

2016–2017



STONY BROOK UNIVERSITY

ANNUAL FINANCIAL REPORT



Stony Brook
University



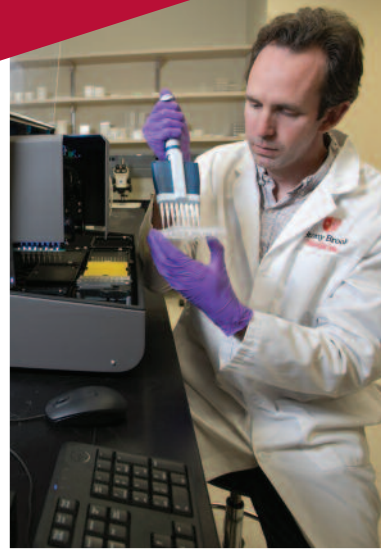


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ON THE COVER. Stony Brook, recently cited as one of the most diverse colleges in the country, is setting the standard for how universities can transform the lives of students.

ON THE INSIDE COVER. Clockwise: In February 2017, Chávez and Tubman Residence Halls and East Side Dining officially opened; students residing in these new state-of-the-art halls enjoy an inclusive environment; former U.S. Vice President Joe Biden (far left) was honored at the 2017 Stars of Stony Brook Gala, which highlighted the groundbreaking work of Stony Brook researchers and doctors in the fight against cancer; Stony Brook Medicine and the Mount Sinai Health System have partnered to promote research collaboration, enrich academic medicine and enhance clinical care; Stony Brook offers students from all economic backgrounds ample opportunities to conduct research in many disciplines.

ABOVE. From left: Distinguished Professor Nancy Tomes, Department of History, received the prestigious Bancroft Prize; A study, based on NASA's Curiosity rover mission and led by Stony Brook geophysicist Joel Hurowitz, revealed that an ancient lake on Mars had properties similar to those of lakes on Earth; Assistant Professor Mike Airola, Biochemistry and Cell Biology, was lead author of a study that defined the structure of a key enzyme implicated in cancer and neurodegenerative diseases.



Since 2011, more than 1,900 (full-time) faculty have been bolstered by nearly 350 net new full-time faculty.



The 2016–17 season marked the 40th anniversary of the Emerson String Quartet, Stony Brook’s distinguished quartet-in-residence.



A record number of degrees and certificates — 7,313 — were awarded in 2016–17.



Making a Real-World Impact

IN 2016–2017, STONY BROOK UNIVERSITY ONCE AGAIN EXCELLED IN ACADEMIC EXCELLENCE, INNOVATION, CUTTING-EDGE RESEARCH AND GROUNDBREAKING DISCOVERIES. We paid tribute to those who share our commitment to seeking advances in medicine, and we continued to celebrate diversity and build a more inclusive campus community — actions that have brought us widespread recognition.

We placed seventh on a nationwide list of the most diverse colleges in the country, according to BestColleges.com, an online resource that analyzes trends in higher education. BestColleges.com used data from the Department of Education in partnership with content tracker/data studio Priceonomics to rank top colleges and universities according to racial and ethnic diversity.

PROMOTING UPWARD MOBILITY

Stony Brook emerged as a nationwide leader in upward mobility, according to a major study by the Stanford Institute for Economic Policy Research. The study, which assessed higher education’s significance in promoting social mobility, named Stony Brook among the top 10 colleges and universities in the nation whose students begin college at the bottom fifth of income distribution and then go on to earn in the top three-fifths of income distribution. Titled “Mobility Report Cards: The Role of Colleges in Intergenerational Mobility,” the report “is a striking confirmation of Stony Brook’s unique strengths as an exceptionally powerful engine of social mobility,” said Stony Brook University President Samuel L. Stanley Jr.

RANKINGS RECOGNITION

The University continues to distinguish itself as a world-class institution:

- The Center for World University Rankings listed Stony Brook among the top 1 percent in the world.
- *U.S. News & World Report* ranked Stony Brook the 96th best national university — tied with Drexel University and Saint Louis University — and 42nd on the top public schools list.
- The *Fiske Guide to Colleges 2017* designated SBU a “Best Buy School” and named us one of the “academic leaders” in the State University of New York system based on criteria such as curriculum, affordability and state-of-the-art facilities.

GROUNDBREAKING DISCOVERIES

Our researchers are leading important studies that are making national headlines, such as:

- Showing that an ancient lake on Mars had chemical and physical properties similar to those of lakes on Earth
- Defining the structure of key enzymes involved with cell growth regulation in cancer and neurodegenerative diseases
- Demonstrating that global warming is already impacting human health and the vitality of our oceans through the spread of toxic algae
- Revealing that reduced mercury levels in tuna mirror declines in mercury emissions from industry

Our experts also enable Stony Brook to make technological breakthroughs, such as helping it to become the first higher education institution in New York State to offer a 100-gigabit-per-second connection to the Internet2 Research Network, which will enhance research through faster data transfer.

CHAMPIONING THE FIGHT AGAINST CANCER

As our researchers expand the frontier of cancer research, we applaud the efforts of those in the cancer-fighting community who display outstanding leadership. One such champion is the 47th vice president of the United States, Joseph R. Biden Jr.

In April 2017, at the annual Stars of Stony Brook Gala in New York City — which raised more than \$6.9 million to benefit student scholarships and the Stony Brook Cancer Center — Stony Brook honored Biden for his exceptional efforts in the fight against cancer. As Vice President, Biden led a major cancer initiative with the mission to double the rate of progress in preventing and fighting the disease.

Stony Brook President Samuel L. Stanley Jr. likened Biden's tireless commitment to cancer research to "the work our researchers and doctors are doing in Stony Brook Cancer Center labs — using insight, innovation and strategic collaborations to push the boundaries of what we know about how best to diagnose, treat and ultimately prevent the disease that is responsible for more than 8 million deaths a year worldwide."

FACULTY HONORS

Our faculty continue to make an impact at home and abroad, and reach the height of intellectual distinction. Following are outstanding faculty achievements from 2016–2017:

In March 2017, Nancy Tomes, a Distinguished Professor in the Department of History, received Columbia University's 2017 Bancroft Prize in American History and Diplomacy — one of the most prestigious academic awards in the field of history. Tomes garnered this honor for her book *Remaking the American Patient: How Madison Avenue and Modern Medicine Turned Patients Into Consumers* (University of North Carolina Press, 2016).

The Bancroft Prize, awarded annually by the trustees of Columbia University, includes a cash award of \$10,000. Winners are judged in terms of the scope, significance, depth of research and richness of interpretation they present in the areas of American history and diplomacy.

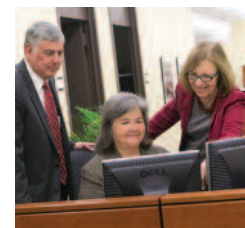
In November 2016, Stony Brook adjunct professor Raju Venugopalan, a senior physicist at Brookhaven National Laboratory, received the Humboldt Research Award for his remarkable achievements in theoretical nuclear physics.

This prestigious international award — issued by the Alexander von Humboldt Foundation in Bonn, Germany — comes with a prize of \$70,000 and the opportunity to collaborate with German researchers at Heidelberg University and elsewhere.

NOTEWORTHY NSF GRANTS

The University received two major grants from the National Science Foundation (NSF):

In March 2017, Stony Brook received \$5.4 million for U.S. ATLAS Operations: Discovery and Measurement at the Energy Frontier. The project will stimulate development of a scientific and technically educated workforce while advancing the multidisciplinary application of



Shutterstock founder, chairman and CEO Jonathan Oringer '96 received an honorary Doctor of Science degree at the University's 57th Commencement Ceremony in May 2017.



There are more than a dozen Operational Excellence initiatives in progress that will enable departments to target savings. In 2016–17, Stony Brook completed four projects that boost efficiency and effectiveness.



Thomas Allison, an assistant professor in the departments of Chemistry and Physics, won the \$200,000 2017 Discovery Prize.





SBU's annual boat race, the Roth Pond Regatta, won the National Association for Campus Activities' 2017 "Your Best Campus Tradition" contest.



WUSB made BestColleges.com's list of 51 Colleges With the Best Radio Stations.



In May 2017, the Stony Brook women's lacrosse team advanced to its first NCAA quarterfinal with a victory over Northwestern, marking the first 20-win season in program history for the Seawolves.



technology and the popularization and dissemination of science to the general public.

U.S. ATLAS is the U.S. collaboration for the ATLAS experiment at the powerful Large Hadron Collider (LHC) located at CERN in Switzerland. ATLAS, one of four detectors at the LHC, is designed to detect particles created by proton-proton collisions.

And in November 2016, Stony Brook University became the lead institution for a \$4 million five-year grant that aims to increase the number of underrepresented students who receive science, technology, engineering and mathematics (STEM) undergraduate and graduate degrees. The grant supports the State University of New York (SUNY) Louis Stokes Alliances for Minority Participation program, a synergistic collaboration and alliance of 14 SUNY schools with a diverse mix of academic strengths and capabilities.

The three leading goals of the project will be to meet the continuing challenge of preparing underrepresented students for a successful transition into STEM majors, provide experimental activities that lead to socialization into science, and promote systemic change by broadening participation in research.

