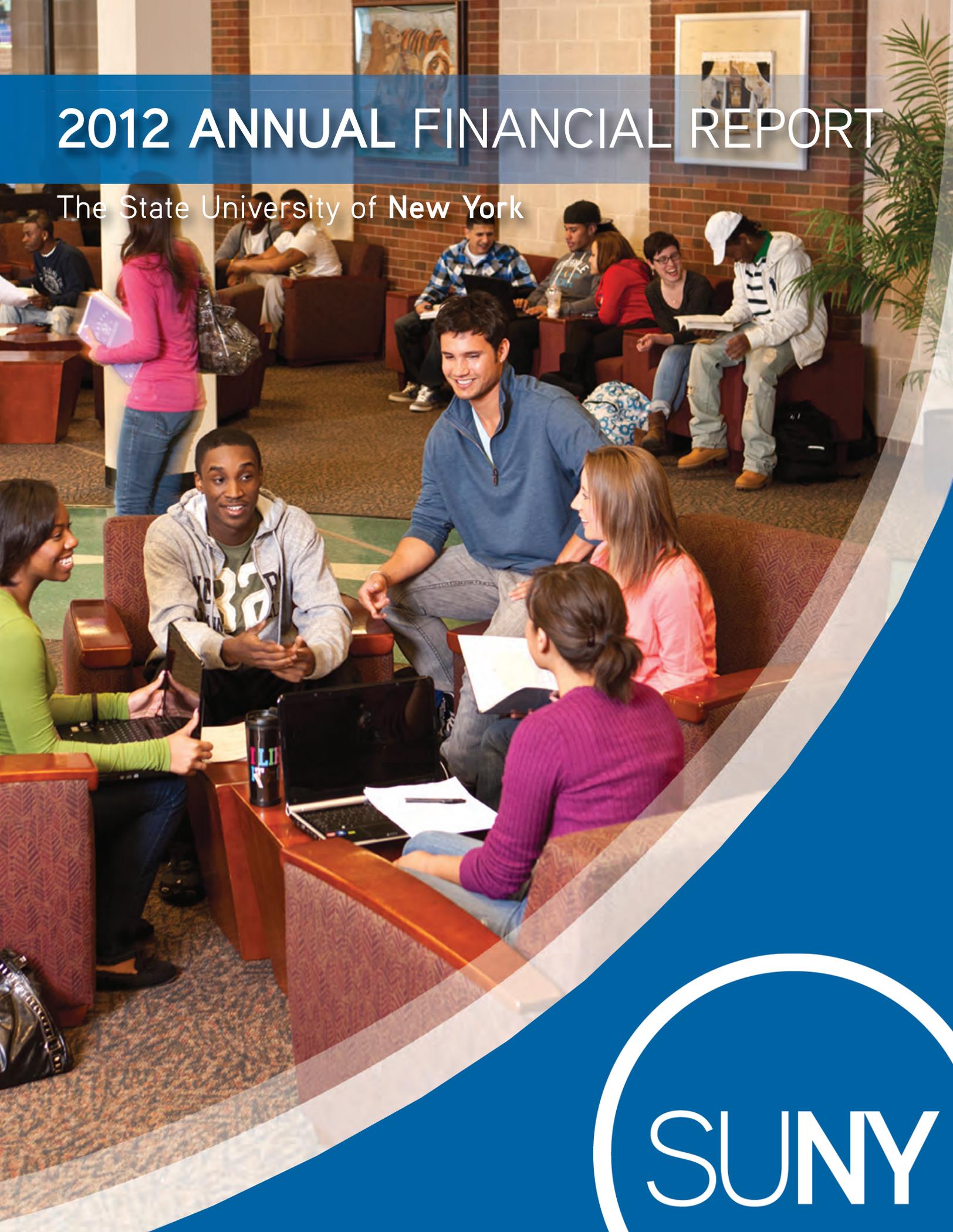


2012 ANNUAL FINANCIAL REPORT

The State University of New York



SUNY

Board of Trustees

H. Carl McCall, *Chairman*
Joseph Belluck
Henrik Dullea
Ronald Ehrenberg
Angelo Fatta
Tina Good (Community Colleges)
Stephen J. Hunt
Eunice A. Lewin
Marshall Lichtman
John L. Murad, Jr.
Kenneth P. O'Brien (Faculty Senate)
Kevin Rea (Student Trustee)
Linda S. Sanford
Richard Socarides
Carl Spielvogel
Cary Staller
Gerri Warren-Merrick

Chancellor

Nancy L. Zimpher

Chancellor's Cabinet

David K. Lavallee
*Executive Vice Chancellor
for Academic Affairs and Provost*

Johanna Duncan-Poitier
*Senior Vice Chancellor for
Community Colleges and the
Education Pipeline*

William F. Howard
*Senior Vice Chancellor,
General Counsel and
Secretary of the University*

Elizabeth L. Bringsjord
*Vice Chancellor for Academic
Programs & Planning and
Vice Provost*

Robert Haelen
*Vice Chancellor for Capital Facilities
and General Manager of the
Construction Fund*

Brian Hutzley
*Vice Chancellor for Financial Services
and Chief Financial Officer*

Timothy Killeen
*Vice Chancellor for Research &
President of the Research Foundation*

Mitch Leventhal
Vice Chancellor for Global Affairs

Curtis L. Lloyd
Vice Chancellor for Human Resources

Carlos Medina
*Associate Provost and
Associate Vice Chancellor for
Diversity, Equity and Inclusion*

Kathleen Preston
*Associate Vice Chancellor for
Health Affairs*

Kaitlin Gambrell
*Assistant Vice Chancellor for
Strategic Planning and University
Advancement*

Stacey Hengsterman
*Assistant Vice Chancellor for
Government Relations*

Jennifer LoTurco
*Assistant Vice Chancellor for
External Affairs*

David Doyle
Director of Communications

Kevin Rea
President, Student Assembly

Kenneth P. O'Brien
President, University Faculty Senate

Tina Good
*President, Faculty Council of
Community Colleges*

Message from the Chancellor

I am pleased to present the Annual Financial Report of the State University of New York, providing an overview of SUNY's finances and operating results for the year ending June 30, 2012.

In accordance with our strategic plan – *The Power of SUNY* – our university system now serves as an economic engine for every region and the state as a whole while also improving the quality of life for all New Yorkers.

As outlined in the pages of this report, SUNY continues to make meaningful gains toward its mission to enhance educational excellence, affordability, and accessibility. The passage of our rational tuition plan in 2011 is among SUNY's greatest accomplishments in decades and continues to allow our students and their families to plan for the cost of their higher education in its entirety.

As our students invest more in us, we have also promised to invest more in them. In the first year of our shared services initiative, in fact, we have redirected more than \$6 million to academic instruction and student services through the elimination of duplicative administrative services and increased collaboration among our campuses for business, finance, and procurement operations. Increased opportunities for our campuses to share best practices have led to enhanced program offerings and academic advances statewide.

Student enrollment, retention and graduation rates, and sponsored research all remain at record levels—and as we uphold our promises of transparency and accountability, these numbers can easily be tracked in the annual SUNY Report Card.

SUNY research continues to be strong as well. In the 2011-12 fiscal year, The Research Foundation for the State University of New York received 284 invention disclosures, filed 238 patent applications, was awarded 50 U.S. patents, executed 65 licenses, and received \$10.9 million in royalties. These achievements were the products of more than 7,300 projects that supported over 16,500 employees statewide.

SUNY is an outstanding investment for students and a critical resource for New York State. 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 sheets and statements of revenues, expenses, and change in net position, and cash flows of the business-type activities and the balance sheets 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 years ended June 30, 2012 and 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., Upstate Properties Development, Inc., the Alfred University College of Ceramics and the Cornell Statutory Colleges which represent 57% of the total assets and 76% 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.

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. The financial statements of the discretely presented component units, the auxiliary service corporations, the Downstate at LICH Holding Company, Inc., and Upstate Properties Development, Inc., were not audited in accordance with *Government Auditing Standards*. 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, 2012 and 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 to 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

October 31, 2012

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.

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, 2012 and 2011, 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 for 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 July 2011, the State University acquired substantially all of the assets of Community General Hospital of Greater Syracuse (CGH) through the assumption of certain liabilities pursuant to an asset purchase agreement. In May 2011, the State University acquired Long Island College Hospital (LICH) and received substantially all the assets and assumed substantial liabilities under that acquisition.

