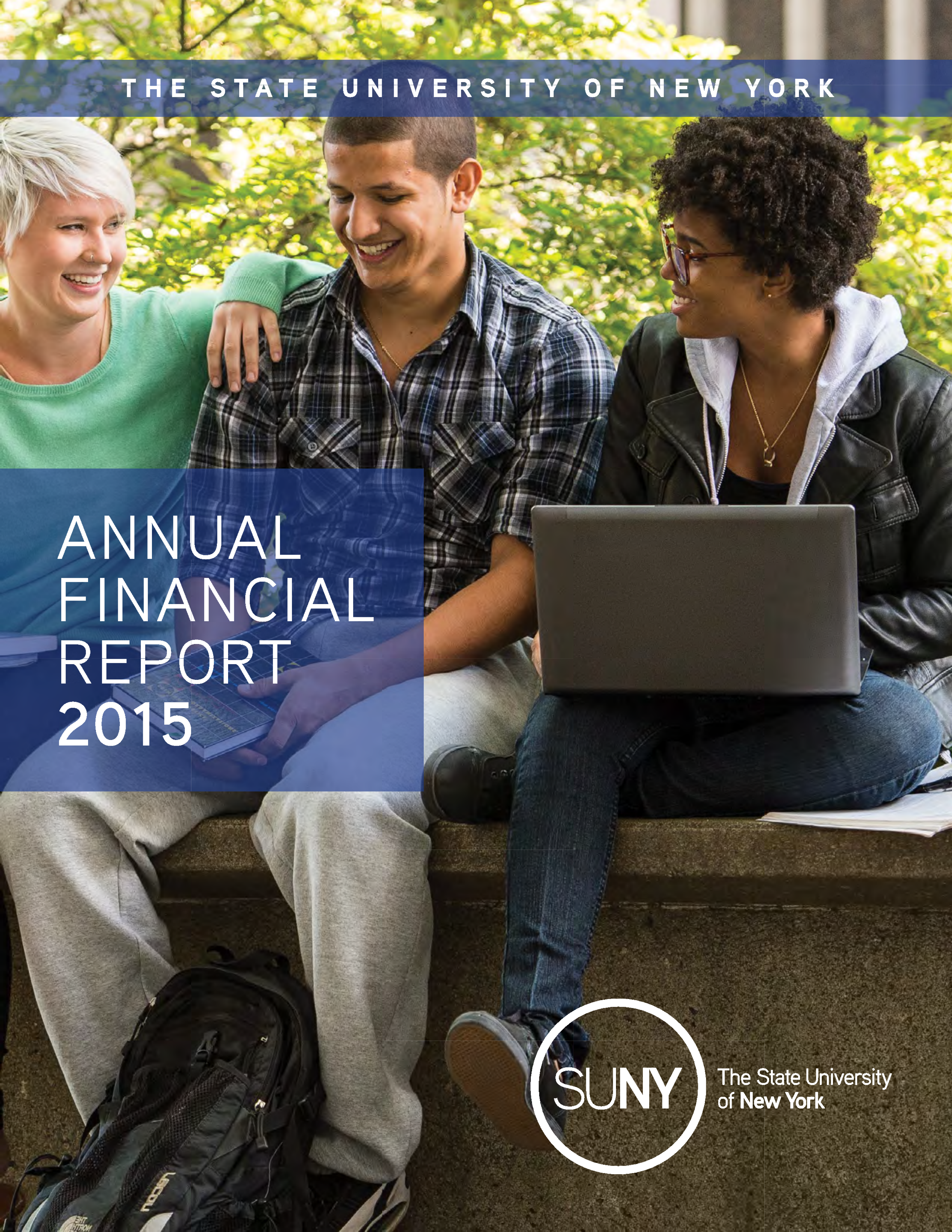
THE STATE UNIVERSITY OF NEW YORK



ANNUAL FINANCIAL REPORT 2015

SUNY The State University of New York

Table of Contents

Chancellor

Nancy L. Zimpher

Chancellor's Cabinet

Alexander N. Cartwright
Provost and Executive Vice Chancellor

Eileen G. McLoughlin
Vice Chancellor for Finance and Chief Financial Officer

Joseph Porter
Vice Chancellor for Legal Affairs and General Counsel

Stacey Hengsterman
Associate Vice Chancellor for University Relations and Chief of Staff

A Message from the Chairman and the Chancellor

We are pleased to present the Annual Financial Report of The State University of New York, providing an overview of the State University's finances and operating results for the year ending June 30, 2015.

Over the past year, the State University has continued to make good on its enduring commitment to expand college Access, Completion, and Success for all New York State students. Furthermore, we have codified our commitment to expanding these three areas, as well as Inquiry and Engagement, in our advanced performance-measurement system, SUNY Excels, launched this year. SUNY Excels was created through a highly consultative process, and will be the tool the State University uses to ensure we are delivering on our promise to become, as we say, the best at getting better in delivering higher education to New York State residents.

The preliminary enrollment headcount for fall 2015 is 446,604, which represents a decline of 1.8 percent from last fall. Preliminary enrollment at the state-operated campuses is 220,774, up .1 percent over last fall, while preliminary enrollment at the community colleges is 225,830, down 3.4 percent.

In the 2014-15 fiscal year, State University research continues to be strong, with key numbers up over last year. The Research Foundation for The State University of New York received 293 invention disclosures, filed 244 patent applications, was awarded 70 U.S. patents, executed 47 licenses, and received $18.2 million in royalties, up $5 million over last year. These achievements were the products of more than 6,809 projects that supported 15,832 employees statewide.

This year, SUNY faculty, students, and staff attracted nearly $900 million in funding for 6,800 research, training, and public service projects. In pursuit of research excellence, the State University's six Networks of Excellence have collectively funded workshops and small seed grants that have allowed teams to begin to work together to solve some of today's biggest problems.

Further powered this year through our innovative $100 million Investment and Performance Fund, the State University continues to be an outstanding investment for students and a critical economic and human capital resource for New York State. We take our responsibility as stewards of public dollars seriously, and we will continue to strive to be as efficient and creative as possible in managing our resources and fostering excellence in New York.

H. Carl McCall
Chairman

Nancy L. Zimpher
Chancellor

Independent Auditors' Report

KPMG LLP
515 Broadway
Albany, NY 12207-2974

The Board of Trustees
State University of New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of the State University of New York (the University), as of and for the years ended June 30, 2015 and 2014, and the financial statements of the aggregate discretely presented component units of the University as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic 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 opinions on these financial statements based on our audit. We did not audit certain discretely presented component units, which represent 64% of the total assets and 87% of the total revenues of the aggregate discretely presented component units. The financial statements of those entities were audited by other auditors whose reports have been furnished to us and our opinions, insofar as they relate to the amounts included for those certain discretely presented component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of certain discretely presented component units identified in note 16 to the financial statements were not audited in accordance with *Government Auditing Standards.*

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 opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the State University of New York as of June 30, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended, and the financial position of the aggregate discretely presented component units of the State University of New York as of June 30, 2015, and the changes in net assets for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

Financial Presentation of the University

As discussed in note 1, the financial statements of the University are intended to present the financial position, the changes in financial position, the changes in net assets, and, where applicable, cash flows of only that portion of the State of New York that is attributable to the transactions of the University and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the State of New York as of June 30, 2015 or 2014, the changes in its financial position and, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

New Accounting Pronouncement

As discussed in notes 1 and 8 to the financial statements, in 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the University's 2014 financial statements and, based on our audit and the reports of the other auditors, we expressed unmodified audit opinions on those audited financial statements in our report dated November 5, 2014. In our opinion, based on our audit and the reports of the other auditors, the summarized comparative information related to the aggregate discretely presented component units and presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 7 to 15 and the required supplementary information on pages 46 to 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Page 3, A Message from the Chairman and the Chancellor, is not a required part of the basic financial statements and has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 24, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

November 24, 2015
Albany, New York

Management's Discussion and Analysis

(Unaudited)

Management's discussion and analysis (MD&A) provides a broad overview of the State University of New York's (State University) financial condition as of June 30, 2015 and 2014, the results of its operations for the years then ended, and significant changes from the previous years. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the State University, which directly follow the MD&A.

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

The auxiliary services corporations, foundations, and student housing corporations meet the criteria for component units under the Governmental Accounting Standards Board (GASB) accounting and financial reporting requirements for inclusion in the State University's financial statements. For financial statement presentation purposes, these component units are not included in the reported amounts of the State University, but the combined totals of these component units are discretely presented on pages 20 and 21 of the State University's financial statements, in accordance with display requirements prescribed by the Financial Accounting Standards Board (FASB) for not-for-profit organizations.

The focus of the MD&A is on the State University financial information contained in the balance sheets, the statements of revenues, expenses, and changes in net position, and the statements of cash flows, which exclude the auxiliary services corporations, foundations, and student housing corporations.

Overview of the Financial Statements

The financial statements of the State University have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the GASB.

The financial statement presentation consists of comparative balance sheets, statements of revenues, expenses, and changes in net position, statements of cash flows, and accompanying notes for the June 30, 2015 and 2014 fiscal years. These statements provide information on the financial position of the State University and the financial activity and results of its operations during the years presented. A description of these statements follows:

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

The *Statements of Revenues, Expenses, and Changes in Net Position* present information showing the change in the State University's net position during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in these statements include items that will result in cash received or disbursed in future fiscal periods.

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

As disclosed in note 1 to the financial statements, the State University was required to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* For the cost-sharing multiple employer pension plans the State University

Management's Discussion and Analysis

(Unaudited)

participates in, this Statement requires that a portion of the Plan's net pension liability (asset) be reflected in the reported amounts on the balance sheet, as well as deferred inflows and outflows of resources from pension activities. The State University is considered a participating employer of the New York State and Local Retirement System (ERS) and New York State Teachers' Retirement System (TRS) and as a result, the State University has recorded a participating proportion of the net pension liability (asset) of the ERS and TRS plans. Also, the State University has recorded a net pension liability for a single-employer defined benefit plan that it administers. As a result of adopting this pronouncement, the State University has restated the beginning net position at July 1, 2014. As discussed in footnote 15 to the financial statements, the restatement resulted in a $423.8 million decrease to the beginning net position. The 2015 balance sheet assets and liabilities include the net pension asset and liability of these plans. The 2014 financial statement amounts, related pension disclosures (other than Table D on page 31), and MD&A have not been restated to reflect the adoption of GASB No. 68 but are displayed as previously presented, for comparative purposes only.

Financial Highlights

The State University's net position of ($1.89) billion is comprised of $17.12 billion in total assets and deferred outflows of resources, less $19.01 billion in total liabilities and deferred inflows of resources. The net position decreased $851 million in 2015 driven by the adoption of GASB No. 68 resulting in a $376 million decrease. The net position also declined significantly due to an increase in accrued other postemployment benefit (OPEB) expenses of $700 million. The State University's total revenues increased $134 million and total expenses increased $330 million in 2015 compared to 2014. The growth in revenues is primarily due to increases in hospital revenue of $135 million, net tuition and fees revenue of $112 million and direct and indirect State appropriation revenue of $50 million compared to the previous year. These increases were offset by decreases of $88 million in net realized and unrealized gains and $71 million in nonoperating revenues. Expense growth was driven by an overall increase in operating expenses of $283 million, or 3% compared to the prior year.

Balance Sheets

The balance sheets present the financial position of the State University at the end of its fiscal years. The State University's net position was ($1.89) billion and ($1.03) billion at June 30, 2015 and 2014, respectively, and experienced a decrease of $427 million in 2015, not including the impact of adopting GASB No. 68, and $232 million in 2014. The State University's total assets and deferred outflows of resources increased $1.15 billion and $939 million in 2015 and 2014, respectively. Total liabilities and deferred inflows of resources during 2015 and 2014 increased $2.00 billion and $1.17 billion, respectively. The following table reflects the financial position at June 30, 2015, 2014, and 2013 (in thousands):

	2015	2014	2013
Current assets	$ 3,488,407	2,966,993	2,996,602
Capital assets, net	11,246,347	10,701,489	10,041,478
Other noncurrent assets	2,322,928	2,279,889	1,970,962
Deferred outflows of resources	64,216	23,707	23,552
Total assets and deferred outflows of resources	17,121,898	15,972,078	15,032,594
Current liabilities	2,278,917	2,076,995	2,077,079
Deferred inflows of resources	72,097	-	-
Noncurrent liabilities	16,656,662	14,929,843	13,758,698
Total liabilities and deferred inflows of resources	19,007,676	17,006,838	15,835,777
Net investment in capital assets	1,206,777	1,090,418	940,031
Restricted - nonexpendable	407,723	357,733	331,906
Restricted - expendable	333,906	347,716	276,950
Unrestricted	(3,834,184)	(2,830,627)	(2,352,070)
Total net position	$ (1,885,778)	(1,034,760)	(803,183)

Current Assets

Current assets at June 30, 2015 increased $521 million compared to the previous year. In general, current assets are those assets that are available to satisfy current liabilities (i.e., those that will be paid within one year). Current assets at June 30, 2015 and 2014 consist primarily of cash and cash equivalents of $1.52 billion and $1.33 billion and receivables of $1.31 billion and $1.11 billion, respectively. The increase in current assets during 2015 is primarily due to an increase of $186 million in cash and cash equivalents, $184 million in deposits with trustees, and $154 million in accounts receivable.

Management's Discussion and Analysis

(Unaudited)

Current Liabilities

Current liabilities increased $202 million compared to the previous year. Current liabilities at June 30, 2015 and 2014 consist principally of accounts payable and accrued expenses of $1.03 billion and $978 million, the current portion of long-term debt and long-term liabilities of $630 million and $665 million, and unearned revenue of $426 million and $253 million, respectively. The increase in current liabilities during 2015 is primarily due to an advanced payment from the State of $202 million to the Dormitory Authority of New York State (DASNY) for State University related debt due in the 2015-16 fiscal year. This increase was offset by a $35 million decrease reported by the Research Foundation.

