Combined Financial Statements and Report of
Independent Certified Public Accountants

STONY BROOK FOUNDATION, INC. AND AFFILIATE

June 30, 2019 and 2018

STONY BROOK FOUNDATION, INC. AND AFFILIATE

TABLE OF CONTENTS

GRANT THORNTON LLP
445 Broad Hollow Road, Suite 300
Melville, NY 11747-3601

D +1 631 249 6001
F +1 631 249 6144
S linkd.in/grantthorntonus
twitter.com/grantthorntonus

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Stony Brook Foundation, Inc. and Affiliate

Report on the combined financial statements

We have audited the accompanying combined financial statements of Stony Brook Foundation, Inc. and Affiliate (the "Foundation"), which comprise the combined statement of financial position as of June 30, 2019, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's responsibility for the combined financial statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Stony Brook Foundation, Inc. and Affiliate as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining supplemental schedules, presented on pages 29, 30, and 31, are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining supplemental information has been subjected to the auditing procedures applied in the audit of the combined financial statements as of and for the year ended June 30, 2019, and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Report on 2018 summarized comparative information

We have previously audited the Foundation's 2018 combined financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated October 31, 2018. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Melville, New York
October 24, 2019

STONY BROOK FOUNDATION, INC. AND AFFILIATE
Combined Statement of Financial Position
As of June 30, 2019, with summarized comparative information as of June 30, 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 51,647,371	$ 65,992,495
Short-term investments	61,032,659	-
Pledges receivable, net	105,400,440	98,905,845
Loans and other receivables	293,974	127,499
Prepaid expenses and other assets	775,380	766,631
Long-term investments:		
Held in perpetuity	175,267,319	159,301,683
Other investments	150,067,664	169,431,674
Total investments	325,334,983	328,733,357
Other long-term investment	273,145	325,502
Notes receivable	3,000,000	3,000,000
Land, buildings, equipment and collections, net	11,268,923	11,785,887
Total assets	$ 559,026,875	$ 509,637,216
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 8,221,151	$ 7,352,914
Deferred revenue	310,826	482,953
Annuities payable	573,222	534,365
Funds held in trust for others	37,636,602	30,941,241
Long-term debt	382,615	637,695
Total liabilities	47,124,416	39,949,168
NET ASSETS		
Without donor restrictions	41,041,270	37,238,424
With donor restrictions	470,861,189	432,449,624
Total net assets	511,902,459	469,688,048
Total liabilities and net assets	$ 559,026,875	$ 509,637,216

The accompanying notes are an integral part of this combined financial statement.

STONY BROOK FOUNDATION, INC. AND AFFILIATE
Combined Statement of Activities
For the year ended June 30, 2019, with summarized comparative information for the year ended June 30, 2018

	2019			2018
	Net Assets Without Donor Restrictions	**Net Assets With Donor Restrictions**	**Total**	**Total**
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and grants	$ 417,482	$ 63,023,623	$ 63,441,105	$ 57,754,936
Gifts-in-kind and contributed services	48,771	1,486,140	1,534,911	814,421
Contracts and other support	1,797,996	1,023,870	2,821,866	3,733,204
Net investment return	7,954,435	16,277,340	24,231,775	22,952,420
Net loss on disposal of capital assets	(538)	1,456,850	1,456,312	(35,000)
Rental income	162,933	282,424	445,357	444,710
Other income	25,439	7,556	32,995	19,568
Net assets released from restrictions	45,107,851	(45,107,851)	-	-
Total revenues, gains and other support	55,514,369	38,449,952	93,964,321	85,684,259
EXPENSES				
Campus program expenses:				
Instruction	14,180,180	-	14,180,180	12,517,623
Research	4,744,803	-	4,744,803	3,616,685
Public service	3,408,507	-	3,408,507	2,537,126
Academic support	730,450	-	730,450	882,244
Student services	577,764	-	577,764	472,474
Institutional support	16,434,507	-	16,434,507	22,908,605
Scholarships and fellowships	2,832,722	-	2,832,722	3,014,394
Total campus program expenses	42,908,933	-	42,908,933	45,949,151
General and administrative	3,866,720	-	3,866,720	3,560,767
Fundraising	4,733,649	-	4,733,649	3,701,167
Depreciation	240,608	-	240,608	247,866
Total expenses	51,749,910	-	51,749,910	53,458,951
Change in net assets	3,764,459	38,449,952	42,214,411	32,225,308
Transfers of net assets	38,387	(38,387)	-	-
Net assets, beginning of year	37,238,424	432,449,624	469,688,048	437,462,740
Net assets, end of year	$ 41,041,270	$ 470,861,189	$ 511,902,459	$ 469,688,048

The accompanying notes are an integral part of this combined financial statement.

STONY BROOK FOUNDATION, INC. AND AFFILIATE

Combined Statement of Functional Expenses

For the year ended June 30, 2019, with summarized comparative information for the year ended June 30, 2018

	2019					2018
	Campus Programs	General and Administrative	Fundraising	Depreciation	Total	2018 Total
Research support and awards	$ 21,739,984	$ -	$ 75,674	$ -	$ 21,815,658	$ 20,843,148
Payroll	4,288,440	2,178,829	1,300,388	-	7,767,657	7,922,772
Cultivation and fund-raising events, meetings, travel and lodging	4,056,421	39,089	194,202	-	4,289,712	3,898,192
Professional fees	3,256,284	322,915	1,633,445	-	5,212,644	4,605,403
Equipment and rentals	1,450,214	33,003	88,673	-	1,571,890	2,163,052
Scholarship and fellowship awards	3,533,683	15	-	-	3,533,698	3,508,448
Supplies and expenses	1,752,922	171,706	224,468	-	2,149,096	2,012,788
Employee benefits	1,275,602	870,614	519,526	-	2,665,742	2,672,921
Repairs, maintenance and improvements	692,821	3,965	65,518	-	762,304	3,610,743
Consulting/honorarium	120,053	-	5,340	-	125,393	122,406
Tax expense	33,244	-	-	-	33,244	244,151
Printing and duplication	336,519	5,954	323,647	-	666,120	610,513
Depreciation	-	-	-	240,608	240,608	247,866
Data processing	181,100	154,343	220,551	-	555,994	555,904
Insurance	64,663	72,561	-	-	137,224	132,781
Interest expense	14,141	-	-	-	14,141	21,807
Telephone	77,879	10,108	978	-	88,965	83,511
Postage and shipping	16,179	3,401	72,644	-	92,224	179,793
Books and periodicals	18,784	217	8,595	-	27,596	22,752
Total expenses before depreciation allocation	42,908,933	3,866,720	4,733,649	240,608	51,749,910	53,458,951
Depreciation allocation	234,365	6,243	-	(240,608)	-	-
Total expenses	$ 43,143,298	$ 3,872,963	$ 4,733,649	$ -	$ 51,749,910	$ 53,458,951

The accompanying notes are an integral part of this combined financial statement.