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 position, 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, 2012 and 2011, total assets reported by the State University were \$14.78 billion and \$13.46 billion and total liabilities were \$14.92 billion and \$13.23 billion, respectively. The net position was (\$139) million and \$236 million at June 30, 2012 and 2011, and experienced a decrease of \$375 million in 2012 and a decrease of \$497 million in 2011. The net position at June 30, 2012, 2011, and 2010 are summarized in the following categories (in thousands):

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net Position:			
Net investment in			
capital assets	\$ 1,143,489	874,723	805,576
Restricted - nonexpendable	308,851	288,807	267,384
Restricted - expendable	450,038	495,515	363,186
Unrestricted	(2,041,338)	(1,423,222)	(703,738)
Total net position	\$ <u>(138,960)</u>	<u>235,823</u>	<u>732,408</u>

The decrease in net position during 2012 and 2011 was driven by accrued postemployment and post-retirement benefit expenses of \$547 million and \$593 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. Revenues, expenses, and the change in net position for the 2012, 2011, and 2010 fiscal years are summarized as follows (in thousands):

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 5,961,037	5,415,882	5,163,190
Nonoperating revenues	3,543,293	3,683,666	3,643,405
Other revenues	81,222	113,334	92,881
Total revenues	<u>9,585,552</u>	<u>9,212,882</u>	<u>8,899,476</u>
Operating expenses	9,562,852	9,209,971	8,722,596
Nonoperating expenses	397,483	499,496	341,675
Total expenses	<u>9,960,335</u>	<u>9,709,467</u>	<u>9,064,271</u>
Change in net position	\$ <u>(374,783)</u>	<u>(496,585)</u>	<u>(164,795)</u>

Management's Discussion and Analysis

Total revenues reported in 2012, 2011, and 2010 were \$9.59 billion, \$9.21 billion, and \$8.90 billion, respectively. Total revenue in 2012 and 2011 increased \$373 million and \$313 million compared to the previous years. The revenue increase in 2012 was driven by increases of \$448 million in hospital and clinic revenue, net tuition revenues of \$76 million, and \$37 million in auxiliary enterprises. These increases were offset by decreases of \$115 million in investment gains, \$31 million in capital gifts and grants, and \$36 million in federal, state, and local grants and contracts.

Total expenses for 2012, 2011, and 2010 were \$9.96 billion, \$9.71 billion, and \$9.06 billion, respectively. Total expense in 2012 and 2011 increased \$251 million and \$645 million compared to the previous years. Expense growth in 2012 compared to the prior year was primarily due to an increase of \$351 million in hospital expenses due to the acquisition of LICH and CGH.

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 position, statements of cash flows, and accompanying notes for the June 30, 2012 and 2011 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 position. Over time, increases or decreases in net position 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 Position* present information showing the change in the State University's net position during each fiscal year. All changes in net position 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 \$1.32 billion and \$1.58 billion in 2012 and 2011, respectively. Total liabilities during 2012 and 2011 increased \$1.69 billion and \$2.08 billion, respectively. The following table reflects the financial position at June 30, 2012, 2011, and 2010 (in thousands):

	2012	2011	2010
Current assets	\$ 3,499,122	3,395,737	3,017,319
Capital assets, net	9,087,539	7,964,994	7,090,396
Other noncurrent assets	2,193,545	2,102,297	1,773,139
Total assets	<u>14,780,206</u>	<u>13,463,028</u>	<u>11,880,854</u>
Current liabilities	2,404,560	2,097,892	1,804,039
Noncurrent liabilities	12,514,606	11,129,313	9,344,407
Total liabilities	<u>14,919,166</u>	<u>13,227,205</u>	<u>11,148,446</u>
Net position	<u>\$ (138,960)</u>	<u>235,823</u>	<u>732,408</u>

Current Assets

Current assets at June 30, 2012 increased \$103 million and current liabilities increased \$307 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).

Management's Discussion and Analysis

Current assets at June 30, 2012 and 2011 consist primarily of cash and cash equivalents of \$1.38 billion and \$1.44 billion, deposits with trustees of \$264 million and \$160 million, short-term investments of \$315 million and \$328 million, and receivables (accounts, interest, appropriations, and grants) of \$1.44 billion and \$1.35 billion, respectively. During 2012, receivable balances increased \$90 million offset by a decrease in cash and cash equivalents of \$62 million.

Current Liabilities

Current liabilities at June 30, 2012 and 2011 consist principally of accounts payable and accrued expenses of \$1.17 billion and \$846 million, interest on debt of \$76 million and \$91 million, deferred revenue of \$301 million and \$330 million, and the current portion of long-term liabilities of \$688 million and \$656 million, respectively. The increase in current liabilities at June 30, 2012 was driven principally by an increase in accounts payable and accrued expenses of \$329 million due to a \$135 million payable for the Gyrodyne lawsuit and increases in hospital and construction payables primarily driven by increases in volume and activity.

Capital Assets, net

The State University's capital assets are substantially comprised of State-operated campus educational, residential, and hospital facilities. Personal Income Tax (PIT) revenue bonds support funding for construction and critical maintenance projects on SUNY educational and hospital facilities. The State University has entered into capital lease arrangements for residence hall facilities.

During the 2012 and 2011 fiscal years, capital assets (net of depreciation) increased \$1.12 billion and \$875 million, respectively. The majority of the increase occurred at the State University campuses due to new building construction, renovations, and rehabilitation totaling \$485 million and \$648 million for the 2012 and 2011 fiscal years, respectively. Equipment additions during 2012 and 2011 of \$182 million and \$167 million, respectively, also contributed to the increase.

Significant projects completed and capitalized during the 2012 fiscal year included construction of

the High Tech Incubator at the College at Fredonia, an engineering building at the University at Buffalo, a new field house at SUNY IT, a child care center at the College at Delhi, rehabilitation of Golding Hall at the College at Oneonta, the expansion of the School of Art and Design at Alfred State College, additions to Wheeler Lab at the College at Cobleskill and to a science wing at Binghamton University.

A summary of capital assets, by major classification, and related accumulated depreciation for the 2012, 2011, and 2010 fiscal years is as follows (in thousands):

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land	\$ 504,486	381,617	360,168
Infrastructure and land improvements	826,030	773,067	738,908
Buildings	8,395,023	7,943,270	7,331,241
Equipment, library books and other	2,827,253	2,655,212	2,545,649
Construction in progress	2,496,810	1,798,500	1,378,639
Total capital assets	<u>15,049,602</u>	<u>13,551,666</u>	<u>12,354,605</u>
Less accumulated depreciation:			
Infrastructure and land improvements	406,162	383,860	365,610
Buildings	3,443,474	3,243,416	3,074,299
Equipment, library books and other	2,112,427	1,959,396	1,824,300
Total accumulated depreciation	<u>5,962,063</u>	<u>5,586,672</u>	<u>5,264,209</u>
Capital assets, net	<u>\$ 9,087,539</u>	<u>7,964,994</u>	<u>7,090,396</u>

Other Noncurrent Assets

Other noncurrent assets exclusive of capital assets were \$2.19 billion and \$2.10 billion at June 30, 2012 and 2011, respectively. Noncurrent assets at June 30, 2012 and 2011 include long-term investments of \$715 million and \$736 million, deposits with trustees of \$646 million and \$624 million, restricted cash of \$110 million and \$115 million, and the noncurrent portion of receivables and deferred financing costs and other assets of \$722 million and \$628 million, respectively.

Long-term investments at June 30, 2012 and 2011 of \$715 million and \$736 million include the Cornell statutory colleges of \$635 million and

Management's Discussion and Analysis

\$619 million, auxiliary services corporations of \$28 million and \$27 million, Research Foundation of \$27 million and \$65 million, and State University campuses of \$6 million and \$5 million, respectively. The statutory College of Ceramics at Alfred University had \$19 million for both years. Long-term investments decreased \$21 million in 2012 compared to 2011 primarily due to investment losses of \$14 million.

During fiscal year 2012, the noncurrent portion of 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 \$22 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, 2012 restricted cash balances decreased \$4 million compared to 2011. The noncurrent portion of receivables reported at June 30, 2012 and 2011 consisted of accounts, notes, and loan receivables of \$111 million for both years and appropriation receivables of \$458 million and \$399 million, respectively.

