THE RESEARCH FOUNDATION FOR THE STATE UNIVERSITY OF NEW YORK

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

THE RESEARCH FOUNDATION FOR
THE STATE UNIVERSITY OF NEW YORK

Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012, 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 auditor considers 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, 2013 and 2012, 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
November 5, 2013

THE RESEARCH FOUNDATION FOR
THE STATE UNIVERSITY OF NEW YORK

Balance Sheets

June 30, 2013 and 2012

Assets		**2013**	**2012**
Current assets:			
Cash and cash equivalents	$	892,331	916,046
Accounts receivable, net		217,354,949	218,675,127
Advances to others		13,451,528	13,074,958
Short-term investments		141,176,274	187,643,083
Due from broker for securities sold		333,358	18,873,180
Other assets		3,343,596	8,771,195
Total current assets		376,552,036	447,953,589
Noncurrent assets:			
Long-term investments		34,319,555	22,069,011
Long-term investments pledged		9,518,188	10,000,000
Fixed assets, net		71,882,292	29,377,905
Intangible assets, net		75,639,031	46,849,500
Other assets		25,579,225	20,653,262
Total noncurrent assets		216,938,291	128,949,678
Total assets	$	593,490,327	576,903,267
Liabilities and Net Deficit			
Current liabilities:			
Accounts payable and accrued expenses	$	85,025,036	85,799,427
Accrued compensation		13,377,599	12,805,346
Accrued vacation		27,434,790	28,413,229
Deferred revenue		137,603,158	155,799,328
Deposits held for others		4,465,447	32,759,801
Current portion of capital lease obligations		6,738,508	6,452,681
Current portion of long-term debt		1,150,878	656,812
Line of credit		25,096,988	28,176,445
Total current liabilities		300,892,404	350,863,069
Noncurrent liabilities:			
Deposits held for others		1,135,745	1,237,554
Post-retirement benefit obligation		280,604,038	303,580,000
Deferred revenue		53,034,270	—
Capital lease obligations, net of current portion		10,670,018	17,408,526
Long-term debt, net of current portion		8,542,662	9,612,288
Other liabilities		7,460,743	5,535,572
Total noncurrent liabilities		361,447,476	337,373,940
Total liabilities		662,339,880	688,237,009
Unrestricted net assets (deficit):			
Available for operations		55,672,428	47,528,258
Reserve for future post-retirement benefit costs		(124,521,981)	(158,862,000)
Total net deficit		(68,849,553)	(111,333,742)
Total liabilities and net deficit	$	593,490,327	576,903,267

See accompanying notes to financial statements.

THE RESEARCH FOUNDATION FOR
THE STATE UNIVERSITY OF NEW YORK

Statements of Activities

Years ended June 30, 2013 and 2012

		2013	2012
Revenues:			
Grants awarded for research and other sponsored activities:			
Federal	$	382,783,708	390,740,646
Federal flow through		149,797,157	157,520,496
New York State		193,004,524	154,341,772
Private and other		289,646,332	179,392,842
Total grants awarded for research and other sponsored activities		1,015,231,721	881,995,756
Investment income, net		11,388,943	5,380,612
Inventions and licenses income		7,847,137	10,853,368
Other income		45,035,593	40,189,091
Total revenues		1,079,503,394	938,418,827
Expenses:			
Sponsored programs and other activities		861,800,208	743,425,005
Other program expenses		34,429,287	24,913,909
Administration and support		171,629,729	152,801,347
Total expenses		1,067,859,224	921,140,261
Change in net assets from revenues and expenses		11,644,170	17,278,566
Other changes:			
Inherent net contribution from ITC/STC acquisition		—	7,763,451
Transfer to affiliate organization FRMC		(3,500,000)	(10,000,000)
Post-retirement related change other than net periodic benefit gains (costs)		34,340,019	(93,865,000)
Change in net assets		42,484,189	(78,822,983)
Net deficit at beginning of year		(111,333,742)	(32,510,759)
Net deficit at end of year	$	(68,849,553)	(111,333,742)

See accompanying notes to financial statements.

