

Combined Financial Statements and
Report of Independent Certified Public
Accountants

Stony Brook Foundation, Inc. and Affiliate

June 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
Stony Brook Foundation, Inc. and Affiliate

Opinion

We have audited the combined financial statements of Stony Brook Foundation, Inc. and Affiliate (the "Foundation"), which comprise the statement of financial position as of June 30, 2022, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the combined financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining schedule of financial position as of June 30, 2022, the combining schedule of activities for the year ended June 30, 2022 and the combining schedule of funds held in trust for others for the year ended June 30, 2020 are presented for purposes of additional analysis and is (are) not a required part of the combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other

additional procedures in accordance with US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Report on 2021 summarized comparative information

We have previously audited the Foundation's 2021 combined financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated October 21, 2021. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
October 25, 2022

Stony Brook Foundation, Inc. and Affiliate

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30,

| | 2022 | 2021 |
|---|----------------|----------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 149,245,122 | \$ 113,102,335 |
| Short-term investments | 62,198,848 | 62,123,622 |
| Pledges receivable, net | 144,140,784 | 97,745,497 |
| Loans and other receivables | 295,159 | 475,570 |
| Prepaid expenses and other assets | 504,431 | 710,099 |
| Long-term investments | 434,923,209 | 444,277,605 |
| Other long-term investments | 226,475 | 226,475 |
| Notes receivable | 2,807,754 | 2,886,088 |
| Land, buildings, equipment and collections, net | 11,187,915 | 11,388,573 |
| Total assets | \$ 805,529,697 | \$ 732,935,864 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 10,691,338 | \$ 6,721,637 |
| Deferred revenue | 252,251 | 240,263 |
| Annuities payable | 546,494 | 724,637 |
| Funds held in trust for others | 66,901,428 | 52,666,256 |
| Total liabilities | 78,391,511 | 60,352,793 |
| NET ASSETS | | |
| Without donor restrictions | 57,218,089 | 64,964,808 |
| With donor restrictions | 669,920,097 | 607,618,263 |
| Total net assets | 727,138,186 | 672,583,071 |
| Total liabilities and net assets | \$ 805,529,697 | \$ 732,935,864 |

The accompanying notes are an integral part of these combined financial statements.

Stony Brook Foundation, Inc. and Affiliate

COMBINED STATEMENT OF ACTIVITIES

Year ended June 30, 2022 (with summarized comparative information for the year ended June 30, 2021)

| | 2022 | | | 2021 Total |
|--|--|---|-----------------------|-----------------------|
| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total | |
| REVENUES, GAINS AND OTHER SUPPORT | | | | |
| Gifts and grants of financial assets | \$ 367,171 | \$ 116,358,047 | 116,725,218 | \$ 93,793,046 |
| Gifts of nonfinancial assets | - | 5,603 | 5,603 | 511,045 |
| Contracts and other support | 1,899,172 | 1,145,971 | 3,045,143 | 4,660,656 |
| Net investment return | (2,829,560) | (6,899,549) | (9,729,109) | 92,747,596 |
| Rental income | 225,088 | 17,026 | 242,114 | 276,305 |
| Other income (loss) | 22,240 | (1,820) | 20,420 | 89,598 |
| Net assets released from restrictions | 48,323,444 | (48,323,444) | - | - |
| Total revenues, gains and other support | 48,007,555 | 62,301,834 | 110,309,389 | 192,078,246 |
| EXPENSES | | | | |
| Campus program expenses: | | | | |
| Instruction | 17,328,876 | - | 17,328,876 | 13,276,335 |
| Research | 7,095,462 | - | 7,095,462 | 5,339,414 |
| Public service | 2,683,243 | - | 2,683,243 | 4,634,044 |
| Academic support | 726,890 | - | 726,890 | 606,658 |
| Student services | 523,721 | - | 523,721 | 246,701 |
| Institutional support | 13,160,326 | - | 13,160,326 | 13,403,338 |
| Scholarships and fellowships | 5,222,580 | - | 5,222,580 | 9,397,303 |
| Total campus program expenses | 46,741,098 | - | 46,741,098 | 46,903,793 |
| General and administrative | 4,384,144 | - | 4,384,144 | 4,214,822 |
| Fundraising | 4,389,690 | - | 4,389,690 | 3,315,407 |
| Depreciation | 239,342 | - | 239,342 | 238,300 |
| Total expenses | 55,754,274 | - | 55,754,274 | 54,672,322 |
| CHANGE IN NET ASSETS | (7,746,719) | 62,301,834 | 54,555,115 | 137,405,924 |
| Net assets, beginning of year | 64,964,808 | 607,618,263 | 672,583,071 | 535,177,147 |
| Net assets, end of year | <u>\$ 57,218,089</u> | <u>\$ 669,920,097</u> | <u>\$ 727,138,186</u> | <u>\$ 672,583,071</u> |

The accompanying notes are an integral part of this combined financial statement.

