THE RESEARCH FOUNDATION FOR THE STATE UNIVERSITY OF NEW YORK

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors’ Report Thereon)

THE RESEARCH FOUNDATION FOR
THE STATE UNIVERSITY OF NEW YORK

June 30, 2016 and 2015

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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, which comprise the balance sheets as of June 30, 2016 and 2015, 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, 2016 and 2015, and the changes in its net assets (deficit) and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 3 to the financial statements, the 2015 financial statements have been restated to correct certain misstatements. Our opinion is not modified with respect to this matter.

KPMG LLP

March 31, 2017

THE RESEARCH FOUNDATION FOR
THE STATE UNIVERSITY OF NEW YORK

Balance Sheets

June 30, 2016 and 2015

Assets		**2016**	**2015 (Restated)**
Current assets:			
Cash and cash equivalents	$	740,758	185,200
Accounts receivable, net		238,076,953	291,212,178
Advances to others		12,647,036	12,584,871
Investments		175,253,704	168,386,829
Due from broker for securities sold		4,373,410	—
Other current assets		3,291,092	3,057,908
Total current assets		434,382,953	475,426,986
Noncurrent assets:			
Fixed assets, net		477,174,266	426,088,230
Intangible assets, net		44,907,808	53,655,224
Other noncurrent assets		8,647,524	11,219,412
Total noncurrent assets		530,729,598	490,962,866
Total assets	$	965,112,551	966,389,852
Liabilities and Net Deficit			
Current liabilities:			
Accounts payable and accrued expenses	$	98,034,565	73,908,597
Accrued compensation		15,190,780	11,458,522
Accrued leave		31,780,398	30,307,870
Deferred revenue		137,876,963	115,369,652
Deposits held for others		29,467,493	29,732,369
Capital lease obligations		13,337,586	15,921,596
Current portion of long-term debt		200,000	195,000
Line of credit and other short-term debt		17,384,930	23,309,040
Total current liabilities		343,272,715	300,202,646
Noncurrent liabilities:			
Postretirement benefit obligation		181,635,741	398,570,748
Other deferred revenue		196,155,153	140,832,148
Capital lease obligations, net of current portion		265,420,011	278,757,598
Long-term debt, net of current portion		4,270,000	4,470,000
Other liabilities		6,981,091	6,494,920
Total noncurrent liabilities		654,461,996	829,125,414
Total liabilities		997,734,711	1,129,328,060
Net assets (deficit):			
Available for operations		(44,071,867)	64,859,533
Reserved for future postretirement benefit costs		11,449,707	(227,797,741)
Total net deficit		(32,622,160)	(162,938,208)
Total liabilities and net deficit	$	965,112,551	966,389,852

See accompanying notes to financial statements.

THE RESEARCH FOUNDATION FOR
THE STATE UNIVERSITY OF NEW YORK

Statements of Activities

Years ended June 30, 2016 and 2015

		2016	2015 (Restated)
Revenue:			
Grants awarded for research and other sponsored activities:			
Federal	$	265,433,667	263,404,408
Federal flow through		118,498,714	119,875,473
New York State		112,675,724	117,392,038
Private and other		249,478,250	288,232,403
Total grants awarded for research and other sponsored activities		746,086,355	788,904,322
Indirect cost recoveries:			
Federal		82,603,566	78,144,376
Federal flow through		24,990,236	24,287,925
New York State		6,895,457	6,198,911
Private and other		13,699,419	14,581,966
Total indirect cost recoveries		128,188,678	123,213,178
Other research-related income:			
Inventions and licenses		10,858,593	10,504,002
Third-party service centers		12,000,378	14,125,248
Agency fees		7,745,440	7,316,917
Fixed price awards		3,751,957	25,080,260
Amortization of deferred gain		4,625,000	8,000,000
Other		11,270,480	7,689,774
Total other research-related income		50,251,848	72,716,201
Investment income, net		199,807	11,320,151
Total revenue		924,726,688	996,153,852
Expenses:			
Sponsored programs and other activities		757,110,706	800,763,859
Indirect administrative and support expenses:			
Salaries		65,778,745	64,583,437
Fringe benefits		51,393,430	37,304,243
Professional services		16,501,161	17,317,079
Supplies		6,885,135	7,580,080
Depreciation		10,469,695	13,691,241
Bad debt		69,841,163	—
Other		30,672,002	9,254,456
Total indirect administrative and support expenses		251,541,331	149,730,536
Other research related expenses:			
Inventions and licenses		8,872,152	10,264,035
Third party service centers		11,805,621	14,342,244
Other		4,328,278	4,342,062
Total other research-related expenses		25,006,051	28,948,341
Total expenses		1,033,658,088	979,442,736
Change in net assets from revenue and expenses		(108,931,400)	16,711,116
Postretirement related changes other than net periodic benefit cost		239,247,448	(108,801,487)
Change in net assets (deficit)		130,316,048	(92,090,371)
Net deficit at beginning of year		(162,938,208)	(70,847,837)
Net deficit at end of year	$	(32,622,160)	(162,938,208)

See accompanying notes to financial statements.