Capital Assets, net

The State University's capital assets are substantially comprised of State-operated campus educational, residence, and hospital facilities. Personal Income Tax (PIT) revenue bonds support the majority of the funding for construction and critical maintenance projects on State University educational and hospital facilities. During 2014, the State University established a new credit vehicle for funding construction and critical maintenance projects for residence hall facilities as discussed further on page 11. Prior to 2014, the State University entered into capital lease financing arrangements for residence hall facilities.

During the 2015 and 2014 fiscal years, capital assets (net of depreciation) increased $545 million and $660 million, respectively. The majority of the increase occurred at the State University campuses due to the completion of new building construction, renovations, and rehabilitation totaling $889 million and $1.45 billion for the 2015 and 2014 fiscal years, respectively. Equipment additions during 2015 and 2014 of $172 million and $171 million, respectively, also contributed to the increase.

Significant projects completed and capitalized during the 2015 fiscal year included construction of a new Student Life Center at the College at Cortland, an academic building at the College at Brockport, a townhouse complex and new Science Technology building at the College at Fredonia, an Engineering and Science Building at Binghamton University, an academic building at Maritime College, a School of Business at Farmingdale State College and a new Gateway Building at the College of Environmental Science and Forestry. Other significant projects included improvements to a science and engineering building at the College at Oswego, renovations of Mohawk Tower Residence Hall and Data Computing Center at the University at Albany, renovations to Doty Hall and the Bailey Science Building at the College of Geneseo and renovations to the Fitzelle Hall at the College at Oneonta.

A summary of capital assets, by major classification, and related accumulated depreciation for the 2015, 2014, and 2013 fiscal years is as follows (in thousands):

	2015	2014	2013
Land	$ 642,786	614,573	547,995
Infrastructure and land improvements	1,092,442	974,799	872,259
Buildings	11,304,762	10,521,128	9,155,561
Equipment, library books and other	3,128,257	3,008,558	2,898,865
Construction in progress	2,045,561	2,161,475	2,787,928
Total capital assets	18,213,808	17,280,533	16,262,608
Less accumulated depreciation:			
Infrastructure and land improvements	488,205	454,801	430,698
Buildings	4,032,367	3,804,024	3,594,964
Equipment, library books and other	2,446,889	2,320,219	2,195,468
Total accumulated depreciation	6,967,461	6,579,044	6,221,130
Capital assets, net	$ 11,246,347	10,701,489	10,041,478

Other Noncurrent Assets

Other noncurrent assets increased $43 million compared to the previous year. Noncurrent assets at June 30, 2015 and 2014 include long-term investments of $891 million and $864 million, noncurrent portion of receivables of $690 million and $635 million, deposits with trustees of $300 million and $400 million, and restricted cash of $152 million and $156 million, respectively.

Noncurrent Liabilities

Noncurrent liabilities at June 30, 2015 and 2014 of $16.66 billion and $14.93 billion, respectively, are largely comprised of debt on State University

Management's Discussion and Analysis

(Unaudited)

facilities, other long-term liabilities accrued for postemployment and post-retirement benefits, and litigation reserves. The State University capital funding levels and bonding authority are subject to operating and capital appropriations of the State. Funding for capital construction and rehabilitation of educational and residence hall facilities of the State University is provided principally through the issuance of bonds by DASNY. The debt service for the educational facilities is paid by, or provided through a direct appropriation from, the State. The debt service on residence hall bonds is funded primarily from room rents. A summary of noncurrent, long-term liabilities at June 30, 2015, 2014, and 2013 is as follows (in thousands):

	2015	2014	2013
Educational facilities	$ 7,741,066	7,232,933	6,880,924
Unamortized bond premium - educational facilities	598,247	474,681	438,897
Residence hall facilities	1,111,095	1,164,255	1,496,800
Unamortized bond premium - residence hall facilities	70,028	72,999	75,970
Postemployment and post-retirement	4,871,192	4,170,783	3,732,255
Litigation	562,691	507,551	442,796
Collateralized borrowings	459,541	467,424	-
Pension	397,746	9,989	-
Other obligations	455,416	476,526	463,840
Long-term liabilities	$ 16,267,022	14,577,141	13,531,482

During the year, Personal Income Tax (PIT) Revenue Bonds were issued in the amount of $672 million and Sales Tax Revenue Bonds were issued totaling $127 million for the purpose of financing capital construction and major rehabilitation for educational facilities. Also, during the year PIT bonds were issued totaling $392 million in order to refund $433 million of the State University's existing educational facilities obligations.

The State University's credit ratings for PIT, educational and residence hall bonds were unchanged in 2015. During fiscal year 2014, Moody's upgraded the credit ratings for PIT bonds (from Aa2 to Aa1) and educational bonds (from Aa3 to Aa2) compared to the previous year. Fitch also upgraded the credit ratings for PIT bonds (from AA to AA+) and educational bonds (from AA- to AA) and Standard & Poor's (S&P) upgraded the credit ratings for educational bonds (from AA- to AA). The State University's credit ratings for residence hall bonds were unchanged in 2014. The credit ratings at June 30, 2015 are as follows:

	PIT Bonds	Educational Facilities	Residence Halls
Moody's Investors Service	Aa1	Aa2	Aa2
Standard & Poor's	AAA	AA	AA-
Fitch	AA+	AA	AA-

During fiscal years 2015 and 2014, the long-term portion of postemployment and post-retirement benefit obligations increased $700 million and $439 million, respectively. The State, on behalf of the State University, provides health insurance coverage for eligible retired State University employees and their qualifying dependents as part of the New York State Health Insurance Plan (NYSHIP). The State University, as a participant in the plan, recognizes these other postemployment benefits (OPEB) on an accrual basis. The State University's OPEB plan is financed annually on a pay-as-you-go basis. There are no assets set aside to fund the plan.

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

The long-term portion of pension liabilities increased $388 million due to adopting GASB No. 68 during fiscal year 2015.

Management's Discussion and Analysis

(Unaudited)

The State University has recorded a long-term litigation liability and a corresponding appropriation receivable of $563 million and $508 million at June 30, 2015 and 2014, respectively (almost entirely related to hospitals and clinics) for unfavorable judgments, both anticipated and awarded but not yet paid.

In March 2013, the State enacted legislation to authorize the State University to assign to DASNY all of the State University's rights, title and interest in dormitory facilities revenues derived from payments made by students and others for use and occupancy of certain dormitory facilities. The legislation authorized DASNY to issue State University of New York Dormitory Facilities Revenue Bonds payable from and secured by the dormitory facilities revenues assigned to it by the State University. These bonds are special obligations of DASNY payable solely from the dormitory facilities revenues collected by the State University as agent for DASNY. The outstanding obligations under these bonds is reported as collateralized borrowing in the State University's financial statements. The credit ratings assigned to these bonds in 2014 were as follows: Moody's (Aa3), S & P (A+), and Fitch (A+). These ratings were unchanged in 2015.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position present the State University's results of operations, as well as nonoperating activities. Revenues, expenses, and the change in net position for the 2015, 2014 and 2013 fiscal years are summarized as follows (in thousands):

	2015	2014	2013
Operating revenues	$ 6,254,726	6,049,331	6,008,874
Nonoperating revenues	3,858,795	3,927,018	3,525,614
Other revenues	141,370	144,282	135,483
Total revenues	10,254,891	10,120,631	9,669,971
Operating expenses	10,219,436	9,936,282	9,687,640
Nonoperating expenses	462,625	415,926	386,873
Total expenses	10,682,061	10,352,208	10,074,513
Change in net position	$ (427,170)	(231,577)	(404,542)

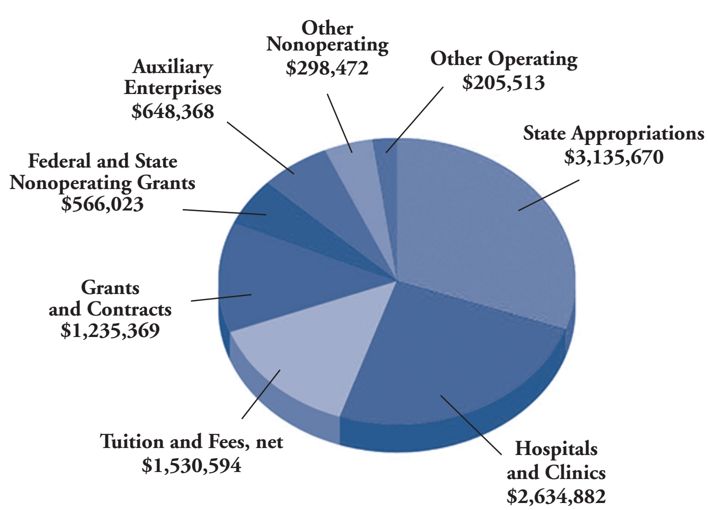
Total operating revenues of the State University increased $205 million in 2015 and $40 million in 2014. Nonoperating and other revenues, which include State appropriations, decreased $71 million and increased $410 million for fiscal years 2015 and 2014, respectively. Total expenses for 2015 and 2014 increased $330 million and $278 million, respectively.

Revenue Overview

Revenues (in thousands):

	2015	2014	2013
Tuition and fees, net	$ 1,530,594	1,418,319	1,311,753
Hospitals and clinics	2,634,882	2,499,595	2,538,544
Grants and contracts	1,235,369	1,269,459	1,343,088
Auxiliary enterprises	648,368	640,911	614,367
Other operating	205,513	221,047	201,122
Operating revenues	6,254,726	6,049,331	6,008,874
State appropriations	3,135,670	3,085,627	2,833,440
Federal and State nonoperating grants	566,023	536,326	521,957
Other nonoperating	298,472	449,347	305,700
Nonoperating and other revenues	4,000,165	4,071,300	3,661,097
Total revenues	$ 10,254,891	10,120,631	9,669,971

2015 Revenues (in thousands)



Management's Discussion and Analysis

(Unaudited)

Tuition and Fees, Net

Tuition and fee revenue, net of scholarship allowances increased $112 million and $107 million in 2015 and 2014, respectively. These increases were mainly driven by a $300 tuition rate increase for resident undergraduates and increases in professional and nonresident tuition rates in 2015 and 2014. Annual average full-time equivalent students, including undergraduate and graduate, were approximately 193,100, 193,800, and 194,300 for the fiscal years ended June 30, 2015, 2014, and 2013, respectively.

Hospitals and Clinics

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

Hospital and clinic revenue increased $135 million in 2015 due primarily to an increase in Medicaid Disproportionate Share program revenue of $134 million. Net patient revenues also increased $63 million mainly due to volume and rate increases at Stony Brook and Syracuse. These increases were offset by a decrease in other revenue primarily due to UHB receiving an $89 million HEAL grant in the prior year. Hospital and clinic revenue decreased $39 million between 2014 and 2013 due to reduced services and patient volume at the Long Island College Hospital (LICH) at UHB.

Grants and Contracts Revenue

Grants and contracts revenue decreased $34 million in 2015 driven by decreases in state and local grants of $60 million and federal grants of $19 million, offset by an increase in private grants and contracts of $45 million. A majority of the State University's grants and contracts are administered by the Research Foundation and totaled $895 million and $918 million for the fiscal years ended June 30, 2015 and 2014, respectively. The decline in 2015 is due primarily to decreases in state grants from the Empire State Development Corporation.

Auxiliary Enterprises

The State University's auxiliary enterprise activity is comprised of sales and services for residence halls, food services, intercollegiate athletics, student health services, parking, and other activities. The residence halls are operated and managed by the State University and its campuses.

Auxiliary enterprise sales and services revenue increased $7 million and $27 million for fiscal years 2015 and 2014, respectively. These increases were largely due to modest increases in room rates and occupancy levels.

The residence hall operations and capital programs are financially self-sufficient. Each campus is responsible for the operation of its residence halls program including setting room rates and covering operating, maintenance, capital and debt service costs. Any excess funds generated by residence halls operating activities are separately maintained for improvements and maintenance of the residence halls. Revenue producing occupancy at the residence halls was 78,518 for the fall of 2014, an increase of 892 students compared to the previous year. The overall utilization rate for the fall of 2014 was reported at 96 percent.

State Appropriations

The State University's single largest source of revenues are State appropriations, which for financial reporting purposes are classified as nonoperating revenues. State appropriations totaled $3.14 billion, $3.09 billion, and $2.83 billion and represented approximately 31 percent, 30 percent, and 29 percent of total revenues for fiscal years 2015, 2014, and 2013, respectively. State support (both direct support for operations and indirect support for fringe benefits, debt service, and litigation) for State University campus operations, statutory colleges, and hospitals and clinics increased $50 million in 2015 and $252 million in 2014, compared to the prior year. In 2015, State support for operating expenses increased $53 million and indirect State support for debt service increased $13 million compared to the previous year. Indirect State support for fringe benefits and litigation decreased $6 million and $10 million, respectively.

Management's Discussion and Analysis

(Unaudited)

Federal and State Nonoperating Grants

Major scholarships and grants received include the State Tuition Assistance Program of $213 million and $197 million and the federal Pell Program of $290 million and $279 million during fiscal years 2015 and 2014, respectively.

