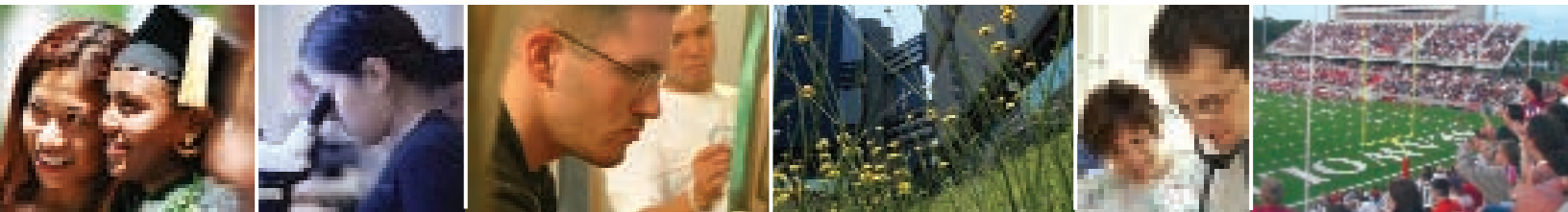


2005-2006

Annual Financial Report Stony Brook University





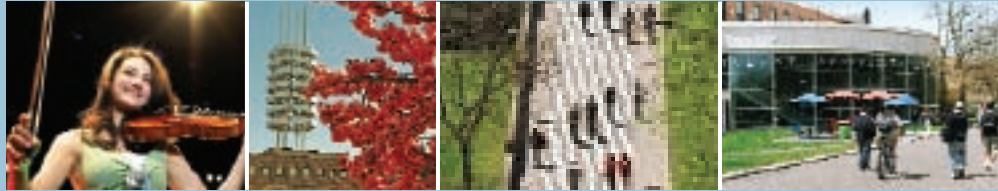


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Stony Brook University: Tops in the World

STONY BROOK IS CONTINUALLY ENHANCING ITS WORLDWIDE reputation for excellence. For the second year in a row, *U.S. News & World Report* has named Stony Brook University among the 100 best universities in the nation. The University has ranked in the top 2 percent of all universities in the world and among the 50 best universities in North America in the London *Times Higher Education Supplement*. And Stony Brook is one of only 62 members of the elite Association of American Universities, along with Harvard, MIT and Princeton. *The Wall Street Journal* ranked us eighth in the nation among public institutions for placing students in elite graduate schools in medicine, law, and business.

A World-Class University

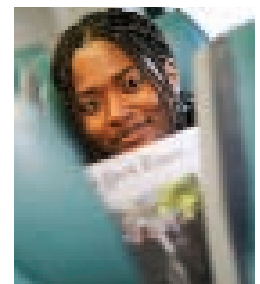
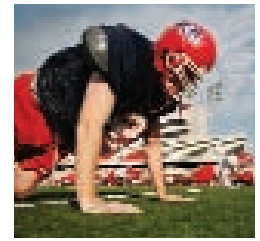
Fifty years young, Stony Brook University is celebrating its evolution from a small teacher-preparation college into an internationally recognized research institution. With more than 100 innovative programs for undergraduates, Long Island's only academic medical center, locations in Manhattan and Southampton, and a thriving research/business environment, the University has come very far since its inception.

Home to more than 22,000 students, Stony Brook's 1,100 wooded acres include a pond, bike trails, and an inviting Academic Mall. The University is 60 miles east of New York City on Long Island's North Shore, a seashell's throw from Long Island Sound, and less than an hour from the world-renowned Hamptons beaches.

On Long Island's East End, Stony Brook Southampton will be devoted to environmental sustainability; the campus is the home of the famed Southampton Writers Conference and uses the Atlantic Ocean as a classroom in its Marine Sciences program. In New York City, Stony Brook Manhattan brings some of Stony Brook's programs to a wider audience.

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

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



TOP 100 national universities in America

TOP 50 public national universities in the country

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



TOP 100-150 universities in the world
Institute of Higher Education in Shanghai



BEST 100 VALUES
Kiplinger's Personal Finance



SAT SCORES UP 80 POINTS since 1996



THREE NOBEL LAUREATES on Stony Brook faculty



Strong Commitment to Research

From the rain forests of Madagascar to the Relativistic Heavy Ion Collider at Brookhaven National Laboratory to the recital halls of the Staller Center for the Arts, Stony Brook undergraduates work side by side with graduate students, postgraduates, and faculty famous for their innovative thinking. They conduct research, make discoveries, compose concertos, and create new knowledge in virtually every field. The University is home to the Center for Excellence in Wireless and Information Technology; the New York State Center for Advanced Technology in Sensor Systems and Diagnostic Tools; and, through our Cody Center, Stony Brook is leading the way to finding new and innovative treatments for autism and other developmental diseases. The cause of Lyme disease was discovered here, and so was the link between birds and dinosaurs.

