

2011 Financial *ANNUAL* Report



The State University of **New York**

SUNY

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Message from the Chancellor

I am pleased to present the Annual Financial Report of The State University of New York, providing an overview of the State University's finances and operating results for the year ending June 30, 2011.

As we know, the severity of the economic climate throughout the country has persisted over the past year, and New York continues to face unprecedented challenges. But in spite of the situation, this year SUNY has undertaken some significant changes and earned victories that have set the University on a new path – one that we're confident will lead to a brighter future not only for SUNY but for all of New York.

When we released *The Power of SUNY* in 2009 it was with a promise to New York that SUNY would serve as the economic engine the state needs to not only revive the economy but to build and support a new one – a regionally and globally competitive economy that will continue to become ever more technology and knowledge driven. SUNY, with its massive research capacity and its power to generate and provide jobs as well as prepare the future workforce, is positioned to drive the state's economy and improve the quality of life in communities throughout the state.

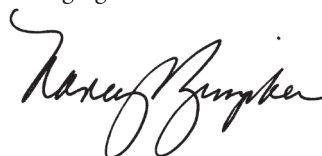
To this end, in May – and in partnership with Governor Andrew M. Cuomo – we unveiled the NYSUNY 2020 Challenge Grant Program. Phase one of the program is worth up to \$140 million dollars to the SUNY University Centers in Albany, Binghamton, Buffalo, and Stony Brook. The program will initially consist of \$35 million in capital funding per school (\$20 million administered by Empire State Development Corporation (ESDC) and \$15 million from the SUNY Construction Fund) for the four SUNY University Centers. The mission of the program is to make SUNY a leading catalyst for job growth throughout the state, to strengthen the academic programs at the University Centers, and to demonstrate that New York is open for business. The funding will be integrated with the governor's Regional Economic Development Councils and administered by ESDC. The approach will leverage private sector and other source funding to further the goals of job creation and economic development.

The State University continues to make meaningful gains toward its mission to enhance educational excellence, affordability, and accessibility for New Yorkers. The recent passage of our rational tuition plan is among SUNY's greatest accomplishments in decades. The plan will not only allow students and their families to plan for the cost of a SUNY education over the next five years, but it will also allow the University greater control over its funding to ensure that the new dollars generated go back to the campuses and into student-centered programming. In conjunction with this, SUNY introduced this summer a new shared services initiative that we call Campus Alliance Networks – a cost-saving collaboration of administrative functions between some campuses with the goal of expanding academic resources and course availability for students while increasing efficiency within the SUNY system. It is intended that cost savings generated by administrative reorganization will be redirected toward academic instruction and other student-support services.

Enrollment, student retention, and sponsored research all remain strong or at record levels. SUNY continues to attract and educate talented and promising students in record numbers. Systemwide retention and graduation rates among students from all walks of life and backgrounds are increasing – and the numbers can now easily be tracked in the SUNY Report Card, the first of which was released in May. Retention rates continue to outpace the rates at most public colleges nationally and track with or approach the rates at many of the best private colleges and universities in the United States.

The volume of research continues to be strong and has grown to surpass last year's numbers. In the 2011 fiscal year, The Research Foundation of State University of New York received 286 invention disclosures (up from 235 last year), filed 202 patent applications (up from 162), was awarded 63 U.S. patents (up from 59), executed 38 licenses, and received \$12 million in royalties. These achievements were the products of more than 7,300 projects that supported more than 17,000 employees statewide.

More than ever before, SUNY is an excellent investment for students and a critical resource for New York. If the state is to move forward in these difficult economic times, then we must continue to work to build a stronger future for the State University, which has provided generations of New Yorkers access to educational and economic opportunities. We take very seriously our responsibility to be good stewards of public dollars and will continue to strive to be as efficient and creative as possible in managing our resources.



Nancy L. Zimpher
Chancellor

Independent Auditor's Report



KPMG LLP
515 Broadway
Albany, NY 12207-2974

To The Board of Trustees
State University of New York

We have audited the accompanying balance sheet and statements of revenues, expenses, and change in net assets, and cash flows of the business-type activities and the balance sheet and statement of activities of the aggregate discretely presented component units of the State University of New York, (the University), as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain discretely presented component units, the auxiliary service corporations, the Downstate at LICH Holding Company, Inc., the Alfred University College of Ceramics and the Cornell Statutory Colleges which represent 53% of the total assets and 47% of the total revenues of the aggregate discretely presented component units and 14% of the total assets and 12% of the total revenues of the University's business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to the amounts and disclosures included for those component units, the auxiliary service corporations, the Downstate at LICH Holding Company, Inc., the Alfred University College of Ceramics and the Cornell Statutory Colleges, are based solely on the reports of the other auditors. The accompanying basic financial statements of the University as of June 30, 2010, were audited by other auditors whose report thereon dated October 29, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements present only the business-type activities and aggregate discretely presented component units of the University and do not purport to, and do not, present fairly the financial position of the State of New York, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2011 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

November 17, 2011

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the U.S. member firm of KPMG International Cooperative
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Management's Discussion and Analysis

Management's discussion and analysis (MD&A) provides a broad overview of the State University of New York's (State University) financial condition as of June 30, 2011 and 2010, the results of its operations for the years then ended, and significant changes from the previous years. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the State University which directly follows the MD&A.

For financial reporting purposes, the State University's reporting entity consists of all sectors of the State University including the university centers, health science centers (including hospitals), colleges of arts and sciences, colleges of technology and agriculture, specialized colleges, statutory colleges (located at the campuses of Cornell and Alfred Universities), and central services, but excluding community colleges. The financial statements also include the financial activity of The Research Foundation of the State University of New York (Research Foundation), which administers the sponsored program activity of the State University, the State University Construction Fund (Construction Fund), which administers the capital program of the State University, the auxiliary services corporations and foundations located on its campuses.

The foundations meet the criteria under the Governmental Accounting Standards Board (GASB) accounting and financial reporting requirements for inclusion in the State University's financial statements. For financial statement presentation purposes, the combined totals of the foundations are not included in the reported amounts of the State University, but are discretely presented on separate pages in the State University's financial statements, in accordance with display requirements prescribed by the Financial Accounting Standards Board (FASB) for not-for-profit organizations.

In May 2011, the State University acquired Long Island College Hospital (LICH) through an Asset Purchase Agreement. As part of this agreement a separate nonprofit corporation was created, the Downstate at LICH Holding Company, Inc. (DLHC), as a single member corporation of the State University. DLHC is organized under Section

501(c)(3) of the Internal Revenue Code and meets the blending criteria of the State University for financial reporting purposes as it is dependent upon the financial resources of the State University to carry out its operations. In addition, a separate corporation, Staffco of Brooklyn, LLC (Staffco) was created. Staffco, is a single member corporation of the Health Science Center at Brooklyn Foundation, Inc. (HSCB).

The focus of the MD&A is on the State University financial information contained in the balance sheets, the statements of revenues, expenses, and changes in net assets, and the statements of cash flows, which exclude the foundations. Foundation financial statement information is presented separately on pages 16 and 17 of the State University's financial statements.

Financial Highlights

At June 30, 2011 and 2010, total assets reported by the State University were \$13.46 billion and \$11.88 billion and total liabilities were \$13.23 billion and \$11.15 billion, respectively. Net assets, which total \$236 million and \$732 million at June 30, 2011 and 2010, experienced a decrease of \$497 million in 2011 and a decrease of \$165 million in 2010. The net assets at June 30, 2011, 2010, and 2009 are summarized in the following categories (in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net Assets:			
Invested in capital assets,			
net of related debt	\$ 874,723	805,576	606,165
Restricted - nonexpendable	288,807	267,384	249,321
Restricted - expendable	495,515	363,186	328,863
Unrestricted	(1,423,222)	(703,738)	(287,146)
Total net assets	<u>\$ 235,823</u>	<u>732,408</u>	<u>897,203</u>

The decrease in net assets during 2011 and 2010 was driven by accrued postemployment and post-retirement benefit expenses of \$593 million and \$429 million, respectively. Also contributing to the decrease in 2011 was a \$166 million loss related to the State University's acquisition of Long Island College Hospital. In 2011, this decrease was offset by an increase in operating revenues of \$253 million

Management's Discussion and Analysis

and net realized and unrealized gains on investments of \$52 million compared to 2010. Revenues, expenses, and the change in net assets for the 2011, 2010, and 2009 fiscal years are summarized as follows (in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 5,415,882	5,163,190	4,805,384
Nonoperating revenues	3,683,666	3,643,405	3,580,847
Other revenues	113,334	92,881	69,285
Total revenues	<u>9,212,882</u>	<u>8,899,476</u>	<u>8,455,516</u>
Operating expenses	9,209,971	8,722,596	8,505,101
Nonoperating expenses	499,496	341,675	984,756
Total expenses	<u>9,709,467</u>	<u>9,064,271</u>	<u>9,489,857</u>
Change in net assets	\$ <u>(496,585)</u>	<u>(164,795)</u>	<u>(1,034,341)</u>

Total revenues reported in 2011, 2010, and 2009 were \$9.21 billion, \$8.90 billion, and \$8.46 billion, respectively. Total revenue in 2011 and 2010 increased \$313 million and \$444 million compared to the previous years. The revenue increase in 2011 was driven by increases of \$135 million in hospital and clinic revenue, \$52 million in net realized and unrealized investment gains, \$44 million in federal and state student financial aid and other nonoperating grants, net tuition revenues of \$44 million, and \$22 million in auxiliary enterprises. These increases were offset by a \$44 million decrease in state appropriations.

Total expenses for 2011, 2010, and 2009 were \$9.71 billion, \$9.06 billion, and \$9.49 billion, respectively. Total expense in 2011 increased \$645 million while expense in 2010 decreased \$426 million, compared to the previous year. Expense growth in 2011 compared to the prior year was primarily due to an increase of \$487 million in operating expenses resulting from higher fringe benefit and post-retirement benefit costs. The expense decline in 2010 compared to the prior year was primarily due to investment losses of \$389 million and the transfer of assets to the State University campus foundations of \$288 million in 2009 offset by an increase of \$217 million in 2010 operating expenses.

Overview of the Financial Statements

The financial statements of the State University have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the GASB. The financial statement presentation consists of comparative balance sheets, statements of revenues, expenses, and changes in net assets, statements of cash flows, and accompanying notes for the June 30, 2011 and 2010 fiscal years. These statements provide information on the financial position of the State University and the financial activity and results of its operations during the years presented. A description of these statements follows:

The *Balance Sheets* present information on all of the State University's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the State University is improving or deteriorating.

The *Statements of Revenues, Expenses, and Changes in Net Assets* present information showing the change in the State University's net assets during each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in these statements include items that will result in cash received or disbursed in future fiscal periods (e.g., the receipt of amounts due from students and others for services rendered, or the amount accrued for postemployment benefits earned).

The *Statements of Cash Flows* provides information on the major sources and uses of cash during the year. The cash flow statements portray net cash provided or used from operating, investing, capital, and noncapital financing activities.

Balance Sheets

The balance sheets present the financial position of the State University at the end of its fiscal years. The State University's total assets increased \$1.58 billion and \$956 million in 2011 and 2010, respectively. Total liabilities during 2011 and 2010 increased \$2.08 billion and \$1.12 billion, respectively. The following table reflects the financial position at June 30, 2011, 2010, and 2009 (in thousands):

Management's Discussion and Analysis

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 3,236,149	3,017,319	2,828,996
Capital assets, net	7,964,994	7,090,396	6,235,899
Other noncurrent assets	2,261,885	1,773,139	1,859,604
Total assets	<u>13,463,028</u>	<u>11,880,854</u>	<u>10,924,499</u>
Current liabilities	2,097,892	1,804,039	1,674,262
Noncurrent liabilities	11,129,313	9,344,407	8,353,034
Total liabilities	<u>13,227,205</u>	<u>11,148,446</u>	<u>10,027,296</u>
Net assets	<u>\$ 235,823</u>	<u>732,408</u>	<u>897,203</u>

Current Assets

Current assets at June 30, 2011 increased \$219 million and current liabilities increased \$294 million, compared to the previous year. In general, current assets are those assets that are available to satisfy current liabilities (i.e., those that will be paid within one year).