NEW ACADEMIC LEADER

Michael Bernstein was named Provost and Senior Vice President for Academic Affairs effective October 2016. As chief academic officer, the Provost is responsible for oversight of the academic mission of West Campus, providing direct supervision for all academic units, support services and operations, and coordinating all academic programs. Before he came to Stony Brook, Bernstein was the John Christie Barr Professor of History and Economics and Tulane University provost.

BUILDING AND GROWING

The University continued to expand campus facilities to support strategic academic and research goals, serve a diverse student population, and accommodate the expanding healthcare needs of the surrounding community.

In late 2016 the Kavita and Lalit Bahl Center for Metabolomics and Imaging was established with two generous gifts totaling \$13.75 million. By combining Stony Brook's unique strengths in the basic sciences, applied mathematics and high-performance computing with the human capital of its physicians and scientists, the center will transform precision-based cancer care and drive research in body chemistry, diagnostics, therapeutics, intervention and prevention.

Symbolizing Stony Brook's commitment to diversity and inclusion, in February 2017 the University held a ribbon-cutting ceremony for the newest state-of-the-art student facilities — Chávez and Tubman Residence Halls and East Side Dining, all of which are fully equipped to provide a modern and convenient student life experience, as well as a safe and inclusive environment.

The residence halls were named after two prominent civil rights leaders. César Chávez Hall, which opened in September 2016, honors the late Mexican-American labor organizer and civil rights leader César Estrada Chávez. Tubman Hall, which opened in January 2017, honors Harriet Tubman, the African-American abolitionist.

And in March 2017, Stony Brook opened an advanced specialty healthcare facility in Commack, New York, expanding healthcare for Long Islanders. The center offers 30 medical specialties designed to meet the majority of people's medical needs, among them, Dermatology, Neurology, Neurosurgery, Obstetrics/Gynecology, Orthopedics, Pediatrics, Primary Care/Internal Medicine, Radiology/Imaging, Surgery, Urology.

LETTER TO THE PRESIDENT

March 28, 2018

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

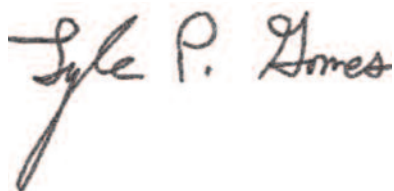
Dear Dr. Stanley:

The accompanying financial statements prepared from the accounting records of Stony Brook University (hereafter referred to as the University) set forth the financial condition of the University at June 30, 2017, including the results of its operations for the fiscal year. Notes to the financial statements should be considered an integral part of the statements and the report as a whole. Prior-year data is provided to allow comparisons with the previous reporting period.

Stony Brook University's financial statements are consolidated in the annual financial report of the State University of New York (hereafter referred to as SUNY) as a component unit. Effective June 30, 2007, the University adopted a financial statement format consistent with SUNY's audited financial statements to comply with GASB and FASB pronouncements. The accompanying financial statements, to the extent possible, fairly represent the University's component information as provided by SUNY.

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

Sincerely,

A handwritten signature in black ink that reads "Lyle P. Gomes". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

Lyle P. Gomes
Vice President for Finance

FINANCIAL HIGHLIGHTS

Stony Brook University at a Glance

Stony Brook University, one of 64 campuses that constitute the State University of New York, was established in 1957 as a college for the preparation of secondary school teachers of mathematics and science. From its beginnings a half-century ago, Stony Brook University has been characterized by innovation, energy and progress, transforming the lives of people who earn degrees, work and make groundbreaking discoveries here. A dramatic trajectory of growth has turned what was once a small teacher preparation college into an internationally recognized research institution that is changing the world.

Stony Brook University consists of the main campus located on Long Island's North shore, Stony Brook Medicine and Health Science Center, the Long Island State Veterans Home, and Stony Brook Southampton. The University's reach also extends to a Research and Development Park, four business incubators, and co-manages Brookhaven National Laboratory, joining an elite group of universities — including Princeton, Stanford, the University of California, and the University of Chicago — that run federal laboratories.

And Stony Brook is still growing. To the students, the scholars, the health professionals, the entrepreneurs and all the valued members who make up the vibrant Stony Brook community, this is a not only a great local and national university, but one that is making an impact on a global scale.

Fiscal 2017 Revenues	\$2.45 Billion	Research Awards	\$197.97 Million
Fiscal 2017 Expenditures	\$2.56 Billion	Foundation Revenue	\$96.12 Million

Total Revenue (in millions)

Tuition and Fees	\$266.6
State Appropriations	476.0
Federal Grants	142.8
State, Local and Private Grants, and Other	94.5
Auxiliary Services	100.3
Hospital	1,241.2
Nonoperating	133.3

Research Awards (in millions)

Federal	\$131.2
Philanthropic (Private)	20.0
State and Local	11.6
Other	35.2

Foundation (in millions)

Gifts and Gifts-in-Kind	\$62.3
Other	33.8
Net Assets-Endowment	234.0
Total Net Assets	437.5
Endowment Rate of Return	7.8%

Economic Impact

The entrepreneurial energy and economic strength of the University bring a combined benefit of \$4.7 billion to the economy of Long Island. Stony Brook has a remarkable record of fruitful collaboration with private enterprise. Through its high-technology incubators, the University has promoted the launch of more than 40 companies. The University is the largest single-site employer on Long Island, with more than 16,000 full- and part-time employees.

In addition to being an engine for economic development, Stony Brook University is also a destination for the fine arts and entertainment on Long Island. The Staller Center has become a regional treasure, providing the campus and the surrounding communities with amazing local, national and international talent. The Wang Center is a destination for students, faculty and the community, celebrating Asian and Asian-American culture. Our athletics teams represent not only Stony Brook University, but this region, attracting students, faculty, staff and members of the community.

Employment

Total Employees (full and part time)	16,042
Academic	3,874
Non-Academic	4,902
Hospital	7,266
Average Monthly Payroll	\$94.7 million

Student Enrollment (Fall 2017)

Total Student Enrollment	25,989
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Undergraduate

Total Undergraduate Students	17,364
West Campus	16,265
HSC Campus	1,099
High School GPA Percent	94
Average SAT Score	1,260

Graduate and Advanced Degrees

Total Graduate Students	8,625
West Campus	5,720
HSC Campus	2,905

Tuition and Fees (Fall 2017-Spring 2018)

Undergraduate and Graduate

Undergraduate NYS	\$12,241
Undergraduate Nonresident	29,751
Graduate NYS	15,618
Graduate Nonresident	26,958
Graduate MBA NYS	19,448
Graduate MBA Nonresident	29,138

HSC Professional

Medical NYS	\$48,094
Medical Nonresident	71,484
Dental NYS	51,389
Dental Nonresident	79,209
Physical Therapy NYS	29,138
Physical Therapy Nonresident	35,448

FINANCIAL HIGHLIGHTS

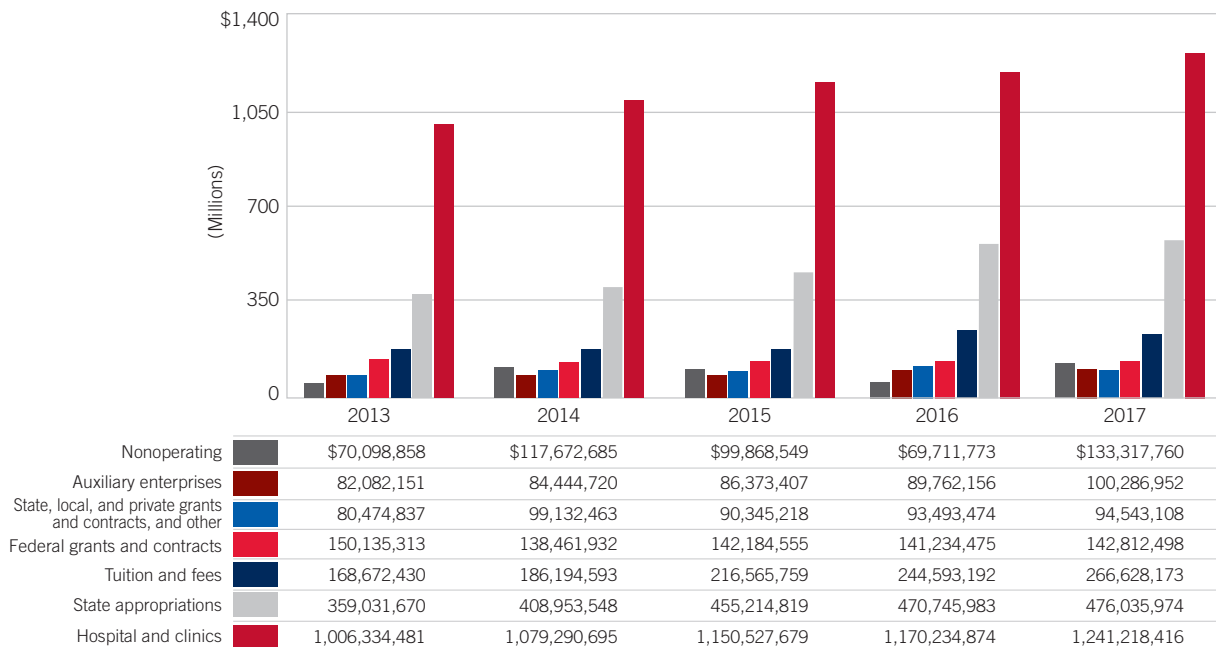
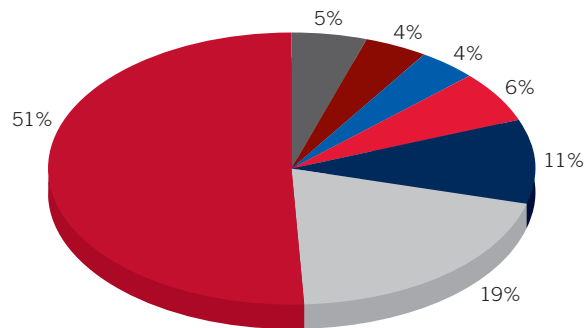
Revenue Results

