation and amortization expense	72,392,368	68,846,789
Fringe benefits and litigation costs provided by State	244,326,671	249,227,181
Change in assets and liabilities:		
Receivables, net	(18,004,701)	(9,615,422)
Inventories	(1,008,746)	(73,329)
Other assets	(3,535,678)	(841,563)
Accounts payable, accrued expenses, and other liabilities	15,708,461	24,171,452
Deferred revenue	757,285	(706,134)
Student deposits	(58,041)	88,397
Deposits held for others	772,287	448,248
Net cash used by operating activities	(188,107,113)	(103,748,071)
SUPPLEMENTAL DISCLOSURES FOR NONCASH TRANSACTIONS		
New capital leases / debt agreements	105,703,602	61,079,836
Fringe benefits and litigation costs provided by the State	244,326,671	249,227,181
Noncash gifts	\$47,700	\$0

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STONY BROOK FOUNDATION BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$7,317,942	\$2,757,293
Accounts and notes receivable, net	341,879	1,637,709
Pledges receivable, net	53,737,503	23,058,137
Investments	123,713,270	118,677,111
Other assets	218,653	157,703
Capital assets, net	6,960,446	7,444,522
TOTAL ASSETS	192,289,693	153,732,475
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expense	4,817,844	3,436,548
Current portion of long-term debt	130,000	125,000
Deposits held for others	21,088,027	20,915,067
Long-term debt	425,592	349,382
Other liabilities	2,425,000	2,555,000
Total liabilities	28,886,463	27,380,997
NET ASSETS		
Unrestricted		
Board designated for:		
Fixed assets		4,869,447
Campus programs	16,157,329	15,126,633
General operations & other	4,164,305	
Undesignated		3,169,637
Temporarily restricted		
Scholarships and fellowships	17,312,520	16,875,765
Campus programs	20,646,540	20,634,041
Research	9,651,290	9,106,178
General operations and other	24,244,977	7,260,246
Permanently restricted		
Scholarships and fellowships	13,769,384	12,385,860
Campus programs	21,407,952	35,273,765
Research	1,260,322	1,257,010
General operations and other	34,788,611	392,896
Total net assets	163,403,230	126,351,478
TOTAL LIABILITIES AND NET ASSETS	\$192,289,693	\$153,732,475

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STONY BROOK FOUNDATION STATEMENT OF ACTIVITIES

	FOR THE YEARS ENDING JUNE 30			2008	2007
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
REVENUES					
Contributions, gifts, and grants	\$842,727	\$25,306,467	\$21,243,965	\$47,393,159	\$20,909,490
Investment income, net	787,240	183,876		971,116	743,176
Net realized and unrealized gains	4,098,696	(759,825)		3,338,871	12,073,336
Rental income		398,737		398,737	398,595
Sales and services	1,421,902	862,724	172,773	2,457,399	
Program income and special events		2,359,769		2,359,769	
Other sources	24,490	(19,666)		4,824	13,223
Endowment earnings transferred	(2,250,692)	2,236,554		(14,138)	
Net assets released from restrictions	12,589,539	(12,589,539)			
Total Revenues	17,513,902	17,979,097	21,416,738	56,909,737	34,137,820
EXPENSES					
Program expenses	12,496,430			12,496,430	10,009,579
Payments to State University:					
Scholarships and fellowships	1,271,738			1,271,738	2,870,369
Other	868,936			868,936	958,740
Depreciation and amortization expense	849,940			849,940	1,145,792
Interest expense on capital-related debt	170,856			170,856	174,587
Management and general	1,624,483			1,624,483	1,613,463
Fundraising	2,355,496			2,355,496	1,458,370
Other expenses	220,106			220,106	
Total expenditures	19,857,985			19,857,985	18,230,900
Increase in net assets	(2,344,083)	17,979,097	21,416,738	37,051,752	15,906,920
Net assets at the beginning of year	23,165,717	53,876,230	49,309,531	126,351,478	110,444,558
Net asset reclass	(500,000)		500,000		
Net assets at the beginning of the year	22,665,717	53,876,230	49,809,531	126,351,478	110,444,558
NET ASSETS AT THE END OF YEAR	\$20,321,634	\$71,855,327	\$71,226,269	\$163,403,230	\$126,351,478

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NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Basis of Presentation

Financial Presentation

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

Reporting Entity

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

Inclusion in the entity is based primarily on the notion of financial accountability. 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. (the 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 financial statements of the Foundation for the year end June 30, 2008 and 2007.

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, 2008 and 2007.

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, 2008 and 2007.

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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 Funds is included in the financial statements as of the Construction Fund's fiscal year end of March 31, 2008 and 2007. 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 plans, 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.

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.

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.

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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.

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	\$7,759
Food service	\$3,858
Other auxiliary	\$3,848

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, 2008 was \$43 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.

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 \$8 million and (b) collateralized with securities held by a pledging financial institution were \$2 million at June 30, 2008.

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.

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NOTES TO FINANCIAL STATEMENTS

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.

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 \$111 million, of which \$24.5 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 \$5.0 million and equity investments of \$4.1 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, 2008, accounts, notes, and loans receivables were summarized as follows (in thousands):

	2008	2007
Tuition and fees	\$2,560	\$2,449
Allowance for uncollectible	(552)	(583)
Net tuition and fees	2,008	1,866
Room rent	682	642
Allowance for uncollectible	(221)	(224)
Net room rent	461	418
Patient fees, net of contractual allowances	312,124	296,466
Allowance for uncollectible	(119,038)	(113,411)
Net patient fees	193,086	183,055
Other, net	8,101	11,688
Total accounts receivable and notes receivable	203,656	197,027
Student loans	8,161	8,552
Allowance for uncollectible	(1,097)	(1,306)
Total student loans receivable	7,064	7,246
TOTAL, NET	\$210,720	\$204,273

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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 three to fifty years.