Current assets at June 30, 2011 and 2010 consist primarily of cash and cash equivalents of \$1.44 billion and \$1.39 billion, short-term investments of \$328 million and \$296 million, and receivables (accounts, interest, appropriations, and grants) of \$1.35 billion and \$1.26 billion, respectively. During 2011, receivable balances increased \$85 million and cash and cash equivalents increased \$54 million.

Current Liabilities

Current liabilities at June 30, 2011 and 2010 consist principally of accounts payable and accrued expenses of \$846 million and \$772 million, interest on debt of \$91 million and \$128 million, deferred revenue of \$330 million and \$190 million, and the current portion of long-term liabilities of \$656 million and \$561 million, respectively. The increase in current liabilities at June 30, 2011 was driven principally by an increase in deferred revenue of \$140 million and \$96 million in the current portion of long-term liabilities.

Capital Assets, net

Since 2003, the State University has received \$7.0 billion in cumulative new multi-year capital funding authorizations for State-operated campus educational facilities and \$869 million for the State University hospitals. Under the educational facilities program, a majority of the funding is designed to

support critical maintenance projects to repair, renovate, or rehabilitate existing State University facilities.

During the 2011 and 2010 fiscal years, capital assets (net of depreciation) increased \$875 million and \$854 million, respectively. The majority of the increase occurred at the State University campuses due to new building construction, renovations, and rehabilitation totaling \$851 million and \$691 million for the 2011 and 2010 fiscal years, respectively. Equipment additions during 2011 and 2010 of \$255 million and \$190 million, respectively, also contributed to the increase.

Significant projects completed and capitalized during the 2011 fiscal year included construction of the Student Center by the SUNY Institute of Technology, the new residence hall "Village" at the College at Oswego, rehabilitation of the Life Science Center and improvement of the Pediatric Emergency Center at Stony Brook University's Medical Center, completion of upgrades to the Gross Anatomy Building at Downstate Medical and upgrades to the library at Binghamton University, as well as renovations to the Central Dining Hall at Alfred State College and Frisbee Hall at the College at Cobleskill, along with the gift acceptance of the Simon's Center for Geometry and Physics at Stony Brook University.

A summary of capital assets, by major classification, and related accumulated depreciation for the 2011, 2010, and 2009 fiscal years is as follows (in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 381,617	360,168	312,574
Infrastructure and land improvements	775,066	738,908	665,203
Buildings	8,146,094	7,331,241	6,684,860
Equipment, library books and artwork	2,743,763	2,545,649	2,450,532
Construction in progress	<u>1,798,500</u>	<u>1,378,639</u>	<u>1,125,153</u>
Total capital assets	<u>13,845,040</u>	<u>12,354,605</u>	<u>11,238,322</u>
Less accumulated depreciation:			
Infrastructure and land improvements	385,859	365,610	348,464
Buildings	3,446,240	3,074,299	2,923,117
Equipment, library books and artwork	<u>2,047,947</u>	<u>1,824,300</u>	<u>1,730,842</u>
Total accumulated depreciation	<u>5,880,046</u>	<u>5,264,209</u>	<u>5,002,423</u>
Capital assets, net	<u>\$ 7,964,994</u>	<u>7,090,396</u>	<u>6,235,899</u>

Management's Discussion and Analysis

Other Noncurrent Assets

Other noncurrent assets exclusive of capital assets were \$2.26 billion and \$1.77 billion at June 30, 2011 and 2010, respectively. Noncurrent assets at June 30, 2011 and 2010 include long-term investments of \$736 million and \$575 million, deposits with trustees of \$784 million and \$584 million, restricted cash of \$115 million and \$83 million, and the noncurrent portion of receivables and deferred financing costs of \$628 million and \$531 million, respectively.

Long-term investments at June 30, 2011 and 2010 of \$736 million and \$575 million include the Cornell statutory colleges of \$619 million and \$493 million, Research Foundation of \$65 million and \$38 million, auxiliary services corporations of \$27 million and \$25 million, the statutory College of Ceramics at Alfred University of \$19 million and \$17 million, and State University campuses of \$5 million and \$2 million, respectively. Long-term investments increased \$160 million in 2011 compared to 2010 primarily due to net realized and unrealized investment gains of \$115 million.

During fiscal year 2011, deposits with trustees, which generally represent funds available from the issuance of bonds by the Dormitory Authority of the State of New York (DASNY) used to finance capital projects and maintain debt service reserves for the State University's facilities, increased \$200 million.

Restricted cash and cash equivalents represent unspent funds under various capital financing arrangements, cash held for others, and cash restricted for loan programs. At June 30, 2011 restricted cash balances increased \$31 million compared to 2010. The noncurrent portion of receivables reported at June 30, 2011 and 2010 consisted of accounts, notes, and loan receivables of \$111 million and \$112 million, appropriation receivables of \$399 million and \$316 million, and contribution receivables of \$16 million and \$14 million, respectively.

Noncurrent Liabilities

Noncurrent liabilities at June 30, 2011 and 2010 of \$11.13 billion and \$9.34 billion, respectively, are largely comprised of debt on State University facilities, other long-term liabilities accrued for postemployment and post-retirement benefits,

compensated absences, and litigation. The State University capital funding levels and bonding authority are subject to operating and capital appropriations of the State. Funding for capital construction and rehabilitation of educational and residence hall facilities of the State University is provided principally through the issuance of bonds by DASNY. The debt service for the educational facilities is paid by, or provided through a direct appropriation of, the State. The debt service on residence hall bonds is funded primarily from room rents. A summary of non-current long-term liabilities at June 30, 2011, 2010, and 2009 is as follows (in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Educational facilities	\$ 5,973,236	5,242,937	4,907,472
Residence hall facilities	1,104,250	1,011,580	943,590
Postemployment and post-retirement obligations and compensated absences	2,822,590	2,225,754	1,765,603
Litigation	398,739	315,918	165,484
Other obligations	620,903	348,871	371,048
Long-term liabilities	<u>\$ 10,919,718</u>	<u>9,145,060</u>	<u>8,153,197</u>

During the year, Personal Income Tax Revenue Bonds (PIT) were issued for the purpose of financing capital construction and major rehabilitation for educational facilities in the amount of \$1.04 billion. Also, during the year PIT bonds were issued totaling \$93.2 million in order to refund \$98.7 million of the State University's existing educational facilities obligations. The State University also entered into agreements with DASNY during fiscal year 2011 to issue residence hall facility obligations totaling \$128.3 million for the purpose of financing capital construction and major rehabilitation for residential hall facilities.

The State University's credit ratings for educational and residence hall bonds were unchanged in 2011. The credit ratings at June 30, 2011 are as follows:

	<u>PIT Bonds</u>	<u>Educational Facilities</u>	<u>Residence Halls</u>
Moody's			
Investors Service	Aa2	Aa3	Aa2
Standard & Poor's	AAA	AA-	AA-
Fitch	AA	AA-	AA-

Management's Discussion and Analysis

Principal payments on educational and residence hall facilities obligations made during 2011 totaled \$324 million and \$32 million, in 2010 totaled \$594 million and \$31 million, and in 2009 totaled \$229 million and \$28 million, respectively.

During fiscal years 2011 and 2010, the long-term portion of postemployment and post-retirement benefit obligations and compensated absences liabilities increased \$597 million and \$460 million, respectively. The State, on behalf of the State University, provides health insurance coverage for eligible retired State University employees and their qualifying dependents as part of the New York State Health Insurance Plan (NYSHIP). The State administers NYSHIP and has the authority to establish and amend benefit provisions offered. The State University, as a participant in the plan, recognizes these other postemployment benefits (OPEB) on an accrual basis. The State University's OPEB plan is financed annually on a pay-as-you-go basis. There are no assets set aside to fund the plan.

The Research Foundation sponsors a separate defined benefit OPEB plan and has established a Voluntary Employee Benefit Association (VEBA) trust. Legal title to all the assets in the trust is vested for the benefit of the participants. Contributions are made by the Research Foundation

pursuant to a funding policy established by its Board of Directors.

A schedule of funding progress for these plans is below.

The State University has recorded a long-term litigation liability and a corresponding appropriation receivable of \$399 million and \$316 million at June 30, 2011 and 2010, respectively (almost entirely related to hospitals and clinics) for unfavorable judgments, both anticipated and awarded but not yet paid. Effective with the 2010 fiscal year, the State University revised its methodology for determining the medical malpractice liability to include incurred but not reported (IBNR) loss estimates. The estimate of IBNR losses is actuarially determined based on historical experience using a discounted present value of estimated future cash payments.

Refundable government loan funds at June 30, 2011 and 2010 totaled \$141.7 million and \$141.4 million, respectively. These revolving loan funds are principally those of the federal Perkins and Nursing Loan Programs established with an initial and, when available, continued federal capital contribution. Repayments of principal and interest and new contributions are deposited into a revolving loan fund for continual disbursement to students.

Schedule of Funding Progress Other Postemployment Benefits (Amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
State University Plan:						
April 1, 2010	\$ -	12,352	12,352	- %	3,037	407%
April 1, 2008	-	9,560	9,560	- %	3,008	318%
April 1, 2006	-	8,261	8,261	- %	2,527	327%
Research Foundation Plan:						
June 30, 2011	101	279	178	36%	241	74%
June 30, 2010	80	290	210	28%	238	88%
June 30, 2009	66	267	201	25%	234	86%

Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Assets

The statements of revenues, expenses, and changes in net assets present the State University's results of operations. Total operating revenues of the State University were \$5.42 billion in 2011, \$5.16 billion in 2010, and \$4.81 billion in 2009. Nonoperating and other revenues, which includes State appropriations, totaled \$3.80 billion, \$3.74 billion, and \$3.65 billion, for fiscal years 2011, 2010, and 2009, respectively. Total expenses for 2011, 2010, and 2009 were \$9.71 billion, \$9.06 billion, and \$9.49 billion, respectively.

Revenue Overview

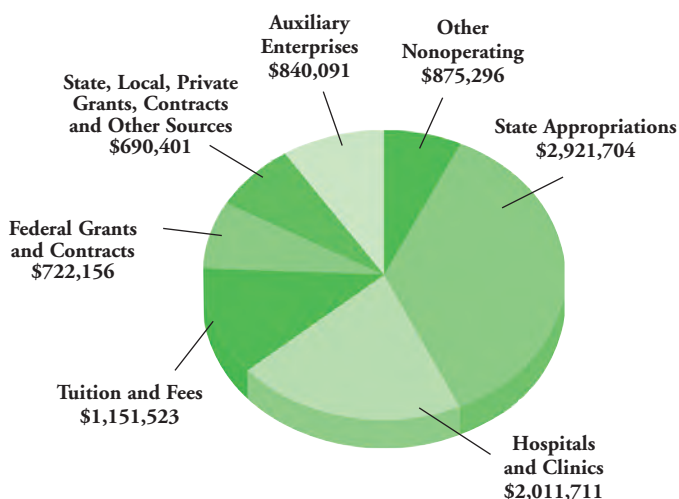
Revenues (in thousands):

	2011	2010	2009
Tuition and fees, net	\$ 1,151,523	1,107,313	1,030,198
Hospitals and clinics	2,011,711	1,876,918	1,723,164
Federal grants and contracts	722,156	710,642	637,222
State, local, private grants and contracts, and other sources	690,401	649,772	634,500
Auxiliary enterprises	840,091	818,545	780,300
Operating revenues	<u>5,415,882</u>	<u>5,163,190</u>	<u>4,805,384</u>
State appropriations	2,921,704	2,965,719	3,062,915
Other nonoperating	875,296	770,567	587,217
Nonoperating and other revenues	<u>3,797,000</u>	<u>3,736,286</u>	<u>3,650,132</u>
Total revenues	<u>\$ 9,212,882</u>	<u>8,899,476</u>	<u>8,455,516</u>

Tuition and Fees, Net

Tuition and fee revenue for the 2011, 2010, and 2009 fiscal years, net of scholarship allowances, was \$1.15 billion, \$1.11 billion, and \$1.03 billion, an increase of \$44 million and \$77 million in 2011 and 2010, respectively. The increase in 2011 was mainly driven by increases in professional and nonresident tuition rates. During the 2010 fiscal year the increase was due to increases in enrollment. Annual average full-time equivalent students, including undergraduate and graduate, were approximately 194,000, 192,300, and 189,600 for the fiscal years ended June 30, 2011, 2010, and 2009, respectively.