THE RESEARCH FOUNDATION FOR
THE STATE UNIVERSITY OF NEW YORK

Statements of Cash Flows

Years ended June 30, 2016 and 2015

		2016	2015 (Restated)
Cash flows from operating activities:			
Federal grants and contracts	$	494,709,499	481,376,031
State and local grants and contracts		176,173,805	80,756,034
Private gifts and grants		268,714,104	297,055,688
Other receipts		244,905,022	245,627,347
Salaries and wages payments		(415,801,153)	(407,084,505)
Employee benefits payments		(158,621,527)	(156,869,171)
Payments to suppliers and vendors		(400,064,528)	(434,267,684)
Operating interest and dividends		1,125,846	784,515
Distribution from BSA partnership		2,235,525	2,042,688
Interest payments on capital debt and notes		(23,950,895)	(25,176,648)
Other payments		(79,098,258)	(86,131,899)
Net cash provided by (used in) operating activities		110,327,440	(1,887,604)
Cash flows from investing activities:			
Proceeds from sales of investments		298,758,334	265,168,714
Purchases of investments		(310,113,655)	(212,913,880)
Cash paid for purchases of fixed and intangible assets		(76,375,856)	(41,262,595)
Net cash (used in) provided by investing activities		(87,731,177)	10,992,239
Cash flows from financing activities:			
Principal payments on long-term debt and capital lease obligations		(16,116,596)	(19,590,675)
Proceeds from line of credit		90,636,531	259,277,681
Payments on line of credit		(96,560,640)	(248,825,641)
Net cash used in financing activities		(22,040,705)	(9,138,635)
Net increase (decrease) in cash and cash equivalents		555,558	(34,000)
Cash and cash equivalents, beginning of year		185,200	219,200
Cash and cash equivalents, end of year	$	740,758	185,200
Reconciliation of change in net assets to net cash provided by (used in) operating activities:			
Change in net assets (deficit)	$	130,316,048	(92,090,371)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Realized and unrealized losses (gains) on investments		3,271,230	(8,313,786)
Depreciation and amortization		65,651,023	63,291,399
Loss on disposal of fixed assets		224,874	98,112
Accretion of deferred gain on sale leaseback transaction		(3,375,000)	(6,750,000)
Donated fixed assets		(2,261,767)	(528,236)
Other adjustments		110,849	(159,974)
Change in assets and liabilities that provide (use) cash:			
Bad debt		69,841,163	—
Accounts receivable and other assets		(14,429,401)	(17,319,569)
Accrued investment income		—	33,673
Accounts payable and accrued expenses		3,684,312	(11,849,854)
Other accruals and other liabilities		(3,336,324)	1,108,418
Deferred revenue		77,830,316	(46,523,094)
Deposits held for others		(264,876)	(2,806,533)
Postretirement benefit obligation		(216,935,007)	119,922,211
Net cash provided by (used in) operating activities	$	110,327,440	(1,887,604)

See accompanying notes to financial statements.

(1) Organization

The Research Foundation for The State University of New York (RF) is the largest, most comprehensive university-connected research foundation in the country. It exists to serve the State University of New York (SUNY) by providing 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.

Aligned with the SUNY Strategy for Research and Innovation, the RF helps manage programs that seek to maximize the collective impact of SUNY research. Examples include the SUNY Technology Accelerator Fund, and START-UP NY.

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 technology transfer and business development services to promote innovation, entrepreneurship and economic development.

The RF comprises a central office and operating units at 31 campus locations across New York State. The RF is a private nonprofit educational corporation and is governed by a board of directors.

(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, *Not-for-Profit Entities*.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of liabilities and net assets (deficit) and disclosures of contingencies as of the dates of the financial statements and the reported amounts of change in net assets (deficit) during the reporting periods. The most significant areas which are affected by the use of estimates include allowances for doubtful receivables, valuation of certain investments measured at net asset value, commitments and contingencies, 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 funding 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 to the extent of direct costs incurred. Amounts received in excess of expenditures are recorded as deferred revenue. Recoveries of indirect costs provided from grants and contracts are recorded as revenue in the year in which the costs are eligible for reimbursement.