Noncurrent Liabilities

Noncurrent liabilities at June 30, 2012 and 2011 of \$12.51 billion and \$11.13 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 from, 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, 2012, 2011, and 2010 is as follows (in thousands):

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Educational facilities	\$ 6,296,313	5,973,236	5,242,937
Residence hall facilities	1,322,010	1,104,250	1,011,580
Postemployment and post-retirement obligations and compensated absences	3,363,586	2,822,590	2,225,754
Litigation	457,880	398,739	315,918
Other obligations	855,596	620,903	348,871
Long-term liabilities	<u>\$ 12,295,385</u>	<u>10,919,718</u>	<u>9,145,060</u>

During the year, PIT bonds were issued for the purpose of financing capital construction and major rehabilitation for educational facilities in the amount of \$797.8 million. Also, during the year educational facility bonds were issued totaling \$838.1 million in order to refund \$978.6 million of the State University's existing educational facilities obligations. The State University also entered into agreements with DASNY during fiscal year 2012 to issue residence hall facility obligations totaling \$260 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 2012. The credit ratings at June 30, 2012 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 2012 totaled \$1.28 billion (including \$979 million in refunded debt) and \$36 million, in 2011 totaled \$324 million and \$32 million, and in 2010 totaled \$594 million and \$31 million, respectively.

During fiscal years 2012 and 2011, the long-term portion of postemployment and post-retirement benefit obligations and compensated absences liabilities increased \$541 million and \$597 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 \$458 million and \$399 million at June 30, 2012 and 2011, respectively (almost entirely related to hospitals and clinics) for unfavorable judgments, both anticipated and awarded but not yet paid. The medical malpractice liability includes incurred but not reported (IBNR) loss estimates which are actuarially determined based on historical experience using a discounted present value of estimated future cash payments.

Refundable government loan funds at June 30, 2012 and 2011 totaled \$141.5 million and \$141.7 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	\$ -	12,200	12,200	0%	3,037	402%
April 1, 2008	-	9,560	9,560	0%	3,008	318%
April 1, 2006	-	8,261	8,261	0%	2,527	327%
Research Foundation Plan:						
June 30, 2012	107	298	191	36%	245	78%
June 30, 2011	101	279	177	36%	241	74%
June 30, 2010	80	290	210	28%	238	88%

Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position present the State University's results of operations. Total operating revenues of the State University were \$5.96 billion in 2012, \$5.42 billion in 2011, and \$5.16 billion in 2010. Nonoperating and other revenues, which includes State appropriations, totaled \$3.62 billion, \$3.80 billion, and \$3.74 billion, for fiscal years 2012, 2011, and 2010, respectively. Total expenses for 2012, 2011, and 2010 were \$9.96 billion, \$9.71 billion, and \$9.06 billion, respectively.

Revenue Overview

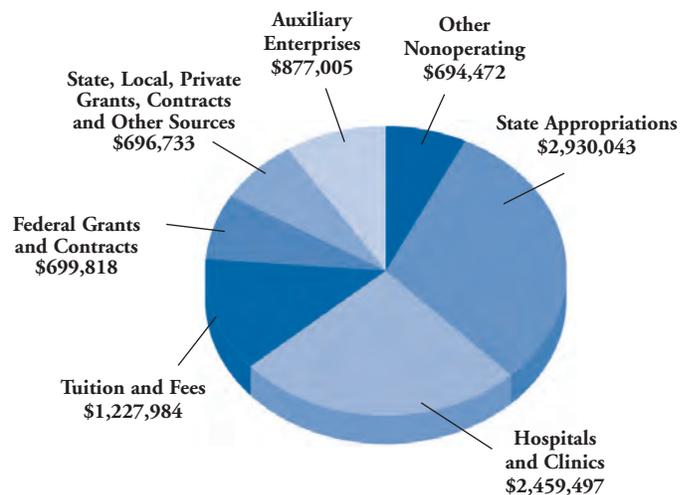
Revenues (in thousands):

	2012	2011	2010
Tuition and fees, net	\$ 1,227,984	1,151,523	1,107,313
Hospitals and clinics	2,459,497	2,011,711	1,876,918
Federal grants and contracts	699,818	722,156	710,642
State, local, private grants and contracts, and other sources	696,733	690,401	649,772
Auxiliary enterprises	877,005	840,091	818,545
Operating revenues	<u>5,961,037</u>	<u>5,415,882</u>	<u>5,163,190</u>
State appropriations	2,930,043	2,921,704	2,965,719
Other nonoperating	694,472	875,296	770,567
Nonoperating and other revenues	<u>3,624,515</u>	<u>3,797,000</u>	<u>3,736,286</u>
Total revenues	<u>\$ 9,585,552</u>	<u>9,212,882</u>	<u>8,899,476</u>

Tuition and Fees, Net

Tuition and fee revenue for the 2012, 2011, and 2010 fiscal years, net of scholarship allowances, was \$1.23 billion, \$1.15 billion, and \$1.11 billion, an increase of \$76 million and \$44 million in 2012 and 2011, respectively. These increases were mainly driven by a \$300 tuition rate increase for resident undergraduates in 2012 and increases in professional and nonresident tuition rates in 2012 and 2011. Annual average full-time equivalent students, including undergraduate and graduate, were approximately 193,700, 195,300, and 193,000 for the fiscal years ended June 30, 2012, 2011, and 2010, respectively.

2012 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 2012, 2011, and 2010 fiscal years were \$2.46 billion, \$2.01 billion, and \$1.88 billion, respectively. During the 2012 fiscal year, hospital and clinic revenues increased \$448 million compared to the previous year primarily due to an increase in inpatient and outpatient volume due to the acquisition of LICH and CGH.

Sponsored Research, Grant and Contract Revenue

During fiscal year 2012, the State University experienced a decline in its volume of sponsored program activity. Total revenue from federal, state, local, private and capital grants and contracts administered by the Research Foundation was \$882 million, \$946 million, and \$893 million for the fiscal years ended June 30, 2012, 2011, and 2010, respectively. Facilities and administrative recoveries earned on grants and contracts administered by the Research Foundation were \$146 million, \$146 million, and \$145 million for the fiscal periods ending June 30, 2012, 2011, and 2010, respectively.

The volume of research and other sponsored programs reported for 2012 and 2011 by the statutory colleges at Cornell University was \$176.8

Management's Discussion and Analysis

million and \$168 million, and Alfred University was \$2.4 million and \$4 million, respectively.

Revenue from projects sponsored by the federal government (including federal flow-through funds) and administered by the Research Foundation totaled \$548 million and \$578 million during 2012 and 2011, 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 \$334 million and \$368 million during 2012 and 2011, respectively. In fiscal years 2012 and 2011, 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 increased \$4 million from the prior year. Federal grants under the Pell and other federal student aid programs decreased \$25 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 73,183 for the fall of 2011, an increase of 431 students compared to the previous year. The overall utilization rate for the fall of 2011 was reported at 96.2 percent.

Auxiliary enterprise sales and services revenue totaled \$877 million, \$840 million, and \$819 million in the 2012, 2011, and 2010 fiscal years, respectively. Of these amounts, residence halls operating revenue totaled \$396 million, \$378 million, and \$370 million for 2012, 2011, and 2010, 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 \$481 million, \$462 million, and \$449 million in revenue for fiscal years 2012, 2011, and 2010, 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 \$2.93 billion, \$2.92 billion, and \$2.97 billion and represented approximately 31 percent, 32 percent, and 33 percent of total revenues for fiscal year 2012, 2011, and 2010, 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 increased \$8 million in 2012 and decreased \$44 million in 2011, compared to the prior year. In 2012, State support for operating expenses decreased \$146 million, indirect State support for litigation and fringe benefits decreased \$44 million and \$1 million, while indirect support for debt service increased \$199 million, respectively, compared to 2011.