STONY BROOK FOUNDATION, INC. AND AFFILIATE
Combined Statement of Cash Flows
For the year ended June 30, 2019, with summarized comparative information for the year ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 42,214,411	$ 32,225,308
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	240,608	247,866
Change in allowance for uncollectible contributions	1,489,357	(40,533)
Net income on short-term investments	(432,659)	-
Net realized gains on investments	(5,278,096)	(10,336,357)
Net unrealized appreciation on investments	(25,009,727)	(18,517,709)
Donations of equipment, collections and land	(41,905)	(20,204)
Disposal of equipment	347,021	5,553,158
Donations of stocks for held in perpetuity purposes	(3,447,747)	(3,328,323)
Permanent endowment contributions	(15,176,931)	(9,602,263)
Changes in operating assets and liabilities		
Pledges receivable	(7,983,952)	(14,626,225)
Other receivables	(166,475)	363,755
Prepaid expenses and other assets	(8,748)	128,394
Accounts payable and accrued expenses	868,237	(1,461,434)
Deferred revenue	(172,127)	202,241
Annuities payable	38,857	(70,282)
Funds held in trust for others	6,695,361	(3,415,183)
Net cash used in operating activities	(5,824,515)	(22,697,791)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital expenditures	(28,760)	(125,169)
Purchases of short-term investments	(182,219,466)	-
Purchases of investments	(74,196,864)	(120,132,169)
Proceeds from equity distribution	52,357	53,498
Proceeds from sale of short-term investments	121,619,466	-
Proceeds from sale of investments	107,883,061	132,252,248
Net cash (used in) provided by investing activities	(26,890,206)	12,048,408
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from permanent endowment contributions	15,176,930	9,602,263
Proceeds from sale of donated stocks for held in perpetuity purposes	3,447,747	3,328,323
Payments of principal on long-term debt	(255,080)	(191,310)
Net cash provided by financing activities	18,369,597	12,739,276
Net change in cash and cash equivalents	(14,345,124)	2,089,893
Cash and cash equivalents, beginning of year	65,992,495	63,902,602
Cash and cash equivalents, end of year	$ 51,647,371	$ 65,992,495
Supplemental disclosures of cash flow information:		
Cash paid during the years for interest	$ 14,141	$ 68,571
Cash paid during the years for income taxes	$ -	$ 193,093

The accompanying notes are an integral part of this combined financial statement.

1. BACKGROUND

The Stony Brook Foundation, Inc. and Affiliate (the "Foundation"), a not-for-profit, "no member" corporation established in 1965. The purposes of the Foundation are as follows:

a. To assist in developing and increasing the resources of the State University of New York at Stony Brook ("Stony Brook University") in order to provide more extensive educational opportunities and services by making and encouraging gifts, grants, contributions and donations of real and personal property to or for the benefit of Stony Brook University.

b. To receive, hold, administer and dispose of gifts and grants, and to act without profit as trustee of educational or charitable trusts of benefit to and in keeping with the educational purposes and objectives of Stony Brook University.

c. To finance the conduct of studies and research of any and all fields of intellectual inquiry of benefit to and in keeping with the educational purposes and objectives of Stony Brook University and/or its constituent schools, and to enter into contractual relationships appropriate to the purposes of the Foundation.

d. To grant and/or administer scholarships and fellowships and to engage in experimental education activities and research projects.

Stony Brook Foundation Realty, Inc. ("SBFR") is a not-for-profit, wholly owned affiliate of the Foundation which was incorporated in 1979 and is controlled by foundation management. SBFR's purpose is to purchase, acquire, own, hold, sell, transfer, lease, mortgage, use, excavate, improve and develop lands, buildings and other real property improvements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";

- Modifying the presentation of underwater endowment funds and related disclosures;

- Requiring the use of the placed-in-service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;

- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;

- Requiring disclosure of quantitative and qualitative information on liquidity;

- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

As required by the standard, the Foundation adopted ASU No. 2016-14 as of and for the year ended June 30, 2019.

A presentation of net assets as previously reported as of June 30, 2018 and 2017, and as required under ASU 2016-14 follows:

		June 30, 2018 Presentation under ASU 2016-14		
	As Previously Presented	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Net assets:				
Unrestricted	$ 37,238,424	$ 37,238,424	$ -	$ 37,238,424
Temporarily restricted	255,701,639	-	255,701,639	255,701,639
Permanently restricted	176,747,985	-	176,747,985	176,747,985
Total net assets	$ 469,688,048	$ 37,238,424	$ 432,449,624	$ 469,688,048

		June 30, 2017 Presentation under ASU 2016-14		
	As Previously Presented	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Net assets:				
Unrestricted	$ 32,371,336	$ 32,371,336	$ -	$ 32,371,336
Temporarily restricted	232,633,600	-	232,633,600	232,633,600
Permanently restricted	172,457,804	-	172,457,804	172,457,804
Total net assets	$ 437,462,740	$ 32,371,336	$ 405,091,404	$ 437,462,740

The accompanying combined financial statements include the accounts of the Foundation and its affiliate, SBFR (collectively referred to as the "Foundation" herein), and are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). All significant intercompany transactions have been eliminated in combination. The prior year summarized comparative information has been derived from the audited combined financial statements for the year ended June 30, 2018 and does not represent a full presentation in accordance with US GAAP. Such data should be read in conjunction with the audited combined financial statements for the year ended June 30, 2018.

Net Assets

The Foundation's combined financial statements distinguish between net assets without donor restrictions and net assets with donor restrictions, as follows:

a. ***Net assets without donor restrictions***: The Foundation's net assets without donor restrictions consist of all designated and undesignated resources of the Foundation, which are expendable for carrying on the Foundation's operations, in addition to funds, property, plant, equipment and collections (net of accumulated depreciation) owned by the Foundation designated for campus programs by the Foundation's board of trustees.

b. ***Net assets with donor restrictions***: Consists of net assets of the Foundation which have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Foundation pursuant to those stipulations. Also included within net assets with donor restritions are funds wherein the donors have stipulated that the principal contributed be invested and maintained intact. Income earned from those investments is available for expenditures according to restrictions, if any, imposed by the donors.

Net asset with donor restrictions consist of the following for the years ended June 30, 2019 and 2018:

	2019	2018
Campus programs	$ 204,596,915	$ 184,765,713
Land, buildings and collections	8,946,678	9,500,941
Endowment funds to be held in perpetuity	184,779,804	176,629,481
Accumulated unspent endowment earnings	72,418,898	61,434,985
Other net assets with donor restrictions held in perpetuity	118,894	118,504
Total net assets with donor restrictions:	$ 470,861,189	$ 432,449,624

Cash and Cash Equivalents

Cash and cash equivalents include cash held in banks and money market accounts held by investment brokers. The Foundation considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents.

