THE RESEARCH FOUNDATION FOR THE STATE UNIVERSITY OF NEW YORK

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

THE RESEARCH FOUNDATION FOR
THE STATE UNIVERSITY OF NEW YORK

Table of Contents

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Directors
The Research Foundation for The State University of New York:

We have audited the accompanying financial statements of The Research Foundation for The State University of New York (RF), which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Research Foundation for The State University of New York as of June 30, 2014 and 2013, and the changes in its net deficit and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Albany, New York
September 30, 2014

THE RESEARCH FOUNDATION FOR
THE STATE UNIVERSITY OF NEW YORK

Balance Sheets

June 30, 2014 and 2013

Assets		**2014**	**2013**
Current assets:			
Cash and cash equivalents	$	219,200	892,331
Accounts receivable, net		236,460,187	217,354,949
Advances to others		9,786,123	13,451,528
Investments		204,291,066	185,014,017
Due from broker for securities sold		4,769,930	333,358
Other assets		7,778,487	3,343,596
Total current assets		463,304,993	420,389,779
Noncurrent assets:			
Fixed assets, net		141,067,205	71,882,292
Intangible assets, net		65,605,630	75,639,031
Other assets		41,552,324	25,579,225
Total noncurrent assets		248,225,159	173,100,548
Total assets	$	711,530,152	593,490,327
Liabilities and Net Deficit			
Current liabilities:			
Accounts payable and accrued expenses	$	86,826,254	85,025,036
Accrued compensation		10,290,934	13,377,599
Accrued leave		30,407,655	29,634,790
Deferred revenue		150,274,576	137,603,158
Deposits held for others		27,361,223	4,465,447
Current portion of capital lease obligations		7,037,035	6,738,508
Current portion of long-term debt		1,165,631	1,150,878
Line of credit		6,300,000	25,096,988
Total current liabilities		319,663,308	303,092,404
Noncurrent liabilities:			
Deposits held for others		—	1,135,745
Postretirement benefit obligation		278,648,537	280,604,038
Deferred revenue		152,450,318	53,034,270
Capital lease obligations, net of current portion		3,632,983	10,670,018
Long-term debt, net of current portion		7,230,870	8,542,662
Other liabilities		6,302,916	5,260,743
Total noncurrent liabilities		448,265,624	359,247,476
Total liabilities		767,928,932	662,339,880
Unrestricted net assets (deficit):			
Available for operations		62,597,474	55,672,428
Reserve for future post-retirement benefit costs		(118,996,254)	(124,521,981)
Total net deficit		(56,398,780)	(68,849,553)
Total liabilities and net deficit	$	711,530,152	593,490,327

See accompanying notes to financial statements.

THE RESEARCH FOUNDATION FOR
THE STATE UNIVERSITY OF NEW YORK

Statements of Activities

Years ended June 30, 2014 and 2013

		2014	2013
Revenue:			
Grants awarded for research and other sponsored activities:			
Federal	$	354,576,615	382,783,708
Federal flow through		145,111,559	149,797,157
New York State		188,370,223	193,004,524
Private and other		230,039,324	289,646,332
Total grants awarded for research and other sponsored activities		918,097,721	1,015,231,721
Investment income, net		20,067,417	11,388,943
Inventions and licenses income		20,278,155	7,847,137
Other income		43,497,543	45,035,593
Total revenue		1,001,940,836	1,079,503,394
Expenses:			
Sponsored programs and other activities		790,813,430	861,800,208
Other program expenses		38,201,028	34,429,287
Administration and support		166,001,332	171,629,729
Total expenses		995,015,790	1,067,859,224
Change in net assets from revenues and expenses		6,925,046	11,644,170
Other changes:			
Transfer to affiliate organization FRMC		—	(3,500,000)
Postretirement related change other than net periodic benefit gains		5,525,727	34,340,019
Change in net assets		12,450,773	42,484,189
Net deficit at beginning of year		(68,849,553)	(111,333,742)
Net deficit at end of year	$	(56,398,780)	(68,849,553)

See accompanying notes to financial statements.

THE RESEARCH FOUNDATION FOR
THE STATE UNIVERSITY OF NEW YORK

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	2014	2013
Cash flow from operating activities:		
Federal grants and contracts	$ 497,122,427	538,966,544
State and local grants and contracts	269,154,563	143,125,611
Private gifts and grants	269,940,551	303,694,245
Other receipts	264,860,139	252,308,309
Salaries and wages payments	(404,974,774)	(401,856,145)
Employee benefits payments	(151,460,348)	(146,085,800)
Payments to suppliers and vendors	(549,420,197)	(596,421,632)
Operating interest, dividends and investment gains	1,930,425	2,335,660
Distribution from BSA partnership	1,527,145	1,415,823
Interest payments on capital debt and notes	(816,083)	(1,108,208)
Other payments	(81,197,190)	(107,428,220)
Net cash provided by (used in) operating activities	116,666,658	(11,053,813)
Cash flows from investing activities:		
Proceeds from sales of investments	350,591,844	390,621,707
Purchases of investments	(356,149,579)	(329,923,260)
Cash paid for purchases of fixed and intangible assets	(84,949,519)	(39,479,399)
Net cash (used in) provided by investing activities	(90,507,254)	21,219,048
Cash flows from financing activities:		
Principal payments on long-term debt	(8,035,547)	(7,109,491)
Proceeds from line of credit	58,020,435	39,340,964
Payments on line of credit	(76,817,423)	(42,420,423)
Net cash used in financing activities	(26,832,535)	(10,188,950)
Net decrease in cash and cash equivalents	(673,131)	(23,715)
Cash and cash equivalents, beginning of year	892,331	916,046
Cash and cash equivalents, end of year	$ 219,200	892,331
Reconciliation of change in net assets to net cash used by operating activities:		
Change in net assets	$ 12,450,773	42,484,189
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Realized and unrealized gains on investments	(17,098,205)	(7,639,789)
Change in fair value of interest rate swap	(14,717)	(403,997)
Net change in equity investment of BSA partnership	488,358	(78,923)
Depreciation and amortization	37,025,118	27,740,620
Loss on disposal of fixed assets	184,753	89,139
Accretion of deferred gain on sale leaseback transaction	(6,750,000)	(7,875,000)
Donated fixed assets	(4,661,875)	(24,216,900)
Change in assets and liabilities that provide (use) cash:		
Accounts receivable and other assets	(35,847,823)	5,445,244
Accrued investment income	1	74
Accounts payable and accrued expenses	(6,615,570)	(11,381,234)
Other accruals and other liabilities	1,702,847	(1,808,211)
Deferred revenue	112,087,466	17,963,100
Deposits held for others	21,760,031	(28,396,163)
Postretirement benefit obligation	1,955,501	(22,975,962)
Net cash provided by (used in) operating activities	$ 116,666,658	(11,053,813)

See accompanying notes to financial statements.