Other Nonoperating Revenues

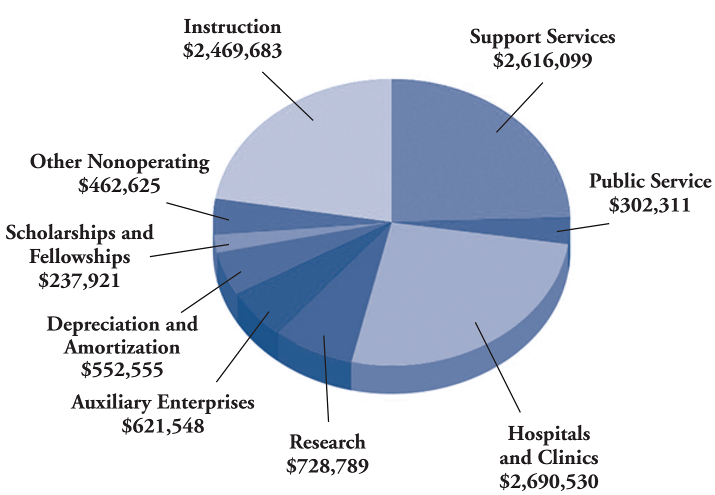
Other nonoperating revenues decreased $151 million and increased $144 million in 2015 and 2014, respectively. The decrease in 2015 was primarily due to a decrease in investment return and capital gifts and grants. The increase in 2014 was primarily due to increases in gifts, investment income and gains, and capital gifts and grants.

Expense Overview

Expenses (in thousands):

	2015	2014	2013
Instruction	$ 2,469,683	2,315,342	2,201,559
Research	728,789	765,033	817,282
Public service	302,311	305,970	303,248
Support services	2,616,099	2,534,416	2,426,112
Scholarships and fellowships	237,921	214,144	210,004
Hospitals and clinics	2,690,530	2,708,912	2,673,713
Auxiliary enterprises	621,548	585,908	585,962
Depreciation and amortization	552,555	506,557	469,760
Other nonoperating	462,625	415,926	386,873
Total expenses	$ 10,682,061	10,352,208	10,074,513

2015 Expenses (in thousands)



During the 2015 fiscal year, instruction expenses increased $154 million predominately from increases of $84 million in accrued postemployment benefit expenses and $46 million in personal service costs. Research expenses decreased $36 million and $52 million during fiscal years 2015 and 2014, respectively, primarily due to a decline in sponsored program activity.

Support services, which include expenses for academic support, student services, institutional support, and operation and maintenance of plant, increased $82 million between fiscal years 2015 and 2014. This increase was mainly due to an increase in accrued postemployment benefit expenses of $63 million as well as an increase in personal service costs of $29 million. Support services increased $108 million between 2014 and 2013.

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

Expenses at the State University's hospitals and clinics decreased $18 million in 2015 and increased $35 million during 2014. The decrease during 2015 was mainly due to a decrease in expenses for LICH at UHB.

Depreciation and amortization expense recognized in fiscal years 2015 and 2014 totaled $553 million and $507 million, respectively. Other nonoperating expenses were $463 million and $416 million for the years ended June 30, 2015 and 2014, respectively. The increase in nonoperating expenses during fiscal year 2015 was mainly due to an increase in interest expense on capital related debt and an increase in the Research Foundation post-retirement benefit accrual.

Management's Discussion and Analysis

(Unaudited)

Economic Factors That Will Affect the Future

The State University is one of the largest public universities in the nation, with headcount enrollment of approximately 220,400 for fall 2015, on twenty nine State-operated campuses and five contract/ statutory colleges. The State University's student population is directly influenced by State demographics, as the majority of students attending the State University are New York residents. The enrollment outlook remains stable for the State University based on its continued ability to attract quality students for its academic programs. Full-time equivalent (FTE) enrollment, excluding community colleges, for the fiscal year ended June 30, 2015 is approximately 193,100, a slight decrease compared to June 30, 2014.

New York State appropriations remain the largest single source of revenues. The State University's continued operational viability is substantially dependent upon a consistent and proportionate level of ongoing State support. For the most recent fiscal year, State appropriations totaled $3.14 billion which represented 31 percent of the total revenues of the State University. State appropriations consisted of direct support ($1.07 billion), fringe benefits for State University employees ($1.39 billion), debt service on educational facility and PIT bonds ($599 million), and litigation ($78 million). Debt service on educational facilities is paid by the State in an amount sufficient to cover annual debt service requirements; pursuant to annual statutory provisions, each of the State University's three teaching hospitals must reimburse the State for their share of debt service costs to finance their capital projects. To maintain budgetary equilibrium in an era of fiscal uncertainty, the State University is taking appropriate measures to identify operational efficiencies through shared services and is implementing cost containment measures on discretionary spending for non-personal service costs.

Beginning with the 2011-12 fiscal year, legislation was passed called the NY-SUNY 2020 Challenge Grant Program Act, which includes capital funds for investments in economic expansion and job creation at the State University campuses, as well as a predictable and rational tuition plan. The rational tuition plan authorizes the State University trustees to increase resident undergraduate tuition by up to $300 per year for five years. The five year plan expires at the end of the 2015-16 academic year. In addition, the State University trustees can also increase non-resident undergraduate tuition up to 10 percent at all State-operated campuses as well as certain fees at the four University Centers after approval of their NY-SUNY 2020 Challenge grant plans.

The State University depends on the State to provide appropriations in support of its capital programs. In 2004-05 and again in 2008-09, the State Budget provided nearly $8.0 billion through two multi-year capital plans for strategic initiatives and critical maintenance projects for the preservation or rehabilitation of existing educational facilities. These cumulative multi-year funding authorizations provided the State University with the resources required to address the core critical maintenance needs of its existing buildings and infrastructure, as well as the means to make additional capital investments in a range of programmatic initiatives.

The 2014-15 and 2015-16 State Budgets provided $562 million and $244 million in new appropriations for one year only. The lack of funding for another multi-year capital plan is directly attributable to State-imposed limits under the State Debt Reform Act of 2000 that caps the level of outstanding debt. It is likely that the Debt Reform Act will continue to affect the State's ability to invest in the State University's capital programs in the near future.

Management's Discussion and Analysis

(Unaudited)

The State University hospitals, which are all part of larger State University Academic Health Centers at Brooklyn, Stony Brook and Syracuse, serve large numbers of Medicaid and uninsured patients and, as a result, the Medicaid Disproportionate Share Hospital (DSH) Program revenue stream and Medicaid reimbursement is critical to their continued viability. With the pressure to reduce the Federal budget deficit, it is likely that both the federal and state governments will be under pressure to reduce their overall spending in future years. These spending reductions could result in significant cuts to Medicare and Medicaid rates, having a negative impact on each of the hospitals' overall revenue. The hospitals' financial and operational capabilities will also continue to be challenged by potential declines in direct State appropriation support and inflationary and contractual cost increases.

Balance Sheets

June 30, 2015 and 2014
In thousands

	2015	2014
Assets and Deferred Outflows of Resources		
Current Assets:		
Cash and cash equivalents	$ 1,520,809	1,334,898
Deposits with bond trustees	386,449	202,122
Short-term investments	204,772	243,537
Accounts, notes, and loans receivable, net	850,121	695,930
Appropriations receivable	145,056	145,243
Grants receivable	317,553	271,939
Other assets	63,647	73,324
Total current assets	3,488,407	2,966,993
Noncurrent Assets:		
Restricted cash and cash equivalents	151,813	155,548
Deposits with bond trustees	300,232	400,291
Accounts, notes, and loans receivable, net	125,384	125,627
Appropriations receivable	564,136	509,027
Long-term investments	891,394	863,832
Other noncurrent assets	289,969	225,564
Capital assets, net	11,246,347	10,701,489
Total noncurrent assets	13,569,275	12,981,378
Total assets	**17,057,682**	**15,948,371**
Deferred outflows of resources	64,216	23,707
Total assets and deferred outflows of resources	**$ 17,121,898**	**15,972,078**
Liabilities, Deferred Inflows and Net Position		
Current Liabilities:		
Accounts payable and accrued liabilities	1,025,781	977,642
Interest payable	81,083	84,271
Unearned revenue	425,749	252,712
Long-term debt - current portion	394,203	450,688
Long-term liabilities - current portion	235,347	214,385
Other liabilities	116,754	97,297
Total current liabilities	2,278,917	2,076,995
Noncurrent Liabilities:		
Long-term debt	9,694,636	9,147,069
Long-term liabilities	6,572,386	5,430,072
Refundable government loan funds	141,046	141,622
Other noncurrent liabilities	248,594	211,080
Total noncurrent liabilities	16,656,662	14,929,843
Total liabilities	**18,935,579**	**17,006,838**
Deferred inflows of resources	72,097	-
Total liabilities and deferred inflows of resources	**19,007,676**	**17,006,838**
Net Position:		
Net investment in capital assets	1,206,777	1,090,418
Restricted - nonexpendable:		
Instruction and departmental research	173,817	141,658
Scholarships and fellowships	103,967	94,397
General operations and other	129,939	121,678
Restricted - expendable:		
Instruction and departmental research	128,312	139,455
Scholarships and fellowships	68,319	70,822
General operations and other	137,275	137,439
Unrestricted	(3,834,184)	(2,830,627)
Total net position	**(1,885,778)**	**(1,034,760)**
Total liabilities, deferred inflows and net position	**$ 17,121,898**	**15,972,078**

See accompanying notes to financial statements.

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2015 and 2014
In thousands

	2015	2014
Operating revenues:		
Tuition and fees	$ 2,110,686	1,970,521
Less scholarship allowances	(580,092)	(552,202)
Net tuition and fees	1,530,594	1,418,319
Federal grants and contracts	613,668	632,256
State and local grants and contracts	160,163	220,282
Private grants and contracts	461,538	416,921
Hospitals and clinics	2,634,882	2,499,595
Sales and services of auxiliary enterprises:		
Residence halls, net	433,781	432,148
Food service and other, net	214,587	208,763
Other sources	205,513	221,047
Total operating revenues	**6,254,726**	**6,049,331**
Operating expenses:		
Instruction	2,469,683	2,315,342
Research	728,789	765,033
Public service	302,311	305,970
Academic support	525,192	517,491
Student services	340,429	317,734
Institutional support	1,011,070	984,454
Operation and maintenance of plant	711,729	683,556
Scholarships and fellowships	237,921	214,144
Hospitals and clinics	2,690,530	2,708,912
Auxiliary enterprises:		
Residence halls	358,975	332,523
Food service and other	262,573	253,385
Depreciation and amortization expense	552,555	506,557
Other operating expenses	27,679	31,181
Total operating expenses	**10,219,436**	**9,936,282**
Operating loss	**(3,964,710)**	**(3,886,951)**
Nonoperating revenues (expenses):		
State appropriations	3,135,670	3,085,627
Federal and State nonoperating grants	566,023	536,326
Investment income, net	47,565	43,029
Net realized and unrealized (losses) gains	(5,469)	88,413
Gifts	109,537	103,071
Interest expense on capital related debt	(426,909)	(399,698)
Loss on disposal of plant assets	(15,878)	(16,228)
Other nonoperating (expenses) revenues, net	(14,369)	70,552
Net nonoperating revenues	**3,396,170**	**3,511,092**
Loss before other revenues and gains	**(568,540)**	**(375,859)**
Capital appropriations	23,719	23,684
Capital gifts and grants	65,387	98,913
Additions to permanent endowments	52,264	21,685
Decrease in net position	**(427,170)**	**(231,577)**
Net position at the beginning of year	**(1,034,760)**	**(803,183)**
Cumulative effect of change in accounting principle (note 15)	**(423,848)**	-
Net position at the end of year	**$ (1,885,778)**	**(1,034,760)**

See accompanying notes to financial statements.

Statements of Cash Flows

For the Years Ended June 30, 2015 and 2014
In thousands

	2015	2014
Cash flows from operating activities:		
Tuition and fees	$ 1,541,417	1,437,058
Grants and contracts:		
Federal	615,084	635,344
State and local	121,586	298,715
Private	471,053	453,000
Hospital and clinics	2,328,621	2,430,990
Personal service payments	(4,035,392)	(3,939,489)
Other than personal service payments	(2,552,982)	(2,737,981)
Payments for fringe benefits	(480,472)	(535,461)
Payments for scholarships and fellowships	(261,792)	(222,171)
Loans issued to students	(27,815)	(28,323)
Collection of loans to students	25,481	22,287
Auxiliary enterprise charges:		
Residence halls	438,173	436,330
Food service and other	206,734	205,407
Other receipts	142,359	238,328
Net cash used by operating activities	**(1,467,945)**	**(1,305,966)**
Cash flows from noncapital financing activities:		
State appropriations:		
Operations	1,066,998	1,016,843
Debt service	803,832	597,096
Federal and State nonoperating grants	565,933	536,326
Private gifts and grants	111,690	99,048
Proceeds from short-term loans	259,278	58,020
Repayment of short-term loans	(257,144)	(85,135)
Direct loan receipts	1,148,684	1,147,718
Direct loan disbursements	(1,148,684)	(1,147,718)
Other receipts	141,038	64,772
Net cash provided by noncapital financing activities	**2,691,625**	**2,286,970**
Cash flows from capital and related financing activities:		
Proceeds from capital debt	1,412,680	1,475,159
Capital appropriations	25,718	22,357
Capital grants and gifts received	64,088	77,259
Proceeds from sale of capital assets	1,711	337
Purchases of capital assets	(189,914)	(190,758)
Payments to contractors	(988,433)	(959,851)
Principal paid on capital debt and leases	(859,972)	(925,576)
Interest paid on capital debt and leases	(479,108)	(461,915)
Deposits with bond trustees	(82,807)	47,365
Net cash used by capital and related financing activities	**(1,096,037)**	**(915,623)**
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	327,042	415,179
Interest, dividends, and realized gains on investments	53,787	54,196
Purchases of investments	(326,296)	(458,714)
Net cash provided by investing activities	**54,533**	**10,661**
Net change in cash	**182,176**	**76,042**
Cash - beginning of year	**1,490,446**	**1,414,404**
Cash - end of year	**$ 1,672,622**	**1,490,446**
End of year cash comprised of:		
Cash and cash equivalents	**$ 1,520,809**	**1,334,898**
Restricted cash and cash equivalents	**$ 151,813**	**155,548**

Statements of Cash Flows (continued)

For the Years Ended June 30, 2015 and 2014
In thousands

Reconciliation of net operating loss to net cash used by operating activities:	**2015**	**2014**
Operating loss	$ (3,964,710)	(3,886,951)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense	552,555	506,557
Fringe benefits and litigation	1,334,062	1,457,715
Change in assets and liabilities:		
Receivables, net	(199,571)	(22,640)
Other assets	14,390	(19,633)
Accounts payable and accrued liabilities	64,041	(28,185)
Unearned revenue	1,544	76,823
Other liabilities	729,744	610,348
Net cash used by operating activities	**$ (1,467,945)**	**(1,305,966)**

Supplemental disclosures for noncash transactions:		
New capital leases / debt agreements	$ 1,410,350	1,475,159
Fringe benefits provided by the State	$ 1,305,804	1,432,360
Litigation costs provided by the State	$ 28,258	25,355
Noncash gifts	$ 3,135	7,633
Unrealized (losses) gains on investments	$ (20,471)	70,246

See accompanying notes to financial statements.