Fair Value

Fair value is defined in Accounting Standards Codification ("ASC") 820-10 as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. The Foundation discloses fair value measurements by level within that hierarchy. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation as of the reporting date. Unobservable inputs reflect the Foundation's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. Since valuations are based on quoted prices that are readily available and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

As permitted by ASU No. 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* ("ASU 2015-07"), the Foundation measures certain investments using a net asset value ("NAV") which is exempted from categorization within the fair value hierarchy and related disclosures. Instead, the Foundation separately discloses the information required for assets measured using NAV as a practical expedient, and discloses a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements.

Investments

Short-term investments
Short-term investments are reported at fair value based on quoted market values and consist of U.S. treasuries. These investments are intended to be available for current operations.

Long-term investments
Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. An investment is considered to be impaired, generally, if the individual investment's fair value is less than its cost basis for a period of time in excess of 12 months. Other-than-temporary impairment losses on investments are included in realized losses.

The Foundation also invests in alternative investments which include investments in limited partnerships, funds of funds, hedged equity funds, private equity funds and mutual funds that are unlisted or thinly traded. These investments are also recorded at fair value, which is based on the values provided by the general partners or fund managers.

Certain investments with no readily determinable fair values are recorded at NAV per share as a practical expedient to estimating fair value.

Donated marketable securities are recorded at fair value at the date of the gift.

Other Long-Term Investment

The Foundation has a 3% membership interest in SBHC Private Equity IV, LLC's campus hotel (the "Hotel"). See Notes 6 and 17. This investment has been accounted for under the cost method, as the Foundation owns less than 20% of the voting rights and does not have the ability to exercise significant influence over the operating and financial policies of SBHC Private Equity IV, LLC. The Foundation accounts for amounts distributed under the cost method as rental income.

Land, Buildings, Equipment and Collections

Land, buildings and equipment purchased in excess of $2,000 are recorded at cost, or if donated, at fair value at the date of donation. Depreciation is computed on the straight-line basis, with half-year convention, over the following estimated useful lives:

Buildings	30 years
Land improvements	5 years
Equipment and furnishings	5 years

Collections (e.g., artwork and books) are not depreciated. Costs incurred for repairs, maintenance and minor improvements are charged to expense as incurred. Major improvements which substantially extend the useful lives of the assets are capitalized.

Annuities

The Foundation holds life annuities which represent assets made available to the Foundation, whereby, the Foundation is obligated to pay stipulated amounts, on a quarterly basis, to the designated individuals. Assets of annuity funds belong to the Foundation subject to the liability for future payments to annuitants. The fair value of investments held from life annuities is $708,121 and $628,539 at June 30, 2019 and 2018, respectively, and are included in cash and cash equivalents and other investments on the accompanying statement of financial position. The Foundation is mandated by New York State Insurance Law to keep, as a reserve, an additional 26.5% of its outstanding annuity contracts, which equaled $482,777 and $494,735 at June 30, 2019 and 2018, respectively.

The obligations due under the life annuities are classified as annuities payable on the Foundation's combined statement of financial position and totaled $573,222 and $534,365 at June 30, 2019 and 2018, respectively. Payments terminate, as specified in the agreement, upon the death of the annuitant. All of the Foundation's life annuities require that upon termination, the principal of the annuity funds be transferred to net assets with donor restrictions: held in perpetuity or remain as net assets with donor restrictions: amounts distributable for certain purposes as restricted by the donor.

Revenue

Revenue is recorded by the Foundation on the accrual basis of accounting. The Foundation derives its revenue from gifts, grants, contracts, rent, and investment earnings.

Certain revenues received under contractual agreements may be subject to audits. In the opinion of management, any potential disallowances resulting from such audits would be immaterial to the Foundation's combined financial statements.

Gifts-in-kind

Donations of works of art, books and similar items are recorded at appraised value when received. When appraised value is not available, these items are recorded at a nominal value. Such donations are reported as gifts-in-kind in the accompanying combined statement of activities. Gains or losses from deaccessions of collections are reflected on the combined statement of activities as changes in the appropriate net asset classes.

Contributions

The Foundation records contributions of cash and other assets when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either net assets with donor restrictions or net assets without donor restrictions, depending on whether the donor has imposed a restriction on the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded as contributions at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Management must make estimates of the collectability of pledges and loans receivable. The carrying value of pledges and loans receivable have been reduced by an appropriate allowance for uncollectible accounts, based on historical collection experience, and therefore, approximates net realizable value. Receivables are written-off in the period in which they are deemed uncollectible and payments subsequently collected are recorded as revenue in the period received.

Conditional promises to give received in cash by the Foundation are recorded as deferred revenue. They are subsequently recognized as contributions in the period when the conditions have been substantially met.

The Foundation reports gifts of property, plant and equipment as net assets without donor restriction support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets without donor restrictions support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Support arising from contributed services of certain personnel and office space has been recognized in the accompanying combined financial statements. The computation of the value of these contributed services represents the compensation which would be paid to these individuals if they were to occupy certain management positions and the payment of office rent. The Foundation has recorded contributed services revenue of $0 and $51,465 for the years ended June 30, 2019 and 2018, respectively. An equivalent amount has been recorded as salary and rental expense.

Expenses

Expenses are recorded in the period incurred. Expenses are allocated into functional categories depending upon the ultimate purpose of the expense.

Advertising

All costs associated with advertising are expensed as incurred. Advertising costs were $560,526 and $378,561 for the years ended June 30, 2019 and 2018, respectively, and are included in supplies and expenses on the accompanying combined statement of functional expenses.

Uncertain Tax Positions

The Foundation and SBFR follow guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Foundation and SBFR are exempt from federal income tax under IRC section 501(c)(3), though both are subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Both the Foundation and SFBR have processes presently in place to ensure the maintenance of their respective tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Foundation and SBFR have determined that there are no material uncertain tax positions that require recognition or disclosure in the combined financial statements.

The Foundation derives unrelated business income from its limited partnership investments. The Foundation incurred an unrelated business income tax expense (for Federal and New York State purposes) of approximately $0 and $193,093, for the years ended June 30, 2019 and 2018, respectively.

Use of Estimates

The preparation of combined financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Other Significant Accounting Policies

Fees are charged by the Foundation to restricted campus programs based upon a defined percentage of gifts and grants received during the year to cover administrative costs. In fiscal years 2019 and 2018, these fees amounted to $2,120,048 and $1,861,201, respectively, and are included in net assets released from restrictions in the accompanying combined statement of activities.