THE RESEARCH FOUNDATION FOR
THE STATE UNIVERSITY OF NEW YORK

Statements of Cash Flow

Years ended June 30, 2013 and 2012

		2013	2012
Cash flow from operating activities:			
Federal grants and contracts	$	538,966,544	531,084,663
State and local grants and contracts		143,125,611	140,554,572
Private gifts and grants		303,694,245	190,864,048
Other receipts		252,308,309	211,535,183
Salaries and wages payments		(401,856,145)	(419,576,297)
Employee benefits payments		(146,085,800)	(149,723,030)
Payments to suppliers and vendors		(596,421,632)	(457,480,640)
Operating interest, dividends and investment gains		2,335,660	2,949,055
Distribution from BSA partnership		1,415,823	1,584,000
Interest payments on capital debt and notes		(1,108,208)	(729,808)
Other payments		(107,428,220)	(80,265,306)
Net cash used by operating activities		(11,053,813)	(29,203,560)
Cash flows from investing activities:			
Proceeds from sales of investments		390,621,707	260,297,462
Purchases of investments		(329,923,260)	(233,071,249)
Cash paid for purchases of fixed and intangible assets		(39,479,399)	(25,896,492)
Net cash provided by investing activities		21,219,048	1,329,721
Cash flows from financing activities:			
Principal payments on long-term debt		(7,109,491)	(3,327,459)
Proceeds from Simons Foundation Loan (for NYGC)		—	2,564,100
Proceeds from Upstate Medical Loan		—	2,500,000
Proceeds from sale leaseback at CNSE		—	27,000,000
Proceeds from line of credit		39,340,964	107,711,763
Payments on line of credit		(42,420,423)	(108,735,318)
Net cash (used) provided by financing activities		(10,188,950)	27,713,086
Net decrease in cash and cash equivalents		(23,715)	(160,753)
Cash and cash equivalents, beginning of year		916,046	1,076,799
Cash and cash equivalents, end of year	$	892,331	916,046
Reconciliation of change in net assets to net cash used by operating activities:			
Change in net assets	$	42,484,189	(78,822,983)
Adjustments to reconcile change in net assets to net cash used by operating activities:			
Realized and unrealized gains on investments		(7,639,789)	(471,531)
Change in fair value of interest rate swap		(403,997)	550,483
Net change in equity investment of BSA partnership		(78,923)	(500,624)
Inherent net contribution from ITC/STC acquisition, net of cash		—	(6,768,016)
Depreciation and amortization		27,740,620	15,561,752
Loss on disposal of fixed assets		89,139	255,858
Accretion of deferred gain on sale leaseback transaction		(7,875,000)	(3,375,000)
Donated fixed assets		(24,216,900)	—
Change in assets and liabilities:			
Accounts receivable and other assets		5,445,244	(39,923,336)
Accrued investment income		74	188
Accounts payable and accrued expenses		(11,381,234)	1,318,315
Other accruals and other liabilities		(1,808,211)	1,534,627
Deferred revenue		17,963,100	(200,078)
Deposits held for and advances to others		(28,396,163)	(12,908,215)
Post-retirement benefit obligation		(22,975,962)	94,545,000
Net cash used by operating activities	$	(11,053,813)	(29,203,560)

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 supports approximately $1 billion in SUNY research activity annually, providing sponsored programs administration and innovation support services to SUNY faculty performing research in life sciences and medicine; engineering and nanotechnology; physical sciences and energy; social sciences, and computer and information sciences.

The reach and impact of SUNY research – its people, infrastructure and technology – demonstrate the many ways the RF functions to support the SUNY research enterprise; to administer sponsored grants; to help faculty inventors turn their ideas into products that benefit the world; to create new pathways that foster collaboration and advance vital research; and to initiate programs that lead to economic development and entrepreneurial opportunity in New York.

The RF comprises a central office and operating units at 30 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 14 member 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. In accordance with the provisions of ASC Topic 958, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, unrestricted net assets are amounts not subject to donor-imposed stipulations and are 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 the post-retirement 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 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 is comprised of dividends and interest, realized and unrealized gains and losses, and equity adjustments from investment in the Brookhaven Science Associates partnership.

Inventions and licenses income includes the total amount derived from inventions that result from sponsored research. The RF is responsible for protecting the intellectual property and commercializing these technologies as part of its technology transfer service. The RF follows the SUNY policy of apportioning up to 40% of the royalties to the inventors, with the rest apportioned to the campuses. The inventors' shares of the royalties are reflected in the RF's administration and support expenses. Campus portions are spent under the provisions of the Bayh-Dole Act and are also 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 short-term, long-term, and long-term pledged investments. As more fully described in Note 6, 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 Measurements and Disclosures*. 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 6 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.

Short-term investments reflect the RF's anticipated need to fulfill current obligations under sponsored awards and agency agreements, using approximately the amounts represented in the current deferred revenue and current deposits held for others captions on the RF balance sheet. Investment holdings in excess of these needs are classified as long-term investments.

To minimize potential losses, the RF maintains a diversified investment portfolio.

See Note 10 for information related to investments held by the RF's post-retirement benefit plan.

(f) ***Fixed and Intangible Assets***

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.