(1) Organization

The Research Foundation for The State University of New York (RF) exists to serve the State University of New York (SUNY) and to capitalize on the scope, scale, and diversity of SUNY as an engine of New York State's innovation economy. The RF provides essential sponsored programs administration and innovation support services to SUNY faculty, students and staff who perform life-changing research in life sciences and medicine; engineering and nanotechnology; physical sciences and energy; social sciences; and computer and information sciences.

The RF manages SUNY's research portfolio assisting SUNY faculty, students and staff through every step of the research grant process, allowing them to focus on their work and ensuring compliance with SUNY, grant sponsor and government requirements.

The RF protects SUNY's intellectual property and connects business and industry to SUNY faculty to commercialize their inventions for the public good. The RF offers a full complement of seed funding, technology transfer and business development services that fuel innovation and promote entrepreneurship and economic development.

Aligned with SUNY's Research Innovation Strategy and New York's Innovation Agenda, the RF invests in and helps manage programs that maximize the collective impact of SUNY research. Examples include the SUNY Networks of Excellence, the Technology Accelerator Fund, the SUNY Entrepreneur-In-Residence Program and START-UP NY.

The RF comprises a central office and operating units at 31 campus locations across New York State. RF business conducted on campuses is supervised by RF operations managers who report to and are appointed by the RF's president on recommendation by campus presidents.

The RF is led by a president who also serves as SUNY's Vice Chancellor for Research. The RF is governed by a diverse board of directors drawn from business, industry, research, and higher education administration.

The RF is a private nonprofit educational corporation that is tax exempt under Internal Revenue Code (IRC) Section 501(c)(3).

(2) Summary of Significant Accounting Polices

(a) Basis of Presentation

The accompanying financial statements of the RF are presented consistent with the Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 958, which addresses the presentation of financial statements for not-for-profit organizations. The RF currently has no donor-imposed restrictions, and therefore all net assets are unrestricted and available for operations.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amounts of liabilities and net assets and disclosures of contingencies as of the date of the financial statements and the reported amount of change in net assets during the reporting period. The most significant areas, which are affected by the use of estimates include allowances for doubtful receivables, valuation of certain alternative investments, useful lives of fixed assets and intangible assets, and certain actuarial assumptions that affect the postretirement benefit obligation. Actual results could differ from those estimates and the differences between estimates and actual results could be significant.

(c) Revenue Recognition

Grants awarded for research and other sponsored activities represent exchange transactions derived from grants, cost reimbursement contracts, and cooperative agreements that provide for the recovery of direct and indirect costs, and are subject to sponsor audit. Grants and contracts awarded for research and other sponsored activities are recognized only to the extent of direct costs incurred, in the year in which the costs are eligible for reimbursement. Amounts received in excess of expenditures are recorded as deferred revenue. The RF funds its operations primarily from recoveries of indirect costs provided from grants and contracts. Such recoveries are recorded in the year in which the costs are eligible for reimbursement.

Investment income or loss includes dividends and interest, realized and unrealized gains and losses, and equity adjustments from the RF's investment in the Brookhaven Science Associates partnership.

Inventions and licenses income consists of royalties received from licenses. The income is distributed based on SUNY's policy of apportioning up to 40% of the income to the inventors and the remaining 60% to the campuses. Campus shares of the income, spent under the provisions of the Bayh-Dole Act, and inventors' shares are reflected in the RF's administration and support expenses.

Other income consists of third-party service center revenue, nonsponsored income from activities such as fees for the use of the automated grants accounting system, and fees earned for administering agency funds such as fiscal and personnel staffing agreements.

(d) Cash Equivalents

For the purpose of presenting the statements of cash flows, cash equivalents include short-term, highly liquid investments with an original maturity of three months or less at the time of purchase, exclusive of amounts classified as investments. As more fully described in note 5, cash equivalents are stated at fair value and are considered a Level 1 financial asset.

(e) Investments

Investments are reported at fair value pursuant to ASC Topic 820, *Fair Value Measurement*. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 5 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis of accounting. The average original purchase price of securities is used to determine the basis for computing realized gains or losses.

See note 9 for information related to investments held by the RF's postretirement benefit plan.

(f) Fixed and Intangible Assets

The title to equipment purchased using sponsored funds is generally retained by the grantor institution until such time as final disposition is determined. Accordingly, purchases of equipment charged to the respective grant or contract are not capitalized, except for assets purchased under a sponsored program that has the purpose of economic development or research infrastructure.

Fixed and intangible assets are stated at cost, net of accumulated depreciation and amortization, and are depreciated on a straight-line basis over the estimated useful lives of the assets. Using historical and industry experience, estimated useful lives, with the exception of land, range from five to 50 years. The RF monitors its long-lived assets for impairment indicators. If impairment indicators existed, the RF would perform the required analysis and, if applicable, would record impairment charges.

Upon sale or retirement of capitalized assets, the cost and the related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss is recorded. Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was $37.0 million and $27.7 million, respectively.

(g) Capital Leases

The RF periodically may engage in sale-leaseback transactions for capital equipment. As of June 30, 2014, there are two such transactions reflected in these financial statements. Each sale-leaseback was originally for $13.5 million, for a total of $27.0 million. Both transactions required treatment as capital leases, with ownership of the underlying assets reverting to the RF at the end of the four-year lease terms. See note 7 and note 11.

(h) Derivative Instruments and Hedging Activities

The RF accounts for derivative instruments in accordance with the ASC Topic 815, *Derivatives and Hedging*, which requires that all derivative instruments be reported in the financial statements at fair value regardless of the purpose or intent for holding them. The RF currently has an interest rate swap that is adjusted to fair value, through net deficit. See note 6 and note 11.

(i) Deferred Revenue

Deferred revenue represents three types of activities: (1) surplus amounts for sponsored program activity that occur when funds are received in advance of spending, (2) surplus amounts on balance awards that represent the balance of funds that remain after termination of a project (either grant or contract) supported by a fixed price award, which can be used in the future to support research, and (3) surplus balances related to service centers that are established and maintained to provide a specific service to sponsored programs and other users.

Amounts estimated to be realized over a period greater than one year are reflected in noncurrent deferred revenue on the balance sheets and primarily stem from capitalized equipment purchased under sponsored programs related to economic development.

(j) Accrued Leave

RF employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation up to a maximum of 30 days. Employees are not reimbursed for accumulated sick leave at termination; however, as described in note 10, upon retirement up to 200 days of accumulated sick leave is considered in the computation of retirement benefits. The RF has recorded an accrual for the net obligation under this benefit amounting to $2.4 million and $2.2 million as of June 30, 2014 and 2013, respectively.

(k) Postretirement Benefit Obligation

As noted in note 9, the RF has a defined medical benefit postretirement plan covering substantially all of its nonstudent employees upon their retirement. The RF's postretirement obligations are based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases, turnover rates, and healthcare cost trend rates. The RF reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in other changes to net assets and amortized to net periodic cost over future periods using the 10% corridor method. The net periodic costs are recognized as employees render the services necessary to earn the postretirement benefits.