State University of New York Component Units
Balance Sheet

June 30, 2015 (with comparative financial information as of June 30, 2014)
In thousands

Assets	2015	2014
Cash and cash equivalents	$ 244,512	248,967
Accounts and notes receivable, net	44,913	44,794
Pledges receivable, net	142,857	185,140
Investments	2,041,893	1,950,894
Assets held for others	24,698	29,063
Other assets	80,051	75,119
Capital assets, net	590,390	620,272
Total assets	**$ 3,169,314**	**3,154,249**

Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	80,709	75,139
Deferred revenue	17,602	21,787
Deposits held in custody for others	113,993	119,543
Other liabilities	70,368	63,704
Long-term debt	417,925	471,145
Total liabilities	**700,597**	**751,318**
Net Assets:		
Unrestricted:		
Board designated for:		
Fixed assets	214,284	195,721
Campus programs	103,666	102,004
Investments	218,471	218,099
General operations and other	79,514	51,780
Undesignated	141,201	147,984
Temporarily restricted:		
Scholarships and fellowships	193,955	203,211
Campus programs	419,121	443,460
Research	147,276	150,854
General operations and other	176,981	167,255
Permanently restricted:		
Scholarships and fellowships	333,369	310,608
Campus programs	354,947	315,139
Research	27,912	27,347
General operations and other	58,020	69,469
Total net assets	**2,468,717**	**2,402,931**
Total liabilities and net assets	**$ 3,169,314**	**3,154,249**

See accompanying notes to financial statements.

State University of New York Component Units
Statement of Activities

For the Year Ended June 30, 2015 (with summarized financial information for the year ended June 30, 2014)
In thousands

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Revenues:					
Contributions, gifts and grants	$ 50,424	91,883	39,300	181,607	176,690
Loss on uncollectible contributions	-	(15,904)	(843)	(16,747)	-
Food service	281,151	-	-	281,151	272,925
Other auxiliary services	77,480	-	-	77,480	75,352
Rental income	70,669	307	-	70,976	78,089
Sales and services	129,200	1,345	-	130,545	163,457
Program income and special events	45,328	2,701	11	48,040	48,715
Investment income, net	11,794	19,838	1,172	32,804	33,618
Net realized and unrealized gains	15,103	26,546	14	41,663	209,943
Change in value of split interest agreements	(56)	(1,103)	(2,758)	(3,917)	4,102
Other sources	22,245	1,548	22	23,815	12,373
Transfers of permanently restricted net assets	357	(1,908)	1,551	-	-
Endowment earnings transferred	-	179	(179)	-	-
Net assets released from restrictions	142,742	(142,742)	-	-	-
Total revenues	**846,437**	**(17,310)**	**38,290**	**867,417**	**1,075,264**
Expenses:					
Food service	237,282	-	-	237,282	226,722
Other auxiliary services	65,948	-	-	65,948	64,289
Program expenses	131,549	-	-	131,549	110,807
Health care services	121,093	-	-	121,093	155,079
Payments to the State University:					
Scholarships and fellowships	54,082	-	-	54,082	43,087
Other	47,557	-	-	47,557	93,794
Real estate expenses	50,540	-	-	50,540	55,471
Management and general	52,476	-	-	52,476	50,269
Fundraising	23,887	-	-	23,887	20,553
Other expenses	17,217	-	-	17,217	5,250
Total expenses	**801,631**	**-**	**-**	**801,631**	**825,321**
Change in net assets	**44,806**	**(17,310)**	**38,290**	**65,786**	**249,943**
Net asset reclassification	**(3,258)**	**(10,137)**	**13,395**	**-**	**-**
Total change in net assets	**41,548**	**(27,447)**	**51,685**	**65,786**	**249,943**
Net assets at the beginning of year	**715,588**	**964,780**	**722,563**	**2,402,931**	**2,152,988**
Net assets at the end of year	**$ 757,136**	**937,333**	**774,248**	**2,468,717**	**2,402,931**

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2015 and 2014

1. Summary of Significant Accounting Policies and Basis of Presentation

Reporting Entity

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

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

The Research Foundation for The State University of New York (Research Foundation) is a separate, private, nonprofit educational corporation that administers the majority of the State University's sponsored programs. These programs are for the exclusive benefit of the State University and include research, training, and public service activities of the State-operated campuses supported by sponsored funds other than State appropriations. The Research Foundation provides sponsored programs administration and innovation support services to State University faculty performing research in life sciences and medicine; engineering and technology; physical sciences and energy; social sciences; and computer and information services. The activity of the Research Foundation has been included in these financial statements using GASB measurements and recognition standards. The financial activity was primarily derived from audited financial statements of the Research Foundation for the years ended June 30, 2015 and 2014.

The State University Construction Fund (Construction Fund) is a public benefit corporation that designs, constructs, reconstructs and rehabilitates facilities of the State University pursuant to an approved master plan. Although the Construction Fund is a separate legal entity, it carries out operations which are integrally related to and for the exclusive benefit of the State University and, therefore, the financial activity related to the Construction Fund is included in the State University's financial statements as of the Construction Fund's fiscal years ended March 31, 2015 and 2014.

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

Most of the State University's campuses maintain auxiliary services corporations and some campuses maintain student housing corporations. These corporations are legally separate, nonprofit organizations which, as independent contractors, operate, manage, and promote educationally related services for the benefit of the campus community. Almost all of the State University campuses also maintain foundations, which are legally separate, nonprofit, affiliated organizations that receive and hold economic resources that are significant to, and that are entirely for the benefit of the State University, and are required to be included in the reporting entity using discrete presentation requirements. As a result, the combined totals of the campus-related auxiliary service corporations, student housing corporations and foundations are separately presented as an aggregate component unit on pages 20 and 21 of these financial statements in accordance with display requirements prescribed by the Financial Accounting Standards Board (FASB). All of the financial data for these organizations was derived from each entity's individual audited financial statements, the majority of which have a May 31 or June 30 fiscal year end.

Notes to Financial Statements

June 30, 2015 and 2014

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

The combined totals are also included in the financial statements of the State's discretely presented component unit combining statements.

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

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

The accompanying financial statements of the State University have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as prescribed by the GASB. The State University reports its financial statements as a special purpose government engaged in business-type activities, as defined by the GASB. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The financial statements of the State University consist of classified balance sheets, which separately classify deferred outflows of resources and deferred inflows of resources; statements of revenues, expenses, and changes in net position, which distinguish between operating and nonoperating revenues and expenses; and statements of cash flows, using the direct method of presenting cash flows from operations and other sources.

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

During 2015, the State University has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB No. 68). For the cost-sharing multiple employer pension plans the State University participates in, this Statement requires that a portion of the Plan's net pension liability (asset), as well as deferred inflows and outflows from pension activities be reflected in the reported amounts on the balance sheet. The State University is considered a participating employer of the New York State and Local Retirement System (ERS) and New York State Teachers' Retirement System (TRS) pension plans. As a result, the State University has recorded a participating proportion of the net pension asset and liability of the TRS and ERS plans, respectively. Also, the State University administers a single-employer defined benefit plan. This plan is frozen and is further described in note 8 to the financial statements. As a result of adopting this pronouncement, the State University has restated the beginning net position at July 1, 2014 and the 2015 balance sheet includes the net pension asset and liability of these plans. The 2014 financial statement amounts and related pension disclosure (other than Table D on page 31) have not been restated to reflect the adoption of GASB No. 68 but are displayed as previously presented, for comparative purposes only.

Notes to Financial Statements

June 30, 2015 and 2014

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

Net Position

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

Net investment in capital assets

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

Restricted – nonexpendable

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

Restricted – expendable

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

Unrestricted component of net position

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

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

Revenues

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

Tuition and fees and auxiliary sales and service revenues are reported net of scholarship discounts and allowances. Auxiliary sales and service revenue classifications for 2015 and 2014 were reported net of the following scholarship discount and allowance amounts (in thousands):

	2015	2014
Residence halls	$ 100,586	85,000
Food service and other	39,123	31,666

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Investments

Investments in marketable securities are stated at fair value based upon quoted market prices. Investment income is recorded on the accrual basis, and purchases and sales of investment securities are reflected on a trade date basis. Any net earnings not expended are included as increases in restricted – nonexpendable net position if the terms of the gift require that such earnings be added to the principal of a permanent endowment fund, or as increases in restricted – expendable net position as provided for under the terms of the gift, or as unrestricted. At June 30, 2015 and 2014, the State University had $274 million and $287 million available for authorization for expenditure, including $178 million and $187 million from restricted funds and $96 million and $100 million from unrestricted funds, respectively.

Notes to Financial Statements

June 30, 2015 and 2014

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

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

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

Capital Assets

Capital assets are stated at cost, or in the case of gifts, fair value at the date of receipt. Building renovations and additions costing over $100,000 and equipment items with a unit cost of $5,000 or more are capitalized. Equipment under capital leases is stated at the present value of minimum lease payments at the inception of the lease. Generally, the net interest cost on debt during the construction period related to capital projects is capitalized. Capitalized interest totaled $15 million and $25 million in the 2015 and 2014 fiscal years, respectively. Intangible assets, including internally generated computer software of $1 million or more are capitalized. Library materials are capitalized and amortized over a ten-year period. Works of art or historical treasures that are held for public exhibition, education, or research in furtherance of public service are capitalized. Capital assets, with the exception of land, construction in progress, and inexhaustible works of art or intangible assets, are depreciated on a straight-line basis over their estimated useful lives, using historical and industry experience, ranging from 2 to 50 years.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by a college or university that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the college or university that is applicable to a future reporting period. Deferred inflows and deferred outflows of resources include differences between expected or projected results compared to actual results related to the State University's proportionate share in the cost sharing pension plans. Deferred outflows of resources also include losses resulting from refinancing of debt which represents the difference between the reacquisition price and the net carrying amount of the old debt and is amortized over the life of the related debt.

Compensated Absences

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

Fringe Benefits

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

Notes to Financial Statements

June 30, 2015 and 2014

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

Pensions

The State University is required to report its proportionate share of the pension plan activity for the plans it participates in. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans' and additions to and deductions from the pension plans fiduciary net position have been determined on the same basis as they are reported by those plans.

Postemployment and Post-retirement Benefits

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

Tax Status

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

The Research Foundation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally tax-exempt on related income, pursuant to Section 501(a) of the Code.

Reclassifications

Certain amounts displayed in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

Use of Estimates

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

2. Cash and Cash Equivalents

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

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

The New York State Comprehensive Annual Financial Report contains the GASB Statement No. 40 risk disclosures for deposits held in the State treasury. Deposits not held in the State treasury that are not covered by depository insurance and are (a) uncollateralized or (b) collateralized with securities held by a pledging financial institution at June 30, 2015 and 2014, are as follows (in thousands):

	Category (a)	Category (b)
2015	$ 5,433	14,762
2014	5,492	19,742

Notes to Financial Statements

June 30, 2015 and 2014

3. Deposits with Bond Trustees

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

The State University's deposits with bond trustees, which include cash and investments, are registered in the State University's name and held by an agent or in trust accounts in the State University's name. Cash and short-term investments held in the State treasury and money market accounts were approximately $121 million and $123 million at June 30, 2015 and 2014, respectively. The market value of investments held and maturity period are displayed in the following table (in thousands):

Fiscal Year 2015

Type of Investments	Fair Value	Less than 1 year	1-5 years
US Treasury notes/bonds	$ 114,591	114,542	49
US Treasury bills	6,727	6,727	-
US Treasury strips	170,823	170,823	-
Federal Home Loan Mortgage Corp.*	76,432	76,432	-
Federal National Mortgage Assoc.*	187,339	95,538	91,801
Federal Home Loan Bank	9,899	9,839	60
Total	$ 565,811	473,901	91,910

Fiscal Year 2014

Type of Investments	Fair Value	Less than 1 year	1-5 years
US Treasury notes/bonds	$ 64,517	61,494	3,023
US Treasury bills	77,715	77,715	-
US Treasury strips	225,305	225,305	-
Federal Home Loan Mortgage Corp.*	68,997	68,997	-
Federal Home Loan Bank	42,415	42,355	60
Total	$ 478,949	475,866	3,083

**Rating on investments is AAA*

4. Investments

Investments of the State University are recorded at fair value. Investments include those held by the statutory colleges at Cornell University and Alfred University (Alfred Ceramics), the Research Foundation, the Construction Fund, and State University campuses.