2011 Revenues (in thousands)



Hospitals and Clinics

The State University has three hospitals (each with academic medical centers) under its jurisdiction – the State University hospitals at Brooklyn, Stony Brook, and Syracuse.

Hospital and clinic revenue for the 2011, 2010, and 2009 fiscal years were \$2.01 billion, \$1.88 billion, and \$1.72 billion, respectively. During the 2011 fiscal year, hospital and clinic revenues increased \$135 million compared to the previous year due to an increase in inpatient and outpatient volume and rates. This increase was offset by a \$9 million decrease in Medicaid Disproportionate Share (DSH) Program revenue.

Sponsored Research, Grant and Contract Revenue

During fiscal year 2011, State University increased its volume of sponsored program activity. Total revenue from federal, state, local, private and capital grants and contracts administered by the Research Foundation was \$946 million, \$893 million, and \$846 million for the fiscal years ended June 30, 2011, 2010, and 2009, respectively. Facilities and administrative recoveries earned on grants and contracts administered by the Research Foundation were \$146 million, \$145 million, and \$125 million for the fiscal periods ending June 30, 2011, 2010, and 2009, respectively.

The volume of research and other sponsored programs reported for 2011 and 2010 by the

Management's Discussion and Analysis

statutory colleges at Cornell University was \$168.0 million and \$226.8 million, and Alfred University was \$4.0 million and \$1.5 million, respectively.

Revenue from projects sponsored by the federal government (including federal flow-through funds) and administered by the Research Foundation totaled \$578 million and \$559 million during 2011 and 2010, respectively. Of these federally-sponsored projects the Department of Health and Human Services was the largest sponsor for both fiscal years. Revenue from non-federal sponsors administered by the Research Foundation totaled \$368 million and \$334 million during 2011 and 2010, respectively. In fiscal years 2011 and 2010, the largest non-federal support of sponsored research programs was received from the Empire State Development Corporation.

Amounts received under the State's Tuition Assistance Program decreased \$8 million from the prior year. Federal grants under the Pell and other federal student aid programs increased \$34 million from the previous year.

Auxiliary Enterprises

The State University's auxiliary enterprise activity is comprised of sales and services for residence halls, food services, campus store operations, intercollegiate athletics, student health services, parking, and other activities. The residence halls are generally owned, operated and managed by the State University and its campuses. Generally, food services, campus store operations and other services are operated and managed by separately incorporated not-for-profit organizations, commonly referred to as auxiliary services corporations.

The residence hall operations and capital programs are financially self-sufficient. Each campus is responsible for the operation of its residence halls program including setting room rates and covering operating, maintenance, capital and debt service costs. Any excess funds generated by residence halls operating activities are separately maintained for improvements and maintenance of the residence halls. Revenue producing occupancy at the residence halls was 72,752 for the fall of 2010, an increase of 994 students compared to the previous year. The

overall utilization rate for the fall of 2010 was reported at 97.1 percent.

Auxiliary enterprise sales and services revenue totaled \$840 million, \$819 million, and \$780 million in the 2011, 2010, and 2009 fiscal years, respectively. Of these amounts, residence halls operating revenue totaled \$378 million, \$370 million, and \$354 million for 2011, 2010, and 2009, respectively. Increases in revenue were largely due to modest increases in room rates and occupancy levels.

Food service operations and other auxiliary services each generated \$462 million, \$449 million, and \$426 million in revenue for fiscal years 2011, 2010, and 2009, respectively.

State Appropriations

The State University's single largest source of revenues are State appropriations, which for financial reporting purposes is classified as non-operating revenues. State appropriations totaled \$2.92 billion, \$2.97 billion, and \$3.06 billion and represented approximately 32 percent, 33 percent, and 36 percent of total revenues for fiscal year 2011, 2010, and 2009, respectively. State support (both direct support for operations and indirect support for debt service, litigation, and fringe benefits) for State University campus operations, statutory colleges, and hospitals and clinics decreased \$44 million in 2011 and decreased \$97 million in 2010, compared to the prior year. In 2011, State support for operating expenses decreased \$81 million, indirect State support for litigation decreased \$119 million, while indirect support for fringe benefits and debt service increased \$126 million and \$30 million, respectively, compared to 2010.

Nonoperating and Other Revenue

Nonoperating and other revenue excluding State appropriations were \$875 million and \$771 million for the 2011 and 2010 fiscal years, respectively. This increase was primarily due to increases of \$52 million in net realized and unrealized investment gains and \$44 million in federal and state student financial aid and other nonoperating grant programs.

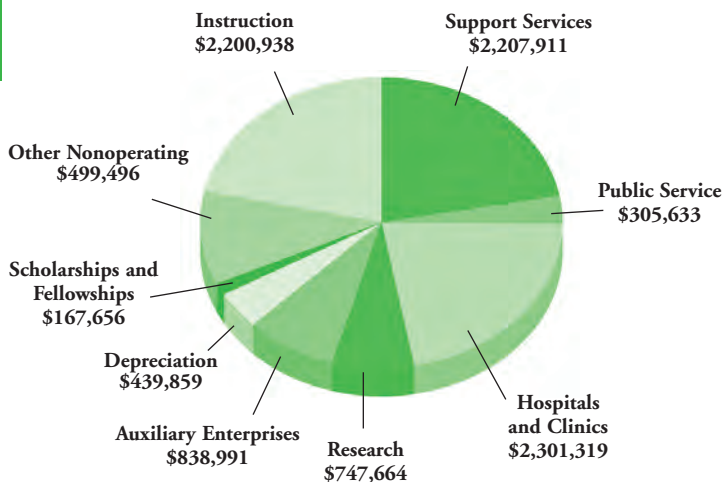
Management's Discussion and Analysis

Expense Overview

Expenses (in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Instruction	\$ 2,200,938	2,041,660	2,044,597
Research	747,664	663,353	687,724
Public service	305,633	294,999	298,122
Support services	2,207,911	2,099,496	2,090,135
Scholarships and fellowships	167,656	172,150	125,965
Hospitals and clinics	2,301,319	2,227,162	2,082,902
Auxiliary enterprises	838,991	791,733	775,162
Depreciation and amortization	439,859	432,043	400,494
Other nonoperating	499,496	341,675	984,756
Total expenses	<u>\$ 9,709,467</u>	<u>9,064,271</u>	<u>9,489,857</u>

2011 Expenses (in thousands)



During the 2011 fiscal year, instruction expenses increased \$159 million predominately from an increase in postemployment benefit obligations and an increase in fringe benefit expenses due to an increase in the State fringe benefit rate. Instruction expenses remained flat during 2010 compared to 2009. Research expenses also increased \$84 million during 2011 compared to 2010 and decreased \$24 million in 2010 compared to 2009.

Support services, which includes expenses for academic support, student services, institutional support, and operation and maintenance of plant, increased \$108 million and \$9 million compared to the previous year. The increase during 2011 was primarily due to an increase in postemployment benefit obligations and fringe benefit costs.

In the State University's financial statements, scholarships used to satisfy student tuition and fees (residence hall, food service, etc.) are reported as an allowance (offset) to the respective revenue classification up to the amount of the student charges. The amount reported as expense represents amounts provided to the student in excess of State University charges.

Total scholarships and fellowships, including federal and state grant programs, were \$781 million and \$747 million for the fiscal years ended June 30, 2011 and 2010, respectively. Of this amount, \$613 million and \$575 million were classified as scholarship allowances and \$168 million and \$172 million was reported as scholarship expense for fiscal years 2011 and 2010, respectively. Major scholarships and grants received include the State Tuition Assistance Program of \$187 million and \$195 million, and the federal Pell Program of \$275 million and \$244 million during fiscal years 2011 and 2010, respectively.

Expenses at the State University's hospitals and clinics increased \$74 million and \$144 million during 2011 and 2010, respectively, largely due to an increase in core operating and personal service costs. Also contributing to the growth in 2011 were expenses related to the State University's Long Island College Hospital.

During fiscal years 2011 and 2010, auxiliary enterprise expenses increased \$47 million and \$17 million, respectively. Residence halls expenses increased \$17 million and \$4 million, and food service expenses increased \$11 million and \$10 million, for the 2011 and 2010 fiscal years respectively, primarily due to an increase in occupancy and rates. Other auxiliary enterprise expenses for the years ended June 30, 2011 and 2010 increased \$19 million and \$2 million, respectively.

Depreciation and amortization expense recognized in fiscal years 2011 and 2010 totaled \$440 million and \$432 million, respectively. Other nonoperating expenses were \$499 million and \$342 million for the years ended June 30, 2011 and 2010, respectively. The increase in nonoperating expenses during fiscal year 2011 was mainly due to the acquisition of Long Island College Hospital.

Management's Discussion and Analysis

Economic Factors That Will Affect the Future

The State University is one of the largest public universities in the nation, with headcount enrollment of nearly 221,000 in the fall 2011, on twenty-nine State-operated campuses and five contract/statutory colleges. The State University's student population is directly influenced by State demographics as the majority of students attending the State University are New York residents. The enrollment outlook remains strong for the State University based on its continued ability to attract quality students for its academic programs. Full-time equivalent (FTE) enrollment, excluding community colleges, for the fiscal year ended June 30, 2011, is approximately 194,000, an increase of 1,674 FTE compared to June 30, 2010.

New York State appropriations remain the largest single source of revenues. The State University's continued operational viability is substantially dependent upon a consistent and proportionate level of ongoing State support. For the most recent fiscal year, State appropriations totaled \$2.92 billion which represented 32 percent of the total revenues of the State University. State appropriations consisted of direct support (\$1.18 billion), debt service on educational facility and PIT bonds (\$492 million), fringe benefits for State University employees (\$1.15 billion), and litigation (\$96 million). Debt service on educational facilities is paid by the State in an amount sufficient to cover annual debt service requirements; pursuant to annual statutory provisions, each of the University's three teaching hospitals must reimburse the State for their share of debt service costs to finance their capital projects. To maintain budgetary equilibrium in an era of fiscal uncertainty the State University is taking appropriate measures to identify operational efficiencies through shared services and is implementing cost containment measures on discretionary spending for non-personal service costs.

Beginning with the 2011-12 fiscal year, legislation was passed called the NY-SUNY 2020 Challenge Grant Program Act, which includes capital funds for investments in economic expansion and job creation

at the four State University Centers, as well as a predictable and rational tuition plan. The rational tuition plan authorizes the State University trustees to increase tuition by up to \$300 per year for five years. The five year plan expires at the end of the 2015-16 academic year. In addition, the State University trustees can also increase non-resident undergraduate tuition up to 10 percent as well as certain fees at the four University Centers after approval of their NY-SUNY 2020 Challenge grant plan.