Stony Brook Foundation, Inc. and Affiliate

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022 (with summarized comparative information for the year ended June 30, 2021)

| | 2022 | | | | | 2021 Total |
|---|----------------------------|---------------------------------------|---------------------|---------------------|----------------------|-----------------------|
| | Campus Programs | General and Administrative | Fundraising | Depreciation | Total | |
| Research support and awards | \$ 20,244,749 | \$ - | \$ 8,380 | \$ - | \$ 20,253,129 | \$ 23,406,699 |
| Payroll | 4,779,124 | 2,587,668 | 1,899,303 | - | 9,266,095 | 7,944,792 |
| Cultivation and fund-raising events, meetings, travel and lodging | 2,472,959 | 5,519 | 102,789 | - | 2,581,267 | 217,120 |
| Professional fees | 6,130,903 | 231,276 | 822,350 | - | 7,184,529 | 4,257,000 |
| Equipment and rentals | 2,272,513 | 140,638 | 24,164 | - | 2,437,315 | 2,260,411 |
| Scholarship and fellowship awards | 5,422,930 | - | - | - | 5,422,930 | 9,674,222 |
| Supplies and other expenses | 1,414,841 | 190,326 | 215,701 | - | 1,820,868 | 1,585,773 |
| Employee benefits | 1,118,150 | 1,022,142 | 750,225 | - | 2,890,517 | 2,697,762 |
| Repairs, maintenance and improvements | 1,654,348 | 8,049 | 15,996 | - | 1,678,393 | 664,409 |
| Consulting/honorarium | 144,633 | - | - | - | 144,633 | 65,315 |
| Tax expense | (13,792) | 43,817 | - | - | 30,025 | 12,286 |
| Printing and duplication | 260,162 | 513 | 149,816 | - | 410,491 | 351,414 |
| Depreciation | - | - | - | 239,342 | 239,342 | 238,300 |
| Data processing | 638,652 | 38,838 | 294,155 | - | 971,645 | 897,991 |
| Insurance | 80,362 | 103,087 | 21 | - | 183,470 | 154,762 |
| Interest expense | - | - | - | - | - | 512 |
| Telephone | 74,405 | 6,840 | 671 | - | 81,916 | 97,841 |
| Postage and shipping | 34,520 | 5,431 | 79,438 | - | 119,389 | 126,942 |
| Books and periodicals | 11,639 | - | 26,681 | - | 38,320 | 18,771 |
| Total expenses before depreciation allocation | 46,741,098 | 4,384,144 | 4,389,690 | 239,342 | 55,754,274 | 54,672,322 |
| Depreciation allocation | 227,773 | 11,569 | - | (239,342) | - | - |
| Total expenses | \$ 46,968,871 | \$ 4,395,713 | \$ 4,389,690 | \$ - | \$ 55,754,274 | \$ 54,672,322 |

The accompanying notes are an integral part of this combined financial statement.

Stony Brook Foundation, Inc. and Affiliate

COMBINED STATEMENTS OF CASH FLOWS

Years ended June 30,

| | 2022 | 2021 |
|--|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 54,555,115 | \$ 137,405,924 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 239,342 | 238,300 |
| Change in allowance for uncollectible contributions | (336,237) | (1,391,462) |
| Net income on short-term investments | (44,164) | (44,317) |
| Net realized gains on investments | (30,616,405) | (30,329,970) |
| Net unrealized depreciation (appreciation) on investments | 32,253,220 | (82,036,497) |
| Donations of equipment, collections and land | - | (1,323,002) |
| Disposal of equipment | - | 883,000 |
| Donations of stocks for held in perpetuity purposes | (6,132,355) | (5,609,838) |
| Permanent endowment contributions | (10,229,956) | (16,940,368) |
| Changes in operating assets and liabilities | | |
| Pledges receivable | (46,059,050) | 3,427,494 |
| Loans and other receivables | 180,411 | 10,927 |
| Prepaid expenses and other assets | 205,668 | 248,194 |
| Accounts payable and accrued expenses | 3,969,701 | 1,594,408 |
| Deferred revenue | 11,988 | (60,330) |
| Annuities payable | (178,143) | (85,340) |
| Funds held in trust for others | 14,235,172 | 3,781,495 |
| | 12,054,307 | 9,768,618 |
| Net cash provided by operating activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of capital expenditures | (38,684) | (13,513) |
| Purchases of short-term investments | (124,312,180) | (124,221,917) |
| Purchases of investments | (98,397,798) | (601,506,130) |
| Proceeds from notes receivable | 78,334 | 38,654 |
| Proceeds from sale of short-term investments | 124,281,118 | 124,206,555 |
| Proceeds from sale of investments | 106,115,379 | 601,195,063 |
| | 7,726,169 | (301,288) |
| Net cash provided by (used in) investing activities | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from permanent endowment contributions | 10,229,956 | 16,940,368 |
| Proceeds from sale of donated stocks for held in perpetuity purposes | 6,132,355 | 5,609,838 |
| Payments of loans payable | - | (1,487,811) |
| | 16,362,311 | 21,062,395 |
| Net cash provided by financing activities | | |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 36,142,787 | 30,529,725 |
| Cash and cash equivalents, beginning of year | 113,102,335 | 82,572,610 |
| Cash and cash equivalents, end of year | \$ 149,245,122 | \$ 113,102,335 |
| Supplemental disclosures of cash flow information | | |
| Cash paid during the years for interest | \$ - | \$ 512 |

The accompanying notes are an integral part of these combined financial statements.