Total revenues were \$2,454,842,881 and \$2,279,775,927 for the 2017 and 2016 fiscal years, respectively. The \$175 million revenue increase in 2017 resulted from the following:

- ★ Hospital revenues exceeded 2016 by \$71 million due to increases in patient revenue and Medicaid Disproportionate Share program revenue, net of receivable reserves.
- ★ Nonoperating revenues increased by \$64 million for Research Foundation pension funding, capital gifts and grants, and unrealized gains.
- ★ Tuition and fee revenues increased \$22 million from rates and enrollment.
- ★ Auxiliary revenues increased \$10 million from campus housing rates, cafeteria loan reimbursement and athletic sponsorships.
- ★ State appropriations increased by \$5 million to support fringe benefits on personal services.
- ★ Federal, state, local and private grants increased \$3 million.

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

2017 Revenues



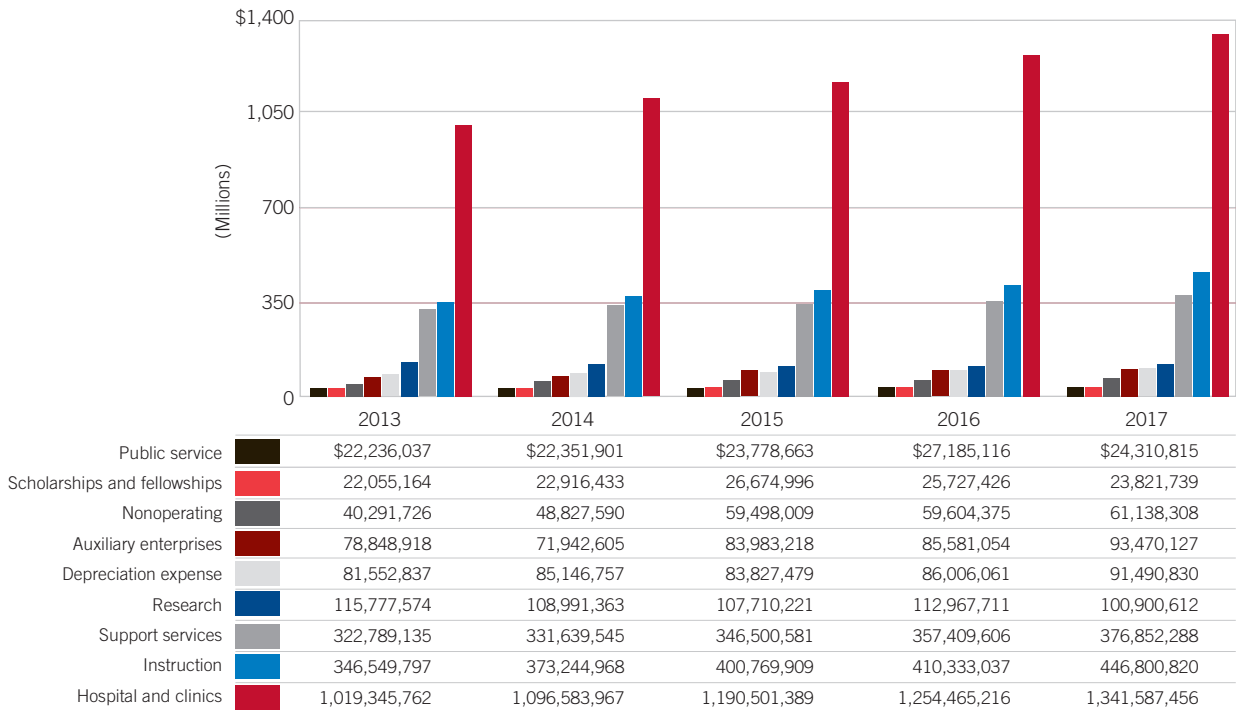
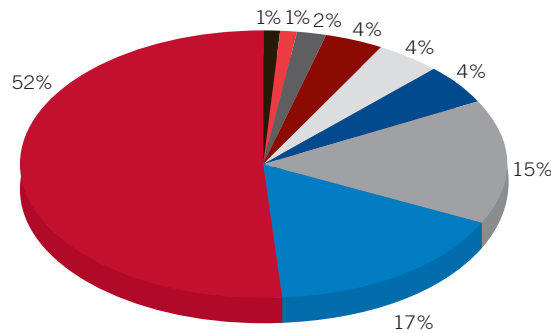
Expenditure Results

Expenditure totals were \$2,560,372,995 and \$2,419,279,602 for 2017 and 2016, respectively. The \$141 million expenditure increase was attributable to the following:

- * Hospital expenditures increased by \$87 million across the board in personal service costs, fringe and other than personal service costs.
- * Instruction expenditures increased \$37 million in fringe benefits and other than personal service costs.
- * Support expenditures increased by \$20 million in personal service and fringe benefit costs.
- * Auxiliary service expenditures increased by \$8 million for rehabilitation projects.
- * Research expenditures decreased \$11 million due to other post employment plan amendments.

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

2017 Expenditures

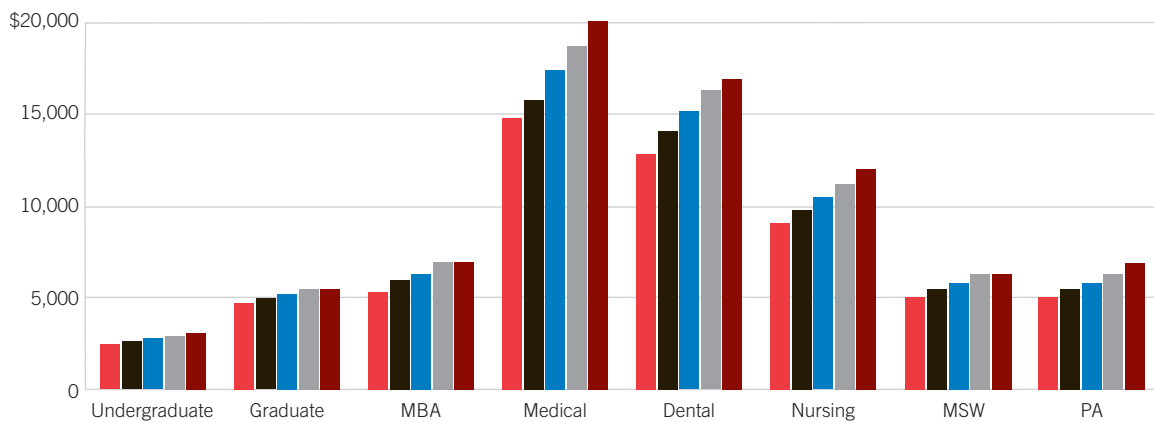


FINANCIAL HIGHLIGHTS

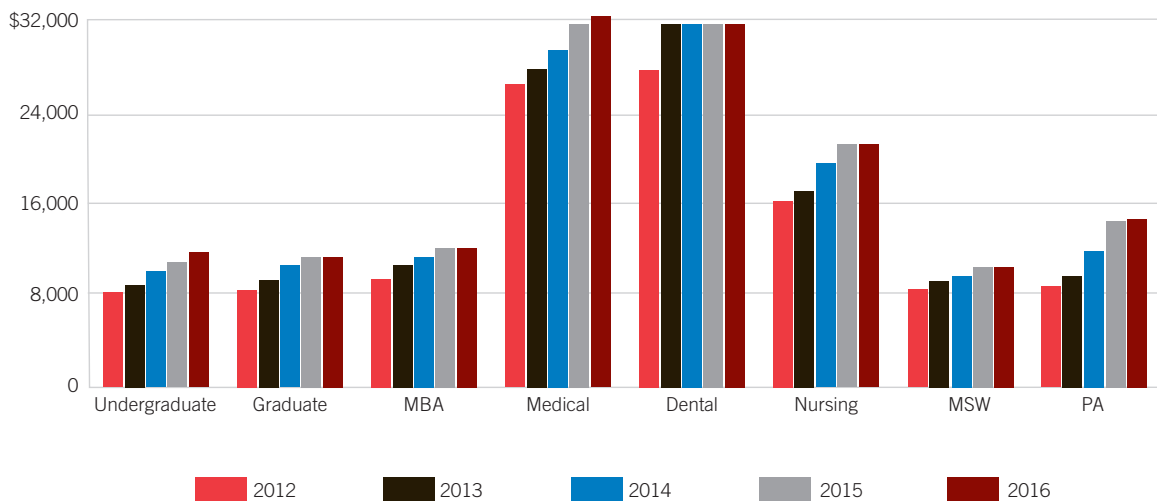
Tuition Revenue Graphs

These graphs trend tuition rates based on residency status for Fall 2012 through Fall 2016. Due to reductions in state funded support, tuition rates have increased in both resident and non-resident tuition groups as authorized by the SUNY Board of Trustees. With the adoption of SUNY 20/20, which remained in effect through June 2015, total rates for 2012 through 2016 increased an average of 9 percent and 6 percent per year for resident and non-resident students, respectively.