The State University depends on the State to provide appropriations in support of its capital programs. The 2008-09 enacted State budget provided \$1.7 billion multi-year appropriation for strategic initiatives and \$550 million for the first of five anticipated annual appropriations dedicated to critical maintenance efforts targeted for preservation or rehabilitation of existing facilities. Subsequent annual critical maintenance appropriations of \$550 million have been provided through the enacted 2011-12 State budget. In total, the State University anticipates \$2.75 billion in multi-year critical maintenance appropriations over the five year period ending in 2012-13.

Taken together, the cumulative multi-year funding authorizations appropriated since 2003 provide the State University with the basic resources needed to address core critical maintenance needs of its existing buildings and infrastructure, and the means to make additional capital investments in a range of programmatic initiatives, including research and technology development.

The State University hospitals, which are all part of larger State University Academic Health Centers at Brooklyn, Stony Brook and Syracuse, serve large numbers of Medicaid and uninsured patients and, as a result, their dependency on the Medicaid DSH Program revenue stream and Medicaid reimbursement is critical to their continued viability. Their financial and operational capabilities will also continue to be challenged by declines in state support and inflationary and contractual cost increases.

Balance Sheets

June 30, 2011 and 2010

In thousands

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and cash equivalents	\$ 1,439,948	1,385,912
Short-term investments	327,921	296,293
Accounts, notes, and loans receivable, net	758,330	621,064
Appropriations receivable	354,837	407,101
Grants receivable	233,703	234,032
Inventories	47,403	48,841
Other assets	74,007	24,076
Total current assets	<u>3,236,149</u>	<u>3,017,319</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	114,635	83,196
Deposits with trustees	783,545	583,702
Accounts, notes, and loans receivable, net	110,706	112,320
Contributions receivable	15,721	13,752
Appropriations receivable	398,739	315,918
Deferred financing costs	102,884	88,784
Long-term investments	735,655	575,467
Capital assets, net	7,964,994	7,090,396
Total noncurrent assets	<u>10,226,879</u>	<u>8,863,535</u>
Total assets	<u>\$ 13,463,028</u>	<u>11,880,854</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	845,915	771,640
Interest payable	90,927	127,859
Student deposits	13,592	12,042
Deposits held in custody for others	80,148	79,287
Deferred revenue	330,014	190,409
Long-term liabilities - current portion	656,202	560,516
Other liabilities	81,094	62,286
Total current liabilities	<u>2,097,892</u>	<u>1,804,039</u>
Noncurrent Liabilities:		
Long-term liabilities	10,919,718	9,145,060
Refundable government loan funds	141,675	141,361
Other noncurrent liabilities	67,920	57,986
Total noncurrent liabilities	<u>11,129,313</u>	<u>9,344,407</u>
Total liabilities	<u>13,227,205</u>	<u>11,148,446</u>
Net Assets:		
Invested in capital assets, net of related debt	874,723	805,576
Restricted - nonexpendable:		
Instruction and departmental research	100,212	93,330
Scholarships and fellowships	83,318	83,130
General operations and other	105,277	90,924
Restricted - expendable:		
Instruction and departmental research	186,783	121,191
Scholarships and fellowships	59,093	46,598
Capital projects	255	398
Loans	16,280	16,520
General operations and other	233,104	178,479
Unrestricted	(1,423,222)	(703,738)
Total net assets	<u>235,823</u>	<u>732,408</u>
Total liabilities and net assets	<u>\$ 13,463,028</u>	<u>11,880,854</u>

See accompanying notes to financial statements.

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30, 2011 and 2010

In thousands

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Tuition and fees	\$ 1,622,706	1,563,051
Less scholarship allowances	(471,183)	(455,738)
Net tuition and fees	1,151,523	1,107,313
Federal grants and contracts	722,156	710,642
State and local grants and contracts	195,352	225,919
Private grants and contracts	328,899	328,484
Hospitals and clinics	2,011,711	1,876,918
Sales and services of auxiliary enterprises:		
Residence halls, net	377,629	369,854
Food service, net	233,414	227,666
Other, net	229,048	221,025
Other sources	166,150	95,369
Total operating revenues	<u>5,415,882</u>	<u>5,163,190</u>
Operating expenses:		
Instruction	2,200,938	2,041,660
Research	747,664	663,353
Public service	305,633	294,999
Academic support	481,184	440,222
Student services	265,461	258,394
Institutional support	832,877	809,068
Operation and maintenance of plant	622,675	586,812
Scholarships and fellowships	167,656	172,150
Hospitals and clinics	2,301,319	2,227,162
Auxiliary enterprises:		
Residence halls	330,232	313,026
Food service	236,802	225,713
Other	271,957	252,994
Depreciation and amortization expense	439,859	432,043
Other operating expenses	5,714	5,000
Total operating expenses	<u>9,209,971</u>	<u>8,722,596</u>
Operating loss	<u>(3,794,089)</u>	<u>(3,559,406)</u>
Nonoperating revenues (expenses):		
State appropriations	2,921,704	2,965,719
Federal and state nonoperating grants	529,502	485,083
Investment income, net	22,919	31,185
Net realized and unrealized gains	115,126	63,623
Gifts	64,479	97,795
Interest expense on capital related debt	(324,314)	(299,808)
Loss on disposal of plant assets	(8,797)	(8,630)
Loss on acquisition	(166,385)	-
Other nonoperating revenues (expenses), net	29,936	(33,237)
Net nonoperating revenues	<u>3,184,170</u>	<u>3,301,730</u>
Loss before other revenues and gains	<u>(609,919)</u>	<u>(257,676)</u>
Capital appropriations	271	1,022
Capital gifts and grants	95,177	76,364
Additions to permanent endowments	17,886	15,495
Decrease in net assets	<u>(496,585)</u>	<u>(164,795)</u>
Net assets at the beginning of year	<u>732,408</u>	<u>897,203</u>
Net assets at the end of year	<u>\$ 235,823</u>	<u>732,408</u>

See accompanying notes to financial statements.

Statements of Cash Flows

For the Years Ended June 30, 2011 and 2010

In thousands

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Tuition and fees	\$ 1,150,899	1,106,067
Grants and contracts:		
Federal	732,019	712,980
State and local	249,718	149,675
Private	317,484	330,208
Hospital and clinics	1,911,724	1,878,314
Personal service payments	(3,791,435)	(3,700,589)
Other than personal service payments	(2,342,918)	(2,233,384)
Payments for fringe benefits	(513,353)	(441,334)
Payments for scholarships and fellowships	(149,042)	(92,714)
Loans issued to students	(20,832)	(16,417)
Collection of loans to students	23,377	18,602
Auxiliary enterprise charges:		
Residence halls	375,561	369,603
Food service	231,152	226,489
Other	224,352	208,798
Other receipts	72,535	6,670
Net cash used by operating activities	<u>(1,528,759)</u>	<u>(1,477,032)</u>
Cash flows from noncapital financing activities:		
State appropriations:		
Operations	1,216,834	1,242,519
Debt service	514,082	500,502
Federal and State nonoperating grants	528,539	482,672
Private gifts and grants	63,350	105,402
Proceeds from short-term loans	110,771	23,657
Repayment of short-term loans	(100,306)	(37,778)
Direct loan receipts	1,120,771	532,592
Direct loan disbursements	(1,120,771)	(532,592)
Transfers to state university campus foundations	-	(12,396)
Other receipts	22,095	36,681
Net cash provided by noncapital financing activities	<u>2,355,365</u>	<u>2,341,259</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	1,343,544	943,477
Capital appropriations	401	1,022
Capital grants and gifts received	135,005	38,086
Proceeds from sale of capital assets	44	538
Purchases of capital assets	(221,692)	(355,035)
Payments to contractors	(891,684)	(798,806)
Principal paid on capital debt and leases	(439,473)	(295,182)
Interest paid on capital debt and leases	(417,316)	(368,102)
Deposits with trustees	(200,815)	12,502
Net cash used by capital and related financing activities	<u>(691,986)</u>	<u>(821,500)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	2,350,571	3,293,014
Interest, dividends, and realized gains on investments	59,163	50,580
Purchases of investments	(2,458,879)	(3,242,968)
Net cash (used) provided by investing activities	<u>(49,145)</u>	<u>100,626</u>
Net change in cash	<u>85,475</u>	<u>143,353</u>
Cash - beginning of year	<u>1,469,108</u>	<u>1,325,755</u>
Cash - end of year	<u>\$ 1,554,583</u>	<u>1,469,108</u>
End of year cash comprised of:		
Cash and cash equivalents	<u>\$ 1,439,948</u>	<u>1,385,912</u>
Restricted cash and cash equivalents	<u>\$ 114,635</u>	<u>83,196</u>

Statements of Cash Flows (continued)

For the Years Ended June 30, 2011 and 2010

In thousands

	<u>2011</u>	<u>2010</u>
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (3,794,089)	(3,559,406)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense	439,859	432,043
Fringe benefits, litigation, and other noncash expenses	1,159,428	1,053,602
Change in assets and liabilities:		
Receivables, net	(134,014)	(26,259)
Inventories	1,438	(14)
Other assets	(37,537)	(4,721)
Accounts payable, accrued expenses, and other liabilities	695,818	649,566
Deferred revenue	139,605	(25,353)
Student deposits	1,550	696
Deposits held for others	(817)	2,814
Net cash used by operating activities	\$ <u>(1,528,759)</u>	<u>(1,477,032)</u>
Supplemental disclosures for noncash transactions:		
New capital leases / debt agreements	\$ <u>1,475,076</u>	<u>409,839</u>
Fringe benefits provided by the State	\$ <u>1,142,419</u>	<u>1,020,748</u>
Litigation costs provided by the State	\$ <u>17,009</u>	<u>35,359</u>
Noncash gifts	\$ <u>33,190</u>	<u>35,436</u>
Assets from LICH acquisition	\$ <u>436,086</u>	<u>-</u>
Liabilities from LICH acquisition	\$ <u>602,471</u>	<u>-</u>

See accompanying notes to financial statements.

State University of New York Foundations

Balance Sheet

June 30, 2011 (with comparative financial information as of June 30, 2010)
In thousands

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 108,240	99,622
Accounts and notes receivable, net	14,968	13,219
Pledges receivable, net	126,389	101,012
Investments	1,387,019	1,239,106
Other assets	60,776	42,628
Capital assets, net	481,342	386,052
Total assets	\$ 2,178,734	1,881,639
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	36,638	41,257
Current portion of long-term debt	10,984	24,761
Deferred revenue	3,254	1,572
Deposits held in custody for others	56,590	53,531
Other liabilities	53,361	45,292
Long-term debt	427,170	353,027
Total liabilities	587,997	519,440
Net Assets:		
Unrestricted:		
Board designated for:		
Fixed assets	118,966	109,948
Campus programs	83,202	87,005
Investments	144,070	119,056
Other	4,368	4,018
Undesignated	27,566	18,837
Temporarily restricted:		
Scholarships and fellowships	130,078	97,500
Campus programs	320,422	198,139
Research	132,379	116,217
General operations and other	87,869	100,683
Permanently restricted:		
Scholarships and fellowships	251,345	236,034
Campus programs	218,915	189,833
Research	21,268	20,471
General operations and other	50,289	64,458
Total net assets	1,590,737	1,362,199
Total liabilities and net assets	\$ 2,178,734	1,881,639

See accompanying notes to financial statements.