In Stony Brook's award-winning Undergraduate Research and Creative Activity (URECA) Program, students from every discipline are encouraged to follow their curiosity by connecting with faculty researchers and developing their own research projects. Undergraduate researchers have been the recipients of prestigious awards such as the Beckman, Goldwater, and Marshall Scholarships.

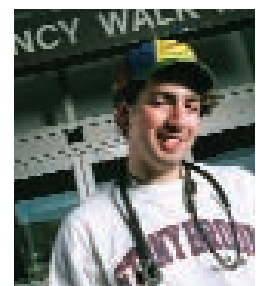
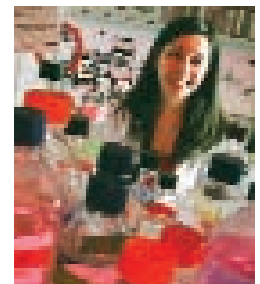
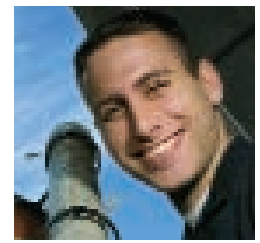
In addition, the Graduate School was recognized for its strong commitment to promoting campus-wide diversity initiatives in higher education to advance a multicultural perspective among faculty, administrators, and students that foster the exchange of ideas and enhance learning.

Reinventing Undergraduate Education

Stony Brook's undergraduates have a choice of more than 125 majors and minors and a number of State Education Department-approved combined bachelor/master's degree programs, including a combined-degree MBA program. Every entering freshman belongs to one of six themed Undergraduate Colleges, which bring students together in communities to reap the benefits of a small college experience within the resource-rich University setting. Small first-year seminars, individualized advising, and close connections to faculty are the highlights of the Undergraduate Colleges program, providing a significant enhancement to the first-year experience.

Our award-winning Undergraduate Research and Creative Activities (URECA) program involves students from every discipline and culminates each year in a celebration of their achievements. Stony Brook students are encouraged to indulge their curiosity by connecting with faculty researchers and developing their own research projects, where they work side by side with graduate students, postdocs, and professors.

Undergraduate researchers at Stony Brook have been the recipients of prestigious awards such as the Beckman, Goldwater, and Marshall Scholarships. It is no surprise that Stony Brook was one of only ten universities nationwide recognized by the National Science Foundation for integrating research and undergraduate education.



The cause of Lyme disease was discovered at Stony Brook.



Researchers proved the link between smoking and emphysema.



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



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



Stony Brook University recently announced the establishment of New York State's first undergraduate School of Journalism at a public university. The Stony Brook University School of Journalism will begin offering a bachelor's degree program in the Fall 2006 semester. Its mission is to train the next generation of 21st-century journalists: newspaper reporters and editors; online news content managers; magazine writers and designers; TV correspondents, producers, and anchors—the dedicated men and women who will lead journalism into its digital future.

Long Island's Economic Engine

The University is estimated to have a regional economic impact of \$2.5 billion, perhaps the highest return on any of New York State's investments. The school is the largest single-site employer on Long Island, with more than 12,500 full- or part-time employees. It has a deep commitment to support and partner with local businesses through its innovative economic development programs.

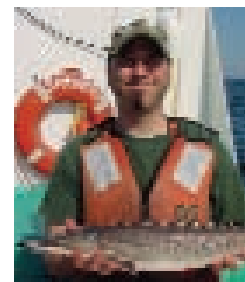
The University's New York State designated Center of Excellence in Wireless and Information Technology will be a home for leading-edge research and a test bed and demonstration site for transitional and emerging wireless technologies. The Center's industrial partners, including CA, IBM, and Symbol Technologies, have already pledged more than \$160 million in R&D to match the \$50 million committed by the State.

Stony Brook proudly sponsors two Centers for Advanced Technology, designed to promote industry growth vital to the State's economic future. Also fueling new growth is the Long Island High Technology Incubator, where entrepreneurs have earned more than \$100 million in gross revenues. A second incubator, founded in cooperation with CA Inc., is devoted to software development.

Selected to co-manage Brookhaven National Laboratory in partnership with Battelle Memorial Institute, Stony Brook joins a small, select group of universities with similar responsibilities.

A Global Leader

Whether it's redefining the way research universities approach undergraduate education; making ground-breaking discoveries in science, medicine, and technology; infusing the region's economy with new vigor and strength; or providing primary medical services to more than half a million Long Islanders, Stony Brook is, by any measure, one of the nation's premier universities.



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



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



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



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

LETTER TO THE PRESIDENT

November 1, 2006

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

Dear Dr. Kenny:

The accompanying financial statements prepared from the accounting records of the State University of New York at Stony Brook set forth the financial condition of the University at June 30, 2006 including the results of its operations for the fiscal year. Notes to the financial statements should be considered an integral part of the statements and the report as a whole. Prior year data are provided to allow comparisons with the previous reporting period.