Certain technology licenses purchased from International Business Machines Corporation (IBM) to support research infrastructure and development as well as entrepreneurial opportunities in New York are capitalized as intangibles and amortized over eight 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, 2013 and 2012 was $27.7 million and $15.6 million, respectively. Generally, title to equipment purchased using sponsored funds is 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. The capitalization of these assets, as well as equipment donated to the RF, is pursuant to a change in accounting policy made effective July 1, 2013. See Note 8 for current year additions under the revised policy.

(g) ***Capital Leases***

During fiscal 2012, the RF engaged in two sale-leaseback transactions for capital equipment acquired under prior-year programs or by way of donations from business partners at the College of Nanoscale Science and Engineering (CNSE). Each sale-leaseback was 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. The lease transactions resulted in a gain that has been deferred and recognized over the life of the lease. As of June 30, 2013, the RF owes $17.4 million under these capital leases. See Note 8 and Note 12.

(h) ***Derivative Instruments and Hedging Activities***

The RF accounts for derivative instruments in accordance with the ASC Topic 815, *Derivative 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 deficits. See Note 12.

(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 and charge to sponsored programs and other users. Billing rates are reviewed at a minimum of every two years and rates are adjusted prospectively to reduce surplus/deficit amounts.

Amounts to be realized over a period greater than one year are reflected in non-current deferred revenue on the balance sheets.

(j) ***Accrued Vacation and Sick 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 11, 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 $2.2 million as of June 30, 2013.

(k) ***Post-Retirement Benefit Obligation***

As noted in Note 10, the RF has a defined benefit post-retirement plan covering substantially all of its nonstudent employees upon their retirement. The plan provides post-retirement medical benefits.

The RF records annual amounts relating to its postretirement plan 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 RF believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

The net periodic costs are recognized as employees render the services necessary to earn the postretirement benefits.

In 2009, the RF established a Voluntary Employee Benefit Association (VEBA) trust for the post-retirement benefit plan. The assets held in the VEBA trust reduce the accumulated post-retirement benefit obligation, as reported on the RF's balance sheet.

(l) ***Other Information***

Accounts receivable as of June 30, 2013 and 2012 are reported net of an allowance for doubtful accounts of approximately $9.4 million and $7.5 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 noncurrent deposits held for others are planned gifts donated to RF to ultimately benefit the campus foundations of approximately $1,136,000 and $1,238,000 at June 30, 2013 and 2012, respectively. Included in the current portion of deposits held for others are approximately $1,619,000 and $29,510,000 of construction funds for an affiliated organization at June 30, 2013 and 2012, respectively.

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, 2013 and 2012 is approximately $7,045,000 and $7,020,000, respectively.

The RF assisted in the creation and expansion of the CNSE facilities. The RF leases various areas of clean room space from Fuller Road Management Corporation to facilitate research and development related activities at the University at Albany in the field of nanotechnology (see Note 4). The RF maintains a service center where costs are incurred for the operation of this facility and supported by recharges to sponsored programs or third-party use. Agreements have been executed between the RF and various third parties for the use of tools, technology, and facilities for which the revenue is included in other income in the statements of activities.

(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 $10.0 million note from the University at Buffalo Associates (UBA) and a $2.6 million note from the New York Genome Center (NYGC). In both cases, no bad debt allowance is considered necessary as of June 30, 2013 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 6 for additional information regarding fair value considerations with respect to investments.

 (Continued)

(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, *Accounting for Uncertainty in Income Taxes*. Management has evaluated ASC Subtopic 740-10 and has determined there are no unlikely tax positions to be recorded in the financial statements as of June 30, 2013 and 2012.

(o) ***Reclassifications***

Certain 2012 amounts have been reclassified to conform to the 2013 presentation.

(3) Business Acquisition

Effective January 1, 2012, the RF acquired substantially all of the assets and assumed the liabilities of Infotonics Technology Center Inc. (Infotonics), now doing business as Smart System Technology and Commercialization Center (STC).

The statement of activities for fiscal 2012 reflects the operations of ITC/STC from the effective date of the acquisition, January 1, 2012, through June 30, 2012. No consideration was exchanged for the net assets contributed. In conjunction with this acquisition, the RF recorded an inherent net contribution of $7.8 million in fiscal 2012, representing the excess of the fair value of the assets over the liabilities assumed.

(4) Affiliated Organizations

The RF has 16 affiliated organizations as of June 30, 2013 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 is a private, not-for-profit corporation formed by the RF (acting on behalf of Binghamton University) and Endicott Interconnect Technologies, to work in partnership with Endicott and the RF, with support from Binghamton University's Small Scale Systems Integration and Packaging (S^3IP) Center, to fulfill technical needs of the Department of Defense and other federal agencies at an accelerated pace.