State University of New York Foundations

Statement of Activities

For the Year Ended June 30, 2011 (with summarized financial information for the year ended June 30, 2010)
In thousands

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
Revenues:					
Contributions, gifts, and grants	\$ 30,399	106,563	24,150	161,112	122,841
Investment income, net	14,032	23,830	3,518	41,380	24,534
Net realized and unrealized gains	66,911	99,412	444	166,767	83,924
Rental income	52,882	409	-	53,291	51,695
Sales and services	16,932	114	-	17,046	16,980
Program income and special events	44,372	3,570	103	48,045	41,742
Change in value of split interest agreements	(392)	1,070	5,133	5,811	(2,199)
Other sources	2,218	1,681	14	3,913	3,916
Transfers from state university endowment	1,657	576	-	2,233	50,180
Transfers of permanently restricted net assets	(118)	(273)	391	-	-
Endowment earnings transferred	-	174	(174)	-	-
Net assets released from restrictions	102,686	(102,686)	-	-	-
Total revenues	<u>331,579</u>	<u>134,440</u>	<u>33,579</u>	<u>499,598</u>	<u>393,613</u>
Expenses:					
Program expenses	132,516	-	-	132,516	122,861
Payments to the State University:					
Scholarships and fellowships	24,719	-	-	24,719	25,131
Other	18,439	-	-	18,439	17,837
Real estate expenses	21,151	-	-	21,151	19,502
Depreciation and amortization expense	16,836	-	-	16,836	13,845
Interest expense on capital-related debt	13,520	-	-	13,520	12,742
Management and general	21,855	-	-	21,855	20,215
Fundraising	17,233	-	-	17,233	16,379
Other expenses	4,791	-	-	4,791	4,875
Total expenses	<u>271,060</u>	<u>-</u>	<u>-</u>	<u>271,060</u>	<u>253,387</u>
Change in net assets	60,519	134,440	33,579	228,538	140,226
Net asset reclassification	<u>(21,211)</u>	<u>23,769</u>	<u>(2,558)</u>	<u>-</u>	<u>-</u>
Total change in net assets	39,308	158,209	31,021	228,538	140,226
Net assets, beginning of year	<u>338,864</u>	<u>512,539</u>	<u>510,796</u>	<u>1,362,199</u>	<u>1,221,973</u>
Net assets, end of year	<u>\$ 378,172</u>	<u>670,748</u>	<u>541,817</u>	<u>1,590,737</u>	<u>1,362,199</u>

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2011 and 2010

1. Summary of Significant Accounting Policies and Basis of Presentation

Reporting Entity

For financial reporting purposes, the State University of New York (State University) consists of all sectors of the State University including the university centers, health science centers (including hospitals), colleges of arts and sciences, colleges of technology and agriculture, specialized colleges, and statutory colleges (located at the campuses of Cornell and Alfred Universities), central services and other affiliated entities determined to be includable in the State University's financial reporting entity.

Inclusion in the reporting entity is based primarily on the notion of financial accountability, defined in terms of a primary government (State University) that is financially accountable for the organizations that make up its legal entity. The reporting entity includes legally-separate organizations meeting certain financial accountability and fiscal dependency criteria of the State University. Separate legal entities meeting the criteria for inclusion in the blended totals of the State University reporting entity are described below. The State University is included in the financial statements of the State of New York (State) as an enterprise fund, as the State is the primary government of the State University.

Legally-separate, tax-exempt, affiliated organizations that receive or hold economic resources that are significant to, that are entirely or almost entirely for the direct benefit of, and that can be accessed by the primary government, its component units, or its constituents are required to be included in the reporting entity using discrete presentation requirements. As a result, the combined totals of the campus-related foundations and student housing corporations (all referred to as foundations) are separately presented as an aggregate component unit on financial statement pages 16 and 17 in the State University's financial statements in accordance with display requirements prescribed by the Financial Accounting Standards Board (FASB). The combined totals are also included in the financial statements of the State's discretely presented component unit combining statements.

The Research Foundation of State University of New York (Research Foundation) is a separate, private, nonprofit educational corporation that administers the majority of the State University's sponsored programs. The programs include research, training, and public service activities of the State-operated campuses supported by sponsored funds other than State appropriations. The activity of the Research Foundation has been included in these financial statements using GASB measurements and recognition standards. The financial activity was derived from audited financial statements of the Research Foundation for the years ended June 30, 2011 and 2010.

Almost all of the State University's campuses maintain auxiliary services corporations. These corporations are campus-based, nonprofit organizations which, as independent contractors, operate, manage, and promote educationally related services for the benefit of the campus community. Although separate and independent legal entities, these corporations carry out operations which are integrally related to the State University and, therefore, are included in the financial statements of the State University. All of the financial data for these corporations was derived from each entity's individual audited financial statements, the majority of which have a May 31 or June 30 fiscal year end.

The State University Construction Fund (Construction Fund) is a public benefit corporation that designs, constructs, reconstructs and rehabilitates facilities of the State University pursuant to an approved master plan. Although the Construction Fund is a separate legal entity, it carries out operations which are integrally related to the State University and, therefore, the financial activity related to the Construction Fund is included in the State University's financial statements as of the Construction Fund's fiscal years end of March 31, 2011 and 2010.

The State statutory colleges at Cornell University and Alfred University are an integral part of, and are administered by, those universities. The statutory colleges are fiscally dependent on State appropriations through the State University. The financial statement information of the statutory colleges of Cornell University and Alfred University have been included in the accompanying financial statements.

Notes to Financial Statements

June 30, 2011 and 2010

1. Summary of Significant Accounting Policies and Basis of Presentation (continued)

On May 29, 2011, the State University acquired Long Island College Hospital (LICH) through an Asset Purchase Agreement, signed April 18, 2011 and submitted to the Supreme Court of the State of New York, Kings County. Under the terms of this agreement, and by order of the court under Sections 510 and 511 of the New York State Not-for-Profit Corporation Law, the State University received substantially all of the assets and assumed substantial liabilities of LICH, excluding discrete enumerated liabilities and assets required to fund those excluded liabilities. The State University intends to continue LICH's hospital operations at the LICH facilities, which is now called SUNY Downstate Medical Center University Hospital of Brooklyn at Long Island College Hospital. As part of this acquisition a separate nonprofit corporation was created, the Downstate at LICH Holding Company, Inc. (DLHC), as a single member corporation of the State University. DLHC is a corporation as defined in subparagraph (a)(5) of Section 102 of the Not-for-Profit Corporation Law which was formed for the purpose of acquiring, developing, holding, maintaining and supporting health care and educational facilities and their related properties for use by and for the benefit of the State University. The Corporation is organized under Section 501(c)(3) of the Internal Revenue Code and meets the blending criteria of the State University for financial reporting purposes as it is dependent upon the financial resources of the State University to carry out its operations.

In addition, as part of this acquisition, a separate corporation, Staffco of Brooklyn, LLC (Staffco) was created under Section 203 of the Limited Liability Company Law of the State of New York. Staffco, is a single member corporation of the Health Science Center at Brooklyn Foundation, Inc. (HSCB) and its financial activity is reported in the financial statements of HSCB. HSCB is included in the combined discretely presented reported components units referred to above.

The operations of certain related but independent organizations, i.e., clinical practice management plans, alumni associations and student associations, do not meet the criteria for inclusion, and are not

included in the accompanying financial statements.

The State University administers State financial assistance to the community colleges in connection with its general oversight responsibilities pursuant to State Education Law. However, since these community colleges are sponsored by local governmental entities and are included in their financial statements, the community colleges are not considered part of the State University's financial reporting entity and, therefore, are not included in the accompanying financial statements.

The accompanying financial statements of the State University have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as prescribed by the GASB.

The State University applies all applicable pronouncements of the FASB issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The State University has elected not to apply FASB pronouncements issued after November 30, 1989.

The State University reports its financial statements as a special purpose government engaged in business-type activities, as defined by the GASB. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The financial statements of the State University consist of classified balance sheets; statements of revenues, expenses, and changes in net assets, that distinguish between operating and nonoperating revenues and expenses; and statements of cash flows, using the direct method of presenting cash flows from operations and other sources.

The State University's policy for defining operating activities in the statement of revenues, expenses, and changes in net assets are those that generally result from exchange transactions, i.e., the payments received for services and payments made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities and include the State University's operating and capital appropriations from the State, federal and State financial aid grants (e.g., Pell and TAP), investment income gains and losses, gifts, and interest expense.

Notes to Financial Statements

June 30, 2011 and 2010

1. Summary of Significant Accounting Policies and Basis of Presentation (continued)

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

Invested in capital assets, net of related debt

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

Restricted – nonexpendable

Net assets subject to externally imposed conditions that the State University is required to retain in perpetuity.

Restricted – expendable

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

Unrestricted, all other categories of net assets

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

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

Revenues

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

including estimated retroactive adjustments under reimbursement agreements with third party payors.

Tuition and fees and auxiliary sales and service revenues are reported net of scholarship discounts and allowances. Auxiliary sales and service revenue classifications for 2011 and 2010 were reported net of the following scholarship discount and allowance amounts (in thousands):

	<u>2011</u>	<u>2010</u>
Residence halls	\$ 74,349	64,199
Food service	34,434	27,997
Other auxiliary	33,802	27,117

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Investments

Investments in marketable securities are stated at fair value based upon quoted market prices. Investment income is recorded on the accrual basis, and purchases and sales of investment securities are reflected on a trade date basis. Any net earnings not expended are included as increases in restricted - nonexpendable net assets if the terms of the gift require that such earnings be added to the principal of a permanent endowment fund, or as increases in restricted - expendable net assets as provided for under the terms of the gift, or as unrestricted. On September 17, 2010, New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the University reclassified \$93.5 million of unrestricted net assets, related to accumulated earnings on endowment funds of the Cornell

Notes to Financial Statements

June 30, 2011 and 2010

1. Summary of Significant Accounting Policies and Basis of Presentation (continued)

statutory colleges as of July 1, 2010, to restricted expendable net assets for the year ended June 30, 2011. At June 30, 2011 and 2010, the State University had \$217 million and \$138 million available for authorization for expenditure, including \$109 million and \$67 million from restricted funds and \$108 million and \$71 million from unrestricted funds, respectively.

The Investment Committee of the Cornell Board of Trustees establishes the investment policy for the Cornell University as a whole, including investments that support the statutory colleges. Distributions from the pool are approved by the Cornell Board of Trustees and are provided for program support independent of the cash yield and appreciation of investments in that year. The Board applies the "prudent person" standard when making its decision whether to appropriate or accumulate endowment funds in compliance with the NYPMIFA. Investments in the pool are stated at fair value and include limited use of derivative instruments including futures, forward, options and swap contracts designed to manage market exposure and to enhance the total return.

Alternative investments are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. The estimated fair value of these investments is based on the most recent valuations provided by the external investment managers. Because of the inherent uncertainty of valuation for these investments, the investment manager's estimate may differ from the values that would have been used had a ready market existed.

Capital Assets

Capital assets are stated at cost, or in the case of gifts, fair value at the date of receipt. Building renovations and additions costing over \$100,000 and equipment items with a unit cost of \$5,000 or more are capitalized. Equipment under capital leases are stated at the present value of minimum lease payments at the inception of the lease. Generally, the net interest cost on debt during the

construction period related to capital projects is capitalized and totaled \$47.7 million and \$27.1 million in the 2011 and 2010 fiscal years, respectively. Intangible assets for internally generated computer software of \$1,000,000 or more and \$100,000 for all other intangible assets are capitalized. Library materials are capitalized and amortized over a ten-year period. Works of art or historical treasures that are held for public exhibition, education, or research in furtherance of public service are capitalized. Capital assets, with the exception of land, construction in progress, and inexhaustible works of art or intangible assets, are depreciated on a straight-line basis over their estimated useful lives, using historical and industry experience, ranging from 3 to 50 years.

Deferred Financing Costs

Deferred financing costs represent costs incurred for the issuance of bonds that are capitalized and amortized over the life of the related debt.

Inventories

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

Compensated Absences

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

Fringe Benefits

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

Notes to Financial Statements

June 30, 2011 and 2010

1. Summary of Significant Accounting Policies and Basis of Presentation (continued)

Postemployment Benefits

Postemployment benefits other than pensions are recognized on an actuarially determined basis as employees earn benefits that are expected to be used in the future. The amounts earned include employee sick leave credits expected to be used to pay for a share of post-retirement health insurance.

Tax Status

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

The Research Foundation and campus auxiliary services corporations are nonprofit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are tax-exempt on related income, pursuant to Section 501(a) of the Code.