The financial information included in this report incorporates the major operations of the University, including the separate entities of the State University of New York, the Research Foundation of the State University of New York, the Stony Brook Foundation, and the Faculty Student Association. It does not include the financial operations of the Clinical Practice Management Plan, which is separately reported to you. The annual report has been prepared in accordance with accounting principles recommended by the American Institute of Certified Public Accountants and the National Association of College and University Business Officers to the degree practical.

Sincerely,

A handwritten signature in black ink that reads "Richard L. Mann". The signature is written in a cursive style with a large initial "R" and "M".

Richard L. Mann
Vice President for Administration

FINANCIAL HIGHLIGHTS

Stony Brook University at a Glance

Stony Brook University, one of sixty-four campuses that constitute the State University of New York ranks in the top 2 percent of all universities in the world. The *London Times Higher Education Supplement* placed Stony Brook 136 among more than 8,300 universities worldwide, and in the top 50 in North America. Among science universities, Stony Brook ranks in the top 100 in the world, top 25 in North America, and top 10 among public universities. Stony Brook has been ranked among the top 100 national universities in America and among the top 50 public national universities in the country by *U.S. News & World Report*.

Stony Brook is a member of the prestigious Association of American Universities, the invitation-only organization of the best research universities in the country. Stony Brook has been listed as one of the “100 Best Values in Higher Education” among public universities, according to *Kiplinger’s Personal Finance magazine*.

The University offers 126 undergraduate majors and minors, 102 master’s programs, 40 doctoral programs, and 32 graduate certificate programs. Ten doctoral programs are ranked in the top 40 nationwide, with two in the top ten and four in the top 20. Stony Brook is one of ten universities given a National Science Foundation recognition award for integrating research and education.

Fiscal 2006 Revenues **\$1.59 Billion** **Research Awards** **\$123 Million**

Fiscal 2006 Expenditures **\$1.42 Billion** **Research Awards by Source**

Total Revenue By Source

(in millions)

Tuition and Fees	\$201.7
State Appropriations	241.6
Hospital/LISVH	712.5
Research	123.1
Stony Brook Foundation	66.9
Auxiliary Services	80.1
Capital Construction	114.7
Other	53.4

Federal	\$88 million
Corporate and University	9 million
State and Local	8 million
Philanthropic	4 million
Other	14 million

Private Support

Total Raised in Fiscal 2006	\$56.5 million
Stony Brook Foundation Total Assets (market value June 30, 2006)	\$140.2 million

Economic Impact

Stony Brook University generates more than \$2.5 billion annually in regional economic impact. As Long Island's largest single-site employer, the University has more than 13,500 full and part-time employees. Indirect employment on Long Island brings the total to nearly 30,000. Our Small Business Development Center has created or saved 3,000 jobs on Long Island in the past decade and our Strategic Partnership for Industrial Resurgence (SPIR) has worked with 220 companies on more than 1,150 projects in creating or saving 8,500 jobs.

Employment

Total Employees (Full and part time)	12,872
Academic	3,072
Non-Academic	4,598
Hospital	5,202
Average Monthly Payroll	\$43.3 million

Student Tuition & Fees Full Time (2006-2007)

Undergraduate NYS	\$ 6,632
Undergraduate Nonresident	\$12,892
Graduate NYS	\$ 8,648
Graduate Nonresident	\$11,668

Student Enrollment (Fall 2006)

Total Student Enrollment	22,524
Undergraduate	
Total Undergraduate Students	14,849
West Campus	13,909
HSC Campus	940
Average High School GPA	91%
Average SAT Score	1,213
Graduate and Advanced Degrees	
Total Graduate Students	7,675
West Campus	5,576
HSC Campus	2,099

Undergraduate Major Fields of Study

Social Sciences	3,797
Engineering and Applied Sciences	2,222
Biological Science	2,181
Humanities & Fine Arts	1,325
Physical Science & Math	745
Health Technology & Management	556
Nursing	194
Marine/Oceanic Science	133
Social Welfare	57
SPD	40
Special/Undeclared	3,775

Other Facts

- ▶ 97% of full-time faculty hold doctoral degrees or highest degrees in their fields.
- ▶ Our faculty has contributed to 628 inventions and 353 patents.
- ▶ Stony Brook University Medical Center is ranked among the top 15 teaching hospitals in the U.S.
- ▶ The Hospital and Health Science Center provide Suffolk County's only Level I Regional Trauma Center, Aids Center, Burn Center, Skin Bank, Child Abuse Clinic, Autism Center, Neonatal Intensive Care Center and Transplant Center.
- ▶ The University has embarked on a seven year, \$300 million capital campaign. Stony Brook has raised \$190 million towards this goal.