(Continued)

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. 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.

Inventions and licenses income consists of royalties received from licenses and is recognized on the accrual basis. 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 is recognized on the accrual basis and primarily consists of third-party service center revenue, nonsponsored income from activities such as proceeds from the sale of equipment, and fees earned for administering human resources, payroll, purchasing and payables services to university-related organizations, such as foundations or clinical practice plans.

(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. Cash equivalents are stated at fair value and are considered a Level 1 financial asset.

(e) Investments

Investments are reported at fair value, which is generally the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. Certain investments in limited liability partnerships and corporations are measured at net asset value or its equivalent as a practical expedient to estimating fair value.

(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 equipment or infrastructure purchased under a sponsored program for the purpose of economic development and for which title is retained by the RF.

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 a gain or loss is recorded. Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was $65.7 million and $93.1 million, respectively.

(g) Deferred Revenue

Deferred revenue includes:

(1) Surplus balances from sponsored program activity that occur when funds are received in advance of spending, recognized into revenue under the terms of the sponsored program;

(2) Purchases of capitalized equipment or intangible assets under sponsored programs related to economic development, recognized into revenue over the life of the asset;

(3) Surplus balances from service centers that are established and maintained to provide a specific service to sponsored programs and other users, recognized as rates are periodically adjusted to reflect actual expenses of those centers.

Deferred revenues on sponsored program funds received before spending takes place are recognized into revenue under the terms of the sponsored program. In contrast, deferred revenues from purchases of capitalized assets are recognized into revenue over the life of the asset. Deferred revenue that results from service center charges is recognized as rates are periodically adjusted to reflect actual expenses of those centers.

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 and intangible assets purchased under sponsored programs related to economic development.

(h) Accrued Leave

RF employees are granted vacation and sick leave in varying amounts. In the event of termination or retirement, 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, upon retirement up to 200 days of accumulated sick leave is considered in the computation of retirement benefits. Included in the leave accrual is an accrual for the net obligation under the sick leave benefit amounting to $2.6 million and $2.3 million as of June 30, 2016 and 2015, respectively.

(i) Postretirement Benefit Obligation

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 (deficit) 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 accompanying balance sheets.

(j) 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 duration of these financial instruments.

(k) 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. Management has determined there are no uncertain tax positions as of June 30, 2016 and 2015.

(l) Other Information

Accounts receivable is reported net of an allowance for doubtful accounts. During the year ended June 30, 2016, the collectability of approximately $68.9 million in accounts receivable balances from SUNY Polytechnic Institute (SUNY Poly) programs were determined to be doubtful, of which $56.6 million has been written off. The RF's allowance for doubtful accounts as of June 30, 2016 and 2015 was $22.5 million and $9.3 million, respectively.

Advances to others and deposits held for others represent amounts related to agency activity at the campus and affiliated organization locations.

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, 2016 and 2015 is approximately $7.3 million and $6.7 million, respectively.

During the year ended June 30, 2016 the National Institute on Minority Health and Health Disparities (NIMHD) awarded a $10.0 million endowment grant to be paid to the RF over a five-year period, with the first installment of $2.0 million received in April 2016 and invested on behalf of the RF by the University at Albany Foundation (UAF) under a long-term service agreement. As of June 30, 2016, the $2.0 million fair value of the funds is included in Investments and Net Assets on the balance sheet. The contribution of these funds is reflected in the Statements of Activities for the year ended June 30, 2016 as other research-related income. The adjustment to fair value and relating custodial expenses, each less than $0.1 million, are also reflected in the Statement of Activities.

(m) Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

(3) Restatement of 2015 Financial Statements

The RF leases the NanoFabXtension (NFX) facility from FRMC under an agreement covering the period January 1, 2013 through December 31, 2028. This lease was previously accounted for as an operating lease but during the year ended June 30, 2016 was determined by management to be a capital lease. Accordingly, the 2015 financial statements have been restated to reflect the change in lease classification and to correct certain related non-federal revenues and deferred revenues impacted by the change. The cumulative effects of these corrections of such misstatements through July 1, 2015 have been reflected as an adjustment to opening net deficit. The effects of these corrections as of and for the year ended June 30, 2015 have been reflected in the accompanying restated financial statements. The following table presents the adjustments made to the 2015 financial statements as previously reported and the resulting restated amounts:

	As previously reported	Adjustment	As restated
Balance sheet:			
Fixed assets, net	$ 158,025,440	268,062,790	426,088,230
Other noncurrent assets	53,219,412	(42,000,000)	11,219,412
Total assets	740,327,062	226,062,790	966,389,852
Capital lease obligations, current	3,632,983	12,288,613	15,921,596
Capital lease obligations, net of current portion	—	278,757,598	278,757,598
Other deferred revenue	182,832,148	(42,000,000)	140,832,148
Total liabilities	880,281,849	249,046,211	1,129,328,060
Net assets (deficit)	(139,954,787)	(22,983,421)	(162,938,208)
Statement of activities:			
Total revenue	$ 979,353,852	16,800,000	996,153,852
Total expenses	954,108,372	25,334,364	979,442,736
Net deficit at beginning of year	(56,398,780)	(14,449,057)	(70,847,837)
Net deficit at end of year	(139,954,787)	(22,983,421)	(162,938,208)
Statement of cash flows:			
Net cash used in operating activities	$ (13,209,743)	11,322,139	(1,887,604)
Net cash provided by (used in) financing activities	2,183,504	(11,322,139)	(9,138,635)

(4) Affiliated Organizations

Organizations affiliated with the RF 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) 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 and biopharmaceutical manufacturing, and research.

(b) 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 jobs.

(c) 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 net earnings are allocated 50% each to Battelle and the RF.

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, 2016 and 2015. The RF records distributions received as a reduction of the investment balance.

(d) Buffalo 2020 Development Corporation

Buffalo 2020 Development Corporation was formed by the RF (acting on behalf of University at Buffalo) and FNUB, Inc., a subsidiary of the University at Buffalo Foundation, 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.

(e) CUBRC, Inc.

CUBRC, Inc. is a private, not-for-profit corporation formed by the RF (acting on behalf of the University at Buffalo) and other foundations. CUBRC, Inc.’s mission is to leverage the capabilities of scientists from academia and industry to provide economic opportunities in Western New York. CUBRC, Inc. competes for research programs that would not otherwise be available to the University at Buffalo.

(f) 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) and the Health Science Center at Brooklyn Foundation, Inc. to provide 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.

(g) Fort Schuyler Management Corporation

Fort Schuyler Management Corporation (FSMC) is a private, not-for-profit corporation, formed by the RF and the SUNY Polytechnic Institute Foundation. FSMC has planned to facilitate the construction of a nanotechnology and semiconductor development and manufacturing facility adjacent to the SUNYIT campus in partnership with local economic development institutions.

(h) Fuller Road Management Corporation

Fuller Road Management Corporation (FRMC) is a private, not-for-profit corporation formed by the RF and the SUNY Polytechnic Institute Foundation. FRMC provides for the construction of research facilities at SUNY Poly to promote research and development of early and late stage companies, and the creation of jobs, and the development of the region’s economy.

(i) 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.

(j) New York Genome Center

New York Genome Center (NYGC) is a private, not-for-profit corporation formed by the RF (acting on behalf of Stony Brook University) and other New York-based universities and academic medical centers. The RF participates in NYGC as an Institutional Founding Member. The mission 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.

(k) 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 SUNY Poly) 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 systems.

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(5) Investments

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

		2016	2015
Dividends and interest	$	1,125,846	784,515
Net realized and unrealized (loss) gains		(3,271,230)	8,313,786
Income from investment in BSA partnership		2,345,191	2,221,850
Total return on investments	$	199,807	11,320,151

(6) Fair Value Measurements

Except for investments reported at net asset value (NAV) or its equivalent as a practical expedient to estimate fair value, fair value is measured using three levels as 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 used in valuation are unobservable.

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

Mutual funds and exchange traded funds are reported at current quoted fair values as of the balance sheet date.

Investments in limited liability partnerships and corporations represent investments measured at NAV or its equivalent and consist of a diversified portfolio of hedge funds of funds, real estate, domestic and foreign equity funds, fixed income securities and private equity funds in various investment vehicles. These investments, which are not exchange traded, do not have readily determinable fair values. These investments are typically redeemable at NAV under the terms of the investment agreements. Estimates of fair value are made using NAV per share or its equivalent as a practical expedient and are not required to be categorized in the fair value hierarchy.

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 materially different fair value measurement at the reporting dates.