(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 (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 a national competition against the country's leading research universities, the U.S. Department of Energy in 1998 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 of BSA based on the operating results for the years ended June 30, 2013 and 2012. 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 (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, NY 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) is 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's board voted during fiscal 2013 to dissolve the entity and the dissolution was pending New York Department of State approval as of June 30, 2013; this approval was granted in July 2013.

(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 May 2006, the University at Buffalo Foundation Incubator, Inc. 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. Incorporated in 1983, 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 in partnership with the SUNYIT Foundation. FSMC will facilitate the construction of a nanotechnology and semiconductor development and manufacturing facility adjacent to the SUNY Institute of Technology (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 that includes CNSE at the University at Albany.

(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 CNSE in an effort to promote the advancement of the research portfolio of the University at Albany, 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, 2013 and 2012 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. Rent payments by the RF commenced in fiscal 2013. 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 15.

(l) ***Long Island High Technology Incubator***

Long Island High Technology Incubator (LIHTI) is a private, not-for-profit corporation incorporated in 1989 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. The goal of NYMCSF was to advance the college's mission through the enhancement of the faculty, student and staff for the benefit of midshipmen and to facilitate the program's short and long-term excellence through donations of funds, equipment or boats. This corporation was never funded and was inactive since inception. During fiscal 2013 the Board of NYMCSF took action to dissolve the corporation which was completed in August 2013.

(n) ***New York Genome Center LLC***

New York Genome Center (NYGC) is a private, nonprofit organization formed in an effort to leverage the collaborative resources of leading academic medical centers, research universities, and commercial organizations. 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. The RF participates in NYGC as an Institutional Founding Member on behalf of Stony Brook University; NYGC's other members include an array of New York-based universities and health institutions.

(o) ***Purchase College Advancement Corporation***

Purchase College Advancement Corporation (PCAC) is a private, not-for-profit corporation formed by the RF (on behalf of the State University College at Purchase) and, as of fiscal 2010, the Purchase College Foundation, to operate facilities that will support the college's academic mission and spur economic development in the mid-Hudson region. During fiscal year 2013, the RF withdrew its membership from PCAC.

(p) ***Source Sentinel, LLC***

Source Sentinel, LLC is a limited liability company formed by the RF (acting on behalf of the College of Environmental Science and Forestry), O'Brien & Gere Limited, and Sensis Corporation. Its mission is to bring together scientists, engineers and resources from academia and industry to develop real-time detection and monitoring products for the protection of drinking water supplies, distribution systems and treatment facilities against chemical and biological threats. During fiscal year 2013, both the RF and Sensis Corporation assigned their remaining partnership interest in

Source Sentinel to O'Brien and Gere Limited, which is now the sole controlling partner in Source Sentinel LLC.

(q) ***SUNY China International Corporation***

SUNY China International Corporation was a private, not-for-profit corporation formed by the RF, and, as of fiscal 2009, the Neil D. Levin Graduate Institute of International Relations and Commerce Foundation, Inc., to foster and develop new academic and research collaborations, programs and initiatives between SUNY and Chinese universities. The organization was formerly known as State University of New York China Representative Office, Inc., and was renamed during fiscal year 2009. This corporation was dissolved during fiscal year 2013.

(r) ***SUNY Fredonia Technology Incubator, Inc***

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

(s) ***U.S. Photovoltaic Manufacturing Consortium, Inc.***

The Photovoltaic Manufacturing Consortium (PVMC) is a private, not-for-profit corporation, formed by the RF 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. The RF participates in PVMC on behalf of CNSE.

(5) Investments

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

	2013	2012
Cash equivalents	$ 24,688,851	81,926,902
Mutual funds	64,179,587	55,828,857
Exchange traded funds	12,229,857	11,568,188
Alternative investments	79,433,427	65,875,791
Other	1,144,952	1,253,936
Total investments carried at fair value	181,676,674	216,453,674
Investment in BSA partnership	3,337,343	3,258,420
Total	$ 185,014,017	219,712,094

Alternative investments consist of diversified investments of hedge fund of funds, real estate, domestic and foreign equity funds, fixed income securities and private equity funds in various investment vehicles, such as limited liability partnerships and corporations. See Note 6 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.

The strategy of the RF's medium-duration pool is based on a long-term annual return target of 6%. The goal is to minimize the probability of a decline in excess of 5% in any single year, while ensuring quarterly liquidity of 30% of the portfolio to meet possible withdrawal on relatively short notice. As a result of these diverse needs, the desired risk levels are below those typically encountered in longer-term restricted funds. The largest portfolio allocations in the medium-duration pool are fixed-income bond funds, absolute return hedge funds, hedged equities and equity funds.