FINANCIAL HIGHLIGHTS

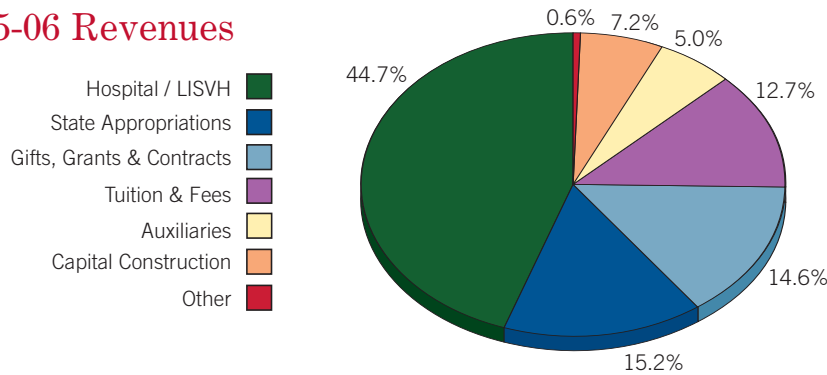
The Year's Financial Results

The 05/06 fiscal year generated revenues of \$1,594,067,939, exceeding 04/05 by \$229 million or 17%. The increase in revenue was the net result of:

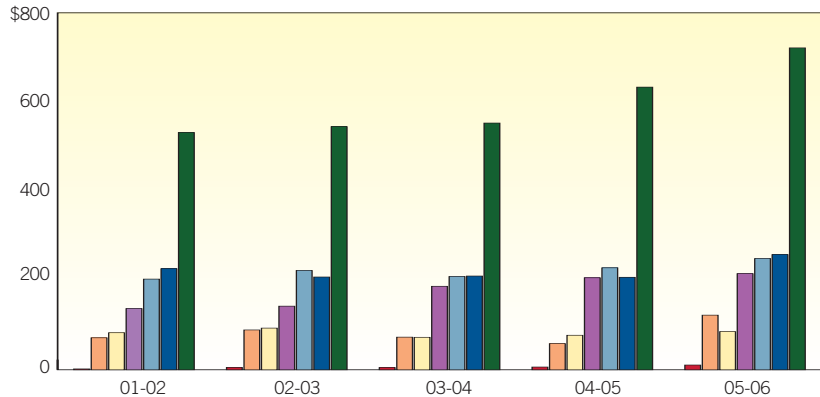
- Hospital revenues increased by \$82 million or 13% from fiscal year 04/05.
- Plant fund revenues for major capital building projects exceeded fiscal year 04/05 by \$60 million.
- Revenues from gifts, grants and contracts rose by \$19 million, a 9% increment from prior year.
- State appropriation increased by \$48 million, a 25% increment from 04/05 appropriations.
- Tuition, dormitory and other revenues cumulatively increased by \$20 million or 8% from 04/05 revenues.

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

2005-06 Revenues



Revenues in Actual Dollars



	2001-02	2002-03	2003-04	2004-05	2005-06
Other	\$1,880,111	\$5,004,019	\$4,786,246	\$5,859,062	\$9,996,521
Capital Construction	67,118,735	83,593,417	68,534,480	54,908,308	114,703,151
Auxiliaries	77,774,598	87,520,519	68,197,843	72,497,493	80,102,574
Tuition & Fees	128,513,306	133,513,422	175,233,526	193,057,630	201,733,288
Gifts, Grants and Contracts	190,314,139	208,444,493	195,716,512	213,981,521	233,350,290
State Appropriations	212,091,019	194,705,302	196,757,815	194,076,363	241,645,905
Hospital/LISVH	534,907,836	544,246,540	546,166,639	631,037,661	712,536,209

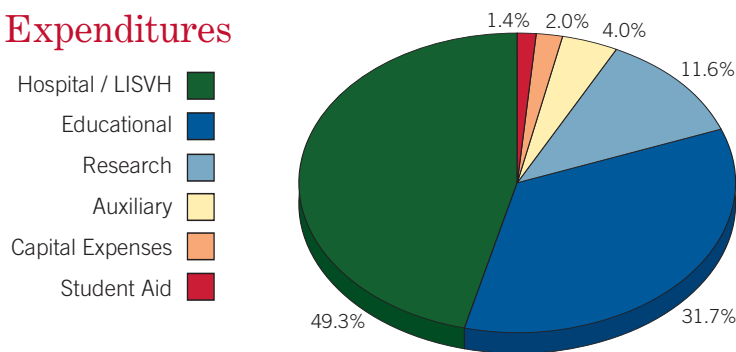
Expenditures

Expenditures equaled \$1,421,611,782 a \$96 million increase (7%) from fiscal year 04/05 as a result of:

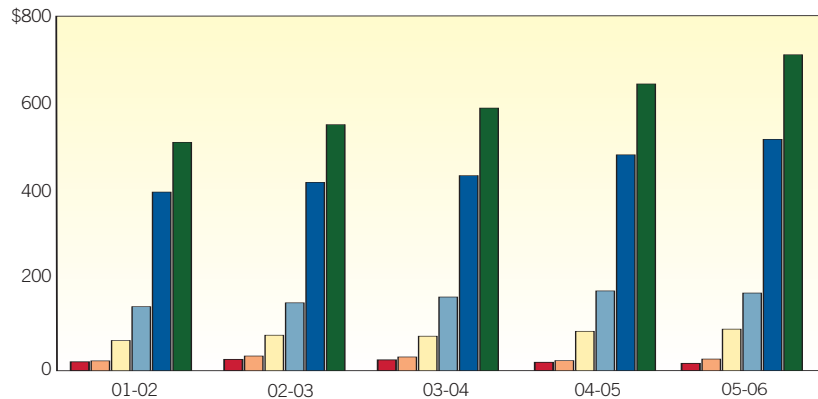
- ▶ Costs incurred for education, instruction and departmental research increased by \$43 million.
- ▶ Hospital expenditures increased by \$57 million.
- ▶ All other expenditures were relatively consistent with 04/05 except for a decline in research spending which cumulatively resulted in a net expenditure reduction of \$4 million.

The graph below depicts the institution's seven-year growth in revenue and expenditures.

2005-06 Expenditures



Expenditures in Actual Dollars



	2001-02	2002-03	2003-04	2004-05	2005-06
Student Aid	\$18,045,839	\$22,814,982	\$21,729,344	\$19,522,231	\$19,099,432
Capital Expenses	19,931,169	30,486,638	27,871,118	26,701,683	28,439,434
Auxiliary	61,835,107	72,546,802	47,473,150	53,117,011	56,792,172
Research	132,484,631	139,598,602	165,832,187	174,450,382	165,336,883
Educational	368,714,013	388,985,667	358,937,220	407,557,648	450,412,205
Hospital/LISVH	505,654,576	557,658,636	586,542,946	644,603,218	701,531,656

ANNUAL FINANCIAL REPORT

BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2006	2005
ASSETS		
CURRENT FUNDS		
Unrestricted		
Cash in bank	\$90,535,520	\$93,410,712
Marketable securities, at market	14,684,978	9,151,197
State appropriation receivable	32,916,872	23,260,560
Student receivables	8,224,914	12,167,571
Hospital patient receivables (net of allowance for doubtful accounts)	188,251,351	142,452,114
Long Island Veterans receivables	4,848,111	4,227,465
Other receivables	6,152,665	10,150,799
Inventories, at weighted average	4,774,607	4,202,768
Fixed assets (net)	5,596,781	5,369,934
Other assets	118,908	500,427
Total unrestricted	356,104,707	304,893,547
Restricted		
Cash in bank	4,541,911	4,761,786
Marketable securities, at market	49,070,907	45,330,277
Other receivables	24,755,748	2,757,235
Other assets	45,714	10,700
Total restricted	78,414,280	52,859,998
Total current funds	434,518,987	357,753,545
LOAN FUNDS		
Funds available for expenditures	1,087,974	969,292
Loans receivable - students	7,649,576	7,743,388
Total loan funds	8,737,550	8,712,680
ENDOWMENT AND SIMILAR FUNDS		
Cash	17,838	48,000
Marketable securities, at market	48,915,995	40,902,444
Accounts receivable	48,970	65,355
Total endowment and similar funds	48,982,803	41,015,799
LIFE ANNUITY FUNDS		
Marketable securities, at market	665,264	583,758
Total life annuity funds	665,264	583,758
PLANT FUNDS		
Unexpended		
Cash	17,401	16,313
Plant assets	7,412,422	7,934,038
Other assets	115,059	123,803
Total unexpended	7,544,882	8,074,154
Investment in plant		
Land and improvements	5,191,990	5,361,575
Buildings	514,168,358	424,871,228
Equipment	96,784,647	93,799,557
Library acquisition	27,421,105	27,020,828
Construction in progress	83,465,957	88,783,784
Total investment in plant	727,032,057	639,836,972
Total plant funds	734,576,939	647,911,126
TOTAL ALL FUNDS	\$1,227,481,543	\$1,055,976,908