Use of Estimates

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

2. Cash and Cash Equivalents

Cash and cash equivalents represent State University funds held in the State treasury, in the short-term investment pool (STIP), or local depositories, and cash held by affiliated organizations. Cash held in the State treasury beyond immediate need is pooled with other State funds for short-term investment purposes. The pooled balances are limited to legally-stipulated

investments which include obligations of, or are guaranteed by, the United States; obligations of the State and its political subdivisions; and repurchase agreements. These investments are reported at cost (which approximates fair value) and are held by the State's agent in its name on behalf of the State University.

The New York State *Comprehensive Annual Financial Report* contains the GASB No. 40 risk disclosures for deposits held in the State treasury. Deposits not held in the State treasury that are not covered by depository insurance and are (a) uncollateralized; (b) collateralized with securities held by a pledging financial institution; or (c) collateralized with securities held by a pledging financial institution's trust department or agency, but not in the State University or affiliates' name at June 30, 2011 and 2010, are as follows (in thousands):

	<u>Category a</u>	<u>Category b</u>	<u>Category c</u>
2011	\$ 47,201	25,450	17,082
2010	44,949	20,900	13,455

3. Deposits with Trustees

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

The State University's cash and investments which comprise deposits with trustees are registered in the State University's name and held by an agent or in trust accounts in the State University's name. Cash and short-term investments held in the State treasury and money market accounts were approximately \$59 million and \$175 million at June 30, 2011 and 2010, respectively. The market value of investments held and maturity period are displayed in the table following (in thousands):

Notes to Financial Statements

June 30, 2011 and 2010

3. Deposits with Trustees (continued)

Fiscal Year 2011

Type of Investments	Fair Value	Less than 1 year	1-5 years	Rating
US Treasury notes/bonds	\$ 50,905	47,113	3,792	-
US Treasury bills	471,602	471,602	-	-
US Treasury strips	160	160	-	-
Federal Home Loan Bank	201,919	201,919	-	AAA
Total	<u>\$ 724,586</u>	<u>720,794</u>	<u>3,792</u>	

Fiscal Year 2010

Type of Investments	Fair Value	Less than 1 year	1-5 years	Rating
US Treasury notes/bonds	\$ 32,030	26,314	5,716	-
US Treasury bills	117,976	117,976	-	-
US Treasury strips	202,748	202,748	-	-
FNMA*	42,218	42,218	-	AAA
Federal Home Loan Bank	13,825	13,825	-	AAA
Total	<u>\$ 408,797</u>	<u>403,081</u>	<u>5,716</u>	

*Federal National Mortgage Association

4. Investments

Investments of the State University are recorded at fair value. Investment income is reported net of investment fees of approximately \$1 million for both fiscal years. Investments are comprised of the statutory colleges at Cornell University and Alfred University (Alfred Ceramics), the Research Foundation, the Construction Fund, the auxiliary services corporations, and certain State University campuses.

Investments of the endowment and similar funds of the Cornell statutory colleges, except for separately invested funds with a fair value of \$29 million and \$24 million at June 30, 2011 and 2010, respectively, are pooled on a fair value basis in Cornell's long-term investment pool and living trust fund. Individual funds enter or withdraw from the pool based on each fund's share of the fair value of the pool's investments.

The Research Foundation maintains a diverse investment portfolio and with respect to debt instruments, has a policy of investing in primarily high quality securities. Investments are held with the investment custodian in the Research Foundation's name.

Investments of the Construction Fund are made in accordance with the applicable provisions of the laws of the State and the Construction Fund's investment policy and consist primarily of obligations of the United States government and its agencies. These investments are held by the State's agent in the State University Construction Fund's name.

Investments of the auxiliary services corporations and Alfred Ceramics were derived from each entity's individual financial statements.

The State University's financial position may be impacted through its market risk positions and by changes in economic conditions.

The composition of investments at June 30, 2011 and 2010 is as follows (in thousands):

	2011	2010
Cash and money market funds	\$ 127,801	82,246
Non-equities	240,706	267,700
Domestic and international equities	153,477	113,651
Equity partnerships	264,917	213,997
Hedge funds	230,518	170,918
Other investments	46,157	23,248
Total investments	<u>\$ 1,063,576</u>	<u>871,760</u>
Short-term	<u>\$ 327,921</u>	<u>296,293</u>
	2011	2010
State University Campuses	5,346	2,216
Cornell Statutory Colleges	691,240	581,143
Alfred Ceramics	19,160	17,046
Research Foundation	265,268	194,930
Auxiliary Services Corporations	51,420	45,810
State University Construction Fund	31,142	30,615
Total investments	<u>\$ 1,063,576</u>	<u>871,760</u>

Notes to Financial Statements

June 30, 2011 and 2010

4. Investments (continued)

At June 30, 2011 and 2010, the State University had the following non-equity investments and maturities as summarized in Table A.

Credit quality ratings of the State University's investments in debt securities, as described by Moody's, S&P, and Fitch as of June 30, 2011 and 2010 are summarized in Table B.

Table A (in thousands)

Investment Type	Market Value	Fiscal Year 2011					Fiscal Year 2010				
		Less than 1 yr	1-5 yrs	6-10 yrs	More than 10 yrs	Market Value	Less than 1 yr	1-5 yrs	6-10 yrs	More than 10 yrs	
US treasury bills	\$ 3,265	3,265	-	-	-	14,564	14,564	-	-	-	
US treasury notes/bonds	19,463	2,380	16,964	38	81	28,564	4,306	21,645	790	1,823	
US treasury strips	10,872	10,872	-	-	-	10,707	-	10,707	-	-	
Asset-backed securities	4,590	1	308	2,630	1,651	8,788	256	2,281	1,991	4,260	
Municipals	3,687	241	652	316	2,478	1,432	71	243	486	632	
Repurchase agreements	632	632	-	-	-	6,530	6,530	-	-	-	
Corporate bonds	61,072	14,748	40,677	4,934	713	77,290	14,287	54,436	7,491	1,076	
Commercial Paper	310	310	-	-	-	-	-	-	-	-	
Mutual funds – non-equities	56,661	822	1,891	53,774	174	70,619	-	22,398	47,966	255	
International – non-equities	27,834	5,741	16,302	2,569	3,222	8,870	701	4,243	2,196	1,730	
US government TIPS	3,358	-	596	-	2,762	2,637	-	-	215	2,422	
US government agencies	48,962	30,436	17,204	137	1,185	37,699	32,656	4,010	129	904	
Total investments	\$ 240,706	69,448	94,594	64,398	12,266	267,700	73,371	119,963	61,264	13,102	

Table B (in thousands)

Credit Rating	AAA	AA	A	BBB	BB	B	Other Rating	Not Rated
<u>Investment Type - 2011</u>								
Asset-backed securities	\$ 823	39	147	599	341	304	318	2,018
Municipal bonds	445	913	1,119	557	236	-	-	417
Repurchase agreements	-	-	-	-	-	-	-	632
Corporate bonds	9,611	3,286	25,773	13,241	1,230	3,197	1,531	3,204
Commercial Paper	-	81	229	-	-	-	-	-
Mutual funds - non-equities*	44,231	3,668	-	39	17	17	-	8,690
International - non-equities	5,308	4,734	10,744	2,084	731	225	-	4,006
US government agencies	7,996	-	105	-	-	-	-	40,862
Total	\$ 68,414	12,721	38,117	16,520	2,555	3,743	1,849	59,829
<u>Investment Type - 2010</u>								
Asset-backed securities	\$ 2,594	100	38	545	959	1,111	335	3,106
Municipal bonds	238	329	501	27	-	-	-	337
Repurchase agreements	-	-	-	-	-	-	-	6,530
Corporate bonds	15,011	9,917	33,273	12,884	2,081	3,430	198	496
Mutual funds - non-equities*	50,720	-	6,169	3,006	-	4,316	-	6,408
International - non-equities	4,003	1,460	887	1,026	385	89	-	1,020
US government agencies	-	-	-	-	-	-	-	37,699
Total	\$ 72,566	11,806	40,868	17,488	3,425	8,946	533	55,596

*based on average credit quality of holdings

Notes to Financial Statements

June 30, 2011 and 2010

4. Investments (continued)

The investment guidelines provide for discretion to investment managers specializing in securities whose prices are denominated in foreign currencies to adjust foreign currency exposure of their investment portfolio as part of the State University's overall diversification strategy.

The State University's exposure to foreign currency risk for investments held at June 30, 2011 and 2010 was as follows (fair value in thousands):

Currency Denomination	2011	2010
Euro	\$ 10,063	5,127
Japanese yen	6,738	5,149
British pound	5,139	3,682
Hong Kong dollar	4,687	2,885
South Korean won	3,344	2,275
Taiwan dollar	2,329	1,578
Brazil real cruzeiro	1,936	998
Polish zloty	991	417
Singapore dollar	915	647
Thailand baht	821	569
Malaysian ringgit	792	1,167
Swedish krona	748	626
Swiss franc	718	468
So. African rand	683	438
Turkish lira	636	684
Mexican Nuevo Peso	624	405
Australian dollar	356	319
Canadian dollar	316	293
Norwegian krone	289	194
Other	2,058	851
Total	\$ 44,183	28,772

5. Accounts, Notes, and Loans Receivable

At June 30, accounts, notes, and loans receivable were summarized as follows (in thousands) for years 2011 and 2010, respectively:

	2011	2010
Tuition and fees	\$ 58,667	52,721
Allowance for uncollectible	(9,094)	(8,365)
Net tuition and fees	49,573	44,356
Room rent	9,012	7,884
Allowance for uncollectible	(2,100)	(2,001)
Net room rent	6,912	5,883
Patient fees, net of contractual allowances	677,630	584,983
Allowance for uncollectible	(192,778)	(190,804)
Net patient fees	484,852	394,179
Other, net	195,861	153,652
Total accounts and notes receivable	737,198	598,070
Student loans	155,062	158,725
Allowance for uncollectible	(23,224)	(23,411)
Total student loans receivable	131,838	135,314
Total, net	\$ 869,036	733,384

6. Capital Assets

Capital assets, net of accumulated depreciation, totaled \$7.96 billion and \$7.09 billion at fiscal year end 2011 and 2010, respectively. Capital asset activity for fiscal years 2011 and 2010 is reflected in Table C. In the table, closed projects and retirements represent capital assets retired and assets transferred from construction in progress for projects completed and the related capital assets placed in service.

Table C (in thousands)

	June 30, 2009	Additions	Closed Projects & Retirements	June 30, 2010	Additions	Closed Projects & Retirements	June 30, 2011
Land	\$ 312,574	47,644	50	360,168	21,467	18	381,617
Infrastructure and land improvements	665,203	82,314	8,609	738,908	46,664	10,506	775,066
Buildings	6,684,860	691,264	44,883	7,331,241	850,635	35,782	8,146,094
Equipment, library books, and artwork	2,450,532	218,538	123,421	2,545,649	271,764	73,650	2,743,763
Construction in progress	1,125,153	1,115,819	862,333	1,378,639	1,083,012	663,151	1,798,500
Total capital assets	11,238,322	2,155,579	1,039,296	12,354,605	2,273,542	783,107	13,845,040
Less accumulated depreciation:							
Infrastructure and land improvements	348,464	25,454	8,308	365,610	29,899	9,650	385,859
Buildings	2,923,117	189,270	38,088	3,074,299	405,625	33,684	3,446,240
Equipment and library books	1,730,842	213,199	119,741	1,824,300	291,116	67,469	2,047,947
Total accumulated depreciation	5,002,423	427,923	166,137	5,264,209	726,640	110,803	5,880,046
Capital assets, net	\$ 6,235,899	1,727,656	873,159	7,090,396	1,546,902	672,304	7,964,994

Notes to Financial Statements

June 30, 2011 and 2010

7. Long-term Liabilities

The State University has entered into capital leases and other financing agreements with DASNY to finance most of its capital facilities. The State University has also entered into financing arrangements with the New York Power Authority under the statewide energy services program. Equipment purchases are also made through DASNY's Tax-exempt Equipment Leasing Program (TELP), various state sponsored equipment leasing programs, and private financing arrangements.