Fall Resident Tuition Rates



Fall Non-Resident Tuition Rates

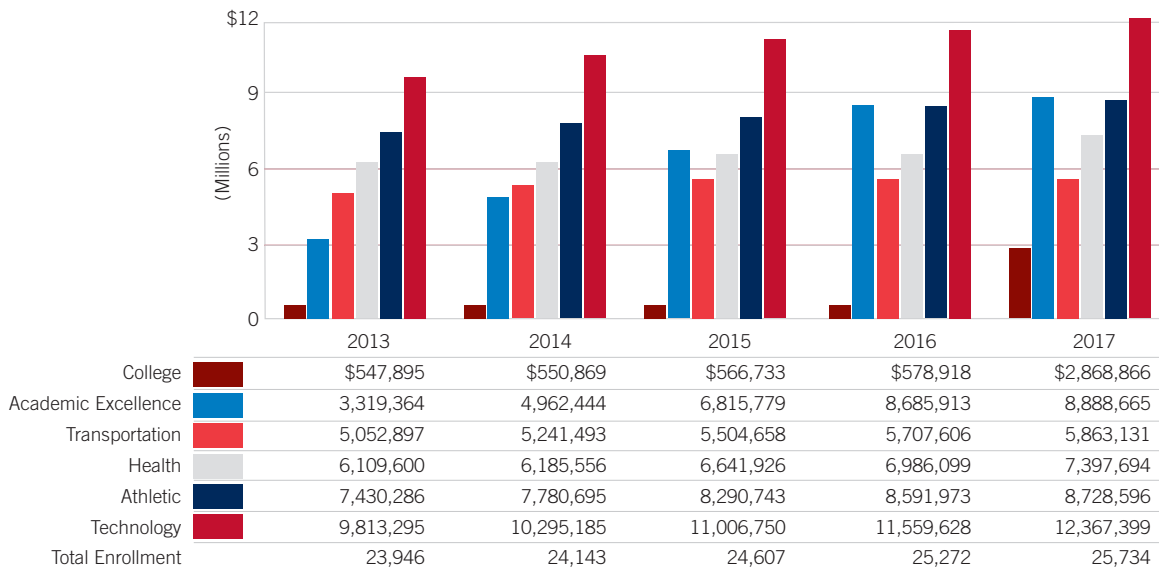


Comprehensive Fee Revenue

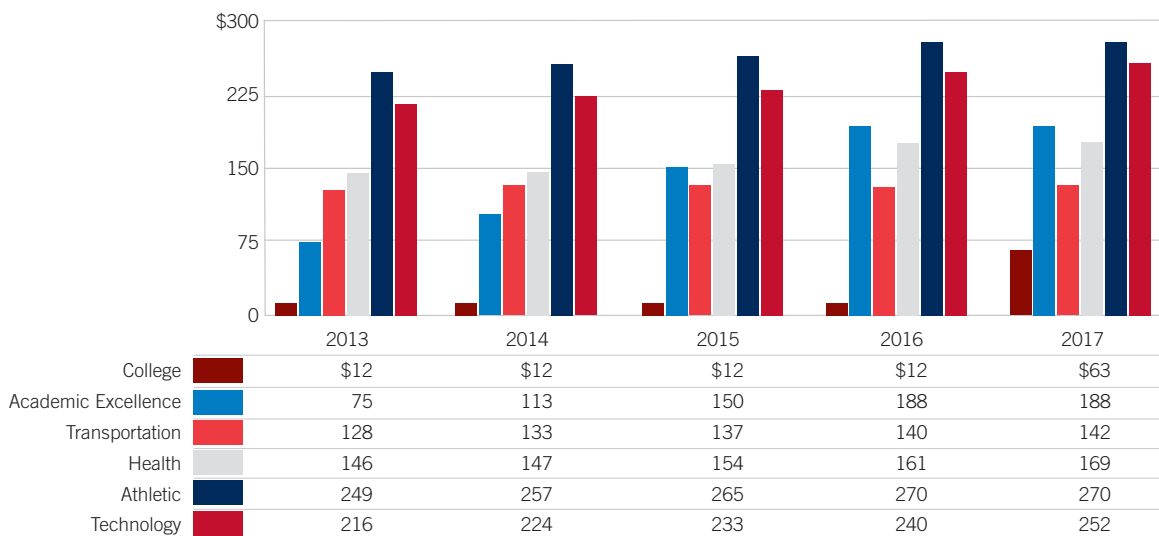
The comprehensive fee is a mandatory fee that is billed to all students, unless they meet waiver requirements. The fee consists of these fee components: academic excellence, college, transportation, health services, athletic, and technology fee. With the exception of the athletic fee which is billed solely to undergraduate students, comprehensive fee rates are consistent for all student fee groups (undergraduate, graduate and professional students).

These graphs illustrate the growth in revenues attributed to the comprehensive fee components. Total rates for 2013 through 2017 have increased proportionate to the services they support.

Comprehensive Fee Revenue



Comprehensive Fee F/T Full-Year Rates



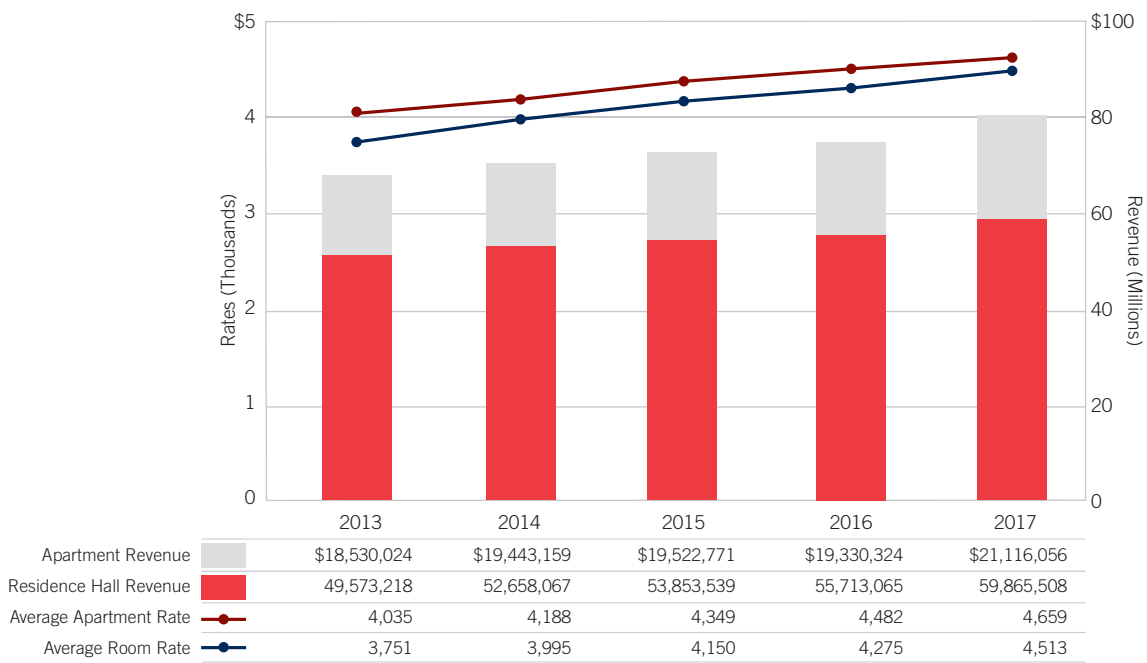
FINANCIAL HIGHLIGHTS

Apartment and Residence Hall Revenue

Stony Brook offers on-campus housing to non-commuter students by way of apartment rentals and residence halls, both containing various living options and fee structures. Revenues associated with these facilities are maintained in the Dormitory Operating Fund which is reported within auxiliary enterprises in the Stony Brook University Statement of Revenue, Expenses, and Changes in Net Position.

Below is a graph of apartment and residence hall revenue and rates for the fiscal years 2013 through 2017. From 2013 through 2017, apartment and resident hall rates have increased on average by 4 percent.