Capital assets, net of accumulated depreciation, totaled \$1.0 billion. Capital asset activity during the year is reflected in the table below (in thousands). Closed projects and retirements represent capital assets retired and assets transferred from construction in progress for projects completed and the related capital assets placed in service.

	JUNE 30 2006	ADDITIONS	RETIREMENTS	JUNE 30 2007	ADDITIONS	RETIREMENTS	JUNE 30 2008
Land	\$30,621	\$4,332	\$17	\$34,936	\$11,261		\$46,197
Infrastructure and land improvements	56,759	6,216	88	62,887	9,502	\$1,524	70,865
Buildings	957,226	83,367	2,415	1,038,178	37,266	2,413	1,073,031
Equipment, library books and artwork	346,519	87,301	8,271	425,549	43,016	12,835	455,730
Construction in progress	136,337	107,822	87,855	156,304	147,103	63,287	240,120
Total Capital Assets	1,527,462	289,038	98,646	1,717,854	248,148	80,059	1,885,943
Less: accumulated depreciation:							
Infrastructure and land improvements	48,622	1,494	105	50,011	1,925	1,523	50,413
Buildings	464,496	24,406	1,857	487,045	25,542	2,410	510,177
Equipment, library books and artwork	227,480	41,611	6,931	262,160	44,735	13,333	293,562
Total accumulated depreciation	740,598	67,511	8,893	799,216	72,202	17,266	854,152
CAPITAL ASSETS, NET	\$786,864	\$221,527	\$89,753	\$918,638	\$175,946	\$62,793	\$1,031,791

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, 2008, other than facilities obligations, which are included as of March 31, 2008, total obligations are summarized in the following table (in thousands).

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	JUNE 30, 2006	ADDITIONS	REDUCTIONS	JUNE 30, 2007	ADDITIONS	REDUCTIONS	JUNE 30, 2008	CURRENT PORTION
Long-term debt:								
Educational Facilities	\$402,588	\$105,265	\$47,635	\$460,218	\$120,834	\$17,657	\$563,395	\$20,733
Residence Hall Facilities	121,695	24,300	6,584	139,411	54,137	6,570	186,978	7,192
Capital Leases	80,308	36,780	24,493	92,595	21,248	20,793	93,050	22,876
Other long-term debt - ESDC					32,907	11,742	21,165	3,169
Total long-term debt	604,591	166,345	78,712	692,224	229,126	56,762	864,588	53,970
Other long term liabilities:								
Compensated Absences	82,756	211,430	62,720	231,466	190,940	79,700	342,706	40,461
Loan from State	68,676	3,623	12,283	60,016	2,462	11,711	50,767	7,800
Litigation	36,760	39,720	20,680	55,800	4,350	8,240	51,910	9,345
Other long-term liabilities	112	592	56	648	1,437	83	2,002	86
Total other long-term liabilities	188,304	255,365	95,739	347,930	199,189	99,734	447,385	57,692
TOTAL LONG-TERM LIABILITIES	\$792,895	\$421,710	\$174,451	\$1,040,154	\$428,315	\$156,496	\$1,311,973	\$111,662

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 \$120 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 \$54.1 million for the purpose of financing capital construction and major rehabilitation for residential hall facilities.

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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, 2008 was \$50.8 million. During the year, \$11.7 million was paid on these loans. The University incurred an interest cost of \$2.5 million at an average interest rate of 4.1 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.

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.

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

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

Post-employment and Post-retirement Benefits

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

Employee contribution rates for NYSHIP are established by the State and are generally 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 \$43.4 million. The University's annual OPEB cost and increase in the OPEB obligation, relating to its state employees, for the year ended June 30, 2008 is as follows (in thousands):

Annual required contribution and annual OPEB cost	\$149,857
Benefits paid during year	43,433
Increase in OPEB Obligation	106,424
Net obligation at beginning of year	115,630
NET OBLIGATION AT END OF YEAR	\$222,054

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

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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, 2008 was \$70.0 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).

YEARS ENDING JUNE 30,	
2009	\$6,627
2010	4,257
2011	1,836
2012	1,144
2013	66
2014-18	60
2019-23	48
TOTAL	\$14,038

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 \$51.9 million at June 30, 2008 for hospitals and clinics unfavorable judgments, both anticipated and awarded but not yet paid.

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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 payors cost reimbursement items.

13. Subsequent Events

In September 2008, SUNY entered into agreements on behalf of the University with the DASNY to issue obligations totaling \$24.2 million for the construction and rehabilitation of residential facilities.

14. Foundation

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

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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 \$2.1 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 Bldg
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 reclassification was to increase permanently restricted net assets by \$500,000 and decrease unrestricted net assets by \$500,000.

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 \$124 million as of June 30, 2008. The composition of investments is as follows (in thousands):

Equities – domestic	\$18
Equities – international	17
Equities – private	1
Fixed income	33
Multi-strategy	50
Core property	5
TOTAL INVESTMENTS	\$124

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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 \$7.0 million as of June 30, 2008. Capital asset classifications are summarized as follows (in thousands):

Land and land improvements	\$.2
Buildings	4.0
Equipment	14.9
Artwork and library books	2.2
Total capital assets	21.3
Less accumulated depreciation	14.3
CAPITAL ASSETS, NET	\$7.0

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 \$78,694 and \$69,950 at June 30, 2008 and 2007, respectively. At June 30, 2008, future principal payments on the bond are as follows (in thousands):

YEARS ENDING JUNE 30,	
2009	\$130
2010	140
2011	150
2012	160
2013	170
Thereafter	1,805
TOTAL	\$2,555