At June 30, 2011 and 2010, other than facilities obligations, which are included as of March 31, 2011 and 2010, total obligations are summarized in Table D.

Educational Facilities

The State University, through DASNY, has entered into financing agreements to finance various educational facilities which have a maximum 30-year life. Athletic facility debt is aggregated with educational facility debt. Debt service is paid by, or from specific appropriations of, the State.

During the year, Personal Income Tax Revenue Bonds (PIT) were issued for the purpose of financing capital construction and major

rehabilitation for educational facilities in the amount of \$1.04 billion. Also, during the year PIT bonds were issued totaling \$93.2 million in order to refund \$98.7 million of the State University's existing educational facilities obligations. The result will produce an estimated savings of \$10.6 million in future cash flow, with an estimated present value gain of \$8.8 million. The deferred accounting loss was \$2.2 million.

Residence Hall Facilities

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

Table D (in thousands)

<i>For the 2011 Fiscal Year</i>	July 1, 2010	Additions	Reductions	June 30, 2011	Current Portion
Long-term debt:					
Educational facilities	\$ 5,456,489	1,128,976	324,305	6,261,160	287,924
Residence hall facilities	1,043,710	128,340	32,130	1,139,920	35,670
Capital lease arrangements	183,905	76,587	64,645	195,847	52,649
Other long-term debt	44,456	132,774	14,260	162,970	22,982
Total long-term debt	<u>6,728,560</u>	<u>1,466,677</u>	<u>435,340</u>	<u>7,759,897</u>	<u>399,225</u>
Other long-term liabilities:					
Postemployment and post-retirement obligations and compensated absences	2,389,555	992,259	394,459	2,987,355	164,765
Loan from State	60,645	130	8,318	52,457	17,244
Litigation	383,815	89,134	10,374	462,575	63,836
Other long-term liabilities	143,001	189,642	19,007	313,636	11,132
Total other long-term liabilities	<u>2,977,016</u>	<u>1,271,165</u>	<u>432,158</u>	<u>3,816,023</u>	<u>256,977</u>
Total long-term liabilities	<u>\$ 9,705,576</u>	<u>2,737,842</u>	<u>867,498</u>	<u>11,575,920</u>	<u>656,202</u>

Notes to Financial Statements

June 30, 2011 and 2010

Table D, continued (in thousands)

<i>For the 2010 Fiscal Year</i>	July 1, 2009	Additions	Reductions	June 30, 2010	Current Portion
Long-term debt:					
Educational facilities	\$ 5,096,730	953,666	593,907	5,456,489	213,552
Residence hall facilities	974,760	100,120	31,170	1,043,710	32,130
Capital lease arrangements	196,065	41,431	53,591	183,905	45,476
Other long-term debt	57,123	648	13,315	44,456	13,746
Total long-term debt	<u>6,324,678</u>	<u>1,095,865</u>	<u>691,983</u>	<u>6,728,560</u>	<u>304,904</u>
Other long-term liabilities:					
Postemployment and post-retirement obligations and compensated absences	1,926,369	842,141	378,955	2,389,555	163,801
Loan from State	85,998	209	25,562	60,645	17,244
Litigation	204,575	214,599	35,359	383,815	67,897
Other long-term liabilities	115,896	36,308	9,203	143,001	6,670
Total other long-term liabilities	<u>2,332,838</u>	<u>1,093,257</u>	<u>449,079</u>	<u>2,977,016</u>	<u>255,612</u>
Total long-term liabilities	<u>\$ 8,657,516</u>	<u>2,189,122</u>	<u>1,141,062</u>	<u>9,705,576</u>	<u>560,516</u>

7. Long-term Liabilities (continued)

During the year, the State University entered into agreements with DASNY to issue residential hall facility obligations totaling \$128.3 million for the purpose of financing capital construction and major rehabilitation for residential hall facilities.

In prior years, the State University defeased various obligations, whereby proceeds of new obligations were placed in an irrevocable trust to provide for all future debt service payments on the defeased obligations. Accordingly, the trust account

assets and liabilities for the defeased obligations are not included in the State University's financial statements. As of March 31, 2011, \$366.4 million and \$194.8 million of outstanding educational and residence hall facility obligations, respectively, were considered defeased.

Capital Lease Arrangements

The State University leases equipment under DASNY TELP, New York State Personal Income Tax Revenue Bonds, certificates of participation

Debt service requirements of the long-term debt obligations as of June 30, 2011 are as follows (in thousands):

Fiscal year(s)	Educational Facilities		Residential Facilities		Other		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 287,924	321,385	35,670	54,649	75,631	16,316	399,225	392,350
2013	295,253	308,559	39,830	53,003	63,596	13,467	398,679	375,029
2014	302,632	293,492	43,935	51,145	40,328	11,406	386,895	356,043
2015	310,696	277,349	44,770	49,076	32,475	9,907	387,941	336,332
2016	244,364	263,845	44,760	46,947	25,745	8,647	314,869	319,439
2017-21	1,125,789	1,134,237	233,770	202,004	84,373	26,734	1,443,932	1,362,975
2022-26	1,374,038	837,832	227,976	143,924	24,123	7,245	1,626,087	989,001
2027-31	1,108,908	492,899	220,955	88,798	11,881	814	1,341,744	582,511
2032-36	840,450	235,127	166,380	38,836	665	1	1,007,495	273,964
2037-40	371,106	43,559	81,924	7,878	-	-	453,030	51,437
Total	<u>\$ 6,261,160</u>	<u>4,208,284</u>	<u>1,139,920</u>	<u>736,260</u>	<u>358,817</u>	<u>94,537</u>	<u>7,759,897</u>	<u>5,039,081</u>
	Interest rates range from 1.25% to 7.5%		Interest rates range from 2.0% to 6.0%		Interest rates range from .33% to 9.78%			

Notes to Financial Statements

June 30, 2011 and 2010

7. Long-term Liabilities (continued)

(COPs), vendor financing, or through statewide lease purchase agreements. The State University is responsible for lease debt service payments sufficient to cover the interest and principal amounts due under these arrangements.

Loan From State

In prior years, the State University experienced operating cash-flow deficits precipitated by cash-flow difficulties experienced by its hospitals. In connection with these cash-flow deficits, as authorized by State Finance Law, the State University borrowed funds with interest from the short-term investment pool of the State. The amount outstanding under this borrowing from the State at June 30, 2011 was \$52.5 million. During the year, \$8.3 million was paid on these loans.

8. Retirement Plans

Retirement Benefits

There are three major retirement plans for State University employees: the New York State and Local Employees' Retirement System (ERS), the New York State Teachers' Retirement System (TRS), and the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). ERS is a cost-sharing, multiple-employer, defined benefit public plan administered by the State Comptroller. TRS is a cost-sharing, multiple-employer, defined benefit public plan separately administered by a nine-member board. TIAA-CREF is a multiple-employer, defined contribution plan administered by separate boards of trustees. Substantially all full-time employees participate in the plans.

Obligations of employers and employees to contribute, and related benefits, are governed by the New York State Retirement and Social Security Law (NYSRSSL) and Education Law. These plans offer a wide range of programs and benefits. ERS and TRS benefits are related to years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods

of benefit payments. TIAA-CREF is a State University Optional Retirement Program (ORP) and offers benefits through annuity contracts.

ERS and **TRS** provide retirement benefits as well as death and disability benefits. Benefits generally vest after five years of credited service. The NYSRSSL provides that all participants in ERS and TRS are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Employees who joined ERS and TRS after July 27, 1976, and have less than ten years of service or membership are required to contribute 3 percent of their salary. Employee contributions are deducted from their salaries and remitted on a current basis to ERS and TRS. Employer contributions are actuarially determined for ERS and TRS.

TIAA-CREF provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employees who joined TIAA-CREF after July 27, 1976, and have less than ten years of service or membership are required to contribute 3 percent of their salary. Employer contributions range from 8 percent to 15 percent depending upon when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to TIAA-CREF.

The State University's total retirement-related payroll was \$3.04 billion and \$3.01 billion for the June 30, 2011 and 2010 fiscal years, respectively. The payroll for 2011 and 2010 for State University employees covered by TIAA-CREF was \$1.81 billion and \$1.77 billion, ERS was \$1.09 billion and \$1.11 billion, and TRS was \$135 million and \$134 million, respectively. Employer and employee contributions under each of the plans were as follows (in millions) for years 2011, 2010, and 2009, respectively:

Notes to Financial Statements

June 30, 2011 and 2010

8. Retirement Plans (continued)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Employer contributions:			
TIAA-CREF	\$ 207.8	206.5	194.6
ERS	66.8	42.8	47.1
TRS	8.4	8.4	8.3
Employee contributions:			
TIAA-CREF	\$ 21.4	31.8	40.6
ERS	16.2	15.6	13.7
TRS	1.3	1.3	1.1

The employer contributions are equal to 100 percent of the required contributions under each of the respective plans.

The Research Foundation maintains a separate non-contributory plan through TIAA-CREF for substantially all nonstudent employees. Contributions are based on a percentage of earnings and range from 8% to 15%, depending on date of hire. Employees become fully vested after completing one year of service. Contributions are allocated to individual employee accounts. The payroll for Research Foundation employees covered by TIAA-CREF for its fiscal years ended June 30, 2011 and 2010 was \$361 million and \$359 million, respectively. The Research Foundation pension contributions were \$31 million for both years. These contributions are equal to 100 percent of the required contributions for each year.

Each retirement system issues a publicly available financial report that includes financial statements and supplementary information. The reports may be obtained by writing to:

New York State and Local Employees'
Retirement System
110 State Street
Albany, New York 12244

New York State Teachers' Retirement System
10 Corporate Woods Drive
Albany, New York 12211

Teachers Insurance and Annuity Association/
College Retirement Equities Fund
730 Third Avenue
New York, New York 10017

Postemployment and Post-retirement Benefits

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

Employee contribution rates for NYSHIP are established by the State and are generally 10 percent for enrollee coverage and 25 percent for dependent coverage. NYSHIP premiums are being financed on a pay-as-you-go basis. During the fiscal year, the State, on behalf of the State University, paid health insurance premiums of \$220.7 million. The State University's OPEB obligation and funded status of the plan for the years ended June 30, 2011, 2010, and 2009 were as follows (in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual OPEB cost	\$ 814,059	638,847	625,691
Benefits paid	(220,690)	(209,847)	(201,894)
Increase in OPEB Obligation	593,369	429,000	423,797
Net obligation at beginning of year	1,938,618	1,509,618	1,085,821
Net obligation at end of year	\$ 2,531,987	1,938,618	1,509,618
Funded Status:			
Actuarial accrued liability (AAL)	12,351,913	9,559,575	9,559,575
Actuarial value of OPEB plan assets	-	-	-
Unfunded AAL (UAAL)	\$ 12,351,913	9,559,575	9,559,575
Actuarial valuation date	4/1/10	4/1/08	4/1/08
Funded ratio	-	-	-
Covered payroll	3,036,860	3,007,791	2,831,650
UAAL as a % of covered payroll	407%	318%	338%

Notes to Financial Statements

June 30, 2011 and 2010

8. Retirement Plans (continued)

The components of the State University's OPEB obligation include the total annual required contribution (ARC) of \$810.1 million (comprised of service costs of \$349.2 million, amortization of unfunded actuarial liability of \$431.0 million, and interest costs of \$29.9 million), ARC reduction of \$70.2 million, and interest costs of \$74.2 million.