Reclassifications

Certain accounts in the prior year combined financial statements have been reclassified for comparative purposes to conform with the presentation in the current year combined financial statements. These reclassifications have no effect on previously reported change in net assets.

New Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. The guidance is effective for the interim and annual periods beginning on or after December 15, 2018 (i.e., the Foundation's fiscal year 2020). The guidance permits the use of either a retrospective or cumulative effect transition method. The Foundation is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements nor decided upon the method of adoption.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement. For recipients, the effective date of the amendments will align with *Revenue from Contracts with Customers*: effective for annual periods beginning after December 15, 2018 (i.e., the Foundation's fiscal year 2020). The Foundation is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements nor decided upon the method of adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (*Topic 842*), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Foundation for fiscal year 2020. Early adoption is permitted. The Foundation is in the process of evaluating the impact this standard will have on the financial statements.

Evaluation of Subsequent Events

Management has evaluated subsequent events through October 24, 2019, the date the combined financial statements were available to be issued. The Foundation is unaware of any events that would require disclosure in the accompanying combined financial statements.

3. PLEDGES RECEIVABLE

Pledges receivable are reported at fair value using discount rates commensurate with the expected collection period, which at June 30, 2019 and 2018 ranged from 0.71% to 2.78%. Pledges receivable are summarized as follows at June 30, 2019 and 2018:

	2019	2018
Pledges receivable due in:		
Less than one year	$ 33,887,301	$ 30,172,389
One year to five years	67,238,452	55,692,742
More than five years	14,034,188	22,271,907
	115,159,941	108,137,038
Less: Present value adjustment	(6,388,327)	(7,349,376)
Less: Allowance for uncollectible pledges	(3,371,174)	(1,881,817)
Net pledges receivable	$ 105,400,440	$ 98,905,845

At June 30, 2019 and 2018, approximately 73% and 69%, respectively, of pledges receivable are due from members of the board of trustees and/or their affiliated organizations.

4. MORTGAGE, EMPLOYEE, STUDENT AND OTHER LOANS

Mortgage Loans

The Foundation has a Stony Brook Faculty Mortgage Loan Program ("New Mortgage Program"), which has been established as a faculty recruitment and retention tool to assist faculty in obtaining an owner-occupied primary first residence through a second mortgage financed through the Foundation. The amount is limited to the lesser of $50,000 or an amount such that the sum of the first and second mortgage does not exceed 95% of the appraised home value. The interest rate is set at the prime rate plus 2% as published in the Wall Street Journal on the date the mortgage is approved by the Foundation. The monthly payment consists of the interest portion of a standard 30-year fixed-rate mortgage. The final payment for the original loan amount is due at the end of seven years. As of June 30, 2019 and 2018, there were no borrowings under the New Mortgage Program.

Student Loans

The Foundation also issues short-term non-interest-bearing emergency loans to students which are payable within the current semester. For the year ended June 30, 2019 outstanding emergency loans, net of an allowance for doubtful accounts of $1,000, amounted to $24,787. For the year ended June 30, 2018 outstanding emergency loans, net of an allowance for doubtful accounts of $1,000, amounted to $15,141.

Such loans are included in loans and other receivables on the accompanying combined statement of financial position.

Notes Receivable

The Foundation issued an eight year $3,000,000 loan to the Turkana Basin Institute, Limited on February 11, 2015. The initial interest rate was 5% per annum with interest due in January and July of each calendar year. The board recently approved a reduction in the interest rate to 2.5% for the next three years. TBI will continue to make the same $150,000 semi annual payment but it will go towards both principal and interest. After three years this rate will be reviewed and renegotiated. The loan is due in full on February 17, 2023. The loan will be utilized to conduct activities in the furtherance of its educational and scientific mission.

The Turkana Basin Institute, Limited was established to advance the academic and research mission of the Stony Brook University in Kenya. It is a not-for-profit company limited by guarantee under the laws of Kenya. Turkana Basin Institute's programs assist Stony Brook University to attract excellent students, faculty and international scholars from around the world.

5. INVESTMENTS

Investments consist of the following at June 30, 2019 and 2018:

	2019			
	Cost	Cumulative Unrealized Gains	Cumulative Unrealized Losses	Fair Value
Carried at fair value:				
Short-term investments:				
Investments in Treasury Bills	$ 61,032,659	$ -	$ -	$ 61,032,659
Long-term investments:				
Investments in U.S. equities funds	51,059,568	71,681,229	-	122,740,797
Investments in global equity funds	49,022,206	10,928,630	-	59,950,836
Investments in diversified fixed-income funds	642,624	65,501	-	708,125
Investments in multi-strategy funds	37,798,089	44,521,392	-	82,319,481
Investments in private-equity funds	45,567,412	13,448,428	-	59,015,840
Investments	184,089,899	140,645,180	-	324,735,079
Pending investment purchases and redemptions *	599,904	-	-	599,904
Total long-term investments	184,689,803	140,645,180	-	325,334,983
Total investments	$ 245,722,462	$ 140,645,180	$ -	$ 386,367,642

* Amounts included above as pending investment purchases/redemptions as of June 30, 2019 reflect cash disbursement to an investment fund that has not been credited to the Foundation's capital account as of June 30, 2019, as well as two investment funds cash hold back from redemptions.

	2018			
	Cost	**Cumulative Unrealized Gains**	**Cumulative Unrealized Losses**	**Fair Value**
Carried at fair value:				
Investments in U.S. equities funds	$ 56,770,302	$ 59,247,951	$ -	$ 116,018,253
Investments in global equity funds	43,579,737	7,642,197	-	51,221,934
Investments in diversified fixed-income funds	36,400,527	-	(876,612)	35,523,915
Investments in multi-strategy funds	43,620,284	43,527,273	-	87,147,557
Investments in core-property funds	1,503,916	-	(613,667)	890,249
Investments in private-equity funds	31,572,569	6,686,620	-	38,259,189
Investments	213,447,335	117,104,041	(1,490,279)	329,061,097
Pending investment purchases and redemptions *	(327,740)	-	-	(327,740)
Total investments	$ 213,119,595	$ 117,104,041	$ (1,490,279)	$ 328,733,357

* Amounts included above as pending investment purchases/redemptions as of June 30, 2018 reflect cash disbursement to an investment fund that has not been credited to the Foundation's capital account as of June 30, 2018, as well as two investment funds cash hold back from redemptions.

The following table represents a reconciliation of the cumulative unrealized appreciation on investments at June 30, 2019 and 2018:

	Net Assets Without Donor Restrictions	**Net Assets With Donor Restrictions**	**Fair Value**
Unrealized appreciation in fair value, June 30, 2018	$ 38,662,888	$ 76,950,874	$ 115,613,762
Current year appreciation (foundation)	7,965,062	17,044,665	25,009,727
Current year appreciation (funds held for others)	-	21,691	21,691
Unrealized appreciation in fair value, June 30, 2019	$ 46,627,950	$ 94,017,230	$ 140,645,180

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the combined financial statements. At June 30, 2019 and 2018, investments in liquidation totaled $6,572,578 and $7,757,215, respectively. In the opinion of management, these amounts are realizable.