(Continued)

The following tables summarize, as of June 30, 2016 and 2015, the RF's investments as well as the liquidity redemption and notification provisions:

	2016					
	Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Investments:						
Cash equivalents	$ 23,036,120	23,036,120	—	—	Daily	1
Mutual and exchange traded funds:						
U.S. government fixed income	21,680,240	21,680,240	—	—	Daily	1
U.S. equities	5,884,030	5,884,030	—	—	Daily	1
Commodities	4,649,846	4,649,846	—	—	Daily	1
Emerging markets	2,076,854	2,076,854			Daily	1
Foreign equities	4,933,478	4,933,478	—	—	Daily	1 to 4
Real estate	6,717,304	6,717,304	—	—	Daily	1 to 4
Other	135,421	135,421	—	—	Daily	4
Investments measured at NAV or its equivalent:						
Absolute multistrategy return	28,834,890	—	—	—	Quarterly	45 to 95
Credit securities	6,612,985	—	—	—	Quarterly	30 to 45
Global equities	24,529,957	—	—	—	Mthly/Qtrly/Annly	30 to 90
Hedged equities	29,053,606	—	—	—	Quarterly	95
Private equity	11,960,493	—	—	—	See (a) below	N/A
Investment in UAF pooled endowment	2,010,667	—	—	—	See (b) below	N/A
Total investments at fair value	172,115,891	69,113,293	—	—		
Investment in BSA partnership	3,137,813	—	—	—	N/A	N/A
Total investments	$ 175,253,704	69,113,293	—	—		

	2015					
	Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Investments:						
Cash equivalents	$ 19,431,739	19,431,739	—	—	Daily	1
Mutual and exchange traded funds:						
U.S. government fixed income	19,652,694	19,652,694	—	—	Daily	1
U.S. equities	3,189,270	3,189,270	—	—	Daily	1
Commodities	4,260,688	4,260,688	—	—	Daily	1
Foreign equities	8,248,122	8,248,122	—	—	Daily	1 to 4
Real estate	6,542,819	6,542,819	—	—	Daily	1 to 4
Other	354,216	354,216	—	—	Daily	4
Investments measured at NAV or its equivalent:						
Absolute multistrategy return	28,146,886	—	—	—	Quarterly	45 to 95
Credit securities	10,813,297	—	—	—	Quarterly	30 to 45
Global equities	16,739,587	—	—	—	Mthly/Qtrly/Annly	30 to 90
Hedged equities	29,872,352	—	—	—	Quarterly	95
U.S. equities	7,259,377	—	—	—	Quarterly	45
Private equity	10,847,635	—	—	—	See (a) below	N/A
Total investments at fair value	165,358,682	61,679,548	—	—		
Investment in BSA partnership	3,028,147	—	—	—	N/A	N/A
Total investments	$ 168,386,829	61,679,548	—	—		

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

(b) Under the service agreement with UAF, an investment account was established at UAF with the funds received by the RF under the NIMHD grant, as described in note 2(l). This investment account is treated as a term endowment with the corpus not to be expended for a set period of time of no less than 30 years and with an annual distribution of fund income for programmatic spending by the RF. The term of the agreement is through March 31, 2046, with further extension possible at the discretion of the parties.

There has been no transfer activity among levels for investments during fiscal years 2016 and 2015. The RF has unfunded commitments to private equity investments as of June 30, 2016 of approximately $10.4 million.

(7) Other Assets and Other Liabilities

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

		2016	2015 (Restated)
Other assets:			
Current:			
Royalties receivable	$	3,243,937	3,010,658
Miscellaneous		47,155	47,250
Total other current assets		3,291,092	3,057,908
Noncurrent:			
Loans receivable		2,667,917	5,505,461
Deferred compensation assets		5,979,607	5,713,951
Total other noncurrent assets		8,647,524	11,219,412
Total other assets	$	11,938,616	14,277,320
Other liabilities – noncurrent:			
Deferred compensation obligation	$	5,979,607	5,713,951
Interest rate swap agreement		1,001,484	780,969
Total other liabilities	$	6,981,091	6,494,920

The RF maintains a deferred compensation plan established in accordance with Section 457(b) of the IRC. Plan assets 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 categorized in Levels 1 and 2.

(8) Fixed Assets

Fixed asset classification	Fixed assets June 30, 2015 (Restated)	Additions	Dispositions/ retirements	Placed in service	Fixed assets June 30, 2016
Building	$ 6,500,000	—	—	—	6,500,000
Building – capital lease	317,704,048	—	—	—	317,704,048
Office furniture and research equipment	173,321,534	46,230,169	7,447,485	54,444,910	266,549,128
Information systems	33,278,310	—	7,815,986	—	25,462,324
Construction in progress	65,589,648	55,406,357	—	(54,444,910)	66,551,095
Total fixed assets	596,393,540	101,636,526	15,263,471	—	682,766,595
Less accumulated depreciation:					
Building	1,690,000	130,000	—	—	1,820,000
Building – capital lease	49,641,258	19,856,502	—	—	69,497,760
Office furniture and equipment	85,834,354	30,258,279	7,223,077	—	108,869,556
Information systems	33,139,698	80,835	7,815,520	—	25,405,013
Total accumulated depreciation	170,305,310	50,325,616	15,038,597	—	205,592,329
Fixed assets, net	$ 426,088,230	51,310,910	224,874	—	477,174,266

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 research equipment, are classified in the appropriate categories above and depreciated over their useful lives.