Apartment and Residence Hall Rates and Revenue

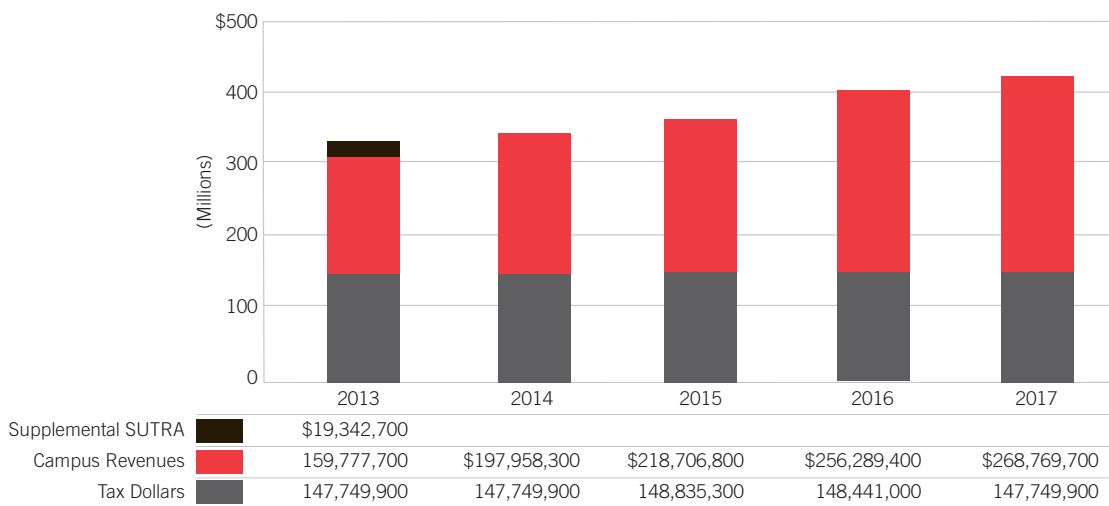


State Appropriations and University-wide Appropriations

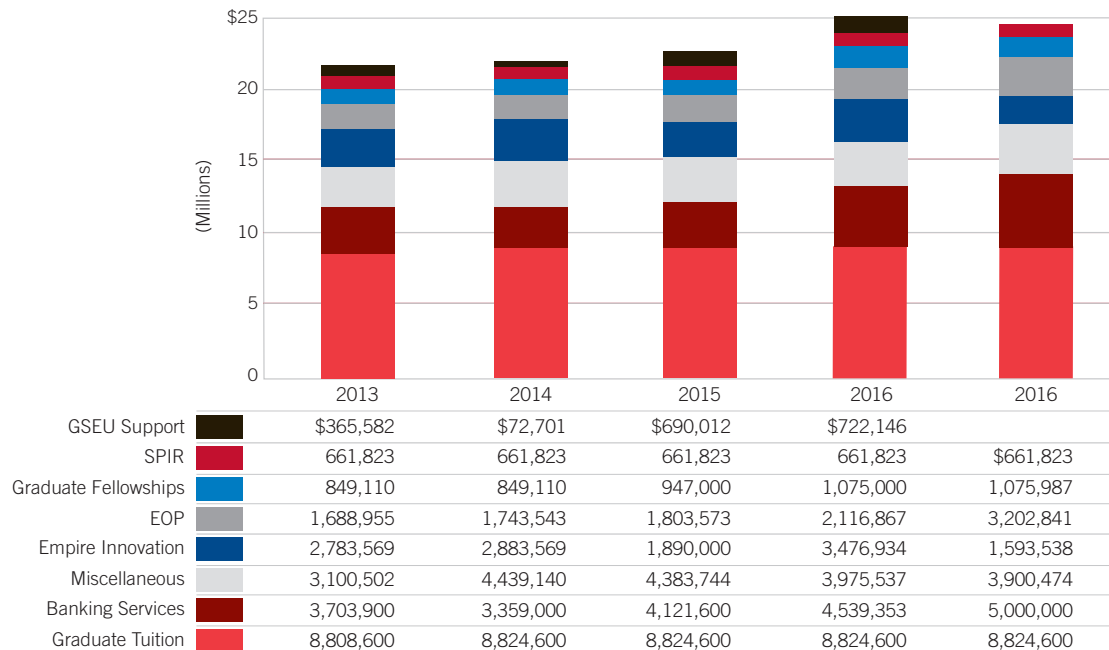
The University receives State appropriations to support its core operating budget in the form of State tax support and from tuition and revenue targets. In 2012-2013 the University also received SUTRA supplemental which represented a portion of campus revenue in excess of revenue targets. The following graph illustrates the State appropriation distributions for the period from 2013 through 2017, when campus revenue appropriations increased by \$109 million, or 68 percent.

In addition to State Appropriations, the University receives appropriations earmarked for specific programs. As documented in the graph, total University-wide appropriations increased by \$2.3 million or 10 percent between 2013 through 2017.

State Appropriations



University-wide Appropriations



ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$224,785,390	\$203,586,470
Deposits with trustees	26,323,779	16,019,425
Short-term investments	91,927,834	74,625,479
Accounts, notes, and loans receivable, net	293,111,119	270,513,295
Interest receivable	147,881	57,349
Appropriations receivable	17,367,183	19,141,102
Grants receivable	36,225,827	37,591,727
Inventories	12,768,847	11,701,271
Other assets	6,865,877	7,269,251
Total current assets	709,523,737	640,505,369
Noncurrent Assets		
Restricted cash and cash equivalents	36,442,451	28,430,433
Deposits with trustees	41,310	60,705,446
Accounts, notes, and loans receivable, net	10,183,585	14,081,866
Appropriations receivable	124,271,023	128,501,536
Capital assets, net	2,220,733,942	2,081,262,853
Other assets	2,679,307	2,335,955
Total noncurrent assets	2,394,351,618	2,315,318,089
Total assets	3,103,875,355	2,955,823,458
Deferred outflows of resources	64,330,743	162,271,311
Total assets and deferred outflows of resources	3,168,206,098	3,118,094,769
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued liabilities	321,569,831	210,757,657
Interest payable	5,500,747	5,666,768
Student deposits	2,559,700	2,472,400
Deposits held in custody for others	5,206,354	4,691,553
Deferred revenue	47,822,634	43,061,950
Long-term liabilities-current portion	140,495,439	123,878,729
Other liabilities	2,854,546	1,861,955
Total current liabilities	526,009,251	392,391,012
Noncurrent Liabilities		
Long-term liabilities	2,956,418,474	2,931,292,577
Refundable government loan funds	6,910,371	6,972,688
Other liabilities	6,229,131	6,394,925
Total noncurrent liabilities	2,969,557,976	2,944,660,190
Total liabilities	3,495,567,227	3,337,051,202
Deferred inflows of resources	29,894,920	32,769,502
Total liabilities and deferred inflows of resources	3,525,462,147	3,369,820,704
NET POSITION		
Invested in capital assets, net of related debt	727,775,501	743,327,523
Loans - restricted and expendable	767,819	774,743
Unrestricted	(1,085,799,369)	(995,828,201)
Total net position	(357,256,049)	(251,725,935)
TOTAL LIABILITIES AND NET POSITION	\$3,168,206,098	\$3,118,094,769

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

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

	FOR THE YEARS ENDING JUNE 30	
	2017	2016
OPERATING REVENUES		
Tuition and fees	\$331,553,712	\$311,563,146
Less: scholarship allowances	(64,925,539)	(66,969,954)
Net tuition and fees	266,628,173	244,593,192
Federal grants and contracts	142,812,498	141,234,475
State grants and contracts	15,924,822	10,652,686
Local grants and contracts	204,354	156,507
Private grants and contracts	61,444,612	64,749,643
University hospitals and clinics	1,241,218,416	1,170,234,874
Sales and services of auxiliary enterprises:		
Residence halls, net	66,500,596	60,812,003
Other auxiliary, net	33,786,356	28,950,153
Other operating	16,969,320	17,934,638
Total operating revenues	1,845,489,147	1,739,318,171
OPERATING EXPENSES		
Instruction	446,800,820	410,333,037
Research	100,900,612	112,967,711
Public service	24,310,815	27,185,116
Academic support	88,442,523	86,225,256
Student services	52,897,983	50,897,081
Institutional support	127,029,249	123,353,848
Operation and maintenance of plant	101,231,851	89,408,641
Scholarships and fellowships	23,821,739	25,727,426
Hospitals and clinics	1,341,587,456	1,254,465,216
Residence halls	64,027,128	59,167,697
Other auxiliary	29,442,999	26,413,357
Depreciation and amortization expense	91,490,830	86,006,061
Other operating	7,250,682	7,524,780
Total operating expenditures	2,499,234,687	2,359,675,227
Operating loss	(653,745,540)	(620,357,056)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	476,035,974	470,745,983
Federal and State student financial aid	52,013,801	50,676,051
Investment income, net of investment fees	3,890,061	3,251,552
Net realized and unrealized gains	5,780,237	976,479
Gifts	7,316,146	4,144,342
Interest expense on capital related debt	(59,433,422)	(58,655,400)
Loss on disposal of plant assets	(1,704,886)	(948,975)
Other nonoperating revenues	50,529,079	2,134,899
Net nonoperating revenues	534,426,990	472,324,931
Income (loss) before other revenues and gains	(119,318,550)	(148,032,125)
Capital gifts and grants	13,788,436	8,528,450
Increase (decrease) in net position	(105,530,114)	(139,503,675)
Net position at the beginning of year	(251,725,935)	(112,222,260)
NET POSITION AT THE END OF YEAR	(\$357,256,049)	(\$251,725,935)