Nonoperating and Other Revenue

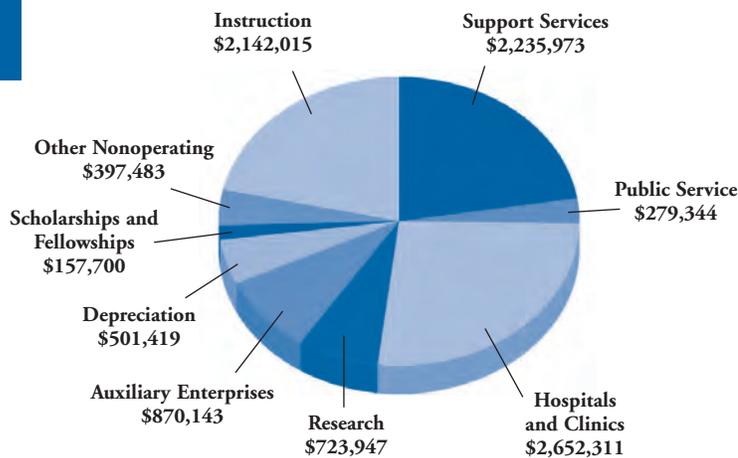
Nonoperating and other revenue excluding State appropriations were \$694 million and \$875 million for the 2012 and 2011 fiscal years, respectively. This decrease was primarily due to decreases of \$115 million in investment gains and \$31 million in capital gifts and grants.

Management's Discussion and Analysis

Expense Overview

Expenses (in thousands):	2012	2011	2010
Instruction	\$ 2,142,015	2,200,938	2,041,660
Research	723,947	747,664	663,353
Public service	279,344	305,633	294,999
Support services	2,235,973	2,207,911	2,099,496
Scholarships and fellowships	157,700	167,656	172,150
Hospitals and clinics	2,652,311	2,301,319	2,227,162
Auxiliary enterprises	870,143	838,991	791,733
Depreciation and amortization	501,419	439,859	432,043
Other nonoperating	397,483	499,496	341,675
Total expenses	\$ 9,960,335	9,709,467	9,064,271

2012 Expenses (in thousands)



During the 2012 fiscal year, instruction expenses decreased \$59 million predominately from a decrease in postemployment benefit costs and a decrease in fringe benefit expenses due to a decrease in the State fringe benefit rate. Instruction expenses increased \$159 million during 2011 compared to 2010. Research and public service expenses also decreased \$50 million during 2012 compared to 2011 primarily due to a decrease in sponsored program activity. Research and public service expenses increased \$95 million in 2011 compared to 2010.

Support services, which includes expenses for academic support, student services, institutional support, and operation and maintenance of plant,

remained relatively flat between fiscal years 2012 and 2011. Support services increased \$108 million between 2011 compared to 2010 primarily due to an increase in postemployment benefit expenses 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 \$785 million and \$781 million for the fiscal years ended June 30, 2012 and 2011, respectively. Of this amount, \$627 million and \$613 million were classified as scholarship allowances and \$158 million and \$168 million were reported as scholarship expense for fiscal years 2012 and 2011, respectively. Major scholarships and grants received include the State Tuition Assistance Program of \$191 million and \$187 million, and the federal Pell Program of \$270 million and \$275 million during fiscal years 2012 and 2011, respectively.

Expenses at the State University's hospitals and clinics increased \$351 million and \$74 million during 2012 and 2011. The large increase in 2012 primarily relates to the acquisition of the LICH and CGH.

During fiscal years 2012 and 2011, auxiliary enterprise expenses increased \$31 million and \$47 million, respectively. Residence halls expenses increased \$7 million and \$17 million, and food service expenses increased \$13 million and \$11 million, for the 2012 and 2011 fiscal years respectively, primarily due to an increase in occupancy and rates. Other auxiliary enterprise expenses for the years ended June 30, 2012 and 2011 increased \$11 million and \$19 million, respectively.

Depreciation and amortization expense recognized in fiscal years 2012 and 2011 totaled \$501 million and \$440 million, respectively. Other nonoperating expenses were \$397 million and \$499 million for the years ended June 30, 2012 and 2011, respectively. The decrease in nonoperating expenses during fiscal year 2012 compared to 2011

Management's Discussion and Analysis

was mainly due to the loss recorded in 2011 related to the acquisition of LICH offset by an increase in interest expense on capital related debt in 2012.

Economic Factors That Will Affect the Future

The State University is one of the largest public universities in the nation, with headcount enrollment of approximately 220,000 in the fall 2012, 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, 2012, is approximately 193,700, a slight decrease compared to June 30, 2011.

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 \$2.93 billion which represented 31 percent of the total revenues of the State University. State appropriations consisted of direct support (\$1.04 billion), debt service on educational facility and PIT bonds (\$691 million), fringe benefits for State University employees (\$1.15 billion), and litigation (\$52 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 resident undergraduate 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 educational 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.

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. The overall stagnant economic climate increases the risk that the federal government will be under pressure to reduce their overall spending and these spending reductions could result in significant cuts in Medicare and Medicaid programs and rates, having a negative impact on the hospitals' overall revenue. The hospitals' 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, 2012 and 2011
In thousands

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and cash equivalents	\$ 1,378,180	1,439,948
Deposits with trustees	264,412	159,588
Short-term investments	315,298	327,921
Accounts, notes, and loans receivable, net	861,073	758,330
Appropriations receivable	324,998	354,837
Grants receivable	250,367	233,703
Inventories	49,097	47,403
Other assets	55,697	74,007
Total current assets	<u>3,499,122</u>	<u>3,395,737</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	110,365	114,635
Deposits with trustees	646,425	623,957
Accounts, notes, and loans receivable, net	111,030	110,706
Appropriations receivable	457,881	398,739
Deferred financing costs	110,560	102,884
Long-term investments	715,123	735,655
Other noncurrent assets	42,161	15,721
Capital assets, net	9,087,539	7,964,994
Total noncurrent assets	<u>11,281,084</u>	<u>10,067,291</u>
Total assets	<u>\$ 14,780,206</u>	<u>13,463,028</u>
<u>Liabilities and Net Position</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	1,174,849	845,915
Interest payable	75,552	90,927
Student deposits	11,106	13,592
Deposits held in custody for others	70,122	80,148
Deferred revenue	301,011	330,014
Long-term liabilities - current portion	687,924	656,202
Other liabilities	83,996	81,094
Total current liabilities	<u>2,404,560</u>	<u>2,097,892</u>
Noncurrent Liabilities:		
Long-term liabilities	12,295,385	10,919,718
Refundable government loan funds	141,450	141,675
Other noncurrent liabilities	77,771	67,920
Total noncurrent liabilities	<u>12,514,606</u>	<u>11,129,313</u>
Total liabilities	<u>14,919,166</u>	<u>13,227,205</u>
Net Position:		
Net investment in capital assets	1,143,489	874,723
Restricted - nonexpendable:		
Instruction and departmental research	108,083	100,212
Scholarships and fellowships	87,519	83,318
General operations and other	113,249	105,277
Restricted - expendable:		
Instruction and departmental research	161,157	186,783
Scholarships and fellowships	53,725	59,093
Capital projects	370	255
Loans	16,008	16,280
General operations and other	218,778	233,104
Unrestricted	<u>(2,041,338)</u>	<u>(1,423,222)</u>
Total net position	<u>(138,960)</u>	<u>235,823</u>
Total liabilities and net position	<u>\$ 14,780,206</u>	<u>13,463,028</u>

See accompanying notes to financial statements.

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2012 and 2011

In thousands

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Tuition and fees	\$ 1,711,328	1,622,706
Less scholarship allowances	<u>(483,344)</u>	<u>(471,183)</u>
Net tuition and fees	1,227,984	1,151,523
Federal grants and contracts	699,818	722,156
State and local grants and contracts	181,353	195,352
Private grants and contracts	333,086	328,899
Hospitals and clinics	2,459,497	2,011,711
Sales and services of auxiliary enterprises:		
Residence halls, net	396,203	377,629
Food service, net	245,416	233,414
Other, net	235,386	229,048
Other sources	<u>182,294</u>	<u>166,150</u>
Total operating revenues	<u>5,961,037</u>	<u>5,415,882</u>
Operating expenses:		
Instruction	2,142,015	2,200,938
Research	723,947	747,664
Public service	279,344	305,633
Academic support	465,644	481,184
Student services	266,642	265,461
Institutional support	880,541	832,877
Operation and maintenance of plant	617,174	622,675
Scholarships and fellowships	157,700	167,656
Hospitals and clinics	2,652,311	2,301,319
Auxiliary enterprises:		
Residence halls	337,830	330,232
Food service	249,575	236,802
Other	282,738	271,957
Depreciation and amortization expense	501,419	439,859
Other operating expenses	<u>5,972</u>	<u>5,714</u>
Total operating expenses	<u>9,562,852</u>	<u>9,209,971</u>
Operating loss	<u>(3,601,815)</u>	<u>(3,794,089)</u>
Nonoperating revenues (expenses):		
State appropriations	2,930,043	2,921,704
Federal and state nonoperating grants	515,450	529,502
Investment income, net	18,238	22,919
Net realized and unrealized (losses) gains	(14,346)	115,126
Gifts	69,800	64,479
Interest expense on capital related debt	(361,732)	(324,314)
Loss on disposal of plant assets	(1,659)	(8,797)
Gain (loss) on acquisition	9,762	(166,385)
Other nonoperating (expenses) revenues, net	<u>(19,746)</u>	<u>29,936</u>
Net nonoperating revenues	<u>3,145,810</u>	<u>3,184,170</u>
Loss before other revenues	<u>(456,005)</u>	<u>(609,919)</u>
Capital appropriations	100	271
Capital gifts and grants	64,525	95,177
Additions to permanent endowments	<u>16,597</u>	<u>17,886</u>
Decrease in net position	<u>(374,783)</u>	<u>(496,585)</u>
Net position at the beginning of year	<u>235,823</u>	<u>732,408</u>
Net position at the end of year	<u>\$ (138,960)</u>	<u>235,823</u>