For financial reporting purposes, assets attributable to the statutory colleges at Cornell University are held in Cornell University's entire portfolio of investments and are invested in external investment pools. The assets are not managed by, or attributable to, any individual college and the statutory colleges do not have the authority to manage investment assets independently. The fair value of the statutory college's investments is primarily based on the unit value of the pools and the number of shares owned in the various Cornell University investment pools. The credit quality of the external investment pools is considered to be the credit rating for Cornell University. The table below presents the unit value of each external pool, in addition to the fair value (in thousands) of assets attributable to statutory colleges at June 30.

	2015 Unit Value	2015 Fair Value
Endowments		
Long-term Investment Pool	$ 57.31	$ 809,971
Charitable Gift Annuities		
Master Trust Units	1.49	12,191
Charitable Trusts		
Endowment Strategy	55.28	25,525
Common Trust Fund - Growth	33.94	6,413
Common Trust Fund - Income	13.16	2,416
Common Trust Fund - Premier	8.58	565
Pooled Life Income Funds		
PLIF A	1.33	735
PLIF B	2.47	789
Total External Pools		$ 858,605

Notes to Financial Statements

June 30, 2015 and 2014

4. Investments (continued)

	2014	
	Unit Value	Fair Value
Endowments		
Long-term Investment Pool	$ 58.45	$ 787,534
Charitable Gift Annuities		
Master Trust Units	1.44	12,351
Charitable Trusts		
Endowment Strategy	57.56	19,420
Common Trust Fund - Growth	33.65	7,896
Common Trust Fund - Income	13.57	2,941
Common Trust Fund - Premier	8.91	693
Pooled Life Income Funds		
PLIF A	1.37	720
PLIF B	2.53	1,042
Total External Pools		$ 832,597

The Research Foundation maintains a diverse investment portfolio and follows an investment policy and asset guidelines approved and monitored by its board of directors. The portfolio is mainly comprised of mutual funds, exchange-traded funds and alternative investments of high quality and liquidity. Investments are held with the investment custodian in the Research Foundation's name.

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

Investments of Alfred Ceramics were derived from its individual financial statements.

The composition of investments at June 30, 2015 and 2014 is as follows (in thousands):

	2015	2014
Cash and money market funds	$ 26,332	48,633
Non-equities	53,308	52,146
Domestic and international equities	22,360	40,324
Hedge funds	117,192	114,216
External investment pools	858,605	832,597
Other investments	18,369	19,453
Total investments	$ 1,096,166	1,107,369
Short-term	$ 204,772	243,537

	2015	2014
State University Campuses	$ 7,456	5,918
Cornell Statutory Colleges	867,372	839,042
Alfred Ceramics	21,581	21,926
Research Foundation	168,387	209,061
State University Construction Fund	31,370	31,422
Total investments	$ 1,096,166	1,107,369

Investment income is reported net of investment fees of approximately $6 million and $10 million at June 30, 2015 and 2014, respectively.

At June 30, 2015 and 2014, the State University had non-equity investments and maturities as summarized in Table A.

Credit quality ratings of the State University's investments in debt securities, as described by Moody's, S&P, and Fitch as of June 30, 2015 and 2014 are summarized in Table B.

The State University did not have any exposure to foreign currency risk for investments held at June 30, 2015 and 2014.

Notes to Financial Statements

June 30, 2015 and 2014

Investment Maturities and Credit Ratings

Table A *(in thousands)*

	Fiscal Year 2015					Fiscal Year 2014				
Investment Type	**Market Value**	**Less than 1 yr**	**1-5 yrs**	**6-10 yrs**	**More than 10 yrs**	**Market Value**	**Less than 1 yr**	**1-5 yrs**	**6-10 yrs**	**More than 10 yrs**
US Treasury bills	$ 15,058	15,058	-	-	-	14,558	14,558	-	-	-
US Treasury notes/bonds	15,803	15,803	-	-	-	15,267	277	14,990	-	-
Municipal bonds	625	351	162	112	-	939	291	535	113	-
Corporate bonds	-	-	-	-	-	117	-	34	31	52
Mutual funds – non-equities	21,822	836	2,042	18,676	268	21,265	790	2,965	17,267	243
Total investments	$ 53,308	32,048	2,204	18,788	268	52,146	15,916	18,524	17,411	295

Table B *(in thousands)*

Credit Rating		AAA	AA	A	BBB	BB	B	Not Rated
Investment Type - 2015								
External investment pools	$	-	858,605	-	-	-	-	-
Municipal bonds		-	513	-	-	-	-	112
Mutual funds - non-equities*		20,563	11	937	247	7	17	40
Total	$	20,563	859,129	937	247	7	17	152
Investment Type - 2014								
External investment pools	$	-	832,597	-	-	-	-	-
Municipal bonds		-	575	201	-	-	-	163
Corporate bonds		-	-	22	19	6	12	58
Mutual funds - non-equities*		18,898	-	1,140	-	1,227	-	-
Total	$	18,898	833,172	1,363	19	1,233	12	221

**based on average credit quality of holdings*

Notes to Financial Statements

June 30, 2015 and 2014

5. Accounts, Notes, and Loans Receivable

At June 30, accounts, notes, and loans receivable are summarized for years 2015 and 2014, as follows (in thousands):

	2015	2014
Tuition and fees	$ 43,937	40,011
Allowance for uncollectible	(10,094)	(9,592)
Net tuition and fees	33,843	30,419
Room rent	11,407	11,940
Allowance for uncollectible	(2,650)	(2,633)
Net room rent	8,757	9,307
Patient fees, net of contractual allowances	1,087,750	820,971
Allowance for uncollectible	(358,372)	(314,634)
Net patient fees	729,378	506,337
Other, net	64,582	138,662
Total accounts and notes receivable	836,560	684,725
Student loans	163,102	161,597
Allowance for uncollectible	(24,157)	(24,765)
Total student loans receivable	138,945	136,832
Total, net	$ 975,505	821,557

6. Capital Assets

Capital assets, net of accumulated depreciation, totaled $11.25 billion and $10.70 billion at fiscal year ends 2015 and 2014, respectively. Capital asset activity for fiscal years 2015 and 2014 is reflected in Table C. In the table, closed projects and retirements represent capital assets retired and assets transferred from construction in progress for projects completed and added to the related capital assets category.

7. Long-term Liabilities

The State University has entered into capital leases and other financing agreements with DASNY to finance most of its capital facilities. The State University has also entered into financing arrangements with the New York Power Authority under the statewide energy services program. Equipment purchases are also made through DASNY's Tax-exempt Equipment Leasing Program (TELP), PIT Revenue Bonds, various state sponsored equipment leasing programs, and private financing arrangements. The State University is responsible for lease debt service payments sufficient to cover the interest and principal amounts due under these arrangements.

Table C *(in thousands)*

	June 30, 2013	Additions	Closed Projects & Retirements	June 30, 2014	Additions	Closed Projects & Retirements	June 30, 2015
Capital assets:							
Land	$ 547,995	66,748	170	614,573	29,723	1,510	642,786
Infrastructure and land improvements	872,259	120,477	17,937	974,799	131,941	14,298	1,092,442
Buildings	9,155,561	1,446,217	80,650	10,521,128	888,714	105,080	11,304,762
Equipment, library books and other	2,898,865	182,147	72,454	3,008,558	184,051	64,352	3,128,257
Construction in progress	2,787,928	1,035,407	1,661,860	2,161,475	913,329	1,029,243	2,045,561
Total capital assets	16,262,608	2,850,996	1,833,071	17,280,533	2,147,758	1,214,483	18,213,808
Less accumulated depreciation:							
Infrastructure and land improvements	430,698	40,063	15,960	454,801	45,656	12,252	488,205
Buildings	3,594,964	279,907	70,847	3,804,024	316,215	87,872	4,032,367
Equipment, library books and other	2,195,468	182,217	57,466	2,320,219	185,892	59,222	2,446,889
Total accumulated depreciation	6,221,130	502,187	144,273	6,579,044	547,763	159,346	6,967,461
Capital assets, net	$ 10,041,478	2,348,809	1,688,798	10,701,489	1,599,995	1,055,137	11,246,347

Notes to Financial Statements

June 30, 2015 and 2014

7. Long-term Liabilities (continued)

Total obligations as of June 30, 2015 and 2014, other than facilities obligations, which are included as of March 31, 2015 and 2014, are summarized in Table D.

Educational Facilities

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

During the year, Sales Tax Revenue Bonds were issued with a par amount of $127.5 million at a premium of $24.3 million for the purpose of financing capital construction and major rehabilitation for educational facilities.

Personal Income Tax Revenue Bonds were also issued with a par amount of $672.3 million at a premium of $88.9 million for the purpose of financing capital construction and major rehabilitation for educational facilities. Also, during the year PIT bonds were issued with a par amount of $391.6 million at a premium of $75.1 million in order to refund $432.7 million of the State University's existing educational facilities obligations. The result will produce an estimated savings of $95.7 million in future cash flow, with an estimated present value gain of $75.2 million.

In June 2015, PIT bonds were issued with a par amount of $704.1 million at a premium of $88.0 million for the purpose of financing capital construction and major rehabilitation for educational facilities. Also, PIT bonds were issued with a par amount of $21.0 million in order to refund $19.4 million of the State University's existing educational facilities obligations.

Residence Hall Facilities

The State University has entered into capital lease agreements for residence hall facilities. DASNY bonds for most of the residence hall facilities, which have a maximum 30-year life, are repaid from room rentals and other residence hall revenues. Upon repayment of the bonds, including interest thereon, and the satisfaction of all other obligations under the lease agreements, DASNY shall convey to the State University all rights, title, and interest in the assets financed by the capital lease agreements.

Table D *(in thousands)*

For the 2015 Fiscal Year	Restated July 1, 2014	Additions	Reductions	June 30, 2015	Current Portion
Long-term debt:					
Educational facilities	$ 7,541,201	1,191,381	741,008	7,991,574	250,508
Unamortized bond premium - educational facilities	500,993	188,276	59,121	630,148	31,901
Residence hall facilities	1,215,060	-	50,805	1,164,255	53,160
Unamortized bond premium - residence hall facilities	75,970	-	2,971	72,999	2,971
Capital lease arrangements	176,356	30,693	51,280	155,769	45,098
Other long-term debt	88,177	-	14,083	74,094	10,565
Total long-term debt	9,597,757	1,410,350	919,268	10,088,839	394,203
Other long-term liabilities:					
Postemployment and post-retirement	4,170,783	985,410	285,001	4,871,192	-
Collateralized borrowing	471,334	-	3,909	467,425	7,884
Litigation	542,768	65,471	15,410	592,829	30,138
Pension	438,366	246,871	260,578	424,659	26,913
Other long-term liabilities	449,583	149,152	147,107	451,628	170,412
Total other long-term liabilities	6,072,834	1,446,904	712,005	6,807,733	235,347
Total long-term liabilities	$ 15,670,591	2,857,254	1,631,273	16,896,572	629,550

Notes to Financial Statements

June 30, 2015 and 2014

7. Long-term Liabilities (continued)

Table D, continued *(in thousands)*

For the 2014 Fiscal Year	July 1, 2013	Additions	Reductions	June 30, 2014	Current Portion
Long-term debt:					
Educational facilities	$ 7,209,018	860,485	528,302	7,541,201	308,268
Unamortized bond premium - educational facilities	462,807	71,151	32,965	500,993	26,312
Residence hall facilities	1,546,315	-	331,255	1,215,060	50,805
Unamortized bond premium - residence hall facilities	78,941	-	2,971	75,970	2,971
Capital lease arrangements	182,006	49,173	54,823	176,356	50,816
Other long-term debt	44,714	50,811	7,348	88,177	11,516
Total long-term debt	9,523,801	1,031,620	957,664	9,597,757	450,688
Other long-term liabilities:					
Postemployment and post-retirement	3,732,255	718,598	280,070	4,170,783	-
Collateralized borrowing	-	472,414	1,080	471,334	3,910
Litigation	479,983	88,140	25,355	542,768	35,217
Other long-term liabilities	474,087	141,000	155,515	459,572	175,258
Total other long-term liabilities	4,686,325	1,420,152	462,020	5,644,457	214,385
Total long-term liabilities	$ 14,210,126	2,451,772	1,419,684	15,242,214	665,073

Residence hall facilities revenue realized during the year from facilities from which there are bonds outstanding is pledged as a security for debt service and is assigned to DASNY to the extent required for debt service purposes. Any excess funds pledged to DASNY are available for residence hall capital and operating purposes.

In prior years, the State University defeased various obligations, whereby proceeds of new obligations were placed in an irrevocable trust to provide for all future debt service payments on the defeased obligations. Accordingly, the trust account assets and liabilities for the defeased obligations are not included in the State University's financial statements. As of March 31, 2015, $284.5 million of outstanding educational facilities obligations were considered defeased.