The amortization expense for the sale-leaseback asset was $3.4 million and $6.8 million for the years ended June 30, 2016 and 2015, respectively. The sale-leaseback transactions resulted in a gain that was deferred and recognized over the life of the lease which ended during the year ended June 30, 2016. The asset was being concurrently amortized and netted with the recognition of the deferred gain and resulted in no net increase to fixed assets.

(9) Intangible Assets

Intangible asset classification		Intangible assets June 30, 2015	Additions	Dispositions/ retirements	Intangible assets June 30, 2016
Technology licenses	$	89,200,000	—	—	89,200,000
Capitalized software		4,002,031	3,202,990	—	7,205,021
Total intangible assets		93,202,031	3,202,990	—	96,405,021
Less accumulated amortization:					
Technology licenses		38,613,000	11,150,000	—	49,763,000
Capitalized software		933,807	800,406	—	1,734,213
Total accumulated amortization		39,546,807	11,950,406	—	51,497,213
Intangible assets, net	$	53,655,224	(8,747,416)	—	44,907,808

The approximate annual amortization of the intangible assets over the next five years is as follows:

Fiscal year ending 2017	$	12,271,000
Fiscal year ending 2018		12,591,000
Fiscal year ending 2019		10,945,000
Fiscal year ending 2020		5,953,000
Fiscal year ending 2021		2,828,000

(10) 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.

During the year ended June 30, 2016, the RF announced that effective January 1, 2017, the RF's Postretirement Benefits Plan will utilize the individual Medicare health care exchange market to provide benefits to Medicare-eligible participants. The impact of this plan amendment has been reflected in the computation of the benefit obligation as of June 30, 2016.

(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, the RF established a VEBA trust with Bank of New York Mellon as the trustee. The VEBA trust held assets of $176.3 million and $169.8 million as of June 30, 2016 and 2015, respectively. Current obligations are assumed to be paid out of the trust assets, with the remaining unfunded obligation reflected as a noncurrent liability of the RF. There were approximately 7,100 and 6,900 participants in the plan as of July 1, 2015 and 2014.

The following table sets forth the plan's funded status reconciled with the amount shown in the accompanying financial statements at June 30:

	2016	2015
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 568,398,222	427,323,643
Service cost	19,822,438	15,866,297
Interest cost	25,207,967	20,271,144
Plan participants' contributions	862,880	881,732
Retiree drug subsidy receipts	228,307	239,016
Plan amendments	(269,221,408)	—
Actuarial loss	25,206,249	115,557,012
Benefits paid	(12,522,038)	(11,740,622)
Benefit obligation at end of year	357,982,617	568,398,222
Change in plan assets:		
Fair value of plan assets at beginning of year	169,827,474	148,675,106
Return on plan assets	(4,189,364)	10,789,948
Employer contributions	22,139,617	20,982,294
Plan participants' contributions	862,880	881,732
Retiree drug subsidy receipts	228,307	239,016
Benefits paid	(12,522,038)	(11,740,622)
Fair value of plan assets at end of year	176,346,876	169,827,474
Funded status and amount recognized in balance sheet	$ (181,635,741)	(398,570,748)
Reserve for future postretirement benefit costs:		
Prior service credit	$ 277,690,409	14,404,324
Net actuarial loss	(266,240,702)	(242,202,065)
Total	$ 11,449,707	(227,797,741)

		2016	2015
Weighted average assumptions used to determine benefit obligation:			
Discount rate at end of year		3.40 %	4.45 %
Components of net periodic benefit cost:			
Service cost	$	19,822,438	15,866,297
Interest cost		25,207,967	20,271,144
Expected return on plan assets		(13,540,218)	(11,958,556)
Amortization of:			
Prior service credit		(5,935,323)	(5,935,323)
Actuarial loss		18,897,194	13,859,456
Net periodic benefit cost	$	44,452,058	32,103,018
Weighted average assumptions used to determine net periodic benefit cost:			
Discount rate for the year		4.45 %	4.30 %
Expected long-term rate of return		7.50 %	7.50 %

		2016	2015
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:			
Net actuarial loss	$	(42,935,831)	(116,725,620)
Prior service credit		269,221,408	—
Amortization of:			
Prior service credit		(5,935,323)	(5,935,323)
Actuarial loss		18,897,194	13,859,456
Total recognized as increase (decrease) in net assets	$	239,247,448	(108,801,487)

Expected amounts amortized from net assets into net periodic benefit cost for fiscal year ending 2017 include prior service credit of $38.0 million and actuarial loss of $23.0 million.