The RF maintains a Voluntary Employee Benefit Association (VEBA) trust for the postretirement benefit plan. The assets held in the VEBA trust reduce the accumulated postretirement benefit obligation, as reported on the RF's balance sheet.

(l) Other Information

Accounts receivable as of June 30, 2014 and 2013 are reported net of an allowance for doubtful accounts of approximately $9.3 million and $9.4 million, respectively.

Advances to others and deposits held for others represent amounts related to agency activity at the campus and affiliated organization locations. Agency activity refers to those university-related organizations, such as campus-based foundations or campus-based clinical practice plans that use RF-provided human resources, payroll, and purchasing and payables administration services. Included in the June 30, 2013 noncurrent deposits held for others were planned gifts donated to RF to ultimately benefit the campus foundations of approximately $1.1 million; these balances were transferred to the campus foundations during fiscal 2014.

Various SUNY employees perform work on RF sponsored grants. SUNY pays these employees directly, and is reimbursed by the RF on a monthly basis. The related amounts due to SUNY are included in accrued compensation and consist of both a known and estimated component. The total liability to SUNY at June 30, 2014 and 2013 is approximately $7.4 million and $7.0 million, respectively.

(Continued)

(m) Fair Value of Financial Instruments

The carrying amounts of accounts receivable, other current assets, accounts payable and accrued expenses, and deposits held for others approximate fair value due to the short maturity of these financial instruments. The RF has two long-term notes receivable: a note from the University at Buffalo Associates (UBA) and a note from the New York Genome Center (NYGC); see note 6. In both cases, no bad debt allowance is considered necessary as of June 30, 2014 and no adverse information on collectability has been received as of financial statement issuance date.

The carrying amount of long-term debt and the line of credit approximate fair value because these loans bear interest at a variable rate that is not significantly different than current market rates for loans with similar maturities and credit quality. See note 5 for additional information regarding fair value considerations with respect to investments.

(n) Tax Status

The RF has been determined by the Internal Revenue Service to be an organization described in Internal Revenue Code (the Code) Section 501(c)(3) and, therefore, is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The RF follows the provisions of ASC Subtopic 740-10, *Income Taxes – Overall*. Pursuant to ASC Subtopic 740-10, management has determined there are no uncertain tax positions as of June 30, 2014 and 2013.

(o) Reclassifications

Certain 2013 amounts have been reclassified to conform to the 2014 presentation.

(3) Affiliated Organizations

The RF has 13 affiliated organizations as of June 30, 2014 that have been established to facilitate partnerships and accelerate the growth of sponsored program and applied research opportunities at SUNY. The affiliated organizations are as follows:

(a) Binghamton Center for Emerging Technologies

Binghamton Center for Emerging Technologies was a private, not-for-profit corporation formed by the RF (acting on behalf of Binghamton University) and Endicott Interconnect Technologies. This corporation was dissolved during fiscal year 2014.

(b) BioBAT Holdings, Inc.

BioBAT Holdings, Inc. is a private, not-for-profit corporation formed by the RF (acting on behalf of SUNY Downstate Medical Center) and the New York City Economic Development Corporation (on behalf of the City of New York). It was established to provide further support for the development of the Brooklyn Army Terminal by providing a vehicle through which active development and construction could be facilitated in support of the mission and purpose of BioBAT, Inc.

(c) BioBAT, Inc.

BioBAT, Inc. is a private, not-for-profit corporation formed by the RF (acting on behalf of SUNY Downstate Medical Center) and the New York City Economic Development Corporation (acting on behalf of the City of New York) to develop the Brooklyn Army Terminal into a site for biotechnology expansion, manufacturing, and research. This facility will provide a committed location in New York City where new and growth stage biotechnology and biopharmaceutical companies can expand, create jobs, and manufacture products for market.

(d) Broad Hollow Bioscience Park, Inc.

Broad Hollow Bioscience Park, Inc. is a not-for-profit corporation formed by the RF (acting on behalf of Farmingdale State College) and Cold Spring Harbor Laboratory to operate an incubator facility on the Farmingdale State campus. Its purpose is to assist in the economic development of the region by attracting public and private funds to further biotechnology development through the commercialization of new technologies and the creation of new companies and new jobs.

(e) Brookhaven Science Associates, LLC

Brookhaven Science Associates, LLC (BSA) is a not-for-profit limited liability company formed by the RF (acting on behalf of Stony Brook University) and Battelle Memorial Institute (Battelle). In 1998, the U.S. Department of Energy selected BSA to operate Brookhaven National Laboratory. BSA profits and losses are allocated 50% each to Battelle and the RF; Battelle and the RF each made an initial capital contribution of $125,000 in 1998.

The accompanying financial statements of the RF include its share of the net earnings/loss of BSA based on the operating results for the years ended June 30, 2014 and 2013. The RF records distributions received as a reduction of the investment balance.

(f) Buffalo 2020 Development Corporation

Buffalo 2020 Development Corporation was formed by the RF (acting on behalf of University at Buffalo) in partnership with FNUB, Inc., a subsidiary of the University at Buffalo Foundation, in an effort to enable the purchase, development, and construction of research-based facilities and infrastructure on University at Buffalo property on the downtown Buffalo, New York campus. These facilities will support the research, academic and economic development mission of the SUNY campus at Buffalo.

(g) Central New York Biotechnology Research Center, Inc.

Central New York Biotechnology Research Center (CNYBRC) was a private, not-for-profit corporation formed by the RF (acting on behalf of SUNY Upstate Medical University and SUNY College of Environmental Science and Forestry), Metropolitan Development Association of Syracuse and Central New York, LeMoyne College and Syracuse University. CNYBRC was dissolved during fiscal year 2014.

(h) CUBRC, Inc.

CUBRC, Inc. is a private, not-for-profit corporation formed by the RF (acting on behalf of the University at Buffalo) and, as of November 2013, the James H. Cummings Foundation, the Margaret L. Wendt Foundation and the John R. Oshei Foundation. CUBRC, Inc.'s mission is to leverage the capabilities of scientists from academia and industry to expand capability and to provide economic and industrial growth opportunities in Western New York. CUBRC, Inc. competes for research programs that would not otherwise be available to the University at Buffalo.

(i) Downstate Technology Center, Inc.

Downstate Technology Center, Inc. is a private, not-for-profit corporation formed by the RF (acting on behalf of SUNY Downstate Medical Center) in partnership with the Health Science Center at Brooklyn Foundation, Inc. to provide a vehicle for the construction of an advanced biotechnology incubator adjacent to the SUNY Downstate Medical Center. The facility seeks to advance medical research, provide incubator space and assist in the economic development of the Borough of Brooklyn.