The Foundation has invested in investment firms in which a foundation board of trustee member is related to or is a majority stockholder of the respective investment firm. This amounted to approximately 13.3% and 14.5% of the total investment portfolio as of June 30, 2019 and 2018, respectively. Investment management fees paid to these investment firms totaled $1,105,477 and $719,740 for the years ended June 30, 2019 and 2018, respectively. The board of the Foundation has concluded that no disqualifying conflicts are involved.

For the years ended June 30, 2019 and 2018, the annual management fees are based on a range of 0% to 2.50% of the respective investment values. Additionally, the annual performance fees are based on a range of 0% to 25% of the annual performance of the respective investments for the years ended June 30, 2019 and 2018. Investment expenses totaled $7,788,573 and $7,728,760 for the years ended June 30, 2019 and 2018, respectively.

During the years ended June 30, 2019 and 2018, the Foundation entered into subscription agreements with investment funds in the amount of $18,000,000 and $25,000,000, respectively. As of June 30, 2019 and 2018, the Foundation has remitted approximately $43,795,858 and $22,085,554, respectively, of commitments to their investment funds with the remaining funds payable upon request. Unfunded commitments related to subscription agreements with investment funds are $49,854,821 and $41,414,446 for the years ended June 30, 2019 and 2018, respectively.

In September 2009, the Foundation subleased an 11-acre parcel of land to SBHC Private Equity IV, LLC ("SBHC") to be used for the construction, operation, and development of the Hotel with a termination date of June 2049. In consideration for this sublease, SBHC provided the Foundation with a 3% membership interest in the Hotel for no monetary considerations. The Foundation used the income approach, a discounted cash flow model, to value the membership interest in the Hotel to be $279,000 at February 14, 2013. In accordance with the sublease, the Foundation received a 3% distribution amounting to $53,357 in fiscal year ended June 30, 2019.

This investment has a carrying value of $173,145 and $225,502 at June 30, 2019 and 2018, respectively. As the membership interest was granted in consideration of the sublease arrangement, the Foundation has deferred the revenue arising from this transaction and will amortize the income on a straight-line basis over the term of the lease. For the years ended June 30, 2019 and 2018, approximately $7,644 and $7,644, respectively, was recorded as rental income under the straight-line method. The Foundation evaluates the carrying value of its investment for impairment annually or sooner if circumstances indicate that there is an other than temporary decline in the value of its investment. As of June 30, 2019 and 2018, no event had occurred that would adversely affect the carrying value of this investment.

6. FAIR VALUE MEASUREMENTS

The following tables present information about the Foundation's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2019 and 2018, and indicate the fair value hierarchy of the valuation techniques the Foundation utilized to determine such fair values:

	2019				
	Significant Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Investments Reported at NAV	Total
Carried at fair value					
Short-term investments:					
Investments in Treasury Bills	$ 61,032,659	$ -	$ -	$ -	$ 61,032,659
Long-term investments:					
Investments in U.S. equities funds	-	-	-	122,740,797	122,740,797
Investments in global equity funds	16,941,849	-	-	43,008,987	59,950,836
Investments in diversified fixed-income funds	5	-	-	708,120	708,125
Investments in multi-strategy funds	-	-	-	82,319,481	82,319,481
Investments in private-equity funds	-	-	-	59,015,840	59,015,840
Total long-term investments	16,941,854	-	-	307,793,225	324,735,079
Total investments	$ 77,974,513	$ -	$ -	$ 307,793,225	$ 385,767,738

	2018				
	Significant Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Investments Reported at NAV	Total
Carried at fair value					
Investments in U.S. equities funds	$ -	$ -	$ -	$ 116,018,253	$ 116,018,253
Investments in global equity funds	18,943,023	-	-	32,278,911	51,221,934
Investments in diversified fixed-income funds	34,895,377	-	-	628,538	35,523,915
Investments in multi-strategy funds	-	-	-	87,147,557	87,147,557
Investments in core-property funds	-	-	-	890,249	890,249
Investments in private-equity funds	-	-	-	38,259,189	38,259,189
Total investments	$ 53,838,400	$ -	$ -	$ 275,222,697	$ 329,061,097

The Foundation uses the NAV to determine the fair value of all underlying investments which (a) do not have readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables list investments in other investment companies by major category:

	June 30, 2019				
Strategy	**NAV per Share Range in Funds**	**No. of Funds**	**Fair Value**	**Redemption Terms ***	**Redemption Restrictions**
Investments in U.S. equities funds [(a)]	$139 - $3,194	11	$ 122,740,797	75 - 445 days	2 funds have 1 year lock-up provision, 1 fund has 2 years. 1 fund illiquid, 7 funds have no lock-up
Investments in global equity funds [(b)]	$249 - $8,277	6	43,008,987	135 - 730 days	2 funds has a lock-up provision of 1 year; 1 fund 2 years. 1 fund 18 2 funds have no restrictions
Investments in diversified fixed-income funds [(c)]	$1 - $243	1	708,120	2 days	None
Investments in multi-strategy funds [(d)]	$102 - $1,087,010	15	82,319,481	35 - 775 days	11 funds have no lock-up provisions or they have expired; 1 fund has a lock-up provision of 2 years, 2 funds 1 year. 1 fund 18 months., 1 fund has an 18 month lock-up
Investments in private-equity funds [(f)]	N/A	25	59,015,840	No liquidity	N/A
Total		58	$ 307,793,225		

	June 30, 2018				
Strategy	**NAV per Share Range in Funds**	**No. of Funds**	**Fair Value**	**Redemption Terms ***	**Redemption Restrictions**
Investments in U.S. equities funds [(a)]	$44 - $15,935	10	$ 116,018,253	75 - 445 days	2 funds have 1 yr lock-up, 1 fund has 2 yr lock-up
Investments in global equity funds [(b)]	$216 - $8,406	6	32,278,911	135 - 410 days	1 fund has a lock-up provision of 18 months, 1 fund has 3 yr lock-up
Investments in diversified fixed-income funds [(c)]	$1 - $243	1	628,538	0 days	None
Investments in multi-strategy funds [(d)]	$207 - $1,018,701	15	87,147,557	35 - 775 days	1 fund has a lock-up provision of 2 yrs, 2 funds have 1 yr lock-up, 1 fund has an 18 month lock-up
Investments in core-property funds [(e)]	N/A	1	890,249	30 days	None
Investments in private-equity funds [(f)]	N/A	21	38,259,189	No liquidity	N/A
Total		54	$ 275,222,697		