The RF's long-duration pool is intended for funds that can be reasonably expected to remain unspent or consistently replenished over a long period of time. The long-duration strategy is a higher risk allocation with a long-term annual return target of 7.5%. The goal is to minimize the probability of a decline in excess of 15% in any single year, with 80% of the portfolio assumed to have a duration of five years or longer. The most significant portfolio allocations in the long-duration pool are equity funds, hedged equities and real estate.

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 ten-year term of the loan between DASNY and Upstate Medical. The pledged collateral balance as of June 30, 2013 was $9.5 million. See Note 12 for information on a related $2.5 million loan 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:

		2013	2012
Dividends and interest	$	2,254,408	2,949,457
Net realized and unrealized gains		7,639,789	471,531
Income from investment in BSA partnership		1,494,746	1,959,624
Total return on investments	$	11,388,943	5,380,612

(6) Fair Value Measurements

Fair value is measured in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*. 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 NAV under the terms of the investment agreements. The estimation of fair value of alternative investments for which the underlying securities do not have readily determinable value 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.

(Continued)

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, 2013 and 2012, the RF's investments that are measured at fair value on a recurring basis as well as the liquidity redemption and notification provisions.

	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	Monthly/ Quarterly	30 to 90
Foreign corporate credit securities	—	2,733,817	—	2,733,817	Monthly/ Quarterly	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		

	2012					
	Level 1	**Level 2**	**Level 3**	**Total**	**Redemption frequency**	**Days notice**
Investments:						
Cash equivalents	$ 81,926,902	—	—	81,926,902	Daily	1
Mutual funds:						
U.S. government fixed income	21,237,479	—	—	21,237,479	Daily	1
U.S. corporate credit securities	2,738,652	—	—	2,738,652	Daily	1
U.S. equities	9,733,123	—	—	9,733,123	Daily	1
Foreign equities	19,035,850	—	—	19,035,850	Daily	1
Real estate	3,083,753	—	—	3,083,753	Daily	1
Exchange traded funds:						
Real estate	4,649,433	—	—	4,649,433	Daily	4
Commodities	4,357,029	—	—	4,357,029	Daily	4
Energy stocks	2,561,726	—	—	2,561,726	Daily	4
Alternative investments:						
Absolute multistrategy return	—	35,193,817	—	35,193,817	Quarterly	45 to 95
Hedged equities	—	14,204,490	—	14,204,490	Quarterly	65 to 95
U.S. equities	—	2,447,137	—	2,447,137	Quarterly	45
U.S. corporate credit securities	—	9,519,534	—	9,519,534	Monthly/ Quarterly	30 to 90
Foreign corporate credit securities	—	2,050,426	—	2,050,426	Monthly/ Quarterly	45
Private equity	—	—	2,460,387	2,460,387	See (a) below	N/A
Other	1,253,936	—	—	1,253,936	Daily	4
Total	$ 150,577,883	63,415,404	2,460,387	216,453,674		

(a) Certain alternative investments include noncontrolling shares or interests in funds where the controlling general partner serves as the investments manager. Such investments are typically not eligible for redemption from the fund or general partner, but are typically 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:

	2013	**2012**
Balance, beginning of year	$ 2,460,387	1,078,758
Purchases	566,038	1,366,478
Sales	(216,903)	(27,067)
Realized gains	15,557	—
Unrealized gains	414,312	42,218
Balance, end of year	$ 3,239,391	2,460,387

There has been no significant transfer activity between Level 1 and Level 2 investments during fiscal 2013 and 2012. The RF has unfunded commitments to alternative investments at June 30, 2013 of approximately $2.3 million.

(7) Other Assets and Other Liabilities

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

		2013	2012
Other assets:			
Current:			
Royalties receivable	$	2,403,803	3,376,243
Advance payments – sponsored programs		898,370	5,370,429
Loans receivable		13,077	24,343
Prepaid and other		28,346	180
Total other current assets		3,343,596	8,771,195
Noncurrent:			
UBA loan receivable		10,049,628	13,734,084
NY Genome Center loan receivable		2,645,351	2,564,100
Section 457(b) assets		4,484,246	4,355,078
NFX lease prepaid		8,400,000	—
Total other noncurrent assets		25,579,225	20,653,262
Total other assets	$	28,922,821	29,424,457
Other liabilities – noncurrent:			
Section 457(b) obligation	$	4,484,246	4,355,078
Interest rate swap- see note 2h		776,497	1,180,494
Accrued sick leave- see note 2j		2,200,000	—
Total other liabilities	$	7,460,743	5,535,572

The RF maintains a deferred compensation plan established in accordance with Section 457(b) of the IRC. Plan funds, totaling approximately $4,484,000 and $4,355,000 as of June 30, 2013 and 2012, 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.