Requirements of the long-term debt obligations as of June 30, 2015 are as follows (in thousands):

Fiscal year(s)	Educational Facilities		Residential Facilities		Other		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 250,508	400,803	53,160	55,591	90,535	3,860	394,203	460,254
2017	217,411	388,721	53,075	53,252	77,145	3,148	347,631	445,121
2018	337,732	375,118	50,550	50,861	68,203	2,609	456,485	428,588
2019	288,950	360,127	44,975	48,530	64,595	2,088	398,520	410,745
2020	242,614	347,981	49,330	46,277	55,146	1,603	347,090	395,861
2021-25	1,828,625	1,527,715	221,195	197,210	200,861	3,012	2,250,681	1,727,937
2026-30	1,594,724	1,058,739	196,960	146,240	150,342	506	1,942,026	1,205,485
2031-35	1,463,060	670,683	223,215	95,729	110,353	4	1,796,628	766,416
2036-40	1,306,635	307,635	203,865	40,884	80,205	-	1,590,705	348,519
2041-45	461,315	46,653	67,930	4,203	35,625	-	564,870	50,856
Total	$ 7,991,574	5,484,175	1,164,255	738,777	933,010	16,830	10,088,839	6,239,782
	Interest rates range from 0.7% to 5.875%		Interest rates range from 3.0% to 5.25%		Interest rates range from 0.51% to 5.8%			

Notes to Financial Statements

June 30, 2015 and 2014

7. Long-term Liabilities (continued)

Collateralized Borrowing

In March 2013, the State enacted legislation amending the Public Authorities Law and Education Law of the State. The amendments, among other things, authorized the State University to assign to DASNY all of the State University's rights, title and interest in dormitory facilities revenues derived from payments made by students and others for use and occupancy of certain dormitory facilities. The amendments further authorize DASNY to issue State University of New York Dormitory Facilities Revenue Bonds payable from and secured by the dormitory facilities revenues assigned to it by the State University. The enacted legislation also created a special fund to be held by the State's Commissioner of Taxation and Finance on behalf of DASNY. All dormitory facilities revenues collected by the State University are required to be deposited in this special fund.

The outstanding obligations under these bonds are reported as collateralized borrowing in the State University's financial statements since these bonds are not payable from any money of the State University or the State and neither the State University nor the State has any obligation to make any payments with respect to the debt service on the bonds. The pledged revenues recognized during the fiscal years ended June 30, 2015 and 2014 amounted to $527.5 million and $505.2 million, respectively. There were principal and interest payments during 2015 of $2.8 million and $21.8 million, respectively, and no payments during 2014. Total principal and interest outstanding on the bonds at June 30, 2015 were $437.2 million and $248.6 million, respectively, payable through July 1, 2043.

In May 2015, bonds with a par amount of $268.8 million at a premium of $38.3 million were issued to refinance $295.8 million of the State University's existing residential facility obligations. These bonds are special obligations of DASNY payable solely from the dormitory facilities revenues collected by the State University as agent for DASNY.

8. Retirement Plans

Retirement Benefits

The two major defined benefit retirement plans State University employees participate in are ERS and TRS. ERS is a cost-sharing, multiple-employer, defined benefit public plan administered by the State Comptroller. TRS is a cost-sharing, multiple-employer, defined benefit public plan separately administered by a ten-member board. The State University reported amounts include the net pension asset (liability) for employees of the State University that participate in ERS and TRS pension plans.

Obligations of employers and employees to contribute, and related benefits, are governed by the New York State Retirement and Social Security Law (NYSRSSL) and Education Law and may only be amended by the Legislature with the Governor's approval. These plans offer a wide range of programs and benefits. ERS and TRS benefits vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. Both plans provide a permanent annual cost-of-living increase to both current and future retired members meeting certain eligibility requirements. Participating employers are required under law to contribute to these plans on an actuarially determined rate. For ERS, this rate is determined annually by the State Comptroller and the average contribution rate for the fiscal year ended March 31, 2015 was approximately 20.1 percent of payroll. For TRS, this rate is determined by the TRS Board on annual basis and was 16.25 percent of payroll for the year ended June 30, 2014.

ERS and **TRS** provide retirement benefits as well as death and disability benefits. For those members joining prior to January 1, 2010 benefits generally vest after five years of credited service. For those joining after January 1, 2010, benefits generally vest after 10 years of credited service. The NYSRSSL provides that all participants in ERS and TRS are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers.

Notes to Financial Statements

June 30, 2015 and 2014

8. Retirement Plans (continued)

Employees who joined ERS and TRS after July 27, 1976 and before January 1, 2010, and have less than ten years of service or membership are required to contribute 3 percent of their salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5 percent of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3 percent and 6 percent, dependent upon their salary, for their entire working career. Employee contributions are deducted from their salaries and remitted on a current basis to ERS and TRS.

The State University administers a single-employer defined benefit plan, "the Upstate Medical University Retirement Plan for Former Employees of Community General Hospital (CGH)" (Upstate Plan). This plan provides for retirement benefits for former employees of CGH, and can be amended subject to applicable collective bargaining and employment agreements. For those who opted out of this plan, benefit accruals were frozen. No new participants can enter this plan. The State University established a Pension Oversight Committee (Committee) which has the primary fiduciary responsibility oversight of the Upstate Plan. The Committee is permitted to invest plan assets pursuant to various provisions of State law, including the State Retirement and Social Security Law (RSSL).

The Upstate Plan provides retirement, disability, termination and death benefits to plan participants and their beneficiaries. Pension benefits are generally based on the highest five year average compensation of the final ten years of employment, and years of credited service as outlined in the plan. Covered employees with five or more years of service are entitled to a pension benefit beginning at normal retirement age (65). Participants with less than five years of service are not vested. Participants become fully vested after five years of service. The funding policy is to contribute enough to the plan to satisfy the annual required contributions (ARC) and the employer contributions. For the calendar year ended December 31, 2014 and 2013, employer contributions were $3.0 million and $2.6 million, respectively. Employees do not contribute to the Plan.

For ERS, TRS and the Upstate Plan, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations.* ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to the expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. In addition, for each plan, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from members will be made at statutorily required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each plan. ERS used a discount rate of 7.5 percent, TRS used a discount rate of 8.0 percent and the Upstate Plan used a discount rate of 6.5 percent. The total contributions made to the ERS, TRS and Upstate Plan during 2015 were $244 million, $17 million, and $3 million, respectively. At June 30, 2015, the total net pension liability, included in long-term liabilities, for these plans was $188.3 million, a pension asset, included in other noncurrent assets, of $79.6 million, with deferred outflows of resources of $41.3 million, deferred inflows of resources of $72.1 million and pension expense of $155.8 million.

ERS – At June 30, 2015, the State University recognized a net pension liability of $179.8 million for its proportionate share of the ERS net pension liability. The State University's proportionate share of the net pension liability was consistent with the manner in which contributions to the pension plan are determined and was based on the ratio of the State University's total projected long-term contribution effort to the total ERS projected long-term contribution effort from all employers.

Notes to Financial Statements

June 30, 2015 and 2014

8. Retirement Plans (continued)

The net pension liability was measured as of March 31, 2015, and was determined by an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The proportionate share of the net pension liability was 5.32 percent measured at March 31, 2015, which is the same as the previous measurement date of March 31, 2014.

For the year ended June 30, 2015, the State University recognized pension expense of $159.1 million related to ERS. At June 30, 2015, the State University reported deferred outflows and deferred inflows of resources related to ERS from the following sources (in thousands):

	Deferred Outflows of Resources:	Deferred Inflows of Resources:
Differences between expected and actual experience	$ 5,755	–
Net difference between projected and actual earnings on pension plan investments	31,224	–
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,805	17,324
Total	$39,784	17,324

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the amount of $5.6 million each year over the next four fiscal years.

The actuarial assumptions included in the actuarial valuation included an inflation factor of 2.7 percent, projected salary increases of 4.9 percent and investment rate of return of 7.5 percent. The ERS Plan also assumes a projected COLA of 50 percent of the annual CPI published by U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent. Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 system experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. The actuarial assumptions used in the April 1, 2014 valuation were based on the actuarial experience study for the period April 1, 2005 to March 31, 2010.

Best estimates of arithmetic real rates of return for each major asset class included in the ERS target asset allocation as of March 31, 2015 are as follows:

Asset class	Target Allocation	Long-term expected real rate of return
Domestic equities	38%	7.30%
International equities	13	8.55
Private equities	10	11.00
Real Estate	8	8.25
Absolute return strategies	3	6.75
Opportunistic portfolio	3	8.60
Real assets	3	8.65
Bonds and mortgages	18	4.00
Cash	2	2.25
Inflation-indexed bonds	2	4.00
Total	100%	

Sensitivity of the net pension (liability) asset to changes in the discount rate. The following presents the net pension (liability) asset of the State University, calculated using the discount rate of 7.5 percent as well as what the State University's net pension (liability) asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) and 1 percentage point higher (8.5%) than the current year rate (in thousands):

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Net Pension (Liability) Asset	$(1,198,265)	(179,773)	680,087

The ERS retirement system issues a publicly available financial report that includes financial statements and supplementary information and provides detailed information about the pension plan's fiduciary net position. The report may be obtained at http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php.

Notes to Financial Statements

June 30, 2015 and 2014

8. Retirement Plans (continued)

The ERS plan allows participating employers to amortize a portion of their annual pension costs. The amounts amortized will be paid back with interest over 10 years. The State University participates in this program and the total pension payable included in long-term liabilities at June 30, 2015 is $236.3 million.

TRS – At June 30, 2015, the State University recognized a net pension asset of $79.6 million for its proportionate share of the TRS net pension asset. The State University's proportionate share of the net pension asset was based on the ratio of the State University's actuarially determined employer contribution to the total TRS actuarially determined employer contribution. The net pension asset was measured as of June 30, 2014, and was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. The proportionate share of the net pension asset was 0.714% measured at June 30, 2014 compared to 0.688% at June 30, 2013. During the measurement period beginning July 1, 2013, there were no changes in assumptions or benefit terms. The actuarial assumptions used in the June 30, 2013 valuation were based on the actuarial experience study for the period July 1, 2005 to June 30, 2010.

For the year ended June 30, 2015, the State University recognized pension expense of $(3.1) million related to TRS. At June 30, 2015, the State University reported deferred inflows of resources related to TRS from the following sources (in thousands):

	Deferred Inflows of Resources:
Differences between expected and actual experience	$ 1,164
Net difference between projected and actual earnings on pension plan investments	53,453
Changes in proportion and differences between employer contributions and proportionate share of contributions	156
Total	$ 54,773

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year Ended June 30:

2016	$ (13,517)
2017	(13,517)
2018	(13,517)
2019	(13,517)
2020	(153)
Thereafter	$ (552)

Actuarial assumptions – The actuarial valuation used the following actuarial assumptions:

Inflation – 3%

Projected salary increases – Rates of increase differ based on age and gender. They have been calculated based on recent TRS member experience.

Age	Female	Male
25	10.35%	10.91%
35	6.26	6.27
45	5.39	5.04
55	4.42	4.01

Projected COLAS – 1.625% compounded annually

Investment rate of return – 8% compounded annually, net of pension plan investment expense, including inflation

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale AA.

Best estimates of arithmetic real rates of return for each major asset class included in TRS target asset allocation as of the valuation date of June 30, 2013 is as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equities	37%	7.3%
International equities	18%	8.5%
Real estate	10%	5.0%
Alternative investments	7%	11.0%
Total equities	72%	

Notes to Financial Statements

June 30, 2015 and 2014

8. Retirement Plans (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic fixed income securities	18%	1.5%
Global fixed income securities	2	1.4
Mortgages	8	3.4
Short-term	-	0.8
Total fixed income	28	
Total	100%	

*Real rates of return are net of the long-term inflation assumption of 2.3% for 2013.

Discount Rate – The discount rate used to measure the total pension liability was 8%.

Sensitivity of the net pension asset to changes in the discount rate. The following presents the net pension asset of the State University, calculated using the discount rate of 8.0% as well as what the State University's net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (7.0%) and 1-percentage point higher (9.0%) than the current year rate (in thousands):

	1% Decrease (7.0%)	Current Discount (8.0%)	1% Increase (9.0%)
Net Pension Asset	$1,717	$79,589	$145,947

TRS report may be obtained at: https://www.nystrs.org/Library/Publications/Annual-Report.

Upstate Plan – At June 30, 2015, the State University recognized a net pension liability of $8.6 million based on the net pension liability as reported by the plan as of December 31, 2014 as follows (in thousands):

Total pension liability	$ 104,665
Plan fiduciary net position	96,114
Net pension liability	$ (8,551)
Ratio of plan fiduciary net position to total pension liability	91.8%

The total pension liability at December 31, 2014, was determined by using an actuarial valuation as of January 1, 2014 with update procedures used to roll forward to the total pension liability at December 31, 2014. Membership of the Upstate Plan totaled 1,816 members, comprised of 569 active members, 599 inactive vested members, and 648 retirees and beneficiaries currently receiving benefits. The actuarial assumptions included in the actuarial valuation included an inflation factor of 3.0 percent, projected salary increases of 3.5 percent and investment rate of return of 6.5 percent. Mortality rates were based on the RP-2014 Mortality Tables with full generational projections using Scale MP-2014. At June 30, 2015, $1.5 million was reported as deferred outflows of resources related to pensions resulting from the State University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. There were no material deferred inflows or deferred outflows of resources associated with the Upstate Plan and pension expense for the year was ($.1) million. The actuarial accrued liability at December 31, 2013 was $87.9 million and plan assets were $77.0 million. At June 30, 2014, the State University had a net pension obligation for the plan of $10.0 million.

Best estimates of arithmetic real rates of return for each major asset class included in the Upstate Plan's target asset allocation as of December 31, 2014 is as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	50%	5.35%
Non-U.S. Equities	15	5.25
Fixed Income	30	.75
Alternatives (Real Estate)	5	3.90
	100%	

Notes to Financial Statements

June 30, 2015 and 2014

8. Retirement Plans (continued)

Sensitivity of the net pension (liability) asset to changes in the discount rate: The following presents the net pension (liability) asset calculated using the discount rate of 6.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1 percentage point higher (7.5%) than the current rate (in thousands):

	1% Decrease (5.5%)	Current Discount (6.5%)	1% Increase (7.5%)
Net Pension (Liability) Asset	$(21,711)	(8,551)	2,421

The Upstate Plan issues a stand-alone financial report on a calendar year basis (i.e., December 31) that includes disclosure about the elements of the pension plan's basic financial statements. These financial statements are prepared on the accrual basis of accounting in accordance with GAAP, with investments reported at fair value and benefits recognized when due and payable in accordance with the terms of the Upstate Plan. The pension plan fiduciary net position has been determined on the same basis used by the pension plan. The schedule of changes in the net pension liability for the Upstate Plan are reflected in the Required Supplementary Information on page 49. The pension plan financial statements may be requested at FOIL@upstate.edu.