(j) Fort Schuyler Management Corporation

Fort Schuyler Management Corporation (FSMC) is a private, not-for-profit corporation, formed by the RF (acting on behalf of the SUNY Institute of Technology (SUNYIT)) in partnership with the SUNYIT Foundation. FSMC will facilitate the construction of a nanotechnology and semiconductor development and manufacturing facility adjacent to the SUNYIT campus in partnership with local economic development institutions. FSMC will advance the growth of an emerging nanotechnology and semiconductor research and development cluster in New York.

(k) Fuller Road Management Corporation

Fuller Road Management Corporation (FRMC) is a private, not-for-profit corporation formed by the RF (acting on behalf of the University at Albany) and the University at Albany Foundation. FRMC provides a vehicle for the construction of comprehensive research facilities at the College of Nanoscale Science and Engineering (CNSE) in an effort to promote the advancement of the research portfolio, as well as to assist in the development of early and late stage companies, the creation of jobs, and the development of the region's economy.

In May 2005, the RF, as tenant, and FRMC, as landlord, executed an agreement for the lease of clean room facilities, which are used for nanotechnology-related research and development at CNSE. Rent payments made by the RF pursuant to the agreement for each of the years ended June 30, 2014 and 2013 were approximately $7.0 million. The annual rental payment may escalate annually at a rate not to exceed one percent. The term of the lease is from May 20, 2005 through September 30, 2035.

In November 2011, the RF, as tenant, and FRMC, as landlord, executed an agreement for a second lease of clean room facilities, which are used for nanotechnology research and development activities at the NanoFabXtension (NFX) facility at CNSE. The term of the lease payments is from January 1, 2013 through December 31, 2021, at an annual amount of $36.0 million.

The annual minimum lease payment commitments for both of these leases are shown in note 14.

(l) Long Island High Technology Incubator

Long Island High Technology Incubator (LIHTI) is a private, not-for-profit corporation formed by the RF (acting on behalf of Stony Brook University) and the Stony Brook Foundation, Inc. LIHTI's mission is the development of new high-technology companies in a limited number of overlapping technology growth areas including biotechnology, environmental technologies, electronics, information technology, and new materials technology.

(m) New York Maritime College Sailing Foundation, Inc.

New York Maritime College Sailing Foundation, Inc. (NYMCSF) was a private, not-for-profit corporation formed by the RF to support sailing programs at the State University of New York Maritime College. This corporation was never funded or active, and was dissolved during fiscal year 2014.

(n) New York Genome Center LLC

New York Genome Center (NYGC) is a private, nonprofit corporation formed in an effort to leverage the collaborative resources of leading academic medical centers, research universities, and commercial organizations. The RF (acting on behalf of Stony Brook University) participates in NYGC as an Institutional Founding Member. The vision of NYGC is to transform medical research and clinical care in and around New York City through the creation of what will become one of the largest genomics and bioinformatics facilities in North America. NYGC's other members include an array of New York-based universities and health institutions.

(o) SUNY Fredonia Technology Incubator, Inc.

SUNY Fredonia Technology Incubator, Inc. (SFTI) is a private not-for-profit corporation formed by the RF (acting on behalf of SUNY Fredonia) and the Fredonia College Foundation to develop and manage a technology incubator facility in Dunkirk, New York for the benefit of the State University of New York, SUNY Fredonia, and Western New York State. The incubator houses new technology companies in order to further the early stage business capacity of the region, create jobs, and promote economic development.

(p) U.S. Photovoltaic Manufacturing Consortium, Inc.

The Photovoltaic Manufacturing Consortium (PVMC) is a private, not-for-profit corporation, formed by the RF (acting on behalf of CNSE) and Sematech, Inc. to facilitate an industry-led consortium for cooperative research and development among industry, university, and government partners to accelerate the development, commercialization, and manufacturing of next-generation solar photovoltaic (PV) systems. Through its programs and advanced manufacturing development facilities, PVMC is a proving ground for innovative solar technologies and manufacturing processes.

(Continued)

(4) Investments

Investments by type consist of the following as of June 30:

		2014	2013
Cash equivalents	$	38,008,299	24,688,851
Mutual funds		54,250,962	64,179,587
Exchange traded funds		7,285,357	12,229,857
Alternative investments		100,679,389	79,433,427
Other		1,218,074	1,144,952
Total investments carried at fair value		201,442,081	181,676,674
Investment in BSA partnership		2,848,985	3,337,343
Total	$	204,291,066	185,014,017

Alternative investments primarily consist of diversified investments of hedge funds and private equity funds in various investment vehicles, such as limited liability partnerships and corporations. See note 5 for discussion of fair value measurements.

The RF’s investments are kept in pools based on business needs. Short-term needs are covered by holdings in short-term and liquid pools, while the remainder of the investments are kept in medium-duration and long-duration investment pools depending on expected duration of funds and spending needs. As a result of these diverse needs, risk and duration are varied to ensure these needs are met. For example, the short-term pool includes more liquid assets, the medium duration allocations include fixed-income bond funds, absolute return hedge funds, hedged equities, and equity funds, and the long duration pool includes private equity funds, hedged equities, and real estate funds.

During the 2012 fiscal year, the RF had designated $10 million of its investments as collateral for a loan between the Dormitory Authority of the State of New York (DASNY) and SUNY Upstate Medical University (Upstate Medical) to effectuate the latter’s purchase of Community General Hospital. This collateral balance is being released over the 10-year term of the loan between DASNY and Upstate Medical. The pledged collateral balance was $8.5 million and $9.5 million as of June 30, 2014 and 2013, respectively. See note 11 for information on a related demand note taken out by the RF in order to obtain the full collateral required by DASNY.

The following is the composition of net investment income for the years ended June 30:

		2014	2013
Dividends and interest	$	1,930,425	2,254,408
Net realized and unrealized gains		17,098,205	7,639,789
Income from investment in BSA partnership		1,038,787	1,494,746
Total return on investments	$	20,067,417	11,388,943

(5) Fair Value Measurements

Fair value is measured in accordance with ASC Topic 820. The three levels of the fair value hierarchy established under ASC Topic 820 are described below:

Level 1: Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that are assessable at the measurement date.

Level 2: Inputs are other than quoted prices in active markets that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies.

Level 3: Inputs are unobservable and are used to measure fair value to the extent that observable inputs are not available.

The following is a description of the valuation methodologies used for investments measured at fair value:

U.S. government securities, mutual and exchange traded funds are valued based on quoted market prices or dealer quotes, where available (Level 1 measurement). When quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. When necessary, the RF utilizes matrix pricing from a third party vendor to determine fair value pricing (Level 2 measurement).