ANNUAL FINANCIAL REPORT

BALANCE SHEET

	FOR THE YEARS ENDING JUNE 30	
	2006	2005
LIABILITIES AND FUND BALANCE		
CURRENT FUNDS		
Unrestricted		
Unremitted collections of revenues	\$20,756,414	\$19,147,531
Accounts payable and notes payable	37,062,104	30,914,323
Accrued liabilities	38,214,185	30,090,052
Reserve for inventories	4,356,523	3,914,422
Reserve for hospital	23,000,000	40,000,000
Deferred revenue	25,507,347	26,881,592
Fund balance	207,208,134	153,945,627
Total unrestricted	356,104,707	304,893,547
Restricted		
Accrued liabilities	2,614,507	1,785,743
Funds held in trust for others	24,209,565	23,872,599
Fund balance	51,590,208	27,201,656
Total restricted	78,414,280	52,859,998
Total current funds	434,518,987	357,753,545
LOAN FUNDS		
Fund balance	8,737,550	8,712,680
Total loan funds	8,737,550	8,712,680
ENDOWMENT AND SIMILAR FUNDS		
Accounts payable and accrued expenses	6,078	29,401
Fund balance	48,976,725	40,986,398
Total endowment and similar funds	48,982,803	41,015,799
LIFE ANNUITY FUNDS		
Accounts payable and accrued expenses	454,769	384,907
Fund balance	210,495	198,851
Total life annuity funds	665,264	583,758
PLANT FUNDS		
Unexpended		
Accounts payable and accrued expenses	2,829,865	2,942,309
Fund balance	4,715,017	5,131,845
Total unexpended	7,544,882	8,074,154
INVESTMENT IN PLANT		
Fund balance	727,032,057	639,836,972
Total investment in plant	727,032,057	639,836,972
Total plant funds	734,576,939	647,911,126
TOTAL ALL FUNDS	\$1,227,481,543	\$1,055,976,908

ANNUAL FINANCIAL REPORT

STATEMENT OF CHANGES IN FUND BALANCES

	FOR THE YEARS ENDING JUNE 30							2006	2005
	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT & SIMILAR FUNDS	LIFE ANNUITY FUNDS	PLANT FUNDS UNEXPENDED	INVESTMENT IN PLANT	TOTAL ALL FUNDS	TOTAL ALL FUNDS
	UNRESTRICTED	RESTRICTED							
REVENUES AND OTHER ADDITIONS									
Educational and general	\$179,556,922	\$21,101,170		\$757,602		\$317,595		\$201,733,289	\$193,057,630
Auxiliary enterprise	80,102,574							80,102,574	72,497,493
Gifts, grants and contracts	60,293,369	169,196,668		3,430,815		429,438		233,350,290	213,981,521
State appropriations (net of mandatory transfers)	241,581,205		64,700					241,645,905	194,076,363
Investment gain/(loss)	3,533,661	2,101,105		4,175,232	\$31,644	19		9,841,661	5,641,182
Hospital	676,137,859							676,137,859	599,130,927
LI State Veterans Home	36,398,350							36,398,350	31,906,734
Federal government			16,214					16,214	91,310
Interest on loans receivables			138,646					138,646	126,570
Expended for plant facilities						204,082	114,499,069	114,703,151	54,908,308
Total revenues and other additions	1,277,603,940	192,398,943	219,560	8,363,649	31,644	951,134	114,499,069	1,594,067,939	1,365,418,038
EXPENDITURES AND OTHER DEDUCTIONS									
Educational and general expenditures	1,135,545,538	168,065,249		373,322	20,000	232,512		1,304,236,621	1,208,178,005
Auxiliary enterprise expenditures	56,792,172							56,792,172	53,117,011
Indirect cost recovered	31,948,865							31,948,865	37,845,653
Loan cancellations, repayments, and write-offs			194,690					194,690	109,821
Depreciation of equipment						1,135,450	27,303,984	28,439,434	26,701,683
Total expenditures	1,224,286,575	168,065,249	194,690	373,322	20,000	1,367,962	27,303,984	1,421,611,782	1,325,952,173
OTHER TRANSFERS AND ADDITIONS/DEDUCTIONS									
Transfers among funds	(54,858)	54,858						0	0
Total other transfers and other deductions	(54,858)	54,858							
Net increase (decrease) for the year	53,262,507	24,388,552	24,870	7,990,327	11,644	(416,828)	87,195,085	172,456,157	39,465,865
Fund balance at the beginning of year	153,945,627	27,201,656	8,712,680	40,986,398	198,851	5,131,845	639,836,972	876,014,029	836,548,164
FUND BALANCE AT END OF YEAR	\$207,208,134	\$51,590,208	\$8,737,550	\$48,976,725	\$210,495	\$4,715,017	\$727,032,057	\$1,048,470,186	\$876,014,029