See accompanying notes to financial statements.

Statements of Cash Flows

For the Years Ended June 30, 2012 and 2011

In thousands

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Tuition and fees	\$ 1,235,015	1,150,899
Grants and contracts:		
Federal	670,199	732,019
State and local	171,727	249,718
Private	337,621	317,484
Hospital and clinics	2,313,896	1,911,724
Personal service payments	(3,941,631)	(3,791,435)
Other than personal service payments	(2,514,317)	(2,342,918)
Payments for fringe benefits	(517,723)	(513,353)
Payments for scholarships and fellowships	(94,117)	(149,042)
Loans issued to students	(23,424)	(20,832)
Collection of loans to students	22,890	23,377
Auxiliary enterprise charges:		
Residence halls	396,178	375,561
Food service	242,437	231,152
Other	229,708	224,352
Other receipts	118,930	72,535
Net cash used by operating activities	<u>(1,352,611)</u>	<u>(1,528,759)</u>
Cash flows from noncapital financing activities:		
State appropriations:		
Operations	1,032,232	1,216,834
Debt service	709,172	514,082
Federal and State nonoperating grants	515,452	528,539
Private gifts and grants	64,639	63,350
Proceeds from short-term loans	114,469	110,771
Repayment of short-term loans	(120,785)	(100,306)
Direct loan receipts	1,146,149	1,120,771
Direct loan disbursements	(1,146,149)	(1,120,771)
Other (payments) receipts	(8,431)	22,095
Net cash provided by noncapital financing activities	<u>2,306,748</u>	<u>2,355,365</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	2,220,052	1,343,544
Capital appropriations	110	401
Capital grants and gifts received	40,517	135,005
Proceeds from sale of capital assets	115	44
Purchases of capital assets	(288,365)	(221,692)
Payments to contractors	(1,039,230)	(891,684)
Principal paid on capital debt and leases	(1,414,876)	(439,473)
Interest paid on capital debt and leases	(450,446)	(417,316)
Deposits with trustees	(127,898)	(200,815)
Net cash used by capital and related financing activities	<u>(1,060,021)</u>	<u>(691,986)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	1,388,232	2,350,571
Interest, dividends, and realized gains on investments	26,927	59,163
Purchases of investments	(1,375,313)	(2,458,879)
Net cash provided (used) by investing activities	<u>39,846</u>	<u>(49,145)</u>
Net change in cash	<u>(66,038)</u>	<u>85,475</u>
Cash - beginning of year	<u>1,554,583</u>	<u>1,469,108</u>
Cash - end of year	<u>\$ 1,488,545</u>	<u>\$ 1,554,583</u>
End of year cash comprised of:		
Cash and cash equivalents	<u>\$ 1,378,180</u>	<u>1,439,948</u>
Restricted cash and cash equivalents	<u>\$ 110,365</u>	<u>114,635</u>

Statements of Cash Flows (continued)

For the Years Ended June 30, 2012 and 2011

In thousands

	<u>2012</u>	<u>2011</u>
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (3,601,815)	(3,794,089)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense	501,419	439,859
Fringe benefits, litigation, and other noncash expenses	1,157,615	1,159,428
Change in assets and liabilities:		
Receivables, net	(119,941)	(134,014)
Inventories	(1,694)	1,438
Other assets	(13,120)	(37,537)
Accounts payable, accrued expenses, and other liabilities	763,632	695,818
Deferred revenue	(23,216)	139,605
Student deposits	(2,487)	1,550
Deposits held for others	(13,004)	(817)
Net cash used by operating activities	\$ <u>(1,352,611)</u>	<u>(1,528,759)</u>
Supplemental disclosures for noncash transactions:		
New capital leases / debt agreements	\$ <u>2,220,052</u>	<u>1,475,076</u>
Fringe benefits provided by the State	\$ <u>1,145,475</u>	<u>1,142,419</u>
Litigation costs provided by the State	\$ <u>12,140</u>	<u>17,009</u>
Noncash gifts	\$ <u>4,867</u>	<u>33,190</u>
Assets from hospital acquisitions	\$ <u>29,173</u>	<u>142,712</u>
Liabilities from hospital acquisitions	\$ <u>19,411</u>	<u>309,097</u>

See accompanying notes to financial statements.

State University of New York Foundations

Balance Sheet

June 30, 2012 (with comparative financial information as of June 30, 2011)
In thousands

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 145,492	108,240
Accounts and notes receivable, net	38,222	14,968
Pledges receivable, net	207,574	126,389
Investments	1,494,452	1,387,019
Other assets	59,753	60,776
Capital assets, net	502,881	481,342
Total assets	\$ 2,448,374	2,178,734
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	55,567	36,638
Current portion of long-term debt	46,593	10,984
Deferred revenue	5,455	3,254
Deposits held in custody for others	79,457	56,590
Other liabilities	62,949	53,361
Long-term debt	410,923	427,170
Total liabilities	660,944	587,997
Net Assets:		
Unrestricted:		
Board designated for:		
Fixed assets	118,610	118,966
Campus programs	78,590	83,202
Investments	175,212	144,070
Other	10,316	4,368
Undesignated	27,946	27,566
Temporarily restricted:		
Scholarships and fellowships	122,574	130,078
Campus programs	337,870	320,422
Research	125,334	132,379
General operations and other	201,769	87,869
Permanently restricted:		
Scholarships and fellowships	273,688	251,345
Campus programs	234,322	218,915
Research	22,056	21,268
General operations and other	59,143	50,289
Total net assets	1,787,430	1,590,737
Total liabilities and net assets	\$ 2,448,374	2,178,734

See accompanying notes to financial statements.

State University of New York Foundations

Statement of Activities

For the Year Ended June 30, 2012 (with summarized financial information for the year ended June 30, 2011)
In thousands

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Revenues:					
Contributions, gifts, and grants	\$ 36,560	226,449	44,890	307,899	161,112
Investment income, net	9,589	13,027	361	22,977	41,380
Net realized and unrealized (losses) gains	(144)	(9,272)	(79)	(9,495)	166,767
Rental income	68,218	336	-	68,554	53,291
Sales and services	41,438	105	-	41,543	17,046
Program income and special events	48,655	1,166	132	49,953	48,045
Change in value of split interest agreements	(72)	59	(2,029)	(2,042)	5,811
Other sources	4,894	1,864	394	7,152	6,146
Transfers of permanently restricted net assets	(629)	(1,008)	1,637	-	-
Endowment earnings transferred	-	320	(320)	-	-
Net assets released from restrictions	125,207	(125,207)	-	-	-
Total revenues	<u>333,716</u>	<u>107,839</u>	<u>44,986</u>	<u>486,541</u>	<u>499,598</u>
Expenses:					
Program expenses	143,925	-	-	143,925	132,516
Payments to the State University:					
Scholarships and fellowships	32,963	-	-	32,963	24,719
Other	31,228	-	-	31,228	18,439
Real estate expenses	22,760	-	-	22,760	21,151
Depreciation and amortization expense	17,181	-	-	17,181	16,836
Interest expense on capital-related debt	19,775	-	-	19,775	13,520
Management and general	29,794	-	-	29,794	21,855
Fundraising	19,705	-	-	19,705	17,233
Other expenses	5,223	-	-	5,223	4,791
Total expenses	<u>322,554</u>	<u>-</u>	<u>-</u>	<u>322,554</u>	<u>271,060</u>
Change in net assets	11,162	107,839	44,986	163,987	228,538
Increase in net assets from acquisition	22,436	3,905	6,365	32,706	-
Net asset reclassifications	<u>(1,096)</u>	<u>5,055</u>	<u>(3,959)</u>	<u>-</u>	<u>-</u>
Total change in net assets	32,502	116,799	47,392	196,693	228,538
Net assets, beginning of year	<u>378,172</u>	<u>670,748</u>	<u>541,817</u>	<u>1,590,737</u>	<u>1,362,199</u>
Net assets, end of year	<u>\$ 410,674</u>	<u>787,547</u>	<u>589,209</u>	<u>1,787,430</u>	<u>1,590,737</u>

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2012 and 2011

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 for the 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 primarily derived from audited financial statements of the Research Foundation for the years ended June 30, 2012 and 2011.