* Redemption terms represent the liquidity frequency and the notification period related to each investment fund. The liquidity frequency refers to the frequency in which the Foundation is permitted to liquidate the related fund. The notification period refers to the time period in which the Foundation must inform the fund manager prior to its intent to commence liquidation of the fund.

a. Long-biased, equity hedge funds with a quant focus of investing in U.S. equities. The objective is to generate attractive net returns over the S&P 500 with lower volatility.

b. Hedged equity fund with a long bias, designed to give the manager the flexibility to invest both long and short in accordance with their global approach embracing a combination of growth, value, fundamental and technical elements. The objective is to outperform equities with less volatility and more consistent results than a long-only approach.

c. Focus on companies undergoing some form of transformation to their historical businesses or capital structures. The funds employ a disciplined process of fundamental, legal and regulatory analysis to identify misperceptions and mispricings (in both equity and credit markets) that have the potential to lead to outsized returns on capital.

d. Multiple strategies, including: convertible bond arbitrage, event-driven, equity restructuring and merger arbitrage, statistical equity arbitrage, global energy, options trading, fundamental long/short equity and fixed-income.

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

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

7. ENDOWMENT FUNDS

The Foundation follows the provisions of the "Not-for-Profit Entities Topic" of ASC 958, related to enhanced disclosures for endowment funds. On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Foundation adopted provisions regarding the classification of donor-restricted endowment funds. Specifically, the Foundation shall classify the portion of the endowment funds that is not classified as net assets with donor restrictions: held in purpetuity as net assets with donor-restrictions: amounts distributable, until appropriated for expenditure by the Foundation. If the endowment fund is also subject to a purpose restriction, the reclassification of the appropriated amount to net assets with donor restrictions would not occur until the purpose restriction also has been met.

Interpretation of Relevant Law

The spending of endowment funds by a not-for-profit corporation in the State of New York is currently governed by the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Foundation has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as net assets with donor restrictions: held in purpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund (net investment earnings) that is not restricted by donors as net assets with donor restrictions: held in perpetuity, is classified as net assets with donor restrictions: amounts distributable due to time and/or purpose restrictions. The purpose restricted portion of the net assets with donor restrictions: amounts distributable endowment fund will be released when the respective donor-restricted purposes are fulfilled. The time restricted portion of the net assets with donor restrictions: amounts distributable endowment fund will be released when those amounts are appropriated for expenditure by the Foundation.

In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment funds;
- The purpose of the Foundation and the donor-restricted endowment funds;
- General economic conditions;
- The possible effects of inflation and deflation;
- The expected total return from income and appreciation/depreciation of investments;
- Other resources for the Foundation; and
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment funds, giving due consideration to the effect that such alternatives may have on the Foundation.

Spending Formula

The Foundation's investments are managed to achieve the maximum total return within tolerable risk levels. The Foundation has a policy, whereby a portion of the investment income and realized and unrealized investment gains/losses are distributed each year for spending purposes. During fiscal years

2019 and 2018, the Foundation allocated a portion of its earnings to net assets with donor restrictions: amounts distributable for campus programs at a defined rate based on the average market value of their respective net asset balances averaged over the previous five fiscal years. Such rate was 5.50% for net assets with donor restrictions: amounts distributable during fiscal years 2019 and 2018. The Foundation charged the net assets with donor restrictions: amounts distributable for campus programs a fee for administrative services at a rate of 1.0% for fiscal years 2019 and 2018 on the average market value of their respective net asset balances over the previous five fiscal years, which results in a net 4.5%, available for program spending, as long as the fund is not brought underwater, during fiscal years 2019 and 2018. Distribution will be suspended if the fund is underwater. These administrative fees aggregated $1,595,423 and $1,491,508 in fiscal years 2019 and 2018, respectively, and are included within the combined statement of activities as an offset to revenue from contracts and other support.

Endowment Investment Policy

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of returns that can be utilized to fund its programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds.

Under this policy, as approved by the investment committee, the endowment assets are invested in a manner that is intended to achieve investment returns that are competitive versus pools of assets of similar nature and circumstances.

Endowment net assets consisted of the following at June 30, 2019:

	Net Assets	Net Assets With Donor Restrictions		
	Without Donor Restrictions	Accumulated Unspent Earnings	Held in Perpetuity	Total
Donor-restricted endowment funds	$ -	$ 72,418,898	$ 184,779,804	$ 257,198,702
Board-designated endowment funds	8,608,001	-	-	8,608,001
Total endowment net assets	$ 8,608,001	$ 72,418,898	$ 184,779,804	$ 265,806,703

Endowment net assets consisted of the following at June 30, 2018:

	Net Assets	Net Assets With Donor Restrictions		
	Without Donor Restrictions	Accumulated Unspent Earnings	Held in Perpetuity	Total
Donor-restricted endowment funds	$ -	$ 61,434,985	$ 176,629,481	$ 238,064,466
Board-designated endowment funds	6,891,204	-	-	6,891,204
Total endowment net assets	$ 6,891,204	$ 61,434,985	$ 176,629,481	$ 244,955,670

The following tables present the composition of endowment net assets by fund type at June 30, 2019 and 2018:

	2019			
	Net Assets	Net Assets With Donor Restrictions		
	Without Donor Restrictions	Accumulated Unspent Earnings	Held in Perpetuity	Total
Endowment net assets, June 30, 2018	$ 6,891,204	$ 61,434,985	$ 176,629,481	$ 244,955,670
Net investment return	502,591	14,621,124	-	15,123,715
Transfers of net assets	-	-	(3,414,505)	(3,414,505)
Appropriation of endowment assets for expenditure	-	(8,574,389)	-	(8,574,389)
Gifts and other fund additions	-	1,306,858	9,740,635	11,047,493
Donor-stipulated transfers of net assets	1,214,206	3,630,320	1,824,193	6,668,719
Endowment net assets, June 30, 2019	$ 8,608,001	$ 72,418,898	$ 184,779,804	$ 265,806,703

	2018			
	Net Assets	Net Assets With Donor Restrictions		
	Without Donor Restrictions	Accumulated Unspent Earnings	Held in Perpetuity	Total
Endowment net assets, June 30, 2017	$ 5,533,010	$ 56,099,154	$ 172,334,690	$ 233,966,854
Net investment return	375,076	13,659,013	-	14,034,089
Transfers of net assets	-	(4,833)	(3,293,506)	(3,298,339)
Appropriation of endowment assets for expenditure	-	(7,779,074)	-	(7,779,074)
Gifts and other fund additions	-	(421,740)	7,534,420	7,112,680
Donor-stipulated transfers of net assets	983,118	(117,535)	53,877	919,460
Endowment net assets, June 30, 2018	$ 6,891,204	$ 61,434,985	$ 176,629,481	$ 244,955,670

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. Under NYPMIFA, the Foundation may spend below the historical dollar value of its endowment funds, if determined to be prudent, unless specific donors have stipulated to the contrary. At June 30, 2019 and 2018, no such donor stipulations were noted. At June 30, 2019 and 2018, the Foundation had not spent below the historical dollar value of its endowments.