(8) Fixed Assets

Fixed assets consist of the following at June 30:

Fixed asset classification	Fixed assets June 30, 2012	Additions	Dispositions/ retirements	Fixed assets June 30, 2013
Building	$ 6,500,000	—	—	6,500,000
Office furniture and equipment	56,920,320	54,443,368	566,309	110,797,379
Information systems	33,227,765	—	—	33,227,765
Total fixed assets	96,648,085	54,443,368	566,309	150,525,144
Less accumulated depreciation:				
Building	1,300,000	130,000	—	1,430,000
Office furniture and equipment	33,089,817	11,721,054	526,696	44,284,175
Information systems	32,880,363	177,066	128,752	32,928,677
Total accumulated depreciation	67,270,180	12,028,120	655,448	78,642,852
Fixed assets, net	$ 29,377,905	42,415,248	(89,139)	71,882,292

Fixed asset additions above include $26.2 million in economic development and research infrastructure assets, as well as $24.1 million in capitalized equipment donations.

The amortization expense for the right to use asset under the sale-leaseback referred to in Note 2(g) was $6.8 million and $3.8 million for June 30, 2013 and 2012, respectively. This asset is being concurrently amortized and netted with the recognition of deferred gain and results in no net increase to fixed assets.

(9) Intangible Assets

Intangible assets at June 30, consist of the following:

Intangible asset classification		Intangible assets June 30, 2012	Additions	Dispositions/ retirements	Intangible assets June 30, 2013
Technology Licenses	$	54,200,000	35,000,000	—	89,200,000
Software Upgrade Costs		—	2,752,031	—	2,752,031
Total intangible assets		54,200,000	37,752,031	—	91,952,031
Less accumulated amortization:					
Technology Licenses		7,350,500	8,962,500	—	16,313,000
Software Upgrade Costs		—	—	—	—
Total accumulated amortization		7,350,500	8,962,500	—	16,313,000
Intangible assets, net	$	46,849,500	28,789,531	—	75,639,031

The expected annual amortization of the technology licenses over the next 5 years approximates $11,150,000.

(10) Post-Retirement Benefit Obligation

Plan Information and Amendment

The RF sponsors a 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. 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 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.

Plan Funded Status and Related Assumptions

Annual contributions to fund the plan are made by management 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 $124.8 million and $106.6 million as of June 30, 2013 and 2012, respectively. The assets held in the VEBA trust reduce the accumulated post-retirement benefit obligation, as 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 6,637 participants in the plan as of July 1, 2012.

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):

		2013	2012
Change in benefit obligation:			
Benefit obligation at beginning of year	$	410,182,000	310,459,000
Service cost		12,304,410	7,627,000
Interest cost		16,076,575	16,794,000
Plan participants' contributions		612,602	496,000
Retiree drug subsidy receipts		279,470	472,000
Plan amendments		(3,360,376)	—
Actuarial (gain) loss		(20,555,717)	84,468,000
Benefits paid		(10,106,013)	(10,134,000)
Benefit obligation at end of year		405,432,951	410,182,000
Change in plan assets:			
Fair value of plan assets at beginning of year		106,602,000	101,424,000
Return on plan assets		10,270,913	(1,638,000)
Employer contributions		17,169,941	15,982,000
Plan participants' contributions		612,602	496,000
Retiree drug subsidy receipts		279,470	472,000
Benefits paid		(10,106,013)	(10,134,000)
Fair value of plan assets at end of year		124,828,913	106,602,000
Funded status	$	(280,604,038)	(303,580,000)
Amount recognized in the balance sheet:			
Noncurrent liability	$	(280,604,038)	(303,580,000)
Amount recognized in unrestricted net assets:			
Prior service credit	$	25,767,990	28,527,000
Net actuarial loss		(150,289,971)	(187,389,000)
Total	$	(124,521,981)	(158,862,000)

(Continued)

		2013	2012
Weighted average assumptions used to determine benefit obligation:			
Discount rate at end of year		4.72%	4.05%
Components of net periodic benefit cost:			
Service cost	$	12,304,410	7,627,000
Interest cost		16,076,575	16,794,000
Expected return on plan assets		(8,591,849)	(8,417,000)
Amortization of:			
Prior service credit		(6,119,386)	(5,578,000)
Actuarial loss		14,864,248	6,236,000
Net periodic post-retirement benefit cost	$	28,533,998	16,662,000
Weighted average assumptions used to determine net periodic benefit cost:			
Discount rate for the year		4.05%	5.60%
Expected long term rate of return		7.50	8.00

		2013	2012
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:			
Net actuarial gain (loss)	$	22,234,781	(94,523,000)
Prior service credit		3,360,376	—
Amortization of:			
Prior service credit		(6,119,386)	(5,578,000)
Actuarial loss		14,864,248	6,236,000
Total recognized as a increase (decrease) in unrestricted net assets	$	34,340,019	(93,865,000)

Expected amounts amortized from unrestricted net assets into net periodic benefit cost for fiscal year ending 2014 include prior service credit of $5,838,386 and actuarial loss of ($11,479,778).