The RF's various alternative investments are typically redeemable with the fund at Net Asset Value (NAV) under the terms of the investment agreements. The estimation of fair value of alternative investments is made using NAV per share or its equivalent as a practical expedient. The RF owns interests in funds rather than in securities or assets underlying each fund. The NAV is derived primarily using fair values of the underlying holdings. The level in the fair value hierarchy in which each investment's fair value is classified is based primarily on the RF's ability to redeem its interests in each account at or near the date of the balance sheet (Level 2 or 3 measurement).

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although RF believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Financial instruments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following tables summarize, as of June 30, 2014 and 2013, the RF's investments that are measured at fair value on a recurring basis as well as the liquidity redemption and notification provisions:

	2014					
	Level 1	Level 2	Level 3	Total	Redemption frequency	Days notice
Investments:						
Cash equivalents	$ 38,008,299	—	—	38,008,299	Daily	1
Mutual funds:						
U.S. government fixed income	18,030,713	—	—	18,030,713	Daily	1
U.S. corporate credit securities	1,226,784	—	—	1,226,784	Daily	1
U.S. equities	8,416,071	—	—	8,416,071	Daily	1
Commodities	5,050,322	—	—	5,050,322	Daily	1
Foreign equities	16,995,746	—	—	16,995,746	Daily	1
Real estate	4,531,326	—	—	4,531,326	Daily	1
Exchange traded funds:						
Real estate	4,515,274	—	—	4,515,274	Daily	4
Foreign equities	2,770,083	—	—	2,770,083	Daily	4
Alternative investments:						
Absolute multistrategy return	—	39,667,882	—	39,667,882	Quarterly	45 to 95
U.S. corporate credit securities	—	6,026,400	—	6,026,400	Quarterly	30
Foreign corporate credit securities	—	2,949,709	—	2,949,709	Mthly/Qtrly	45
Global equities	—	4,785,807	—	4,785,807	Annual	90
Hedged equities	—	31,264,663	—	31,264,663	Quarterly	95
U.S. equities	—	7,775,874	—	7,775,874	Quarterly	45
Private equity	—	—	8,209,054	8,209,054	See (a) below	N/A
Other	1,218,074	—	—	1,218,074	Daily	4
Total	$ 100,762,692	92,470,335	8,209,054	201,442,081		

	2013					
	Level 1	**Level 2**	**Level 3**	**Total**	**Redemption frequency**	**Days notice**
Investments:						
Cash equivalents	$ 24,688,851	—	—	24,688,851	Daily	1
Mutual funds:						
U.S. government fixed income	19,777,210	—	—	19,777,210	Daily	1
U.S. corporate credit securities	2,928,819	—	—	2,928,819	Daily	1
U.S. equities	10,910,632	—	—	10,910,632	Daily	1
Foreign equities	26,411,359	—	—	26,411,359	Daily	1
Real estate	4,151,567	—	—	4,151,567	Daily	1
Exchange traded funds:						
Real estate	4,375,526	—	—	4,375,526	Daily	4
Commodities	7,854,331	—	—	7,854,331	Daily	4
Alternative investments:						
Absolute multistrategy return	—	40,851,871	—	40,851,871	Quarterly	45 to 95
Hedged equities	—	22,010,991	—	22,010,991	Quarterly	95
U.S. equities	—	6,848,298	—	6,848,298	Quarterly	45
U.S. corporate credit securities	—	3,749,059	—	3,749,059	Mthly/Qtrly	30 to 90
Foreign corporate credit securities	—	2,733,817	—	2,733,817	Mthly/Qtrly	45
Private equity	—	—	3,239,391	3,239,391	See (a) below	N/A
Other	1,144,952	—	—	1,144,952	Daily	4
Total	$ 102,243,247	76,194,036	3,239,391	181,676,674		

(a) Certain alternative investments include noncontrolling shares or interests in funds where the controlling general partner serves as the investment's manager. Such investments are typically not eligible for redemption from the fund or general partner, but can typically be sold to third-party buyers in private transactions that typically can be completed in approximately 90 days. It is the intent of the RF to hold these investments until the fund has fully distributed all proceeds to the investors.

A summary of activity for investments with Level 3 fair value measurements for the years ended June 30 follows:

	2014	**2013**
Balance, beginning of year	$ 3,239,391	2,460,387
Purchases	6,358,037	566,038
Sales	(2,096,781)	(216,903)
Realized gains	8,511	15,557
Unrealized gains	699,896	414,312
Balance, end of year	$ 8,209,054	3,239,391

There has been no significant transfer activity between Level 1 and Level 2 investments during fiscal years 2014 and 2013. The RF has unfunded commitments to alternative investments as of June 30, 2014 of approximately $6.7 million.

(6) Other Assets and Other Liabilities

Other assets and liabilities consist of the following at June 30:

		2014	2013
Other assets:			
Current:			
Royalties receivable	$	7,439,032	2,403,803
Advance payments – sponsored programs		304,213	898,370
Loans receivable		16,938	13,077
Prepaid and other		18,304	28,346
Total other current assets		7,778,487	3,343,596
Noncurrent:			
UBA loan receivable		8,311,189	10,049,628
NY Genome Center loan receivable		2,726,600	2,645,351
Section 457(b) assets		5,314,535	4,484,246
NFX lease prepaid		25,200,000	8,400,000
Total other noncurrent assets		41,552,324	25,579,225
Total other assets	$	49,330,811	28,922,821
Other liabilities – noncurrent:			
Section 457(b) obligation	$	5,314,535	4,484,246
NY Genome Center		226,601	—
Interest rate swap – see note 2(h)		761,780	776,497
Total other liabilities	$	6,302,916	5,260,743

The RF maintains a deferred compensation plan established in accordance with Section 457(b) of the IRC. Plan funds, totaling approximately $5.3 million and $4.5 million as of June 30, 2014 and 2013, respectively, are a part of the general assets of the RF, which are subject to claims of creditors of the RF. The assets consist of mutual funds, which involve Level 1 inputs under the fair value hierarchy, variable annuities, which involve Level 2 inputs, and annuity contracts, which involve Level 3 inputs. The significant majority of these holdings are considered at Levels 1 and 2.

(7) Fixed Assets

Fixed assets consist of the following at June 30:

Fixed asset classification	Fixed assets June 30, 2013	Additions	Dispositions/ retirements	Fixed assets June 30, 2014
Building	$ 6,500,000	—	—	6,500,000
Office furniture and equipment	110,797,379	29,862,827	594,456	140,065,750
Information systems	33,227,765	50,545	—	33,278,310
Construction in progress	—	58,448,012	—	58,448,012
Total fixed assets	150,525,144	88,361,384	594,456	238,292,072
Less accumulated depreciation:				
Building	1,430,000	130,000	—	1,560,000
Office furniture and equipment	44,284,175	18,745,832	409,703	62,620,304
Information systems	32,928,677	115,886	—	33,044,563
Total accumulated depreciation	78,642,852	18,991,718	409,703	97,224,867
Fixed assets, net	$ 71,882,292	69,369,666	184,753	141,067,205

Fixed asset additions above include $4.7 million in capitalized equipment donations.