ORP – State University employees may also participate in an Optional Retirement Program (ORP) under IRS Section 401(a), which is a multiple-employer, defined contribution plan administered by separate vendors – TIAA-CREF, Fidelity, Metropolitan Life, VALIC, and VOYA. ORP employer and employee contributions are dictated by State law. The ORP provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in an ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employer contributions are not remitted to an ORP plan until an employee is fully vested. As such there are no forfeitures reported by these plans if an employee is terminated prior to vesting. Employees who joined an ORP after July 27, 1976, and have less than ten years of service or membership are required to contribute 3 percent of their salary. Those joining on or after April 1, 2012 are required to contribute between 3 percent and 6 percent, dependent upon their salary, for their entire working career. Employer contributions range from 8 percent to 15 percent depending upon when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to the respective ORP. For the year ended June 30, 2015, the State University recognized pension expense of $223.8 million.

The disclosure requirements for pension plans for the fiscal year end June 30, 2014 conform to disclosure requirements under GASB No. 27. Certain disclosures required under GASB No. 27 are consistent with the disclosures above under GASB No. 68 for the 2015 fiscal year. Additional disclosures required for the 2014 fiscal years under GASB 27 are as follows:

For 2014, the State University's total retirement-related payroll was $3.2 billion. The payroll for 2014 for State University employees covered by ORP was $1.80 billion, ERS was $1.26 billion, and TRS was $141 million, respectively. Employer and employee contributions under each of the plans were as follows for years 2014 and 2013, respectively (in millions):

	2014	2013
Employer contributions:		
ORP	$ 199.8	206.4
ERS	130.3	116.1
TRS	11.9	12.0
Employee contributions:		
ORP	$ 21.0	19.0
ERS	18.6	18.1
TRS	1.4	1.4

For ORP and TRS, the employer contributions are equal to 100 percent of the required contributions under each of the respective plans. For ERS, employer contributions were less than the required contributions with the difference deferred as allowed under the plan.

Each retirement system issues a publicly available financial report that includes financial statements and supplementary information. The ORP financial

Notes to Financial Statements

June 30, 2015 and 2014

8. Retirement Plans (continued)

reports can be obtained by requesting them from their respective corporate offices.

The Research Foundation maintains a separate non-contributory plan through TIAA-CREF for substantially all nonstudent employees. Contributions are based on a percentage of earnings and range from 8 percent to 15 percent, depending on date of hire. Employees become fully vested after completing one year of service. Contributions are allocated to individual employee accounts. The payroll for Research Foundation employees covered by TIAA-CREF for its fiscal years ended June 30, 2015 and 2014 was $362 million and $359 million, respectively. The Research Foundation pension contributions were $30 million for both fiscal years. These contributions are equal to 100 percent of the required contributions for each year.

Postemployment and Post-retirement Benefits

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

Employee and retiree contribution rates for NYSHIP are established by the State and are generally 12 percent, and range from 12 to 16 percent for enrollee coverage. The dependent coverage rate is 27 percent and ranges from 27 to 31 percent. NYSHIP premiums are being financed on a pay-as-you-go basis. During the fiscal year, the State, on behalf of the State University, paid health insurance premiums of $263.8 million. The State University's OPEB obligation and funded status of the plan for the years ended June 30, 2015, 2014, and 2013 were as follows (in thousands):

	2015	2014	2013
Annual OPEB cost	$ 926,232	718,598	715,910
Benefits paid	(263,780)	(252,084)	(243,446)
Increase in OPEB obligation	662,452	466,514	472,464
Net obligation at beginning of year	4,017,933	3,551,419	3,078,955
Net obligation at end of year	$ 4,680,385	4,017,933	3,551,419
Funded Status:			
Actuarial accrued liability (AAL)	14,427,276	13,932,707	13,932,707
Actuarial value of OPEB plan assets	-	-	-
Unfunded AAL (UAAL)	$ 14,427,276	13,932,707	13,932,707
Actuarial valuation date	4/1/14	4/1/12	4/1/12
Funded ratio	-	-	-
Covered payroll	$ 3,336,622	3,201,732	3,200,930
UAAL as a % of covered payroll	432%	435%	435%

The components of the State University's OPEB obligation include the total ARC of $940.6 million, ARC reduction of $141.2 million, and interest costs of $126.8 million.

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

The actuarial valuation utilizes a frozen entry age actuarial cost method. The actuarial assumptions include a 3.2 percent discount rate, payroll growth rate of 3.0 percent, and an annual healthcare cost trend rate for medical coverage of 8.25 percent initially, reduced by decrements to a rate of 4.75 percent after 7 years.

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

Notes to Financial Statements

June 30, 2015 and 2014

8. Retirement Plans (continued)

The Research Foundation sponsors a separate single employer defined benefit post-retirement plan that covers substantially all nonstudent employees. The plan provides post-retirement medical benefits and is contributory for employees hired after 1985. In fiscal years 2011 and 2013, the Research Foundation 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.

Contributions by the Research Foundation are made pursuant to a funding policy established by its Board of Directors. Assets are held in a Voluntary Employee Benefit Association (VEBA) trust and are considered plan assets in determining the funded status or funding progress of the plan under GASB reporting and measurement standards. The plan issued stand-alone financial statements for the 2014 calendar year.

The Research Foundation's OPEB obligation and funded status of the plan for the years ended June 30, 2015, 2014, and 2013, respectively, were as follows (in thousands):

	2015	2014	2013
Annual OPEB cost	$ 59,177	(9,982)	15,805
Benefits paid	(10,859)	(9,557)	(9,493)
Contribution to plan	(10,362)	(8,447)	(7,956)
Change in OPEB obligation	37,956	(27,986)	(1,644)
Net obligation at beginning of year	152,850	180,836	182,480
Net obligation at end of year	$ 190,806	152,850	180,836
Funded Status:			
Actuarial accrued liability (AAL)	359,877	294,535	302,530
Actuarial value of OPEB plan assets	169,827	148,675	124,829
Unfunded AAL (UAAL)	$ 190,050	145,860	177,701
Actuarial valuation date	6/30/15	6/30/14	6/30/13
Funded ratio	47%	50%	41%
Covered payroll	$ 235,284	235,751	234,009
UAAL as a % of covered payroll	81%	62%	76%

The components of the Research Foundation OPEB obligation at June 30, 2015 include the total ARC of $212.0 million, ARC reduction of $163.5 million, and interest costs of $10.7 million. The unfunded actuarial accrued liability is amortized over one year. The cost of the benefits provided under this plan is recognized on an actuarially determined basis using the projected unit cost method. Under this method, actuarial assumptions are made based on employee demographics and medical trend rates to calculate the accrued benefit cost. The actuarial assumptions include a 7.0 percent discount rate, and an initial healthcare cost trend rate range of 7.0 percent to 8.5 percent grading down to 5.0 percent in 2022 and later. A blended discount rate was utilized using the expected investment return on investments of the plan and investments held in the operational pool expected to be used to fund future OPEB obligations.

9. Commitments

The State University has entered into contracts for the construction and improvement of various projects. At June 30, 2015, these outstanding contract commitments totaled approximately $1.2 billion.

The State University is also committed under numerous operating leases covering real property and equipment. The Research Foundation also contracts with various entities to lease space as part of its mission to support the State University research and university-industry-government partnerships. Rental expenditures reported for the years ended June 30, 2015 and 2014 under such operating leases were $90.3 million and $89.3 million, respectively. The following is a summary of the future minimum rental commitments under non-cancelable real property and equipment leases with terms exceeding one year (in thousands):

Year(s) ending June 30:

2016	$ 88,235
2017	81,547
2018	74,506
2019	72,532
2020	67,893
2021-25	121,499
2026-30	41,896
2031-98	37,719
Total	$ 585,827

Notes to Financial Statements

June 30, 2015 and 2014

10. Contingencies

The State is contingently liable in connection with claims and other legal actions involving the State University, including those currently in litigation, arising in the normal course of State University activities. The State University does not carry malpractice insurance and, instead, administers these types of cases in the same manner as all other claims against the State involving State University activities in that any settlements of judgments and claims are paid by the State from an account established for this purpose. With respect to pending and threatened litigation, the medical malpractice liability includes incurred but not reported (IBNR) loss estimates. The estimate of IBNR losses is actuarially determined based on historical experience using a discount rate of 3.2 percent to calculate the present value of estimated future cash payments. The State University has recorded a liability and a corresponding appropriation receivable of approximately $593 million and $543 million at June 30, 2015 and 2014, respectively (almost entirely related to hospitals and clinics).

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

As part of the acquisition of Long Island College Hospital (LICH), a separate entity, Staffco of Brooklyn, LLC (Staffco), was created as a single member Limited Liability Company of the Health Science Center at Brooklyn Foundation, Inc. In 2011, Staffco entered into a professional employer agreement with the State University (acting through the Downstate Hospital) to provide non-physician staffing at the LICH campus. Staffco is responsible for providing all routine administrative and human resources functions with respect to the employment of the Staffco employees. The State University is responsible for reimbursing Staffco for its direct and indirect costs relating to the non-physician staffing.

Staffco contributes to a multiemployer defined benefit pension plan (multiemployer plan) under the terms of a collective-bargaining agreement that covers union-represented employees. Under this multiemployer plan, assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the multiemployer plan, the unfunded obligations of the plan may be shared by the remaining participating employers. If Staffco were to stop participating in the multiemployer plan, Staffco may be required to pay this multiemployer plan an amount based on the underfunded status of the multiemployer plan, referred to as a withdrawal liability. In accordance with the professional employer agreement, the State University may be required to pay Staffco the amount of the withdrawal liability.

11. Related Parties

The State University's single largest source of revenue is State appropriations. State appropriations take the form of direct assistance, debt service on educational facility and PIT bonds, fringe benefits for State University employees, and litigation expenses for which the State is responsible. State appropriations totaled $3.14 billion and $3.09 billion and represented approximately 31 percent and 30 percent of total revenues for the 2015 and 2014 fiscal years, respectively. The State University's continued operational viability is substantially dependent upon a consistent and proportionate level of ongoing State support.

12. Federal Grants and Contracts and Third-Party Reimbursement

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

Notes to Financial Statements

June 30, 2015 and 2014

12. Federal Grants and Contracts and Third-Party Reimbursement (continued)

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

13. Condensed financial statement information of the Research Foundation

The condensed financial statement information of the Research Foundation, contained in the combined totals of the State University reporting entity in accordance with GASB accounting and reporting requirements, is shown below (in thousands):

Condensed Balance Sheet

		2015	2014
Assets			
Current assets	$	470,249	463,305
Capital assets		211,681	206,673
Other assets		53,219	41,552
Total assets	$	735,149	711,530
Liabilities			
Current liabilities		282,736	319,663
Noncurrent liabilities		384,603	322,467
Total liabilities		667,339	642,130
Net position			
Invested in capital assets, net		46,369	33,982
Unrestricted		21,441	35,418
Total net position		67,810	69,400
Total liabilities and net position	$	735,149	711,530

Condensed Statement of Revenues, Expenses, and Changes in Net Position

		2015	2014
Operating revenues			
Federal grants and contracts	$	485,712	499,688
State grants and contracts		113,807	173,531
Private grants and contracts		286,014	230,039
Other operating revenues		81,964	78,460
Total operating revenues		967,497	981,718
Operating expenses			
Instruction		91,729	79,220
Research		535,047	562,313
Public service		114,806	122,706
Institutional support		129,307	149,209
Other operating expenses		39,187	43,542
Depreciation and amortization expense		43,435	37,025
Total operating expenses		953,511	994,015
Operating income (loss)		13,986	(12,297)
Net nonoperating (expenses) revenues		(15,576)	50,779
Change in net position		(1,590)	38,482
Net position at the beginning of the year		69,400	30,918
Net position at the end of the year	$	67,810	69,400

Condensed Statement of Cash Flows

		2015	2014
Cash flows from operating activities	$	(15,538)	114,025
Cash flows from noncapital financing activities		10,452	(18,797)
Cash flows from capital and related financing activities		(50,030)	(93,801)
Cash flows from investing activities		55,082	(2,100)
Net change in cash		(34)	(673)
Cash - beginning of year		219	892
Cash - end of year	$	185	219

14. Subsequent Events

In September 2015, PIT Revenue Bonds were issued totaling $408.6 million for the purpose of financing capital construction and major rehabilitation for educational facilities.

On June 30, 2014, the State University through a related party, Downstate at LICH Holding Company (DLHC), entered into a Purchase and Sale Agreement (PSA) with Fortis Property Group, LLC (Fortis) to sell the LICH property. Under the agreement, the real estate, improvements and related personal property will be sold to an affiliate of Fortis. As outlined under the PSA there are expected to be three separate closings to consummate the sale. An initial closing was held on September 3, 2015 and Fortis made a payment of $98 million in exchange for certain property. These proceeds, plus $22 million of

Notes to Financial Statements

June 30, 2015 and 2014

14. Subsequent Events (continued)

the initial down payment held by the DLHC, totaling $120 million, was paid to DASNY and used to defease certain PIT bonds (Series 2012D) and cover related costs associated with the LICH properties in the amount of $116.4 million. The balance of $3.6 million is being held in escrow at DASNY and will be applied to future debt service obligations of the State University.