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. In addition, two other legally separate single member corporations that provide and maintain campus facilities for use by, and for the benefit of, the State University meet the criteria for inclusion. 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, 2012 and 2011.

Notes to Financial Statements

June 30, 2012 and 2011

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

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.

On July 7, 2011, the State University acquired substantially all of the assets of Community General Hospital of Greater Syracuse (CGH) through the assumption of certain liabilities pursuant to an asset purchase agreement. The State University operates CGH under its existing authority as a second campus. On May 29, 2011, the State University acquired Long Island College Hospital (LICH) through an asset purchase agreement and 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 conducts LICH's hospital operations at the LICH facilities.

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 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 position, 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 position 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.

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

Net investment in capital assets

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

Restricted – nonexpendable

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

Notes to Financial Statements

June 30, 2012 and 2011

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

Restricted – expendable

Net position component 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 component of net position

The unrestricted component of net position includes 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 2012 and 2011 were reported net of the following scholarship discount and allowance amounts (in thousands):

	<u>2012</u>	<u>2011</u>
Residence halls	\$ 75,842	74,349
Food service	34,945	34,434
Other auxiliary	33,328	33,802

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 position if the terms of the gift require that such earnings be added to the principal of a permanent endowment fund, or as increases in restricted - expendable net position as provided for under the terms of the gift, or as unrestricted. At June 30, 2012 and 2011, the State University had \$181 million and \$217 million available for authorization for expenditure, including \$91 million and \$109 million from restricted funds and \$90 million and \$108 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 New York Prudent Management of Institutional Funds Act (NYPMIFA). Investments in the pool are stated at fair value and include limited use of derivative

Notes to Financial Statements

June 30, 2012 and 2011

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

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 \$54.5 million and \$47.7 million in the 2012 and 2011 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.

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.

Reclassifications

Certain amounts displayed in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

Notes to Financial Statements

June 30, 2012 and 2011

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

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 Statement 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, 2012 and 2011, are as follows (in thousands):

	Category a	Category b	Category c
2012	\$ 67,399	27,735	17,007
2011	47,201	25,450	17,082

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 \$68 million and \$59 million at June 30, 2012 and 2011, respectively. The market value of investments held and maturity period are displayed in the table following (in thousands):

Fiscal Year 2012

Type of Investments	Fair Value	Less than 1 year	1-5 years	More than 5 years
US Treasury notes/bonds	\$ 142,206	137,919	4,287	-
US Treasury bills	255,468	255,468	-	-
US Treasury strips	314,461	314,461	-	-
Investment agreement	10,110	-	-	10,110
Federal Home Loan Mortgage Corp.*	78,151	78,151	-	-
Federal National Mortgage Assoc.*	1,670	1,670	-	-
Federal Home Loan Bank*	41,044	41,044	-	-
Total	\$ 843,110	828,713	4,287	10,110

Fiscal Year 2011

Type of Investments	Fair Value	Less than 1 year	1-5 years	More than 5 years
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	-	-
Total	\$ 724,586	720,794	3,792	-

*Rating on investment was AAA

Notes to Financial Statements

June 30, 2012 and 2011

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 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 \$37 million and \$29 million at June 30, 2012 and 2011, 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 follows an investment policy and asset guidelines approved and monitored by its board of directors. The portfolio is mainly comprised of mutual funds, exchange-traded funds and alternative investments of high quality and liquidity. 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, 2012 and 2011 is as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Cash and money market funds	\$ 147,946	127,801
Non-equities	187,899	240,706
Domestic and international equities	162,910	153,477
Equity partnerships	270,844	264,917
Hedge funds	222,312	230,518
Other investments	38,510	46,157
Total investments	\$ <u>1,030,421</u>	<u>1,063,576</u>
Short-term	\$ <u>315,298</u>	<u>327,921</u>
	<u>2012</u>	<u>2011</u>
State University Campuses	5,908	5,346
Cornell Statutory Colleges	680,908	691,240
Alfred Ceramics	18,891	19,160
Research Foundation	238,585	265,268
Auxiliary Services Corporations	55,030	51,420
State University Construction Fund	31,099	31,142
Total investments	\$ <u>1,030,421</u>	<u>1,063,576</u>

Notes to Financial Statements

June 30, 2012 and 2011

At June 30, 2012 and 2011, 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, 2012 and 2011 are summarized in Table B.

Table A (in thousands)

Investment Type	Market Value	Fiscal Year 2012					Fiscal Year 2011				
		Less than 1 yr	1-5 yrs	6-10 yrs	More than 10 yrs	Less than 1 yr	1-5 yrs	6-10 yrs	More than 10 yrs		
US treasury bills	\$ 10,894	10,894	-	-	-	3,265	3,265	-	-	-	
US treasury notes/bonds	19,933	519	17,676	1,458	280	19,463	2,380	16,964	38	81	
US treasury strips	2,677	2,677	-	-	-	10,872	10,872	-	-	-	
Asset-backed securities	4,004	-	319	2,024	1,661	4,590	1	308	2,630	1,651	
Municipals	3,290	4	326	231	2,729	3,687	241	652	316	2,478	
Repurchase agreements	2,094	2,094	-	-	-	632	632	-	-	-	
Corporate bonds	47,865	12,081	30,909	2,212	2,663	61,072	14,748	40,677	4,934	713	
Commercial Paper	298	298	-	-	-	310	310	-	-	-	
Mutual funds – non-equities	35,923	4,351	7,164	10,763	13,645	56,661	822	1,891	53,774	174	
International – non-equities	22,406	2,194	13,336	3,727	3,149	27,834	5,741	16,302	2,569	3,222	
US government TIPS	4,663	-	17	1,090	3,556	3,358	-	596	-	2,762	
US government agencies	33,852	4,545	25,390	1,362	2,555	48,962	30,436	17,204	137	1,185	
Total investments	\$ 187,899	39,657	95,137	22,867	30,238	240,706	69,448	94,594	64,398	12,266	

Table B (in thousands)

Credit Rating	AAA	AA	A	BBB	BB	B	Other Rating	Not Rated
Investment Type - 2012								
Asset-backed securities	\$ 651	68	107	637	11	250	784	1,496
Municipal bonds	121	1,422	810	7	-	643	73	214
Repurchase agreements	-	-	-	-	-	-	-	2,094
Corporate bonds	233	8,947	18,230	14,030	649	2,206	1,081	2,489
Commercial Paper	-	-	148	-	-	-	-	150
Mutual funds - non-equities*	12,115	1,233	2,621	184	3,192	11	-	16,567
International - non-equities	2,698	1,785	9,711	2,119	1,847	800	-	3,446
US government agencies	-	31,127	-	-	-	177	-	2,548
Total	\$ 15,818	44,582	31,627	16,977	5,699	4,087	1,938	29,004
Investment Type - 2011								
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

*based on average credit quality of holdings

Notes to Financial Statements

June 30, 2012 and 2011

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, 2012 and 2011 was as follows (fair value in thousands):