There is no depreciation expense associated with construction in progress assets as they have not yet been placed in service. Upon being placed in service, the assets, primarily consisting of equipment, will be classified in the appropriate categories above and depreciated over their useful lives.

The amortization expense for the asset underlying the capital leases referred to in note 2(g) was $6.8 million for June 30, 2014 and 2013. The lease transactions resulted in a gain that has been deferred and recognized over the life of the lease. This asset is being concurrently amortized and netted with the recognition of the deferred gain and results in no net increase to fixed assets.

(8) Intangible Assets

Intangible assets at June 30 consist of the following:

Intangible asset classification		Intangible assets June 30, 2013	Additions	Dispositions/ retirements	Intangible assets June 30, 2014
Technology licenses	$	89,200,000	—	—	89,200,000
Software upgrade costs		2,752,031	1,250,000		4,002,031
Total intangible assets		91,952,031	1,250,000	—	93,202,031
Less accumulated amortization:					
Technology licenses		16,313,000	11,150,000	—	27,463,000
Software upgrade costs		—	133,401	—	133,401
Total accumulated amortization		16,313,000	11,283,401	—	27,596,401
Intangible assets, net	$	75,639,031	(10,033,401)	—	65,605,630

The expected annual amortization of the intangible assets for the next five years approximates $12.0 million.

(9) Postretirement Benefit Obligation

(a) Plan Information and Amendment

The RF sponsors a defined benefit postretirement plan that covers substantially all nonstudent employees. The plan provides postretirement medical benefits and is contributory for employees hired after 1985. Retirees who were hired after 1985 are subject to cost sharing requirements with respect to medical coverage. With respect to dental coverage, retirees must pay the full premium cost of the coverage selected.

In fiscal years 2011 and 2013, the RF amended the plan to increase the participant contribution rates for those hired after 1985 with the specific rates to be determined based on an employee’s years of service.

(b) Plan Funded Status and Related Assumptions

Annual contributions to fund the plan are made by the RF pursuant to a funding policy established by the board of directors.

For payment of benefits under the plan, as discussed in note 2(k) above, the RF established a VEBA trust with Bank of New York Mellon as the trustee. The VEBA trust held assets of $148.7 million and $124.8 million as of June 30, 2014 and 2013, respectively. The assets held in the VEBA trust reduce the accumulated postretirement benefit obligation reported on the RF's balance sheets. As noted in the table below, current obligations are assumed to be paid out of the trust assets, with the remaining unfunded obligation to be reflected as a noncurrent liability. There were 6,836 participants in the plan as of July 1, 2013.

The following table sets forth the plan's funded status reconciled with the amount shown in the RF's financial statements at June 30 (amounts rounded to nearest thousand):

		2014	2013
Change in benefit obligation:			
Benefit obligation at beginning of year	$	405,432,951	410,182,000
Service cost		11,516,614	12,304,410
Interest cost		17,275,032	16,076,575
Plan participants' contributions		710,361	612,602
Retiree drug subsidy receipts		376,010	279,470
Plan amendments		(603,917)	(3,360,376)
Actuarial loss (gain)		2,884,499	(20,555,717)
Benefits paid		(10,267,907)	(10,106,013)
Benefit obligation at end of year		427,323,643	405,432,951
Change in plan assets:			
Fair value of plan assets at beginning of year		124,828,913	106,602,000
Return on plan assets		15,399,193	10,270,913
Employer contributions		17,628,536	17,169,941
Plan participants' contributions		710,361	612,602
Retiree drug subsidy receipts		376,010	279,470
Benefits paid		(10,267,907)	(10,106,013)
Fair value of plan assets at end of year		148,675,106	124,828,913
Funded status	$	(278,648,537)	(280,604,038)
Amount recognized in the balance sheet:			
Noncurrent liability	$	(278,648,537)	(280,604,038)
Amount recognized in unrestricted net assets:			
Prior service credit	$	20,339,647	25,767,990
Net actuarial loss		(139,335,901)	(150,289,971)
Total	$	(118,996,254)	(124,521,981)

(Continued)

		2014	2013
Weighted average assumptions used to determine benefit obligation:			
Discount rate at end of year		4.30%	4.72%
Components of net periodic benefit cost:			
Service cost	$	11,516,614	12,304,410
Interest cost		17,275,032	16,076,575
Expected return on plan assets		(9,995,708)	(8,591,849)
Amortization of:			
Prior service credit		(6,032,260)	(6,119,386)
Actuarial loss		8,435,084	14,864,248
Net periodic benefit cost	$	21,198,762	28,533,998
Weighted average assumptions used to determine net periodic benefit cost:			
Discount rate for the year		4.72%	4.05%
Expected long-term rate of return		7.50	7.50

		2014	2013
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:			
Net actuarial gain	$	2,518,986	22,234,781
Prior service credit		603,917	3,360,376
Amortization of:			
Prior service credit		(6,032,260)	(6,119,386)
Actuarial loss		8,435,084	14,864,248
Total recognized as an increase in unrestricted net assets	$	5,525,727	34,340,019

Expected amounts amortized from unrestricted net assets into net periodic benefit cost for fiscal year ending 2015 include prior service credit of $5.9 million and actuarial loss of $9.4 million.

Estimated net benefits payments over future years are as follows:

Fiscal year ending 2015	$	10,621,000
Fiscal year ending 2016		11,816,000
Fiscal year ending 2017		12,910,000
Fiscal year ending 2018		14,119,000
Fiscal year ending 2019		15,376,000
Fiscal years ending 2020–2024		96,152,000

For measurement purposes, the initial trend rates vary by coverage. The health maintenance organization rate is 8.50%, the preferred provider organization (PPO) Medical Pre-65 rate is 8.50%, the PPO Medical Post-65 rate is 8.00%, the PPO prescription rate is 7.00%, and administrative fees are 5.00%. Trend rates grade down to an ultimate rate of 5.00% in 2022 and later.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage point change in assumed healthcare cost trend rates would have the following effects:

		One-percentage point increase	One-percentage point decrease
Effect on total service and interest cost components	$	6,143,712	(4,798,290)
Effect on post-retirement benefit obligation		86,254,167	(67,698,719)

(c) Fair Value of Plan Assets

The following tables summarize as of June 30, 2014 and 2013 the RF's defined benefit postretirement plan's investments held in the VEBA trust, measured at fair value on a recurring basis including the redemption and notification provisions. The hierarchy and inputs to valuation techniques to measure fair value of the plan's investments are outlined above in note 5:

	2014					
	Level 1	**Level 2**	**Level 3**	**Total**	**Redemption frequency**	**Days' notice**
Investments:						
Cash equivalents	$ 1,131,027	—	—	1,131,027	Daily	1
Mutual funds:						
U.S. government fixed income	11,815,714	—	—	11,815,714	Daily	1
U.S. equities	16,485,114	—	—	16,485,114	Daily	1
Foreign equities	17,979,308	—	—	17,979,308	Daily	1
Real estate	3,654,098	—	—	3,654,098	Daily	1
Commodities	4,142,921	—	—	4,142,921	Daily	1
Exchange traded funds:						
Real estate	3,452,753	—	—	3,452,753	Daily	4
Foreign equities	2,935,735	—	—	2,935,735	Daily	4
Alternative investments:						
Absolute multistrategy return	—	27,552,782	—	27,552,782	Quarterly	45-95
Hedged equities	—	32,882,768	—	32,882,768	Quarterly	95
U.S. equities	—	1,451,491	—	1,451,491	Quarterly	45
Real estate	—	—	1,682,559	1,682,559	See note 5(a)	N/A
Private equity	—	—	11,724,091	11,724,091	See note 5(a)	N/A
U.S. corporate credit securities	—	4,519,800	2,479,139	6,998,939	Mthly/Qtrly	30
Global equities	—	4,785,806	—	4,785,806	Quarterly	45
	$ 61,596,670	71,192,647	15,885,789	148,675,106		

	2013					
	Level 1	**Level 2**	**Level 3**	**Total**	**Redemption frequency**	**Days' notice**
Investments:						
Cash equivalents	$ 1,125,431	—	—	1,125,431	Daily	1
Mutual funds:						
U.S. government fixed income	15,860,203	—	—	15,860,203	Daily	1
U.S. equities	15,670,888	—	—	15,670,888	Daily	1
Foreign equities	25,308,271	—	—	25,308,271	Daily	1
Real estate	4,019,872	—	—	4,019,872	Daily	1
Exchange traded funds:						
Real estate	4,019,522	—	—	4,019,522	Daily	4
Commodities	6,553,778	—	—	6,553,778	Daily	4
Alternative investments:						
Absolute multistrategy return	—	23,911,996	—	23,911,996	Quarterly	45-95
Hedged equities	—	19,037,283	—	19,037,283	Quarterly	95
U.S. equities	—	1,279,123	—	1,279,123	Quarterly	45
Real estate	—	—	1,401,504	1,401,504	See note 5(a)	N/A
Private equity	—	—	6,641,042	6,641,042	See note 5(a)	N/A
	$ 72,557,965	44,228,402	8,042,546	124,828,913		

A summary of activity for investments with Level 3 fair value measurements for the years ended June 30 follows (amounts rounded to nearest thousand):

	2014	**2013**
Balance, beginning of year	$ 8,043,000	6,636,000
Purchases	9,036,000	1,634,000
Sales	(2,898,000)	(1,348,000)
Net realized gains	23,000	39,000
Net unrealized gains	1,682,000	1,082,000
Balance, end of year	$ 15,886,000	8,043,000

There has been no significant transfer activity between Level 1 and Level 2 investments during fiscal years 2014 and 2013. The RF has unfunded commitments to the plan's alternative fund investments at June 30, 2014 of approximately $11.2 million.

(d) Investment Policies and Strategies

The plan's primary investment goal is to meet the ongoing obligations while minimizing contributions and controlling risks. Ordinarily, the asset allocation plan would be structured such that short-term liabilities are primarily funded with lower volatility short-term assets, intermediate-term liabilities are funded with investments that exhibit moderate volatility and the longer-term liabilities are funded by long-term assets. In addition, the plan's asset allocation is structured to meet a long-term-targeted return. Borrowing from the diversification techniques developed under the modern portfolio theory, the plan's assets are invested so that total portfolio risk exposure and risk adjusted returns meet the plan's long-term total return goal. The RF's investment managers under agreement to manage the plan assets kept in the VEBA trust, exercise full investment discretion within the investment policy approved by the RF board of directors, and guidelines as described in the respective investment agreements. However, assets must be managed with the care, skill, prudence, and diligence that a prudent investment professional in similar circumstances would exercise. Investment practices must comply with the applicable laws and regulations.

(e) Basis Used to Determine the Overall Expected Long-Term Rate of Return on Assets Assumption

The RF works with a consultant to develop long-term rate of return assumptions used to model and determine the overall asset allocation. The return assumptions used in the asset allocation analysis are based on a building block approach in which risk premium is calculated for each asset class and adjusted for current market conditions including, but not limited to, current market valuations, yield, inflation, and various economic indicators.

The plan's asset allocation, utilizing various investment vehicles, as of June 30, 2014, as shown in the table below, is expected to meet the plan's expected return:

Asset class	Long-term target	Short-term target	Ranges	Actual
Cash	2%	1%	0%-10%	4.3%
Fixed income	10	16	5%-30%	14.1
Equities:				
Global equities	25	33	20%-33%	32.3
Hedged equities	16	15	10%-30%	16.9
Private equity	10	3	0%-15%	5.0
Absolute return	15	10	5%-25%	12.7
Real assets:				
Inflation-protected	5	7	3%-10%	3.1
Commodities	5	6	2%-7%	2.8
Global real estate	12	9	4%-14%	8.8

(10) Retirement Plan

The RF maintains a noncontributory Section 401(a) retirement plan for substantially all nonstudent employees. Contributions are based on a percentage of earnings and range from 8% to 15%, depending on date of hire. In addition, the RF provides an additional pension contribution if an employee retires and meets the age and service requirements for retiree health insurance. This additional contribution is calculated by multiplying the value of the employee's accrued sick leave, up to a maximum of 200 days, by the employee's contribution rate at the time of retirement. Employees become fully vested after completing one year of service (a one-year waiting period from their date of hire). At that time, contributions begin and they gain ownership of all future contributions made to their retirement accounts while employed by the RF.

Contributions are allocated to individual employee accounts. Vested participants have the option of having contributions to their accounts deposited in either the Teachers Insurance and Annuity Association (TIAA), which offers a guaranteed income account, the College Retirement Equities Fund (CREF), which offers an assortment of mutual funds, stocks, bonds, real estate, and money market investments, or a selection of nonproprietary funds that are offered on TIAA-CREF's platform. The payroll for RF employees covered by TIAA-CREF for the years ended June 30, 2014 and 2013 was approximately $358.6 million and $355.2 million, respectively. The RF pension contributions were approximately $30.1 million for each of the years ended June 30, 2014 and 2013. These contributions are equal to 100% of the required contribution for the year.

(11) Long-Term Debt

The RF entered into an agreement during 2002 with the City of Albany Industrial Development Agency (IDA) whereby the IDA issued both a taxable and a tax-exempt series of bonds for the purpose of providing funds to acquire a parcel of real estate together with the existing building thereon. The RF occupies and conducts most of its central office operations from this location. At June 30, 2014, the tax-exempt bond debt totaled $4.9 million with maturity in 2032 at an interest rate of 0.32% at June 30, 2014. The taxable bond debt was extinguished in 2009. Subsequent to June 30, 2014, the tax-exempt bonds bear interest at variable rates as established by the remarketing agent. The adjustable rate for the tax-exempt bonds will not exceed 12% per annum. The RF must meet certain liquidity requirements while the tax-exempt bonds are outstanding.