15. Restatement of beginning of the year net position

The provisions of GASB No. 68 have been applied to the beginning of the 2015 fiscal year net position. The following is a reconciliation of the total net position as previously reported at July 1, 2014 to the total restated net position (in thousands):

Total net position as previously reported at July 1, 2014	$ (1,034,760)
Restatement to beginning net position	(423,848)
Total net position at July 1, 2014 (restated)	$ (1,458,608)

As discussed in note 8, the result of adopting GASB No. 68, the State University is required to report its proportionate share of the net pension liability (asset) for the State University as reported by the ERS and TRS pension plans. As a result the beginning net position was restated by $235.8 million. The restatement to the beginning net position also reflects the total pension payable of $188.0 million for the State University's participation in the pension amortization program offered under the ERS Plan.

16. Component Units

The reported totals of the discretely presented component units include campus-related foundations, auxiliary services corporations, and student housing corporations. These related entities are campus-based, legally separate, nonprofit organizations. The campus-related foundations are responsible for the fiscal administration of revenues and support received for the promotion, development and advancement of the welfare of campuses, the State University and its students, faculty, staff and alumni. The foundations receive the majority of their support and revenues through contributions, gifts and grants and provide benefits to their campus, students, faculty, staff and alumni. The auxiliary services corporations act as independent contractors, operate, manage, and promote educationally related services for the benefit of the campus community. In addition, the reported amounts include student housing corporations, nonprofit organizations that operate and administer certain housing and related services for students.

All these organizations are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. All of the financial data for these organizations was derived from each entity's individual audited financial statements, reported in accordance with generally accepted accounting principles promulgated by FASB, the majority of which have a May 31 or June 30 fiscal year end. The financial statements of the discretely presented component units were not audited in accordance with Government Auditing Standards.

Separately issued financial statements of the component unit entities may be obtained by writing to:

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

Net Asset Classifications

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

Notes to Financial Statements

June 30, 2015 and 2014

16. Component Units (continued)

Investments

All investments with readily determinable fair values have been reported in the financial statements at fair value. Realized and unrealized gains and losses are recognized in the statement of activities. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investments of the State University discretely presented component units were $2.04 billion and $1.95 billion as of June 30, 2015 and 2014, respectively.

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

	2015	2014
Equities - domestic	$ 642,370	606,335
Equities - international	330,492	317,140
Non-equities	436,500	451,870
Multi-strategy funds	225,029	222,738
Equity partnerships	152,532	111,035
Hedge funds	147,756	132,798
Real assets	90,327	91,315
Other investments	16,887	17,663
Total investments	$ 2,041,893	1,950,894

Capital Assets

Capital assets are stated at cost, if purchased, or fair value at date of receipt, if acquired by gift. Land improvements, buildings, and equipment are depreciated over their estimated useful lives using the straight-line method. Capital assets, net of accumulated depreciation, totaled $590.4 million and $620.3 million at fiscal year end 2015 and 2014, respectively. Capital asset classifications are summarized as follows (in thousands):

	2015	2014
Land and land improvements	$ 36,154	38,405
Buildings	663,658	687,497
Equipment	118,683	116,728
Artwork and library books	28,465	26,634
Construction in progress	37,208	31,766
Total capital assets	884,168	901,030
Less accumulated depreciation	293,778	280,758
Capital assets, net	$ 590,390	620,272

Long-term Debt

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

Year ending June 30:

2016	$ 14,023
2017	15,878
2018	13,411
2019	13,499
2020	46,170
Thereafter	314,944
	$ 417,925

Notes to Financial Statements

June 30, 2015 and 2014

16. Component Units (continued)

Condensed financial statement information

The table below displays the combined totals of the foundations (including student housing corporations) and auxiliary services corporations (ASCs) (in thousands):

Combined Balance Sheet

		2015			2014		
		Foundations	ASCs	Total	Foundations	ASCs	Total
Assets:							
Investments	$	1,968,612	73,281	2,041,893	1,873,178	77,716	1,950,894
Capital assets, net		484,408	105,982	590,390	516,131	104,141	620,272
Other assets		380,384	156,647	537,031	423,783	159,300	583,083
Total assets	$	2,833,404	335,910	3,169,314	2,813,092	341,157	3,154,249
Liabilities:							
Other liabilities		179,336	103,336	282,672	167,590	112,583	280,173
Long-term debt		392,795	25,130	417,925	440,683	30,462	471,145
Total liabilities		572,131	128,466	700,597	608,273	143,045	751,318
Net Assets:							
Unrestricted		550,155	206,981	757,136	517,951	197,637	715,588
Temporarily restricted		937,113	220	937,333	964,548	232	964,780
Permanently restricted		774,005	243	774,248	722,320	243	722,563
Total net assets		2,261,273	207,444	2,468,717	2,204,819	198,112	2,402,931
Total liabilities and net assets	$	2,833,404	335,910	3,169,314	2,813,092	341,157	3,154,249

Combined Statements of Activities

		2015 Foundations	2015 ASCs	2015 Total	2014 Foundations	2014 ASCs	2014 Total
Revenues:							
Contributions, gifts and grants	$	181,607	-	181,607	176,690	-	176,690
Food and auxiliary services		-	358,631	358,631	-	348,277	348,277
Sales and services		130,545	-	130,545	163,457	-	163,457
Other revenue		192,167	4,467	196,634	378,727	8,113	386,840
Total revenues		504,319	363,098	867,417	718,874	356,390	1,075,264
Expenses:							
Food and auxiliary services		-	303,230	303,230	-	291,011	291,011
Program expenses		131,549	-	131,549	110,807	-	110,807
Health care services		121,093	-	121,093	155,079	-	155,079
Other expenses		195,223	50,536	245,759	226,646	41,778	268,424
Total expenses		447,865	353,766	801,631	492,532	332,789	825,321
Total change in net assets		56,454	9,332	65,786	226,342	23,601	249,943
Net assets at the beginning of year		2,204,819	198,112	2,402,931	1,978,477	174,511	2,152,988
Net assets at the end of year	$	2,261,273	207,444	2,468,717	2,204,819	198,112	2,402,931

Required Supplementary Information

(Unaudited)

Schedule of Funding Progress
Other Postemployment Benefits and Post-Retirement Benefits

(Amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
State University Plan:						
April 1, 2014	-	14,427	14,427	0%	3,337	432%
April 1, 2012	-	13,933	13,933	0%	3,201	435%
April 1, 2010	-	12,200	12,200	0%	3,037	402%
Research Foundation Plan:						
June 30, 2015	170	360	190	47%	235	81%
June 30, 2014	149	295	146	50%	236	62%
June 30, 2013	125	303	178	41%	234	76%

See accompanying independent auditors' report.

Required Supplementary Information

(Unaudited)

Schedule of the State University's Proportionate Share of the ERS Net Pension Liability

(Amounts in millions)

	2015
Proportion of the net pension liability	5.32%
Proportionate share of the net pension liability	$ 179.8
Covered-employee payroll	$ 1,262.1
Proportionate share of the net pension liability as a % of its covered payroll	14.2%
Pension plan's fiduciary net position as a % of the total pension liability	97.9%

Changes in benefit terms. There were no significant legislative changes in benefits for the April 1, 2013 actuarial valuation.

Changes of assumptions. There were no significant changes in actuarial assumptions for the April 1, 2013 actuarial valuation.

Methods and assumptions used in calculations of actuarially determined contributions. The April 1, 2013 actuarial valuation determines the employer rates for contributions payable in fiscal year 2015. The following actuarial methods and assumptions were used:

Actuarial cost method	The system is funded using the Aggregate Cost Method, all unfunded actuarial liabilities are evenly (as a percentage of projected pay) amortized over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5-year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.7%
Salary scale	4.9%
Investment Rate of Return	7.5% compounded annually, net of investment expenses, including inflation.

Schedule of Employer Contributions for the ERS Plan

(Amounts in millions)

	2015
Actuarially determined contribution (1)	242.2
Contributions in relation to the actuarial determined contribution (2)	189.6
Contribution deficiency	52.6
Covered-employee payroll (3)	1,384.2
Contribution as a percentage of covered-employee payroll	13.7%

(1) The actuarially determined contribution includes normal costs, adjustments made to record the reconciliation of projected salary to actual salary and miscellaneous accounting adjustments.

(2) The contributions in relation to the actuarially determined contribution reflects actual payments.

(3) Total payroll of covered employees for fiscal year ended June 30, 2015.

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

See accompanying independent auditors' report.

Required Supplementary Information

(Unaudited)

Schedule of the State University's Proportionate Share of the TRS Net Pension Liability (Asset)

(Amounts in millions)

	2015
Proportion of the net pension liability (asset)	.71%
Proportionate share of the net pension liability (asset)	$ (79.6)
Covered-employee payroll	$ 140.7
Proportionate share of the net pension liability (asset) as a % of its covered payroll	(56.6%)
Pension plan's fiduciary net position as a % of the total pension liability	111.48%

Changes in benefit terms. There were no significant legislative changes in benefits for the June 30, 2014 actuarial valuation.

Changes of assumptions. There were no significant changes in actuarial assumption for the June 30, 2014 actuarial valuation.

Methods and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used:

Actuarial cost method	The system is funded using the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing unfunded present value of benefits over the average future working lifetime of active plan members, which currently for TRS is approximately 15 years.
Asset valuation period	5-year phased in deferred recognition of each year's actual gain or loss, above (or below) an assumed inflationary gain of 3.0%.
Inflation	3.0%
Salary scale	Rates of increase differ based on age and gender as disclosed on page 36.
Investment Rate of Return	8.0% compounded annually, net of investment expenses, including inflation.

Schedule of Employer Contributions for the TRS Plan

(Amounts in millions)

	2015
Actuarially determined contribution (1)	17.2
Contributions in relation to the actuarial determined contribution (2)	17.2
Contribution deficiency	-
Covered-employee payroll (3)	145.2
Contribution as a percentage of covered-employee payroll	11.81%

(1) The actuarially determined contribution includes normal costs, adjustments made to record the reconciliation of projected salary to actual salary and miscellaneous accounting adjustments.

(2) The contributions in relation to the actuarially determined contribution reflects actual payments.

(3) Total payroll of covered employees for fiscal year ended June 30, 2015.

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

See accompanying independent auditors' report.

Required Supplementary Information

(Unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios for the Upstate Plan

(Amounts in millions)

	December 31, 2014
Total pension liability:	
Service cost	$ .9
Interest	6.0
Changes of assumptions	7.6
Benefit payments	(3.8)
Net change in total pension liability	10.7
Total pension liability, beginning	94.0
Total pension liability, ending (a)	104.7
Plan fiduciary net position:	
Employer contributions	3.0
Net investment income	6.5
Benefit payments	(3.8)
Administrative expenses	(.2)
Net change in fiduciary net position	5.5
Fiduciary net position, beginning	90.6
Fiduciary net position, ending (b)	96.1
Net pension liability, ending (a) - (b)	$ 8.6
Ratio of fiduciary net position to total pension liability	91.8%
Covered-employee payroll	33.6
Net pension liability as a percentage of covered-employee payroll	25.5%

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

See accompanying independent auditors' report.

Required Supplementary Information

(Unaudited)

Schedule of Employer Contributions for the Upstate Plan

(Amounts in millions)

	2014	2013	2012	2011*
Actuarially determined contribution (1)	1.5	2.6	3.0	1.2
Contributions in relation to the actuarial determined contribution (2)	3.0	2.6	3.0	1.2
Contribution deficiency (excess)	(1.5)	-	-	-
Covered-employee payroll (3)	33.6	36.0	16.0	21.9
Contribution as a percentage of covered-employee payroll	9.02%	7.14%	18.57%	5.44%

* Period from July 7, 2011 through December 31, 2011

(1) The actuarially determined contribution includes normal costs, adjustments made to record the reconciliation of projected salary to actual salary and miscellaneous accounting adjustments.

(2) The contributions in relation to the actuarially determined contribution reflects actual payments.

(3) Covered-employee payroll represents pensionable payroll at the end of each Plan year. It is not practicable to obtain covered employee payroll amounts at the end of each fiscal year.

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

Notes for the Plan

Changes in benefit terms. There were no significant legislative changes in benefits for the January 1, 2014 actuarial valuation.

Changes in assumptions. The actuarial assumptions for the mortality basis used for the January 1, 2014 actuarial valuation where changed from the RP-2000 mortality tables with generational improvements using scale AA to the RP-2014 mortality tables with generational improvements using scale MP-2014.

Methods and assumptions used in calculations of actuarially determined contributions. The January 1, 2014 actuarial valuation determines the employer rates for contributions payable in 2014. The following actuarial methods and assumptions were used:

Investment rate of return - 6.5%
Mortality basis - RP-2000 mortality tables with full generational projections using
Scale AA and alternative post disability mortality tables
Amortization method - Level dollar, 20 year closed
Remaining amortization period - 17.5 years
Asset valuation method - Market value
Inflation - 3.0%
Compensation - 3.5% increases, limited to a maximum of $260,000
Termination - 1992 Vaughn Select and Ultimate Table

See accompanying independent auditors' report.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

KPMG LLP
515 Broadway
Albany, NY 12207-2974

The Board of Trustees
State University of New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business type activities and the aggregate discretely presented component units of the State University of New York (the University) as of and for the year ended June 30, 2015, and related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 24, 2015. Our report includes a reference to other auditors who audited the financial statements of certain discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of University's internal control. Accordingly we do not express an opinion on the effectiveness of University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part for obtaining reasonable assurance about whether University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 24, 2015
Albany, New York

ANNUAL FINANCIAL REPORT **2015**

The State University of New York
State University Plaza
Albany, NY 12246
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