ANNUAL FINANCIAL REPORT

STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES

	FOR THE YEARS ENDING JUNE 30					
	UNRESTRICTED	RESTRICTED	2006 TOTAL		2005 TOTAL	
REVENUES						
Educational and general						
Student tuition and fees	\$166,423,666		\$166,423,666	11.3%	\$154,783,026	11.9%
Sales and services	12,397,252	\$3,593,723	15,990,975	1.1%	19,421,501	1.5%
Interest income	736,004		736,004	0.1%	470,499	0.0%
Student financial aid grants		17,507,447	17,507,447	1.2%	17,964,260	1.4%
Investment income	3,533,661	2,101,105	5,634,766	0.4%	4,210,958	0.3%
Auxiliary enterprises	80,102,574		80,102,574	5.4%	72,497,493	5.6%
State appropriations (net of mandatory)	241,581,205		241,581,205	16.4%	194,001,593	14.9%
Gifts, grants and contracts	60,293,369	169,196,668	229,490,037	15.6%	210,700,435	16.1%
Hospital	676,137,859		676,137,859	46.0%	599,130,927	45.9%
LI State Veterans Home	36,398,350		36,398,350	2.5%	31,906,734	2.4%
Total revenues	1,277,603,940	192,398,943	1,470,002,883	100.0%	1,305,087,426	100.0%
EXPENDITURES						
Educational and general						
Instruction and departmental research	224,437,933	17,643,748	242,081,681	17.4%	230,785,384	17.8%
Organized research	12,291,951		12,291,951	0.9%	11,762,026	0.9%
Sponsored research	15,661,135	105,434,932	121,096,067	8.7%	124,842,703	9.6%
Extension and public service	6,588,847	1,448,880	8,037,727	0.6%	6,653,671	0.5%
Organized activities	21,944,207	26,030,242	47,974,449	3.4%	34,419,271	2.6%
Hospital	701,531,656		701,531,656	50.4%	644,603,218	49.6%
Libraries	12,784,067		12,784,067	0.9%	11,144,873	0.9%
Student service	31,123,156	132,580	31,255,736	2.2%	28,811,600	2.2%
General administration	27,722,371	49,072	27,771,443	2.0%	24,202,659	1.9%
General institutional services	16,820,022		16,820,022	1.2%	16,444,929	1.3%
Operation and maintenance of plant	61,736,641	1,324,605	63,061,246	4.5%	54,520,618	4.2%
Student aid	2,903,552	16,001,190	18,904,742	1.4%	19,412,410	1.5%
Auxiliary enterprises	56,792,172		56,792,172	4.1%	53,117,011	4.1%
Indirect costs recovered	31,948,865		31,948,865	2.3%	37,845,653	2.9%
Total expenditures	1,224,286,575	168,065,249	1,392,351,824	100.0%	1,298,566,026	
100.0%						
OTHER TRANSFERS AND ADDITIONS/DEDUCTIONS						
Total transfers among funds	(54,858)	54,858	0		\$918,724	
NET INCREASE (DECREASE) IN FUND	\$53,262,507	\$24,388,552	\$77,651,059		\$7,440,124	

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STATEMENT OF CASH FLOW

	FOR THE YEARS ENDING JUNE 30	
	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES		
Net increase (decrease) in fund balance	\$ 172,456,157	\$39,465,865
Adjustments to reconcile increase in fund balance to net cash provided by (used in) operating activities		
Depreciation and amortization	29,465,493	27,690,479
Change in allowance for doubtful accounts	43,424,915	24,792,272
Net realized gains on sale of investments	(6,190,283)	(1,734,656)
Net realized appreciation in investments	(3,076,004)	(3,809,730)
Donation of plant assets	(434,438)	(154,414)
Disposal of plant and fixed assets		94,048
Permanently restricted contributions	(3,391,182)	(3,267,283)
Changes in operating assets and liabilities		
Student, hospital and LISVH receivables	(100,951,523)	(26,035,173)
Loans receivable	93,812	347,676
State appropriation receivable	(9,656,312)	(5,419,586)
Other receivables and other assets	(17,532,990)	(816,693)
Inventory	(607,188)	(817,240)
Accounts payable and accrued expenses	14,466,677	1,635,847
Reserve for inventory	442,101	788,179
Reserve for hospital	(17,000,00)	
Unremitted collections	1,608,883	(2,386,695)
Deferred revenue	13,614,733	2,827,911
Funds held in trust for others	905,061	(4,480,225)
Net cash provided/(used) by operating activities	117,637,912	48,720,582
CASH FLOW FROM INVESTING ACTIVITIES		
Plant asset purchases	(115,931,371)	(56,930,448)
Investment purchases	(95,416,190)	(80,575,440)
Proceeds from sale of investments	87,313,008	83,428,365
Net cash provided/(used) by investing activities	(124,034,553)	(54,077,523)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from permanently restricted contributions	3,391,182	3,267,283
Net cash provided/(used) by financing activities	3,391,182	3,267,283
Net Increase/(decrease) in cash and cash equivalents	13,994,541	(2,089,658)
Cash and cash equivalents-beginning of year	99,206,103	101,295,761
CASH AND CASH EQUIVALENTS-END OF YEAR	\$96,200,644	\$99,206,103

1. Summary of Significant Accounting Policies

Fund Accounting

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

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

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

Current Fund

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

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

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

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NOTES TO FINANCIAL STATEMENTS

Grants made by the New York State Tuition Assistance Program (TAP) are not reported in the Restricted Current Fund Statement because of the substantial amount of TAP dollars that flow back into tuition revenues. There was \$18,245,739 of TAP dollars distributed to Stony Brook in fiscal year 2005/06, and \$17,188,315 for fiscal year 2004/05.