Estimated net benefit payments over future years are as follows:

Fiscal year ending 2017	$	12,582,000
Fiscal year ending 2018		13,554,000
Fiscal year ending 2019		14,581,000
Fiscal year ending 2020		15,600,000
Fiscal year ending 2021		16,469,000
Fiscal years ending 2022–2026		93,741,000

For measurement purposes, the initial trend rates vary by coverage. The health maintenance organization rate is 7.50%, the preferred provider organization (PPO) Medical Pre-65 rate is 7.50%, the PPO prescription rate is 6.50%, 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	**decrease**
Effect on total service and interest cost components	$	11,511,729	(8,647,929)
Effect on postretirement benefit obligation		62,908,001	(50,317,106)

(c) Fair Value of Plan Assets

The following tables summarize as of June 30, 2016 and 2015, the RF's defined benefit postretirement plan's investments held in the VEBA trust, 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 6.

	2016					
	Total	Level 1	Level 2	Level 3	Redemption frequency	Days' notice
Investments:						
Cash equivalents	$ 690,532	690,532	—	—	Daily	1
Mutual and exchange traded funds:						
U.S. government fixed income	16,110,071	16,110,071	—	—	Daily	1
U.S. equities	6,830,597	6,830,597	—	—	Daily	1
Commodities	5,297,649	5,297,649	—	—	Daily	1
Emerging Markets	1,931,083	1,931,083	—	—	Daily	1
Foreign equities	7,291,595	7,291,595	—	—	Daily	1 to 4
Real estate	7,578,296	7,578,296	—	—	Daily	1 to 4
Investments measured at NAV or its equivalent:						
U.S. equities	53,814	—	—	—	Quarterly	45
Absolute multistrategy return	26,971,208	—	—	—	Quarterly	45 to 95
Credit securities	3,040,805	—	—	—	Mthly/Qtrly	30 to 45
Global equities	38,582,252	—	—	—	Mthly/Qtrly/Annly	30 to 90
Hedged equities	39,896,042	—	—	—	Quarterly	95
Private equity	22,072,932	—	—	—	See note 5(a)	N/A
	$ 176,346,876	45,729,823	—	—		

	2015					
	Total	Level 1	Level 2	Level 3	Redemption frequency	Days' notice
Investments:						
Cash equivalents	$ 2,370,990	2,370,990	—	—	Daily	1
Mutual and exchange traded funds:						
U.S. government fixed income	13,209,807	13,209,807	—	—	Daily	1
U.S. equities	9,889,246	9,889,246	—	—	Daily	1
Commodities	4,968,731	4,968,731	—	—	Daily	1
Foreign equities	11,335,864	11,335,864	—	—	Daily	1 to 4
Real estate	9,031,810	9,031,810	—	—	Daily	1 to 4
Investments measured at NAV or its equivalent:						
U.S. equities	1,355,078	—	—	—	Quarterly	45
Absolute multistrategy return	29,060,857	—	—	—	Quarterly	45 to 95
Credit securities	8,522,863	—	—	—	Mthly/Qtrly	30 to 45
Global equities	25,226,071	—	—	—	Mthly/Qtrly	30 to 90
Hedged equities	39,613,360	—	—	—	Quarterly	95
Private equity	15,242,797	—	—	—	See note 5(a)	N/A
	$ 169,827,474	50,806,448	—	—		

There has been no transfer activity among levels for investments during fiscal years 2016 and 2015. The RF has unfunded commitments to the plan's private equity investments at June 30, 2016 of approximately $23.8 million.

(d) Investment Policies and Strategies

The plan's primary investment goal is to meet the ongoing obligations while minimizing contributions and controlling risks. This would result in funding short-term liabilities with lower volatility short-term assets, intermediate-term liabilities with moderate-volatility assets and longer-term liabilities with long-term assets.

By use of this structure, and by the diversification of assets, the 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. Assets must be managed with the care, skill, prudence, and diligence that a prudent investment professional in similar circumstances would exercise, in compliance with 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, 2016, 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 %
Fixed income:				
Government bonds	10	5	0%-30%	5
Credit	—	7	0%-20%	7
Equities:				
Global equities	25	35	20%-50%	34
Hedged equities	16	19	0%-25%	19
Private equity	10	6	0%-25%	9
Absolute return	15	11	0%-20%	11
Real assets:				
Inflation-protected	5	3	0%-10%	3
Commodities	5	3	0%-10%	3
Global real estate	12	10	5%-20%	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 eligible to participate 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, 2016 and 2015 was approximately $371.2 million and $362.3 million, respectively. The RF retirement plan contributions were approximately $31.3 million and $30.4 million for the years ended June 30, 2016 and 2015, respectively. These contributions are equal to 100% of the required contribution for the year.