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY STATEMENT OF CASH FLOWS

	FOR THE YEARS ENDING JUNE 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$269,058,139	\$246,387,614
Federal grants and contracts	143,649,629	140,173,690
State and local grants and contracts	16,288,872	10,417,832
Private grants and contracts	66,915,458	66,698,082
University hospitals and clinics	1,148,455,620	1,118,948,671
Personal service payments	(1,033,832,152)	(1,006,258,960)
Other than personal service payments	(583,641,268)	(565,077,129)
Payments for fringe benefits	(224,129,126)	(179,060,248)
Payments for scholarships and fellowships	(41,481,907)	(23,618,397)
Loans issued to students	(1,305,377)	(1,043,187)
Collection of loans to students	1,309,879	1,156,102
Residence halls, net	66,767,413	61,046,977
Other auxiliary, net	32,484,946	28,980,711
Other operating	21,113,634	14,301,306
Net cash used by operating activities	(118,346,240)	(86,946,936)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations:		
Operations	172,752,847	166,896,813
Debt service	59,885,944	58,408,075
Federal and State student financial aid grants	52,017,030	50,676,051
Private gifts and grants	7,316,146	4,144,342
Direct loan receipts	124,272,755	123,686,584
Direct loan disbursements	(124,272,755)	(123,686,584)
Other receipts	(12,154,412)	
Net cash flows provided by noncapital financing activities	279,817,555	280,125,281
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	144,014,453	119,709,688
Capital grants and gifts received	13,788,436	8,528,450
Purchases of capital assets	(35,496,079)	(25,655,287)
Payments to contractors	(197,160,992)	(282,321,862)
Principal paid on capital debt and leases	(52,056,175)	(56,725,485)
Interest paid on capital debt and leases	(59,433,422)	(58,655,400)
Deposits with trustees	50,359,782	49,051,887
Net cash used by capital and related financing activities	(\$135,983,997)	(\$246,068,009)

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY STATEMENT OF CASH FLOWS

	FOR THE YEARS ENDING JUNE 30	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest, dividends, and realized gains on investments	\$3,723,620	\$3,227,676
Net cash provided by investing activities	3,723,620	3,227,676
Net change in cash	29,210,938	(49,661,988)
Cash - beginning of year	232,016,903	281,678,891
Cash - end of year	261,227,841	232,016,903
END OF YEAR CASH COMPRISED OF		
Cash and cash equivalents	224,785,390	203,586,470
Restricted cash and cash equivalents	36,442,451	28,430,433
Total cash - end of year	261,227,841	232,016,903
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	(653,745,540)	(620,357,056)
ADJUSTMENTS TO OPERATING LOSS		
Depreciation and amortization expense	91,490,830	86,006,061
Fringe benefits and litigation costs provided by State	245,145,783	231,338,458
CHANGE IN ASSETS AND LIABILITIES		
Receivables, net	(17,333,643)	73,602,098
Inventories	(1,067,576)	(236,235)
Other assets	60,022	(1,831,443)
Accounts payable, accrued expenses, and other liabilities	211,741,099	139,471,311
Deferred revenue	4,760,684	3,373,482
Student deposits	87,300	(114,016)
Deposits held for others	514,801	1,800,404
Net cash used by operating activities	(118,346,240)	(86,946,936)
SUPPLEMENTAL DISCLOSURES FOR NONCASH TRANSACTIONS		
New capital leases / debt agreements	144,014,453	119,709,688
Fringe benefits and litigation costs provided by the State	\$245,145,783	\$231,338,458

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY COMPONENT UNITS BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$57,730,488	\$106,301,198
Accounts and notes receivable, net	5,875,462	6,004,949
Pledges receivable, net	84,239,087	66,449,131
Investments	315,122,876	256,311,151
Assets held for others	36,512,714	32,768,359
Other assets	2,388,334	2,539,983
Capital assets, net	37,429,205	38,600,302
Total assets	539,298,166	508,975,073
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	14,888,238	13,948,588
Current portion of long-term debt	1,121,540	1,291,548
Deferred revenue	2,742,091	2,271,608
Deposits held for others	36,235,002	32,768,359
Post retirement benefit obligation and pension	843,103	978,013
Long-term debt	4,995,690	9,303,225
Other liabilities	4,877,339	6,826,431
Total liabilities	65,703,003	67,387,772
NET ASSETS		
Unrestricted		
Fixed assets	40,299,368	38,281,740
Campus programs	12,553,319	11,834,055
Other	11,183,462	12,458,916
Undesignated	4,467,610	437,227
Temporarily restricted		
Scholarships and fellowships	20,329,535	19,363,280
Campus programs	59,775,703	51,306,747
Research	18,019,265	13,404,695
General operations and other	134,509,097	129,083,277
Permanently restricted		
Scholarships and fellowships	27,456,733	24,888,404
Campus programs	119,052,767	107,399,705
Research	4,534,554	4,508,060
General operations and other	21,413,750	28,621,195
Total net assets	473,595,163	441,587,301
TOTAL LIABILITIES AND NET ASSETS	\$539,298,166	\$508,975,073

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

STONY BROOK UNIVERSITY COMPONENT UNITS STATEMENT OF ACTIVITIES

	FOR THE YEARS ENDING JUNE 30			2017	2016
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
REVENUES					
Contributions, gifts, and grants	\$3,160,319	\$52,908,528	\$10,991,574	\$67,060,421	\$ 53,918,033
Investment income, net	750,071	700,519		1,450,590	2,538,587
Net realized and unrealized gains	9,217,503	18,226,756		27,444,259	11,817,847
Food service	35,524,233			35,524,233	32,587,153
Other auxiliary services	4,204,793			4,204,793	7,025,527
Rental income	148,367	479,167		627,534	448,073
Sales and services	382,216			382,216	387,671
Other sources	23,339			23,339	40,303
Net assets released from restrictions	56,314,767	(56,314,767)			
Total revenues	109,725,608	16,000,203	10,991,574	136,717,385	108,763,194
EXPENSES					
Food service	30,815,988			30,815,988	26,468,522
Other auxiliary services	1,830,377			1,830,377	5,403,482
Program expenses	39,603,329			39,603,329	30,524,226
Payments to State University:					
Scholarships and fellowships	5,253,967			5,253,967	2,315,111
Other	14,448,279			14,448,279	12,233,376
Depreciation and amortization expense	2,576,945			2,576,945	2,758,961
Interest expense on capital-related debt	318,491			318,491	360,917
Management and general	6,752,620			6,752,620	6,626,044
Fundraising	3,109,527			3,109,527	4,016,376
Total expenditures	104,709,523			104,709,523	90,707,015
Increase in net assets	5,016,085	16,000,203	10,991,574	32,007,862	18,056,179
Net assets at the beginning of year	63,011,938	213,157,999	165,417,364	441,587,301	423,531,122
Transfer of net assets	475,736	3,475,398	(3,951,134)		
NET ASSETS AT THE END OF YEAR	\$68,503,759	\$232,633,600	\$172,457,804	\$473,595,163	\$441,587,301

See accompanying notes to financial statements.

ANNUAL FINANCIAL REPORT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Financial Presentation

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

Reporting Entity

For financial reporting purposes, the University is comprised of sectors which include the university centers of the main campus, Manhattan, Southampton, health science centers (including hospitals), colleges and schools, central services and other affiliated entities determined to be includable in the University's financial reporting entity. Inclusion in the entity is based primarily on the notion of financial accountability, defined in terms of a primary government (University) that is financially accountable for the organizations that make up its legal entity. Separate legal entities meeting the criteria for inclusion in the blended totals of the University reporting entity are described below.

The Research Foundation of State University of New York at Stony Brook (Research Foundation) is a separate not-for-profit educational corporation that operates as the fiscal administrator for the majority of the University's sponsored programs. The programs include research, training, and public service activities of the State-operated campuses supported by sponsored funds other than State appropriations. The activity of the Research Foundation has been included in these financial statements using GASB measurements and recognition standards. The financial activity was derived from audited financial statements of the Research Foundation for the years ended June 30, 2017 and 2016.

The State University Construction Fund (Construction Fund) is a public benefit corporation that designs, constructs, reconstructs, and rehabilitates SUNY facilities to an approved master plan. It is a separate legal entity that carries out operations which are integrally related to SUNY and its reporting components, and therefore, the financial activity related to the University's share of Construction Fund is included in the financial statements as of the Construction Fund's fiscal year end of March 31, 2017 and 2016. To report construction fund activities related to the University, certain methodologies are used by SUNY to allocate plant fund balances by campus.

The Faculty Student Association (FSA) is a legally separate, nonprofit corporation, which as an independent contractor, operates, manages, and promotes educationally related services for the benefit of the campus community. The Stony Brook Foundation Inc. (the Foundation) is a legally separate, nonprofit, affiliated organization that receives and holds economic resources that is significant to, and entirely for the University, and is required to be included in the reporting entity using discrete presentation requirements. As a result, the combined totals of the FSA and the Foundation are separately presented as aggregate component units on financial statement pages 18 and 19 in the University's financial statements in accordance with display requirements prescribed by the Financial Accounting Standards Board (FASB). The financial data for these organizations was derived from each entity's individual audited financial statements for the years ended June 30, 2017 and 2016.

The operations of certain related but independent organizations, i.e., clinical practice management plans, alumni association and student associations, are not included in the accompanying financial statements as such organizations do not meet the definition for inclusion.

The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as prescribed by GASB. The University reports its financial statements as a special-purpose government engaged in business-type activities, as defined by GASB. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The financial statements of the University consist of a classified balance sheet; a statement of revenues, expenses, and changes in net position, that distinguish between operating and nonoperating revenues and expenses; and a statement of cash flows, using the direct method of presenting cash flows from operations and other sources.