Estimated net benefits payments over future years are as follows:

Fiscal year ending 2014	$	10,827,000
Fiscal year ending 2015		12,059,000
Fiscal year ending 2016		13,514,000
Fiscal year ending 2017		14,903,000
Fiscal year ending 2018		16,331,000
Fiscal years ending 2019-2023		103,192,000

For measurement purposes, the initial trend rates vary by coverage. The health maintenance organization rate is 9.00%, the preferred provider organization (PPO) Medical Pre-65 rate is 8.50%, the PPO Medical Post-65 rate is 6.50%, the PPO Rx rate is 7.50% and administrative fees are 5.00%. Trend rates grade down to an ultimate rate of 5.00% in 2021 and later.

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

	One-percentage point increase	One-percentage point decrease
Effect on total service and interest cost components	$ 5,866,825	(4,536,036)
Effect on post-retirement benefit obligation	71,692,886	(57,390,056)

Fair Value of Plan Assets The following tables summarize as of June 30, 2013 and 2012 the RF's defined benefit post-retirement plan's investments held in the VEBA trust, measured at fair value on a recurring basis including the liquidity redemption and notification provisions (amounts recorded to nearest thousand). The hierarchy and inputs to valuation techniques to measure fair value of the plan's investments are outlined above in Note 6.

	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 6(a)	N/A
Private equity	—	—	6,641,042	6,641,042	See note 6(a)	N/A
	$ 72,557,965	44,228,402	8,042,546	124,828,913		

	2012					
	Level 1	Level 2	Level 3	Total	Redemption frequency	Days' notice
Investments:						
Cash equivalents	$ 271,000	—	—	271,000	Daily	1
Mutual funds:						
U.S. government fixed income	9,851,000	—	—	9,851,000	Daily	1
U.S. equities	14,190,000	—	—	14,190,000	Daily	1
Foreign equities	21,604,000	—	—	21,604,000	Daily	1
Real estate	3,281,000	—	—	3,281,000	Daily	1
Exchange traded funds:						
Real estate	3,892,000	—	—	3,892,000	Daily	4
Commodities	3,709,000	—	—	3,709,000	Daily	4
Energy stocks	1,782,000	—	—	1,782,000	Daily	4
Alternative investments:						
Absolute multistrategy return	—	15,482,000	—	15,482,000	Quarterly	95
Hedged equities	—	24,925,000	—	24,925,000	Quarterly	95
U.S. equities	—	979,000	—	979,000	Quarterly	45
Real estate	—	—	1,125,000	1,125,000	See note 6(a)	N/A
Private equity	—	—	5,511,000	5,511,000	See note 6(a)	N/A
	$ 58,580,000	41,386,000	6,636,000	106,602,000		

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

	2013	2012
Balance, beginning of year	$ 6,636,000	3,739,000
Purchases	1,634,000	3,419,000
Sales	(1,348,000)	(503,000)
Net realized gains	39,000	191,000
Net unrealized gains (losses)	1,082,000	(210,000)
Balance, end of year	$ 8,043,000	6,636,000

There has been no significant transfer activity between Level 1 and Level 2 investments during fiscal 2013 and 2012. The RF has unfunded commitments to the plan's alternative fund investments at June 30, 2013 of approximately $4.7 million.

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.

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, 2013, 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%	1.7%
Fixed income	10	16	5%-30%	15.4
Equities:				
Global equities	25	33	20%-33%	33.9
Hedged equities	16	15	10%-30%	15.3
Private equity	10	3	0%-15%	4.0
Absolute return	15	10	5%-25%	9.3
Real assets:				
Inflation-protected	5	7	3%-10%	6.3
Commodities	5	6	2%-7%	5.3
Global real estate	12	9	4%-14%	8.8

(11) 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, 2013 and 2012 was approximately $355,172,000 and $371,764,000 respectively. The RF pension contributions were approximately $30,125,000 and $31,600,000 for the years ended June 30, 2013 and 2012, respectively. These contributions are equal to 100% of the required contribution for the year.

(12) Long-Term Debt and Other Long-Term Liabilities

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, 2013, the tax-exempt bond debt totaled $5,030,000 with maturity in 2032 at an interest rate of 0.32% at June 30, 2013. The taxable bond debt was extinguished in 2009. Subsequent to June 30, 2013, 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 $5,600,000 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, 2013 and 2012 was $(776,497) and $(1,180,494), respectively. 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 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 non-interest bearing 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 2012; these are accounted for as capital leases, with current and non-current balances included in the accompanying balance sheets.