(Continued)

(12) Long-Term Obligations

		Balance June 30, 2016	Balance June 30, 2015 (Restated)
Long-term obligations:			
Capital lease obligations; see note (a) below	$	278,757,597	294,679,194
Bonds payable to Albany Industrial Development Agency (AIDA); see note (b) below		4,470,000	4,665,000
Total long-term debt	$	283,227,597	299,344,194

(a) There were two sale-leaseback transactions for capital equipment. 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, during the year ended June 30, 2016.

As stated in note 3, the RF is party to a capital lease for the NFX facility with FRMC. The lease commenced on January 1, 2013 and expires on December 31, 2028. During the lease term, the RF's payments under the capital lease will be an annual amount equal to the greater of (a) $36 million or (b) all scheduled payments of principal and interest and related payments due under a credit agreement that FRMC has with a financial institution for financing of the NFX facility.

(b) The RF has an interest rate swap agreement, on the variable-rate AIDA bonds payable, with the Bank of New York to pay a fixed rate of interest of 3.615%. The bond payable matures in 2032.

Future scheduled payments as of June 30, 2016 are as follows:

		Capital lease obligations		Bonds and notes payable	
		Principal	Interest	Principal	Interest
Fiscal year:					
2017	$	13,337,586	22,662,414	200,000	17,080
2018		14,476,100	21,523,900	205,000	16,260
2019		15,711,800	20,288,200	215,000	15,400
2020		17,052,981	18,947,019	220,000	14,520
2021		18,508,646	17,491,354	230,000	13,600
Thereafter		199,670,484	70,329,516	3,400,000	80,080
Total	$	278,757,597	171,242,403	4,470,000	156,940

Line of Credit

The RF maintains unsecured lines of credit, renewed annually, in the amount of $65.0 million of which $17.4 million and $23.3 million were outstanding as of June 30, 2016 and 2015, respectively. During fiscal 2016, the borrowing rates ranged between 1.0–1.5%. The terms of the lines include the specification that each draw must be repaid within one year.

(13) Commitments and Contingencies

(a) Commitments

The RF has commitments under its NFX capital lease as well as agreements with industry partners to support the mission of the SUNY Poly campus, some of which are pending sponsorship or other funding. As of the issuance date of these financial statements, the RF does not anticipate any shortfalls of funding under these commitments to be material in nature.

(b) Operating Lease Obligations

The RF contracts with FRMC and various other entities to lease space as part of its mission to support SUNY research and partnerships. Future minimum payments, as of June 30, 2016, for lease terms in excess of one year are as follows:

Fiscal year		FRMC	Other	Total
2017	$	7,014,458	2,866,622	9,881,080
2018		7,014,458	2,463,239	9,477,697
2019		7,014,458	2,071,099	9,085,557
2020		7,014,458	1,933,297	8,947,755
2021		7,014,458	1,683,425	8,697,883
Thereafter		99,956,027	10,694,293	110,650,320
Total	$	135,028,317	21,711,975	156,740,292

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 SUNY Poly. Rent payments made by the RF pursuant to the agreement for each of the years ended June 30, 2016 and 2015 were approximately $7.0 million. The annual rental payments 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.

(c) Collateral

In fiscal year 2012, the RF placed $10 million in collateral for a $10 million 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 was released at the rate of $1 million per year over a period of 10 years, starting January 1, 2013. The pledged collateral balance was $6.5 million as of June 30, 2016, and the loan was repaid in August 2016.

(d) 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. It is not anticipated that potential liability from any matters as yet unresolved as of the issuance date will have a material effect on the RF's financial condition and/or cash flows.

(14) 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.

The members of SUNY Poly's Global 450 Consortium Program (G450C) have declined to extend the program past its contractually determined expiration date of December 31, 2016. Management expects to utilize the G450C's equipment to the extent it can be deployed in other existing programs, however it is expected that a portion of the equipment will be sold to third parties during fiscal 2017. Net book value of G450C equipment was $114.7 million with deferred revenue in the same amount as of June 30, 2016.

These financial statements covering the year ended June 30, 2016 were available to be issued on March 31, 2017 and subsequent events have been evaluated through that date.