Currency Denomination	2012	2011
British pound	\$ 7,089	5,139
Euro	5,889	10,063
Japanese yen	5,211	6,738
Hong Kong dollar	4,223	4,687
South Korean won	4,070	3,344
Taiwan dollar	2,011	2,329
Thailand baht	1,718	821
Brazil real cruzeiro	1,621	1,936
Turkish lira	909	636
Swiss franc	898	718
Mexican Nuevo Peso	828	624
Singapore dollar	693	915
Malaysian ringgit	681	792
So. African rand	495	683
Swedish krona	491	748
Australian dollar	407	356
Polish zloty	407	991
Norwegian krone	277	289
Canadian dollar	244	316
Other	2,825	2,058
Total	\$ <u>40,987</u>	<u>44,183</u>

5. Accounts, Notes, and Loans Receivable

At June 30, accounts, notes, and loans receivable were summarized as follows (in thousands) for years 2012 and 2011, respectively:

	2012	2011
Tuition and fees	\$ 69,585	58,667
Allowance for uncollectible	(10,020)	(9,094)
Net tuition and fees	<u>59,565</u>	<u>49,573</u>
Room rent	9,511	9,012
Allowance for uncollectible	(2,230)	(2,100)
Net room rent	<u>7,281</u>	<u>6,912</u>
Patient fees, net of contractual allowances	824,294	677,630
Allowance for uncollectible	(289,623)	(192,778)
Net patient fees	<u>534,671</u>	<u>484,852</u>
Other, net	<u>239,612</u>	<u>195,861</u>
Total accounts and notes receivable	<u>841,129</u>	<u>737,198</u>
Student loans	154,720	155,062
Allowance for uncollectible	(23,746)	(23,224)
Total student loans receivable	<u>130,974</u>	<u>131,838</u>
Total, net	\$ <u>972,103</u>	<u>869,036</u>

6. Capital Assets

Capital assets, net of accumulated depreciation, totaled \$9.09 billion and \$7.96 billion at fiscal year end 2012 and 2011, respectively. Capital asset activity for fiscal years 2012 and 2011 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, 2010	Additions	Closed Projects & Retirements	June 30, 2011	Additions	Closed Projects & Retirements	June 30, 2012
Land	\$ 360,168	21,467	18	381,617	122,881	12	504,486
Infrastructure and land improvements	738,908	44,665	10,506	773,067	62,394	9,431	826,030
Buildings	7,331,241	647,811	35,782	7,943,270	484,851	33,098	8,395,023
Equipment, library books and other	2,545,649	183,213	73,650	2,655,212	250,981	78,940	2,827,253
Construction in progress	<u>1,378,639</u>	<u>1,083,012</u>	<u>663,151</u>	<u>1,798,500</u>	<u>1,311,833</u>	<u>613,523</u>	<u>2,496,810</u>
Total capital assets	<u>12,354,605</u>	<u>1,980,168</u>	<u>783,107</u>	<u>13,551,666</u>	<u>2,232,940</u>	<u>735,004</u>	<u>15,049,602</u>
Less accumulated depreciation:							
Infrastructure and land improvements	365,610	27,900	9,650	383,860	30,485	8,183	406,162
Buildings	3,074,299	202,801	33,684	3,243,416	227,335	27,277	3,443,474
Equipment, library books and other	<u>1,824,300</u>	<u>202,565</u>	<u>67,469</u>	<u>1,959,396</u>	<u>221,303</u>	<u>68,272</u>	<u>2,112,427</u>
Total accumulated depreciation	<u>5,264,209</u>	<u>433,266</u>	<u>110,803</u>	<u>5,586,672</u>	<u>479,123</u>	<u>103,732</u>	<u>5,962,063</u>
Capital assets, net	\$ <u>7,090,396</u>	<u>1,546,902</u>	<u>672,304</u>	<u>7,964,994</u>	<u>1,753,817</u>	<u>631,272</u>	<u>9,087,539</u>

Notes to Financial Statements

June 30, 2012 and 2011

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, 2012 and 2011, other than facilities obligations, which are included as of March 31, 2012 and 2011, 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 were issued for the purpose of financing capital construction and major rehabilitation for

educational facilities in the amount of \$797.8 million. Also, during the year educational facility bonds were issued totaling \$838.1 million in order to refund \$978.6 million of the State University's existing educational facilities obligations. The result will produce an estimated savings of \$65.8 million in future cash flow, with an estimated present value gain of \$50.8 million.

Residence Hall Facilities

The State University has entered into capital lease agreements for residence hall facilities. DASNY bonds for most of the 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 2012 Fiscal Year</i>	July 1, 2011	Additions	Reductions	June 30, 2012	Current Portion
Long-term debt:					
Educational facilities	\$ 6,261,160	1,635,888	1,284,536	6,612,512	316,199
Residence hall facilities	1,139,920	260,000	35,670	1,364,250	42,240
Capital lease arrangements	195,847	61,590	62,541	194,896	51,380
Other long-term debt	162,970	79,566	24,342	218,194	35,655
Total long-term debt	<u>7,759,897</u>	<u>2,037,044</u>	<u>1,407,089</u>	<u>8,389,852</u>	<u>445,474</u>
Other long-term liabilities:					
Postemployment and post-retirement obligations and compensated absences	2,987,355	936,852	402,259	3,521,948	158,362
Loan from State	52,457	52	8,318	44,191	17,244
Litigation	462,575	51,122	11,217	502,480	44,600
Other long-term liabilities	313,636	234,143	22,941	524,838	22,244
Total other long-term liabilities	<u>3,816,023</u>	<u>1,222,169</u>	<u>444,735</u>	<u>4,593,457</u>	<u>242,450</u>
Total long-term liabilities	<u>\$ 11,575,920</u>	<u>3,259,213</u>	<u>1,851,824</u>	<u>12,983,309</u>	<u>687,924</u>

Notes to Financial Statements

June 30, 2012 and 2011

Table D, continued (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>

7. Long-term Liabilities (continued)

During the year, the State University entered into agreements with DASNY to issue residential hall facility obligations totaling \$260 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, 2012, \$1.3 billion and \$119.4 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

Requirements of the long-term debt obligations as of June 30, 2012 are as follows (in thousands):

Fiscal year(s)	Educational Facilities		Residential Facilities		Other		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 316,199	322,292	42,240	65,564	87,035	16,275	445,474	404,131
2014	319,534	317,729	48,410	63,615	71,443	14,072	439,387	395,416
2015	297,139	300,934	51,135	61,353	47,177	12,176	395,451	374,463
2016	231,086	288,531	51,775	58,968	36,295	10,540	319,156	358,039
2017	199,869	277,113	53,090	56,611	22,852	9,282	275,811	343,006
2018-22	1,242,876	1,205,288	277,805	243,500	87,959	28,765	1,608,640	1,477,553
2023-27	1,453,838	887,110	276,335	173,968	28,169	12,196	1,758,342	1,073,274
2028-32	1,166,006	536,349	254,820	107,924	15,175	5,408	1,436,001	649,681
2033-37	972,395	260,324	194,005	51,213	7,580	3,459	1,173,980	314,996
2038-41	413,570	45,365	114,635	11,865	9,405	1,286	537,610	58,516
Total	<u>\$ 6,612,512</u>	<u>4,441,035</u>	<u>1,364,250</u>	<u>894,581</u>	<u>413,090</u>	<u>113,459</u>	<u>8,389,852</u>	<u>5,449,075</u>
	Interest rates range from 3.5% to 7.5%		Interest rates range from 1.62% to 5.75%		Interest rates range from .88% to 9.1%			

Notes to Financial Statements

June 30, 2012 and 2011

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, 2012 was \$44.2 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 \$3.14 billion and \$3.04 billion for the June 30, 2012 and 2011 fiscal years, respectively. The payroll for 2012 and 2011 for State University employees covered by TIAA-CREF was \$1.81 billion for both years, ERS was \$1.19 billion and \$1.09 billion, and TRS was \$133 million and \$135 million, respectively. Employer and employee contributions under each of the plans were as follows for years 2012, 2011, and 2010, respectively (in millions):

Notes to Financial Statements

June 30, 2012 and 2011

8. Retirement Plans (continued)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Employer contributions:			
TIAA-CREF	\$ 202.3	207.8	206.5
ERS	93.4	66.8	42.8
TRS	10.7	8.4	8.4
Employee contributions:			
TIAA-CREF	\$ 21.2	21.4	31.8
ERS	17.4	16.2	15.6
TRS	1.3	1.3	1.3

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

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

As part of the CGH acquisition, the State University assumed the assets and liabilities of a single employer defined benefit plan (Plan) for certain CGH retirees and those employees that elected to stay in the Plan. For those that opted out of the Plan, their benefit accruals were frozen. No new participants can enter this plan. The Plan issues stand alone financial statements on a calendar year (i.e., December 31). The annual required contribution (ARC) was determined as part of the actuarial valuation using the projected unit credit actuarial cost method. The funding policy is to contribute enough to the Plan to satisfy the ARC and the employer contributions for the year were \$1.2 million. Employees do not contribute to the Plan. The actuarial accrued liability at December 31, 2011 was \$81.7 million and Plan assets were

\$71 million. At June 30, 2012 the State University has a net pension obligation of \$10.7 million.