General Fund

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

Income Fund Reimbursable (IFR)

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

Research Foundation Fund

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

Plant Fund

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

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

Stony Brook Foundation

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

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Faculty Student Association

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

Loan Fund

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

2. Basis of Accounting

Accrual Basis

The State University of New York's budgetary period consists of a fifteen-month cycle commencing July 1, 2005 and ending September 30, 2006. A modified accrual basis of accounting was employed in the preparation of the financial statements. Funds committed at June 30, 2006 and expended by August 31, 2006 were recorded as accrued liabilities for the General Fund and Income Fund Reimbursable Fund. This represented a change in prior years' accounting method where funds were accrued based on commitments through the budgetary term ending September 30. This change in accounting method became effective in the fiscal year 1999/2000 and, for comparative purposes, a restatement was applied to the 98/99 financial statements.

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

Accounts Receivable

The Student Receivable and Patient Receivable balances are stated net of the allowance for doubtful accounts. For the fiscal years 2005/06 and 2004/05, the allowances reserved for Student Receivables are \$3,511,148 and \$3,676,046, respectively. The allowances reserved for Patient Receivable doubtful account balances are \$358,941,495 and \$315,291,278, respectively for fiscal years 2005/06 and 2004/05.

Delinquent accounts are reported to the State Attorney General's Office for collection. The amount reported to the Attorney General included in Student Receivables is \$4,431,304 at fiscal year 2005/06 and \$3,837,919 for fiscal year 2004/05. The Patient Receivables reported to the Attorney General represent \$165,782,665 at fiscal year 2005/06, and \$145,223,369 for fiscal year 2004/05.

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NOTES TO FINANCIAL STATEMENTS

Fringe Benefits

Fringe benefits are not appropriated nor directly charged to the institution on State-funded positions, however, for report purposes, fringe benefits were imputed on salaries and wages based on the mandated New York State fringe benefit rate. The imputed fringe benefit rates for the 2005/06 and 2004/05 fiscal years were 45.25% and 41.99%, respectively.

Revenues

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

3. Inventories

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

At Weighted Average	
Central Storeroom-Hospital	\$ 2,876,423
Central Storeroom-Main Campus	1,480,100
At Last-In, First Out	
Faculty Student Association	418,084
Total Inventories	\$ 4,774,607

No inventories other than those noted above are reflected.

4. Plant Fund

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

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NOTES TO FINANCIAL STATEMENTS

Investment in Plant

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

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

The State University of New York adopted GASB pronouncement No.'s 34, 35, 37, and 38. The adoption of the GASB pronouncements impacted the presentation, capitalization policy, asset lives and net carrying value of assets of the fund. The University at Stony Brook has subsequently restated the Plant Fund to include the Construction in Progress value. The cumulative effect of such was to increase the Plant Fund asset carrying values by \$120,827,868 and \$111,737,369 retroactive to fiscal years June 30, 2004 and 2003, respectively.

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

5. Fiscal Years

The financial statements for all entities represent a twelve-month period ending June 30, 2006. The Loan Fund activity reported on the appropriate Balance Sheet and Statement of Changes in Fund Balance is compiled from the data recorded on the Fiscal Operations Report filed annually with the Department of Education for a fiscal period ending June 30, 2006. The Stony Brook Foundation and the Faculty Student Association's financial data were based on their certified audits by Holtz Rubenstein Reminick, LLP for the fiscal year ending June 30, 2006.

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6. Note Receivable

On July 1, 2001, the FSA loaned \$2,000,000 (the "Note") to UHSB for food service renovations and projects to be completed at UHSB. The proceeds from the Note were transferred at the request of UHSB into an FSA bank account. Disbursements from this account must be approved by UHSB. The Note is to be repaid by UHSB to the FSA over a five-year period in equal principal installments of \$400,000 per annum plus interest. At June 30, 2006 and 2005, the FSA held no remaining proceeds from the Note.

The interest rate on the Note shall be determined on an annual basis based on the remaining principal balance and current prevailing interest rates, as defined by the agreement. For the years ended June 30, 2006 and 2005, such rates were approximately 4.25% and 2.25%, respectively. At June 30, 2005, the Association has accrued interest of \$18,000, which is included in prepaid expenses and other assets in the accompanying combined statements of financial position. In addition, at June 30, 2005, the FSA held \$418,000, to pay the annual installment payment plus accrued interest on the Note. Such amounts are included in funds held for others in the accompanying combined statements of financial position.

WHETHER IT'S REDEFINING THE WAY RESEARCH UNIVERSITIES
APPROACH UNDERGRADUATE EDUCATION; MAKING GROUND-
BREAKING DISCOVERIES IN SCIENCE, MEDICINE, AND TECHNOLOGY;
INFUSING THE REGION'S ECONOMY WITH NEW VIGOR AND
STRENGTH; OR PROVIDING PRIMARY MEDICAL SERVICES TO
MORE THAN HALF A MILLION LONG ISLANDERS, **STONY BROOK IS,**
BY ANY MEASURE, ONE OF THE NATION'S PREMIER UNIVERSITIES.