The University's policy for defining operating activities in the statement of revenues, expenses, and changes in net position is one that generally results 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 and State financial aid grants, net investment income, gifts, and interest expense.

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

Net investment in capital assets

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

Restricted – nonexpendable:

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

Restricted – expendable:

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

Unrestricted component of net position:

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

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

Revenues

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

Tuition and fees and auxiliary sales and service revenues are reported net of scholarship discounts and allowances. Auxiliary sales and service revenue classifications were reported net of the following scholarship discount and allowance amounts for the fiscal year (in thousands):

Residence halls	\$14,761
Other auxiliary	6,187

Deferred Outflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by a government that is applicable to a future reporting period. Deferred outflows of resources resulting from a loss in the refinancing of debt represent the difference between the reacquisition price and the net carrying amount of the old debt and is amortized over the life of the related debt.

ANNUAL FINANCIAL REPORT

NOTES TO FINANCIAL STATEMENTS

Compensated Absences

Employees accrue annual leave based primarily on the number of years employed with a maximum rate of 21 days per year for a maximum accumulation of 40 days.

Inventories

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

Fringe Benefits

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

Tax Status

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

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts displayed in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

2. CASH AND CASH EQUIVALENTS

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

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

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

The New York State Comprehensive Annual Financial Report contains the GASB No. 40 risk disclosures for deposits held in the State treasury. Deposits not held in the State treasury that are not covered by depository insurance and are: (a) uncollateralized were \$0 and (b) collateralized with securities held by a pledging financial institution were \$9.8 million at June 30, 2017.

3. DEPOSITS WITH TRUSTEES

Deposits with trustees primarily represent Dormitory Authority of the State of New York (DASNY) bond proceeds needed to finance capital projects and to establish required building and equipment replacement and debt service reserves. Pursuant to financing agreements with DASNY, bond proceeds, including interest income, are restricted for capital projects or debt service. Also included are non-bond proceeds which have been designated for capital projects and equipment.

4. INVESTMENTS

Investments of the University are recorded at fair value. Investment income is recorded on the accrual basis, and purchases and sales of investment securities are reflected on a trade date basis. Any net earnings not expended are included as increases in restricted - nonexpendable net position if the terms of the gift require that such earnings be added to the principal of a permanent endowment fund, or as increases in restricted - expendable net position as provided for under the terms of the gift, or as unrestricted.

Investments are comprised of investments of the Research Foundation. The Research Foundation maintains a diverse investment portfolio and with respect to debt instruments, has a policy of investing in primarily high quality securities. Investments are held with the investment custodian in the Research Foundation's name. Investments at fiscal year end are \$92 million.

5. ACCOUNTS, NOTES, AND LOANS RECEIVABLE

At June 30, 2017, accounts, notes, and loans receivables were summarized as follows (in thousands):

	2017	2016
Tuition and fees	\$4,881	\$4,690
Allowance for uncollectible	(1,378)	(1,216)
Net tuition and fees	3,503	3,474
Room rent	938	818
Allowance for uncollectible	(281)	(250)
Net room rent	657	568
Patient fees, net of contractual allowances	479,349	403,730
Allowance for uncollectible	(204,461)	(148,273)
Net patient fees	274,888	255,457
Other, net	17,340	18,155
Total accounts receivable and notes receivable	296,388	277,653
Student loans	8,126	8,129
Allowance for uncollectible	(1,219)	(1,187)
Total student loans receivable	6,907	6,942
TOTAL, NET	\$303,295	\$284,595

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NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS

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

Capital assets, net of accumulated depreciation, totaled \$2.2 billion. Capital asset activity 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 2015	ADDITIONS	RETIREMENTS	JUNE 30 2016	ADDITIONS	RETIREMENTS	JUNE 30 2017
Land	\$179,143	\$2,082	\$7	\$181,218	\$8,747		\$189,965
Infrastructure and land improvements	166,019	8,966	654	174,331	20,402	3,206	191,527
Buildings	1,739,764	94,137	8,330	1,825,571	251,371	13,157	2,063,785
Equipment, library books and artwork	567,511	30,640	13,670	584,481	32,250	7,942	608,789
Construction in progress	450,736	271,093	84,644	637,185	196,574	276,230	557,529
Total Capital Assets	3,103,173	406,918	107,305	3,402,786	509,344	300,535	3,611,595
Less: accumulated depreciation:							
Infrastructure and land improvements	69,670	7,297	544	76,423	8,133	2,415	82,141
Buildings	722,866	49,224	7,820	764,270	53,518	12,356	805,432
Equipment, library books and artwork	464,353	29,485	13,008	480,830	29,840	7,382	503,288
Total accumulated depreciation	1,256,889	86,006	21,372	1,321,523	91,491	22,153	1,390,861
CAPITAL ASSETS, NET	\$1,846,284	\$320,912	\$85,933	\$2,081,263	\$417,853	\$278,382	\$2,220,734

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, 2017, other than facilities obligations, which are included as of March 31, 2017, Total obligations are summarized in the following table (in thousands):

	JUNE 30, 2015	ADDITIONS	REDUCTIONS	JUNE 30, 2016	ADDITIONS	REDUCTIONS	JUNE 30, CURRENT 2017	CURRENT PORTION
Long-term debt:								
Educational Facilities	\$952,940	\$93,086	\$33,733	\$1,012,293	\$11,367	\$23,066	\$1,000,594	\$47,842
Residence Hall Facilities	288,068	24,296	9,101	303,263	20,345	9,425	314,183	8,790
Capital Leases	30,583	29,960	8,009	52,534	19,087	11,569	60,052	14,950
Other long-term debt - Gyrodyne	23,502	4,000	4,000	23,502	4,000	6,102	21,400	1,600
Other long-term debt -SUNY 2020	20,000		3,023	16,977		1,894	15,083	1,914
Total long-term debt	1,315,093	151,342	57,866	1,408,569	54,799	52,056	1,411,312	75,096
Other long term liabilities:								
Post-employment and post-retirement	1,134,298	236,745	88,244	1,282,799	282,236	160,252	1,404,783	48,005
Loan from State	10,948	30		10,978	71		11,049	7,800
Litigation	122,949	17,715	5,431	135,233		4,526	130,707	6,436
Pensions	67,383	198,118	47,909	217,592	59,708	138,237	139,063	3,159
Total other long-term liabilities	1,335,578	452,608	141,584	1,646,602	342,015	303,015	1,685,602	65,400
TOTAL LONG-TERM LIABILITIES	\$2,650,671	\$603,950	\$199,450	\$3,055,171	\$396,814	\$355,071	\$3,096,914	\$140,496

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) and Sales Tax Revenue Bonds were issued for the purpose of financing capital construction and major rehabilitation for educational facilities in the amount of \$11 million.

Residence Hall Facilities

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

In March 2013, the State enacted legislation amending the Public Authorities Law and Education Law of the State. The amendments, among other things, authorized the University to assign to DASNY all of the University's rights, title and interest in dormitory facilities revenues derived from payments made by students and others for use and occupancy of certain dormitory facilities. The amendments further authorize DASNY to issue Dormitory Facilities Revenue Bonds payable from and secured by the dormitory facilities revenues assigned to it by the University. The enacted legislation also created a special fund to be held by the State's Commissioner of Taxation and Finance on behalf of DASNY. All of the dormitory facilities revenues collected by the University are required to be deposited in this special fund.

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NOTES TO 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, 2017, was \$11.0 million.

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 Optional Retirement Program (ORP). 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 ten-member board. ORP is a multiple-employer, defined contribution plan administered by separate vendors – TIAA-CREF, Fidelity, Metropolitan Life, VALIC, and VOYA. 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. ERS and TRS provide retirement benefits as well as death and disability benefits. Benefits generally vest after five years of credited service, or after ten years of service for those joining after January 1, 2010. The 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.

ORP 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.

For the hospital's cost-sharing multiple employer pension plans, the University has implemented in 2015 GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB No. 68). The hospital is considered a participating employer of the New York State and Local Retirement System (ERS) and New York State Teachers' Retirement System (TRS) pension plans. This Statement requires that a portion of the Plan's net pension liability (asset), as well as deferred inflows and outflows from pension activities be reflected in the reported amounts on the balance sheet. As a result, the University has recorded a participating proportion of the net pension asset and liability of the TRS and ERS plans, respectively.

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

Post-employment and Post-retirement Benefits

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

Employee contribution rates for NYSHIP are established by the State and are generally 12 percent for enrollee coverage and 27 percent for dependent coverage. NYSHIP premiums are being financed on a pay-as-you-go basis. During the fiscal year, the State, on behalf of the University, paid health insurance premiums of \$49.4 million. The University's annual OPEB cost and increase in the OPEB obligation, relating to its state employees, for the year ended June 30, 2017, is as follows (in thousands):

Annual required contribution and annual OPEB cost	\$240,136
Benefits paid during year	54,689
Increase in OPEB Obligation	185,447
Net obligation at beginning of year	1,133,243
NET OBLIGATION AT END OF YEAR	\$1,318,690

The initial unfunded actuarial accrued liability is being amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The actuarial valuation utilizes a frozen entry age actuarial cost method. The actuarial assumptions include a 2.64 percent discount rate, payroll growth rate of 3.0 percent, and an annual healthcare cost trend rate for medical coverage of 6.75 percent initially, reduced by decrements to a rate of 4.8 percent after seven years. Projections of benefits are based on the plan and include the types of benefits provided at the time of each valuation. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of future events. The actuarial methods and assumptions used are designed to reduce short-term volatility in reported amounts and reflect a long-term perspective.