8. LAND, BUILDINGS, EQUIPMENT AND COLLECTIONS

Land, buildings, equipment and collections, net are summarized as follows at June 30, 2019 and 2018:

	2019	2018
Buildings	$ 6,782,127	$ 6,776,168
Land improvements	390,090	390,090
Equipment and furnishings	167,334	172,712
	7,339,551	7,338,970
Less: Accumulated depreciation	(3,562,005)	(3,326,238)
	3,777,546	4,012,732
Land	1,122,854	1,122,854
Artwork and books	6,364,023	6,554,968
Construction in progress	4,500	95,333
Net land, buildings, equipment and collections	$ 11,268,923	$ 11,785,887

Depreciation for the years ended June 30, 2019 and 2018 totaled $240,608 and $247,866, respectively.

In an effort to reduce potential risks and exposure associated with assets used within the research and teaching environment, management has decided to transfer title of certain equipment to Stony Brook University. During fiscal year 2019 and 2018, $2,359,411 and $7,211,843, respectively, of equipment acquisitions, land improvements and building, which were recorded as gift and donations within the combined statement of functional expenses were transferred to Stony Brook University.

9. CONDITIONAL PROMISES TO GIVE

During fiscal 2019, the Foundation recognized revenue totaling $3,207,489 related to the conditional promises to give for which the conditions had been met during the year. As of June 30, 2019, the Foundation had $4,984,450 of conditional promises to give remaining, of which $330,000 is conditional upon the continued employment of certain faculty, $1,724,000 is conditional upon matching, $50,000 is conditional upon pending future supplemental retirement proceeds, $2,600,450 is conditional on a year by year basis, and $280,000 is conditional upon the fulfillment of specific reporting/milestones.

10. FUNDS HELD IN TRUST FOR OTHERS

The Foundation holds funds as a trustee/disbursing agent for auxiliary agencies of Stony Brook University, which amounted to $37,636,602 and $30,941,241 as of June 30, 2019 and 2018, respectively. The amounts included in cash and cash equivalents are $15,617,221 and $23,278,609 as of June 30, 2019 and 2018, respectively. The balance is included in short-term and long-term investments in the accompanying combined statement of financial position. The Foundation charges fees to these agencies for administrative costs, based upon negotiated rates, which amounted to $1,533,062 and $1,932,062 for fiscal years 2019 and 2018, respectively, and are included in contracts and other support in the combined statement of activities.

11. LONG-TERM DEBT

On November 30, 2016, the Foundation entered into an agreement to refinance previously issued Town of Brookhaven Industrial Development Agency bonds through an unsecured commercial loan in the amount of $1,020,315, maturing on September 30, 2020. The annual interest rate is fixed at 2.92% for the four-year term of the loan. Debt covenants include a debt service coverage ratio of at least 1.25 to 1.00. The Foundation was in compliance with this covenant at June 30, 2019.

At June 30, 2019, future principal payments on the commercial loan are as follows:

2020	$ 318,850
2021	63,765
	$ 382,615

12. OTHER AFFILIATE ORGANIZATION

Long Island High Technology Incubator, Inc. ("LIHTI") - In 1985, the New York State Legislature allocated certain funds to the Urban Development Corporation for the purpose of forming an incubator project on the campus of Stony Brook University. LIHTI was formed for the purpose of administering the project. The purpose of such project is to provide a leadership role in promoting economic development on Long Island. The Foundation has entered into a partnership with the Research Foundation of Stony Brook University as co-members of LIHTI in order to promote the project. This arrangement is to operate the on-campus incubator/innovation facility, which commenced operations in November 1992.

13. CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Foundation to credit risk, consist principally of temporary cash investments. The Foundation places its temporary cash investments with various financial institutions. The cash amounts exceed the Federal Deposit Insurance Corporation coverage limit. The Foundation does not anticipate any losses on such accounts.

At June 30, 2019 and 2018, approximately 69% and 61%, respectively, of pledges receivable are due from one donor.

14. LINE OF CREDIT

At June 30, 2019 and 2018, the Foundation maintained a $20,000,000 line of credit with a financial institution. As of June 30, 2019 and 2018, the Foundation had no borrowings against the line of credit. Any borrowings under the line of credit would bear interest at the amount of each CB Floating Rate Advance at the CB Floating Rate plus the Applicable Margin and each LIBOR rate advance at the adjusted LIBOR rate. The CB Floating Rate is defined as the greater of the prime rate and the adjusted one-month LIBOR rate. The Applicable Margin is defined as 1.00% per annum in respect to any LIBOR rate advance. The agreement expires on December 31, 2019.

15. COMMITMENTS, CONTINGENCIES AND RELATED ORGANIZATION TRANSACTIONS

The Foundation leases certain ground space, office facility space and residential properties under operating leases that have initial or remaining noncancellable terms in excess of one year that expire through 2072.

At June 30, 2019, future minimum rental payments, by year-end in the aggregate, under the leases are as follows:

2020	$ 471,786
2021	277,015
2022	100,000
2023	100,000
2024	100,000
Thereafter	4,842,618
	$ 5,891,419

In 1989, the State University of New York leased to SBFR, a parcel of land comprising approximately 11 acres adjacent to the Stony Brook University campus (the "Hotel Site") for the purpose of constructing a hotel. In order to pay for the expenses incurred by SBFR in connection with the aforesaid lease, SBFR borrowed $450,000 from the Foundation, evidenced by a note (the "Foundation Loan"). The Foundation charged SBFR interest of 10% on the outstanding balance of the Foundation Loan through June 30, 1990 and, thereafter, no interest has been charged. At June 30, 2019 and 2018, the outstanding balance on this loan was $268,434 and $318,434, respectively, and is eliminated in the combined statement of financial position.

In September 2009, SBFR subleased the Hotel Site to SBHC for the construction and operation of the Hotel with a sublease termination date of June 2049 (the "Sublease"). Sublease rent payments equal $100,008 for the year and commenced on February 14, 2013. Every year on February 1, the Sublease anniversary date, the Sublease rent payments will increase 3%. In addition to rent payments, the Foundation received a 3% membership interest in the Hotel pursuant to the Sublease. For the years ended June 30, 2019 and 2018, Sublease rent was equal to $162,933 and $156,252, respectively.