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, 2012 and 2011 was \$372 million and \$361 million, respectively. The Research Foundation pension contributions for fiscal years 2012 and 2011 were \$32 million and \$31 million, respectively. These contributions are equal to 100 percent of the required contributions for each year.

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 and retiree contribution rates for NYSHIP are established by the State and are generally 12 percent, and range from 10 to 16 percent for enrollee coverage. The dependent coverage rate is 27 percent and range from 25 to 31 percent. 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 \$236.7 million. The State University's OPEB obligation and funded status of the plan for the years ended June 30, 2012, 2011, and 2010 were as follows (in thousands):

Notes to Financial Statements

June 30, 2012 and 2011

8. Retirement Plans (continued)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual OPEB cost	\$ 783,713	814,059	638,847
Benefits paid	(236,745)	(220,690)	(209,847)
Increase in OPEB Obligation	546,968	593,369	429,000
Net obligation at beginning of year	<u>2,531,987</u>	<u>1,938,618</u>	<u>1,509,618</u>
Net obligation at end of year	<u>\$ 3,078,955</u>	<u>2,531,987</u>	<u>1,938,618</u>
Funded Status:			
Actuarial accrued liability (AAL)	12,200,313	12,200,313	9,559,575
Actuarial value of OPEB plan assets	-	-	-
Unfunded AAL (UAAL)	<u>\$ 12,200,313</u>	<u>12,200,313</u>	<u>9,559,575</u>
Actuarial valuation date	4/1/10	4/1/10	4/1/08
Funded ratio	-	-	-
Covered payroll	3,140,693	3,036,860	3,007,791
UAAL as a % of covered payroll	388%	402%	318%

The components of the State University's OPEB obligation include the total annual required contribution (ARC) of \$778.5 million (comprised of service costs of \$310.7 million, amortization of unfunded actuarial liability of \$439.1 million, and interest costs of \$28.7 million), ARC reduction of \$91.7 million, and interest costs of \$97 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. In November 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 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 2011 calendar year.

The Research Foundation's OPEB obligation and funded status of the plan for the years ended June 30, 2012, 2011, and 2010, respectively, were as follows (in thousands):

Notes to Financial Statements

June 30, 2012 and 2011

8. Retirement Plans (continued)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual OPEB cost	\$ (14,726)	18,727	37,843
Benefits paid	(9,638)	(7,276)	(6,341)
Contribution to plan	<u>(6,816)</u>	<u>(8,829)</u>	<u>(9,241)</u>
Change in OPEB Obligation	(31,180)	2,622	22,261
Net obligation at beginning of year	<u>213,660</u>	<u>211,038</u>	<u>188,777</u>
Net obligation at end of year	<u>\$ 182,480</u>	<u>213,660</u>	<u>211,038</u>
Funded Status:			
Actuarial accrued liability (AAL)	298,166	278,695	290,340
Actuarial value of OPEB plan assets	<u>106,602</u>	<u>101,424</u>	<u>80,446</u>
Unfunded AAL (UAAL)	<u>\$ 191,564</u>	<u>177,271</u>	<u>209,894</u>
Actuarial valuation date	6/30/12	6/30/11	6/30/10
Funded ratio	36%	36%	28%
Covered payroll	245,039	241,069	237,838
UAAL as a % of covered payroll	78%	74%	88%

The components of the Research Foundation OPEB obligation at June 30, 2012 include the total annual required contribution (ARC) of \$198.9 million (comprised of service costs of \$9.2 million and amortization of unfunded actuarial accrued liability of \$189.7 million), ARC reduction of \$228.6 million, and interest costs of \$15.0 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, 2012, these outstanding contract commitments totaled approximately \$1.9 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, 2012 and 2011 under such operating leases were \$59.4 million and \$52.9 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:

2013	\$ 72,492
2014	83,956
2015	79,135
2016	71,830
2017	65,963
2018-22	229,092
2023-27	47,113
2028-98	<u>58,341</u>
Total	<u>\$ 707,922</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

Notes to Financial Statements

June 30, 2012 and 2011

10. Contingencies (continued)

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, the medical malpractice liability includes incurred but not reported (IBNR) loss estimates. The estimate of IBNR losses is actuarially determined based on historical experience using a discounted present value of estimated future cash payments. The State University has recorded a liability and a corresponding appropriation receivable of approximately \$502 million and \$463 million at June 30, 2012 and 2011, respectively (almost entirely related to hospitals and clinics).

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 University employees, and litigation expenses for which the State is responsible. State appropriations totaled \$2.93 billion and \$2.92 billion and represented approximately 31 percent and 32 percent of total revenues for the 2012 and 2011 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

The State University was a defendant in litigation to resolve a dispute over the price paid for land in an eminent domain action. The New York Court of Claims issued an opinion awarding the plaintiff what it was seeking plus interest. In July, 2012, the plaintiff was paid \$167.5 million, which was recorded as a liability at June 30, 2012.

In September 2012, the State University entered into agreements with DASNY to issue obligations totaling \$235 million for the purpose of financing capital construction and major rehabilitation for residential hall facilities and to refinance the State University's existing residential hall obligations.

Personal Income Tax Revenue Bonds were also issued in October 2012 for the purpose of financing capital construction and major rehabilitation for educational facilities and to refinance the State University's existing educational facility obligations in the amount of \$495 million.

Notes to Financial Statements

June 30, 2012 and 2011

13. Subsequent Events (continued)

In September 2012, the State University provided a loan of \$75 million to the SUNY Health Science Center at Brooklyn pursuant to an approved SUNY Board of Trustees resolution. Funds were made available for the loan from State University unrestricted reserves. The term of the loan is not to exceed 10 years after repayment of the loan begins.

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 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.

In May 2011, the State University acquired Long Island College Hospital (LICH) through an asset purchase agreement. As part of this agreement, the Health Science Center at Brooklyn Foundation, Inc. (HSCB) recognized \$32.7 million in assets from this acquisition. In addition, a separate corporation, Staffco of Brooklyn, LLC (Staffco) was created. Staffco is a single member corporation of HSCB and was established to provide professional and non-professional staffing to the SUNY Health Science Center at Brooklyn.

During the years ended June 30, 2012 and 2011, the foundations distributed \$64.2 million and \$43.2 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

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 all of the foundations. Under the accounting standards, 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.

Notes to Financial Statements

June 30, 2012 and 2011

14. Foundations (continued)

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 \$1.5 billion and \$1.4 billion as of June 30, 2012 and 2011, respectively.

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

	<u>2012</u>	<u>2011</u>
Equities - domestic	\$ 464,931	430,246
Equities - international	227,848	243,350
Non-equities	381,602	315,194
Hedge funds	155,101	145,176
Multi-strategy funds	99,758	99,084
Equity partnerships	98,293	84,501
Real assets	56,825	58,584
Other investments	10,094	10,884
Total investments	<u>\$ 1,494,452</u>	<u>1,387,019</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 \$502.9 million and \$481.3 million at fiscal year end 2012 and 2011, respectively. Capital asset classifications are summarized as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Land and land improvements	\$ 38,567	32,935
Buildings	548,345	390,746
Equipment	28,007	23,814
Artwork and library books	23,502	22,932
Construction in progress	2,719	129,510
Total capital assets	<u>641,140</u>	<u>599,937</u>
Less accumulated depreciation	<u>138,259</u>	<u>118,595</u>
Capital assets, net	<u>\$ 502,881</u>	<u>481,342</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:

2013	\$ 46,593
2014	10,719
2015	10,410
2016	10,623
2017	11,244
Thereafter	<u>367,927</u>
	<u>\$ 457,516</u>



ANNUAL FINANCIAL REPORT 2012

The State University of New York
State University Plaza
Albany, NY 12246
www.suny.edu