The Research Foundation sponsors a separate single employer defined benefit post-retirement plan (Plan) that covers substantially all non-student employees. The plan provides post-retirement medical benefits and is contributory for employees hired after 1985. In fiscal years 2011 and 2013, the Research Foundation amended the plan to increase the participant contribution rates for those hired after 1985 with the specific rates to be determined based on an employee's years of service.

Contributions by the Research Foundation are made pursuant to a funding policy established by its Board of Directors. Assets are held in a Voluntary Employee Benefit Association (VEBA) trust and are considered plan assets in determining the funded status or funding progress of the plan under GASB reporting and measurement standards. The Research Foundation post-retirement obligation for the year ended June 30, 2017 was \$7.5 million.

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9. COMMITMENTS

The University has entered into contracts for the construction and improvement of various projects. The University is also committed under numerous operating leases covering real property and equipment. Rental expenditures reported for the year under such operating leases were approximately \$8.5 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,	
2018	\$6,122
2019	5,684
2020	4,410
2021	2,927
2022	1,860
2023-27	2,874
TOTAL	\$23,877

10. CONTINGENCIES

The State is contingently liable in connection with claims and other legal actions involving the University, including those currently in litigation arising in the normal course of University activities. The University does not carry malpractice insurance and, instead, administers these types of cases in the same manner as all other claims against the State involving University activities in that any settlements of judgments and claims are paid by the State from an account established for this purpose. With respect to pending and threatened litigation, the medical malpractice liability includes incurred but not reported (IBNR) loss estimates. The estimate of IBNR losses is actuarially determined based on historical experience using a discounted present value of estimated future cash payments. The University has recorded a liability and a corresponding appropriation receivable of approximately \$130 million at June 30, 2017.

The University is exposed to various risks of loss related to damage and destruction of assets, injuries to employees, damage to the environment or noncompliance with environmental requirements, and natural and other unforeseen disasters. The University has insurance coverage for its residence hall facilities. However, in general, the University does not insure its educational buildings, contents or related risks and does not insure its vehicles and equipment for claims and assessments arising from bodily injury, property damages, and other perils. Unfavorable judgments, claims, or losses incurred by the University are covered by the State on a self-insured basis. The State does have fidelity insurance on State employees.

11. RELATED PARTIES

The University's single largest source of revenue is State appropriations. State appropriations take the form of direct assistance, debt service on educational facility and PIT bonds, fringe benefits for State employees, and litigation expenses for which the State is responsible. State appropriations totaled \$476 million and \$471 million and represented approximately 19.4 percent and 20.7 percent of total revenues for the 2017 and 2016 fiscal years, respectively. The University's continued operational viability is substantially dependent upon a consistent and proportionate level of ongoing State support.

12. CONDENSED FINANCIAL STATEMENT INFORMATION OF THE RESEARCH FOUNDATION

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

CONDENSED BALANCE SHEET	2017	2016
ASSETS		
Current assets	\$133,921	\$118,849
Capital assets	10,749	10,438
Other assets	2,679	2,336
Total assets	147,349	131,623
LIABILITIES		
Current liabilities	51,016	45,920
Noncurrent liabilities	50,790	68,190
Total liabilities	101,806	114,110
NET POSITION		
Invested in capital assets, net	10,749	10,438
Unrestricted	34,794	7,075
Total net position	45,543	17,513
TOTAL LIABILITIES AND NET POSITION	147,349	131,623
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
OPERATING REVENUES		
Federal grants and contracts	131,203	128,548
State grants and contracts	11,615	7,793
Private grants and contracts	19,984	20,762
Other operating revenues	35,171	104,886
Total operating revenues	197,973	261,989
EXPENSES		
Instruction	18,144	15,607
Research	94,796	99,919
Public service	12,668	13,968
Institutional support	41,350	49,995
Other operating expenses	1,047	1,682
Depreciation and amortization expense	1,749	1,671
Total operating expenses	169,754	182,842
Operating Income	28,219	79,147
Net nonoperating revenues/(expenses)	(189)	(112)
Increase (decrease) in net position	28,030	79,035
Net position at the beginning of year	17,513	(61,522)
NET POSITION AT THE END OF YEAR	45,543	17,513
RF CONDENSED STATEMENT OF CASH FLOWS		
Cash flows used by operating activities	(403)	(2,387)
Cash flows used by capital and related financing activities	(2,249)	
Cash flows from investing activities	2,408	2,628
Net change in cash	(244)	241
Cash - beginning of year	308	67
CASH - END OF YEAR	\$64	\$308

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13. FEDERAL GRANTS AND CONTRACTS AND THIRD-PARTY REIMBURSEMENT

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

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

14. SUBSEQUENT EVENTS

In July 2017, the State issued Sales Tax Revenue Bonds and Personal Income Tax Revenue Bonds totaling \$997 million for the purpose of financing capital construction and major rehabilitation for educational facilities. Stony Brook's share of these obligations can not be estimated at this time.

The State University Board of Trustees approved Stony Brook University Hospital to enter into an agreement with Southampton Hospital Association (SHA) to affiliate with Southampton Hospital. The agreement has the State leasing the Southampton Hospital building and equipment from SHA. This affiliation agreement was approved by New York State on August 1, 2017.

15. COMPONENT UNITS

The reported totals of the discretely presented component units include the campus related Foundation and the auxiliary service entity, the Faculty Student Association (FSA). The Foundation is a nonprofit organization responsible for the fiscal administration of revenues and support received for the promotion, development and advancement of the welfare of the University and its students, faculty, staff and alumni. The Foundation receives the majority of their support and revenues through contributions, gifts and grants and provides benefits to their campus, students, faculty, staff and alumni. The FSA is a campus-based, legally separate, nonprofit organization which, as independent contractor, operates, manages, and promotes educationally related services for the benefit of the campus community.

These organizations are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. All of the financial data for these organizations was derived from each entity's individual audited financial statements, reported in accordance with generally accepted accounting principles promulgated by FASB, as of June 30, 2017. During the year, the Foundation distributed \$19.7 million to the University, principally for scholarships.

Net Asset Classifications

Unrestricted net position represents 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.

Investments

All investments with readily determinable fair values have been reported in the financial statements at fair value. Realized and unrealized gains and losses are recognized in the statement of activities. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investments of the University discretely presented component units were \$315 million as of June 30, 2017.

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 \$37.4 million as of June 30, 2017. Capital asset classifications are summarized as follows (in thousands):

Land and land improvements	\$1,513
Buildings	34,503
Equipment	11,951
Artwork and library books	6,535
Construction in progress	5,576
Total capital assets	60,078
Less accumulated depreciation	22,649
CAPITAL ASSETS, NET	\$37,429

Long-term Debt

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

YEARS ENDING JUNE 30	
2018	\$1,121
2019	1,137
2020	1,152
2021	744
2022	464
Thereafter	1,499
TOTAL	\$6,117

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Condensed Financial Statement Information

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

COMBINED BALANCE SHEETS						
	FOUNDATION	2017 FSA	TOTAL	FOUNDATION	2016 FSA	TOTAL
ASSETS						
Investments	\$304,437	\$10,686	\$315,123	\$246,902	\$9,409	\$256,311
Capital assets, net	17,442	19,987	37,429	16,840	21,761	38,601
Other assets	160,469	26,277	186,746	183,687	30,377	214,064
Total assets	482,348	56,950	539,298	447,429	61,547	508,976
LIABILITIES						
Current liabilities	44,630	19,108	63,738	40,424	16,369	56,793
Long-term debt/other	255	1,710	1,965	1,230	9,365	10,595
Total liabilities	44,885	20,818	65,703	41,654	25,734	67,388
NET ASSETS						
Unrestricted	32,371	36,132	68,503	27,199	35,813	63,012
Temporarily restricted	232,634		232,634	213,158		213,158
Permanently restricted	172,458		172,458	165,418		165,418
Total Net Assets	437,463	36,132	473,595	405,775	35,813	441,588
TOTAL LIABILITIES AND NET ASSETS	\$482,348	\$56,950	\$539,298	\$447,429	\$61,547	\$508,976
COMBINED STATEMENT OF ACTIVITIES						
REVENUES						
Contributions, gifts and grants	\$67,059		\$67,059	\$53,918		\$53,918
Food and auxiliary services		39,729	39,729		39,613	39,613
Sales and services	382		382	388		388
Other revenue	28,678	869	29,547	14,812	33	14,845
Total revenues	96,119	40,598	136,717	69,118	39,646	108,764
EXPENSES						
Food and auxiliary services		32,646	32,646		31,872	31,872
Program expenses	37,692	1,911	39,603	30,187	337	30,524
Other expenses	26,739	5,722	32,461	21,602	6,709	28,311
Total expenses	64,431	40,279	104,710	51,789	38,918	90,707
Total change in net assets	31,688	319	32,007	17,329	728	18,057
Net assets at the beginning of year	405,775	35,813	441,588	388,446	35,085	423,531
NET ASSETS AT THE END OF YEAR	\$437,463	\$36,132	\$473,595	\$405,775	\$35,813	\$441,588



Stony Brook
University