In January 2006, the RF entered into an interest rate swap agreement with the Bank of New York (BNY) wherein the RF agreed to pay BNY a fixed rate of interest equal to 3.615% on the original tax-exempt bond issuance total of $5.6 million and to receive from BNY a payment equal to 70% of the London Interbank Offered Rate (LIBOR) as published by the British Banker's Association (BBA). The monthly interest rate is calculated using the weighted average method applied to the daily USD-LIBOR-BBA rate. The agreement expires coincident with the maturity of the bonds in 2032. The RF's net benefit or obligation under the swap agreement is accounted for as an asset or liability at fair value in the financial statements. The estimated fair value of the swap at June 30, 2014 and 2013 was a $0.8 million liability. The RF records the interest rate swap agreement at fair value and considers it to be a Level 2 financial liability. The balances are included within other liabilities in the accompanying balance sheets.

During fiscal year 2012, the RF took on two more debt agreements. The first was a note payable to the Simons Foundation for a loan made to fund the RF's payment, as a founding member of the New York Genome Center, of $2.5 million with an interest rate of 3.25% accruing interest annually and payable at the maturity date of 2031 with available extension to 2051. The second was a noninterest bearing demand note payable over a four year period for $2.5 million to provide Upstate Medical University (Upstate) with collateral on its debt to the NYS Dormitory Authority to facilitate Upstate's purchase of the Community General Hospital. The RF also entered into sale-leaseback transactions in fiscal year 2012; these are accounted for as capital leases, with current and noncurrent balances included in the accompanying balance sheets.

A summary of long-term debt is as follows:

		Balance June 30, 2014	Balance June 30, 2013
Long-term debt:			
Capital lease obligations	$	10,670,018	17,408,526
Loan – Genome Center (SB)		2,500,000	2,645,352
Demand note (upstate)		1,046,501	2,018,188
Bonds payable		4,850,000	5,030,000
Total long-term debt	$	19,066,519	27,102,066

Future payments of long-term debt as of June 30, 2014 are as follows:

		Bonds and notes payable		Capital leases		Total	
		Principal	Interest	Principal	Interest	Principal	Interest
Fiscal year:							
2015	$	1,165,631	18,660	7,037,035	328,754	8,202,666	347,414
2016		260,870	17,880	3,632,983	58,466	3,893,853	76,346
2017		200,000	17,080	—	—	200,000	17,080
2018		205,000	16,260	—	—	205,000	16,260
2019		215,000	15,400	—	—	215,000	15,400
Thereafter		6,350,000	334,802	—	—	6,350,000	334,802
Total	$	8,396,501	420,082	10,670,018	387,220	19,066,519	807,302

Line of Credit

The RF maintains an unsecured line of credit in the amount of $65 million of which $6.3 million and $25.1 million were outstanding as of June 30, 2014 and 2013, respectively. During this fiscal year, the borrowing rate ranged between 1.0–2.0%; it was 1.4% at June 30, 2014. The original terms of the line included the specification that each draw must be repaid within one year, however, this has been amended so that $6.3 million has the specified repayment date of December 31, 2014.

(12) Revenue

Revenue, by type, consist of the following for the years ended June 30:

		2014	2013
Federal grants and contracts	$	499,688,174	532,580,865
State grants and contracts		173,530,906	180,436,356
Local grants and contracts		14,839,317	12,568,168
Private grants and contracts		230,039,324	289,646,332
Investment income		2,969,212	3,741,875
Net realized and unrealized gains on investments		17,098,205	7,647,068
Gifts, capital gifts and grants		155,450	101,031
Inventions and licenses income		20,278,155	7,847,137
Other income		43,342,093	44,934,562
Total revenue	$	1,001,940,836	1,079,503,394

(13) Expenses

Expenses consist of the following for the years ended June 30:

		2014	2013
Instruction	$	79,220,386	72,024,500
Research		562,313,004	601,933,273
Public service		122,705,649	126,779,841
Academic support		20,840,798	21,129,725
Student services		2,092,139	2,103,326
Operations and maintenance		16,361,215	23,965,153
Institutional support		149,208,522	187,191,418
Scholarships and fellowships		4,153,872	3,778,712
Auxiliary enterprises		94,251	15,309
Depreciation and amortization expense		37,025,118	27,740,620
Interest expense on capital related debt		816,083	1,108,208
Loss on disposal of fixed assets		184,753	89,139
Total expenses	$	995,015,790	1,067,859,224

(14) Commitments and Contingencies

Lease Obligations

In addition to the long-term leases with FRMC, described in note 3(k), the RF contracts with various entities to lease space as part of its mission to support SUNY research and partnerships. Future minimum payments, as of June 30, 2014, for lease terms in excess of one year are as follows:

Fiscal year		FRMC	Other	Total
2015	$	43,014,458	6,123,226	49,137,684
2016		43,014,458	3,118,708	46,133,166
2017		43,014,458	1,806,961	44,821,419
2018		43,014,458	1,208,153	44,222,611
2019		43,014,458	1,098,656	44,113,114
Thereafter		167,984,943	7,937,619	175,922,562
Total	$	383,057,233	21,293,323	404,350,556

Collateral

As discussed in note 4, the RF has placed $10 million in collateral for a loan furnished by the Dormitory Authority of the State of New York to SUNY Upstate Medical University in order to facilitate the purchase of Community General Hospital in fiscal year 2012. This collateral is being released at the rate of $1 million per year over a period of 10 years, starting January 1, 2013.

Contingencies

During the ordinary course of business, the RF is exposed to risks associated with legal proceedings and claims. A liability is recognized with respect to legal proceedings and claims if incurrence of a loss is probable and the amount of loss is reasonably estimable. As of the financial statement issuance date, a federal investigation relating to programs at Buffalo State College has been conducted by the United States Attorney's Office. Additionally, the RF has been engaged in litigation relating to occupancy of office space. A reserve has been recorded as of June 30, 2014 representing the RF's estimated costs of settlement of these matters.

Accurately predicting the outcome and potential loss of legal proceedings and claims, including the amounts of any settlements, judgments, or fines, is inherently subject to obtaining all of the relevant facts, applying often complex legal principles, and making judgments about potential responses by other parties. Accordingly, it is possible that the RF may incur unanticipated losses pertaining to such proceedings or claims in the form of settlements or adverse judgments in amounts other than those accrued, but at this time it is not anticipated that these or any other legal proceedings will have a material effect on the RF's financial condition and/or cash flows.

(15) Subsequent Events

The RF considers events or transactions that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements covering the year ended June 30, 2014 were available to be issued on September 30, 2014 and subsequent events have been evaluated through that date.