(Continued)

A summary of long-term debt as well as other long-term liabilities is as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Long-term debt:					
Capital lease obligations	$ 23,861,207	—	6,452,681	17,408,526	6,738,508
Loan – Genome Center (SB)	2,564,100	81,252	—	2,645,352	—
Demand Note (Upstate)	2,500,000	—	481,812	2,018,188	970,878
Bonds payable	5,205,000	—	175,000	5,030,000	180,000
Total long-term debt	34,130,307	81,252	7,109,493	27,102,066	7,889,386
Other long-term liabilities:					
Post-retirement benefit obligation	303,580,000	—	22,975,962	280,604,038	
Deposits held for others	1,237,554	163,241	265,050	1,135,745	
Deferred revenue- long term	—	58,709,796	5,675,526	53,034,270	
Other liabilities	5,535,572	1,925,171	—	7,460,743	
Total other long-term liabilities	310,353,126	60,798,208	28,916,538	342,234,796	
Total long-term liabilities	$ 344,483,433	60,879,460	36,026,031	369,336,862	

Future payments of long-term debt as of June 30, 2013 are as follows:

	Bonds and notes payable		Capital leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal year:						
2014	$ 1,150,878	19,400	6,738,508	627,281	7,889,386	646,681
2015	1,165,631	18,660	7,037,035	328,754	8,202,666	347,414
2016	261,679	17,880	3,632,983	58,466	3,894,662	76,346
2017	200,000	17,080	—	—	200,000	17,080
2018	205,000	16,260	—	—	205,000	16,260
Thereafter	6,710,352	1,594,672	—	—	6,710,352	1,594,672
Total	$ 9,693,540	1,683,952	17,408,526	1,014,501	27,102,066	2,698,453

Line of Credit

The RF maintains an unsecured line of credit in the amount of $65,000,000 of which $25,096,988 and $28,176,445 were outstanding as of June 30, 2013 and 2012, respectively. During this fiscal year, the borrowing rate ranged between 1.0-2.0%; it was 1.5% at June 30, 2013. 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 $19.2 million has the specified repayment date of December 31, 2013.

(Continued)

(13) Revenues

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

		2013	2012
Federal grants and contracts	$	532,580,865	548,261,142
State grants and contracts		180,436,356	145,903,894
Local grants and contracts		12,568,168	8,437,878
Private grants and contracts		289,646,332	179,392,842
Investment income		3,741,875	4,909,081
Net realized and unrealized gains on investments		7,647,068	471,531
Gifts, capital gifts and grants		101,031	57,649
Inventions and licenses income		7,847,137	10,853,368
Other income		44,934,562	40,131,442
Total revenues	$	1,079,503,394	938,418,827

(14) Expenses

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

		2013	2012
Instruction	$	72,024,500	67,225,744
Research		601,933,273	501,685,276
Public service		126,779,841	144,202,183
Academic support		21,129,725	21,151,153
Student services		2,103,326	2,492,122
Operations and maintenance		23,965,153	26,815,877
Institutional support		187,191,418	136,791,558
Scholarships and fellowships		3,778,712	4,147,208
Auxiliary enterprises		15,309	9,938
Hospitals		—	71,784
Depreciation and amortization expense		27,740,620	15,561,752
Interest expense on capital related debt		1,108,208	729,808
Loss on disposal of fixed assets		89,139	255,858
Total expenses	$	1,067,859,224	921,140,261

(15) Commitments and Contingencies

Lease Obligations

In addition to the long-term leases with FRMC, described in Note 4(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, 2013, for lease terms in excess of one year are as follows:

Fiscal year		FRMC	Other	Total
2014	$	43,014,458	5,761,819	48,776,277
2015		43,014,458	5,771,335	48,785,793
2016		43,014,458	2,611,801	45,626,259
2017		43,014,458	1,545,530	44,559,988
2018		43,014,458	1,112,485	44,126,943
Thereafter		210,999,401	8,890,599	219,890,000
Total	$	426,071,691	25,693,569	451,765,260

Collateral

As discussed in Note 5, 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. This collateral will be released at the rate of $1 million per year over the next 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. 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.

As of the financial statement issuance date, a Federal investigation relating to programs at Buffalo State College is being conducted by the United States Attorney’s Office. This matter has been transferred to the civil division of the United States Attorney’s Office for review of potential civil penalties. The potential liability resulting from this matter cannot reasonably be determined at this time.

(16) 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, 2013 were available to be issued on November 5, 2013 and subsequent events have been evaluated through that date.