The original ground lease between SBFR and State University of New York was amended in November 2009 to revise the payment provision. Under the amendment, rent payments commenced in February 2013, the month in which the Hotel was first opened to the public for business. In April 2017, the ground lease was amended to extend the lease from December 4, 2049 to December 4, 2072.

During 2009, SBFR entered into an operating agreement with SBHC which provided the Foundation with a 3% interest in profits and losses of the SBHC. The intent of this agreement was to supplement the rental income from the Sublease entered into with SBHC.

The Research Foundation of the State University of New York ("Research Foundation") pays payroll and certain related costs (including employee benefit expenses, which are charged at a percentage agreed upon by the parties) for the Foundation. The Foundation subsequently reimburses the Research Foundation for all of these costs, plus a processing fee. At June 30, 2019 and 2018, $1,498,310 and $786,844, respectively, were due to the Research Foundation for payroll and related costs. Such amounts are included in accounts payable and accrued expenses in the accompanying combined statement of financial position.

16. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The organization has an operating reserve that had a balance of $11.8 million and $9.2 million at June 30, 2019 and 2018, respectively. This is a governing board-designated reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The organization's target for this reserve is a total of $15.0 million, which was determined based on Stony Brook Foundation's Board of Directors judgment about the appropriate amount of funds to have set aside in addition to working capital. The operating reserve funds are held in cash, short-term investments, and other investments. The operating reserve balance is included in the cash and cash equivalents and investments lines on the combined statement of financial position.

In the event of an unanticipated liquidity need, the organization also could draw upon $20,000,000 of an available line of credit (as further discussed in Note 14).

Financial assets due within one year:	
Cash and cash equivalents	$ 51,647,371
Short-term investments	61,032,659
Pledges receivable, net	105,400,440
Loans and other receivables	293,974
Long-term investments:	325,334,983
	543,709,427
Less:	
Amounts unavailable for general expenditures within one-year due to:	
Restricted by donors with other purpose restrictions (non-endowment)	204,715,809
Funds held in trust for others	37,636,602
Donor-restricted endowment funds:	
Amounts to be held in perpetuity	184,779,804
Unappropriated accumulated endowment gains	72,418,898
Total donor-restricted endowment funds	257,198,702
Total amounts unavailable to management due to donor restrictions or law	499,551,113
Total financial assets available to management for general expenditure before amounts subject to the board's approval	44,158,314
Amounts available to management subject to board's approval:	
Board designated endowment funds	8,608,001
Operations reserve	13,328,926
Total amounts available to management subject to the board's approval	21,936,927
Total financial assets available to management for general expenditure within one-year	$ 22,221,387

COMBINING SUPPLEMENTAL SCHEDULES

STONY BROOK FOUNDATION, INC. AND AFFILIATE
Combining Schedule of Financial Position
As of June 30, 2019

	Stony Brook Foundation, Inc.	Stony Brook Foundation, Realty, Inc.	Eliminations	Combined
ASSETS				
Cash and cash equivalents	$ 51,351,359	$ 296,012	$ -	$ 51,647,371
Short-term investments	61,032,659	-	-	61,032,659
Pledges receivable, net	105,400,440	-	-	105,400,440
Loans and other receivables	256,066	37,908	-	293,974
Prepaid expenses and other assets	775,380	-	-	775,380
Investments				
Held in perpetuity	175,267,319	-	-	175,267,319
Other investments	150,067,564	100	-	150,067,664
Total investments	325,334,883	100	-	325,334,983
Other long-term investments	100,000	173,145	-	273,145
Notes receivable	3,268,434	-	(268,434)	3,000,000
Land, buildings, equipment and collections, net	11,268,923	-	-	11,268,923
Total assets	$ 558,788,144	$ 507,165	$ (268,434)	$ 559,026,875
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses	$ 8,032,411	$ 457,174	$ (268,434)	$ 8,221,151
Deferred revenue	80,556	230,270	-	310,826
Annuities payable	573,222	-	-	573,222
Funds held in trust for others	37,636,602	-	-	37,636,602
Long-term debt	382,615	-	-	382,615
Total liabilities	46,705,406	687,444	(268,434)	47,124,416
NET ASSETS				
Without donor restrictions	41,231,148	(189,878)	-	41,041,270
With donor restrictions	470,851,590	9,599	-	470,861,189
Total net assets	512,082,738	(180,279)	-	511,902,459
Total liabilities and net assets	$ 558,788,144	$ 507,165	$ (268,434)	$ 559,026,875

STONY BROOK FOUNDATION, INC. AND AFFILIATE
Combining Schedule of Activities
For the year ended June 30, 2019

	Stony Brook Foundation, Inc.	Stony Brook Foundation, Realty, Inc.	Eliminations	Combined
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and grants	$ 63,441,105	$ -	$ -	$ 63,441,105
Gifts-in-kind and contributed services	1,534,911	-	-	1,534,911
Contracts and other support	2,821,866	-	-	2,821,866
Net investment return	24,231,775	-	-	24,231,775
Net loss on disposal of capital assets	1,456,312	-	-	1,456,312
Net loss on sale of inventory	-	-	-	-
Rental income	282,424	162,933	-	445,357
Other income	32,995	-	-	32,995
Total revenues, gains, and other support	93,801,388	162,933	-	93,964,321
EXPENSES				
Campus program expenses:				
Instruction	14,180,180	-	-	14,180,180
Research	4,744,803	-	-	4,744,803
Public service	3,408,507	-	-	3,408,507
Academic support	730,450	-	-	730,450
Student services	577,764	-	-	577,764
Institutional support	16,323,468	111,039	-	16,434,507
Scholarships and fellowships	2,832,722	-	-	2,832,722
Total campus program expenses	42,797,894	111,039	-	42,908,933
General and administrative	3,858,678	8,042	-	3,866,720
Fundraising	4,733,649	-	-	4,733,649
Depreciation	240,608	-	-	240,608
Total expenses	51,630,829	119,081	-	51,749,910
Change in net assets	42,170,559	43,852	-	42,214,411
Net assets, beginning of year	469,912,179	(224,131)	-	469,688,048
Net assets, end of year	$ 512,082,738	$ (180,279)	$ -	$ 511,902,459

STONY BROOK FOUNDATION, INC. AND AFFILIATE
Schedule of Funds Held in Trust for Others
For the year ended June 30, 2019

Campus: Stony Brook

Account Name	Beginning Balance	Receipts	Disbursements	Ending Balance
Chief Administrator Officer (CAO) Fund	$ 23,099,167	$ 26,110,484	$ 18,848,583	$ 30,361,068
Alumni Association	719,979	178,158	366,437	531,700
Other Agency Activities	8,062,415	339,688	1,658,269	6,743,834
Accrual Adjustment	(940,320)	940,320	-	-
	$ 30,941,241	$ 27,568,650	$ 20,873,289	$ 37,636,602