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

The actuarial valuation utilizes a frozen entry age actuarial cost method. The actuarial assumptions include a 3.8 percent discount rate, payroll growth rate of 3.5 percent, and an annual healthcare cost trend rate for medical coverage of 10 percent initially, reduced by decrements to a rate of 5 percent after 7 years.

Projections of benefits are based on the plan and include the types of benefits provided at the time of each valuation. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of future events, and actual results are considered for future valuations. The actuarial methods and assumptions used are designed to reduce short-term volatility in reported amounts and reflect a long-term perspective.

The Research Foundation sponsors a separate single employer defined benefit post-retirement plan that covers substantially all nonstudent employees. The plan provides post-retirement medical benefits and is contributory for employees hired after 1985. On November 9, 2010 the Research Foundation board of directors approved a plan amendment increasing monthly participant (employee) contributions for all future retirees hired after 1985, and not eligible to retire as of January 1, 2012. Participants who are retired or eligible to retire as of January 1, 2012 or were hired prior to January 1, 1986 are grandfathered under the pre-January 1, 2012 contribution percentages. Pre-January 1, 2012 contribution percentages for participants hired after 1985 are 10 percent of the individual coverage premium and for dependents 25 percent of the difference between individual and couple coverage premiums. Participant percentages are higher for

employees not eligible to retire as of January 1, 2012 and are dependent upon hire date and years of service.

Contributions by the Research Foundation are made pursuant to a funding policy established by its Board of Directors. Assets are held in a Voluntary Employee Benefit Association (VEBA) trust, established in 2009, and are considered plan assets in determining the funded status or funding progress of the plan under GASB reporting and measurement standards. The plan issued stand-alone financial statements for the 2010 calendar year.

The Research Foundation's OPEB obligation and funded status of the plan for the years ended June 30, 2011, 2010, and 2009, respectively, were as follows (in thousands):

	2011	2010	2009
Annual OPEB cost	\$ 18,727	37,843	27,598
Benefits paid	(7,276)	(6,341)	(5,542)
Contribution to plan	<u>(8,829)</u>	<u>(9,241)</u>	<u>(66,296)</u>
Change in OPEB Obligation	2,622	22,261	(44,240)
Net obligation at beginning of year	<u>211,038</u>	<u>188,777</u>	<u>233,017</u>
Net obligation at end of year	<u>\$ 213,660</u>	<u>211,038</u>	<u>188,777</u>
Funded Status:			
Actuarial accrued liability (AAL)	278,695	290,340	267,531
Actuarial value of OPEB plan assets	<u>101,424</u>	<u>80,446</u>	<u>66,296</u>
Unfunded AAL (UAAL)	<u>\$ 177,271</u>	<u>209,894</u>	<u>201,235</u>
Actuarial valuation date	6/30/11	6/30/10	6/30/09
Funded ratio	36%	28%	25%
Covered payroll	241,069	237,838	233,690
UAAL as a % of covered payroll	74%	88%	86%

The components of the Research Foundation OPEB obligation at June 30, 2011 include the total annual required contribution (ARC) of \$229.7 million (comprised of service costs of \$8.6 million and amortization of unfunded actuarial accrued liability of \$221.1 million), ARC reduction of

Notes to Financial Statements

June 30, 2011 and 2010

8. Retirement Plans (continued)

\$225.8 million, and interest costs of \$14.8 million. The unfunded actuarial accrued liability is amortized over one year. The cost of the benefits provided under this plan is recognized on an actuarially determined basis using the projected unit cost method. Under this method, actuarial assumptions are made based on employee demographics and medical trend rates to calculate the accrued benefit cost. The actuarial assumptions include a 7 percent discount rate, and an initial healthcare cost trend rate range of 6.5 to 7.5 percent grading down to 5 percent in 2018 and later. A blended discount rate was utilized using the expected investment return on investments of the plan and investments held in the operational pool expected to be used to fund future OPEB obligations.

9. Commitments

The State University has entered into contracts for the construction and improvement of various projects. At June 30, 2011, these outstanding contract commitments totaled approximately \$1.4 billion.

The State University is also committed under numerous operating leases covering real property and equipment. The Research Foundation also contracts with various entities to lease space as part of its mission to support the State University research and university-industry-government partnerships. Rental expenditures reported for the years ended June 30, 2011 and 2010 under such operating leases were \$52.9 million and \$49.4 million, respectively. The following is a summary of the future minimum rental commitments under non-cancelable real property and equipment leases with terms exceeding one year (in thousands):

Year ending June 30:

2012	\$ 50,786
2013	42,472
2014	35,818
2015	30,787
2016	24,879
2017-21	83,842
2022-26	54,262
2027-40	65,388
Total	\$ <u>388,234</u>

10. Contingencies

The State is contingently liable in connection with claims and other legal actions involving the State University, including those currently in litigation arising in the normal course of State University activities. The State University does not carry malpractice insurance and, instead, administers these types of cases in the same manner as all other claims against the State involving State University activities in that any settlements of judgments and claims are paid by the State from an account established for this purpose. With respect to pending and threatened litigation, effective with the 2010 fiscal year, the State University revised its methodology for determining the medical malpractice liability to include incurred but not reported (IBNR) loss estimates. The estimate of IBNR losses is actuarially determined based on historical experience using a discounted present value of estimated future cash payments. The State University has recorded a liability and a corresponding appropriation receivable of approximately \$463 million and \$384 million at June 30, 2011 and 2010, respectively (almost entirely related to hospitals and clinics) for unfavorable judgments, both anticipated and awarded but not yet paid.

Gyrodyne Company of America Inc. (Gyrodyne) is a real estate investment trust company based in Long Island New York. In 2005 the State University of New York at Stony Brook claimed, by eminent domain, approximately 245 acres of land owned by Gyrodyne who is challenging the amount of compensation (\$26.3 million) they received from the State. The State's compensation amount was based on the appraisal they commissioned. Gyrodyne also sought their own appraisal which valued the property at \$125 million. In June 2010, the Court of Claims of the State issued an opinion requiring the State (State University) to pay Gyrodyne an additional \$98.7 million for the land. The State filed an appeal for this case in March 2011 and oral arguments were held on October 24, 2011. At this time the potential outcome cannot be determined. Because a reasonable estimate of the ultimate outcome of the case cannot be determined, the State University has not recorded any activity related to this case ruling in the accompanying financial statements.

Notes to Financial Statements

June 30, 2011 and 2010

10. Contingencies (continued)

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

11. Related Parties

The State University's single largest source of revenue is State appropriations. State appropriations take the form of direct assistance, debt service on educational facility and PIT bonds, fringe benefits for State employees, and litigation expenses for which the State is responsible. State appropriations totaled \$2.92 billion and \$2.97 billion and represented approximately 32 percent and 33 percent of total revenues for the 2011 and 2010 fiscal years, respectively. The State University's continued operational viability is substantially dependent upon a consistent and proportionate level of ongoing State support.

12. Federal Grants and Contracts and Third-Party Reimbursement

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

The State University hospitals have agreements with third-party payors, which provide for reimbursement to the hospitals at amounts different

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

13. Subsequent Events

In July 2011, the State University agreed to acquire Community General Hospital of Greater Syracuse (CGH). CGH is a 306 bed hospital with approximately 1,100 employees specializing in orthopedics, spinal surgery, and maternity services. Under the capital asset buyout purchase, the State University received substantially all of CGH's assets and selected related affiliates. In return for the asset transfer, the State University also assumed responsibility for selected responsibilities and long-term debt obligations. The primary reason for this business combination is to allow the State University's Health Science Center at Syracuse to expand its healthcare network.

In July 2011, the State University entered into agreements with DASNY to issue obligations totaling \$260 million for the purpose of financing capital construction and major rehabilitation for residential hall facilities.

Personal Income Tax Revenue Bonds (PIT) were also issued in July 2011 for the purpose of financing capital construction and major rehabilitation for educational facilities in the amount of \$795 million.

14. Foundations

Discretely presented component unit information is comprised principally of the campus-related foundations. These foundations are nonprofit organizations responsible for the fiscal administration of revenues and support received for the promotion, development and advancement of the welfare of campuses, the State University and its students, faculty, staff and alumni. The foundations receive the majority of their support and revenues

Notes to Financial Statements

June 30, 2011 and 2010

14. Foundations (continued)

through contributions, gifts and grants and provide benefits to their campus, students, faculty, staff and alumni. In addition, the reported amounts include foundation student housing corporations, nonprofit organizations that operate and administer certain housing and related services for students. All the foundations are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. All of the financial data for these organizations was derived from each entity's individual audited financial statements, reported in accordance with generally accepted accounting principles promulgated by FASB, the majority of which have a June 30 fiscal year end.

During the years ended June 30, 2011 and 2010, the foundations distributed \$43.2 million and \$43 million, respectively, to the State University, principally for scholarships and support of campus program activities.

Separately issued financial statements of the foundations and other related entities may be obtained by writing to:

The State University of New York
Office of the University Controller
State University Plaza, N-514
Albany, New York 12246

Transfer to the Foundations

During 2009, the State University Board of Trustees authorized the transfer of title of substantially all of the assets held in the State University Endowment Fund to the campus foundations. Three foundations which received their allocable share of the endowment fund have a year-end other than June 30 and the transfer occurred after their year-end. As a result of the transfer, the foundations recognized \$2.2 million and \$50.2 million in revenue for fiscal years ended June 30, 2011 and June 30, 2010, respectively.

Net Asset Classifications

Unrestricted net assets represent resources whose uses are not restricted by donor-imposed stipulations and are generally available for the support of the State University campus and foundation programs and activities. Temporarily restricted net assets represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or are removed by specific actions. Permanently restricted net assets represent resources that donors have stipulated must be maintained permanently. The income derived from the permanently restricted net assets is permitted to be spent in part or in whole, restricted only by the donors' wishes.

NYPMIFA has been adopted by several of the foundations in fiscal year 2011. Under the accounting standards, once UPMIFA and NYPMIFA is effective, the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until appropriated for expenditure. This requirement resulted in a reclassification from unrestricted net assets to temporarily restricted net assets. This represented the unappropriated portion of permanently restricted endowments whose earnings are designated by donors for the unrestricted use of the foundations.

Investments

All investments with readily determinable fair values have been reported in the financial statements at fair value. Realized and unrealized gains and losses are recognized in the statement of activities. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investments of the State University foundations were \$1.4 billion and \$1.2 billion as of June 30, 2011 and 2010, respectively.

Notes to Financial Statements

June 30, 2011 and 2010

14. Foundations (continued)

The composition of investments is as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Equities - domestic	\$ 430,246	347,134
Equities - international	243,350	199,603
Non-equities	414,278	532,186
Real estate investments	58,584	33,666
Equity partnerships	84,501	61,428
Hedge funds	145,176	52,306
Other investments	10,884	12,783
Total investments	<u>\$ 1,387,019</u>	<u>1,239,106</u>

Capital Assets

Capital assets are stated at cost, if purchased, or fair value at date of receipt, if acquired by gift. Land improvements, buildings, and equipment are depreciated over their estimated useful lives using the straight-line method. Capital assets, net of accumulated depreciation, totaled \$481.3 million and \$386.1 million at fiscal year end 2011 and 2010, respectively. Capital asset classifications are summarized as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 32,935	34,865
Buildings	390,746	380,741
Equipment	23,814	22,797
Artwork and library books	22,932	22,399
Construction in progress	129,510	33,817
Total capital assets	<u>599,937</u>	<u>494,619</u>
Less accumulated depreciation	<u>118,595</u>	<u>108,567</u>
Capital assets, net	<u>\$ 481,342</u>	<u>386,052</u>

Long-term Debt

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

Year ending June 30:	
2012	\$ 10,984
2013	11,216
2014	18,010
2015	10,639
2016	10,832
Thereafter	<u>376,473</u>
	<u>\$ 438,154</u>



The State University
of New York

ANNUAL FINANCIAL REPORT 2011

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