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 - BACKGROUND

The Stony Brook Foundation, Inc. and Affiliate (the “Foundation”), a not-for-profit, “no member” corporation established in 1965. The purposes of the Foundation are as follows:

- a. To assist in developing and increasing the resources of the State University of New York at Stony Brook (“Stony Brook University”) in order to provide more extensive educational opportunities and services by making and encouraging gifts, grants, contributions and donations of real and personal property to or for the benefit of Stony Brook University;
- b. To receive, hold, administer and dispose of gifts and grants, and to act without profit as trustee of educational or charitable trusts of benefit to and in keeping with the educational purposes and objectives of Stony Brook University;
- c. To finance the conduct of studies and research of any and all fields of intellectual inquiry of benefit to and in keeping with the educational purposes and objectives of Stony Brook University and/or its constituent schools, and to enter into contractual relationships appropriate to the purposes of the Foundation; and
- d. To grant and/or administer scholarships and fellowships and to engage in experimental education activities and research projects.

Stony Brook Foundation Realty, Inc. (“SBFR”) is a not-for-profit, wholly owned affiliate of the Foundation which was incorporated in 1979 and is controlled by foundation management. SBFR’s purpose is to purchase, acquire, own, hold, sell, transfer, lease, mortgage, use, excavate, improve and develop lands, buildings and other real property improvements.

41 Bell Circle LLC (the “LLC”) was a New York limited liability company, wholly owned subsidiary of SBFR, which was established in July 2020 and was controlled by SBFR management. The LLC was treated as a disregarded entity for federal income tax purposes. The LLC’s purpose was to accept, own, hold and sell a real property donation. The LLC was dissolved in April 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying combined financial statements include the accounts of the Foundation and its affiliate, SBFR (collectively referred to as the “Foundation” herein), and are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All significant intercompany transactions have been eliminated in combination. The prior year summarized comparative information has been derived from the audited combined financial statements for the year ended June 30, 2021 and does not represent a full presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the audited combined financial statements for the year ended June 30, 2021 from which the summarized information was derived.

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Net Assets

The Foundation's combined financial statements distinguish between net assets without donor restrictions and net assets with donor restrictions, as follows:

- a. *Net assets without donor restrictions:* The Foundation's net assets without donor restrictions consist of all designated and undesignated resources of the Foundation, which are expendable for carrying on the Foundation's operations, in addition to funds, property, plant, equipment and collections (net of accumulated depreciation) owned by the Foundation designated for campus programs by the Foundation's board of trustees.
- b. *Net assets with donor restrictions:* Consists of net assets of the Foundation which have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Foundation pursuant to those stipulations. Also included within net assets with donor restrictions are funds wherein the donors have stipulated that the principal contributed be invested and maintained intact. Income earned from those investments is available for expenditures according to restrictions, if any, imposed by the donors.

Net asset with donor restrictions consist of the following for the years ended June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|----------------|----------------|
| Campus programs | \$ 322,461,306 | \$ 253,582,565 |
| Land, buildings and collections | 8,872,216 | 9,070,478 |
| Endowment funds to be held in perpetuity | 231,500,559 | 219,420,125 |
| Accumulated unspent endowment earnings | 106,979,281 | 125,438,750 |
| Other net assets with donor restrictions held in perpetuity | 106,735 | 106,345 |
| Total net assets with donor restrictions | \$ 669,920,097 | \$ 607,618,263 |

Cash and Cash Equivalents

Cash and cash equivalents include cash held in banks and money market accounts held by investment brokers. The Foundation considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents.

Fair Value

Fair value is defined in Accounting Standards Codification ("ASC") 820-10 as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. The Foundation discloses fair value measurements by level within that hierarchy. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation as of the reporting date. Unobservable inputs reflect the Foundation's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value is categorized into three levels based on the inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. Since valuations are based on quoted prices that are readily available and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment;

Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies; and

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

As permitted by Accounting Standards Update ("ASU") No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* (ASU 2015-07), the Foundation measures certain investments using a net asset value ("NAV") which is exempted from categorization within the fair value hierarchy and related disclosures. Instead, the Foundation separately discloses the information required for assets measured using NAV as a practical expedient, and discloses a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements.

Investments

Short-term Investments

Short-term investments are reported at fair value based on quoted market values and consist of U.S. treasuries. These investments are intended to be available for current operations.

Long-term Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. An investment is considered to be impaired, generally, if the individual investment's fair value is less than its cost basis for a period of time in excess of 12 months. Other-than-temporary impairment losses on investments are included in realized losses.

The Foundation also invests in alternative investments which include investments in limited partnerships, funds of funds, hedged equity funds, private equity funds and mutual funds that are unlisted or thinly traded. These investments are also recorded at fair value, which is based on the values provided by the general partners or fund managers.

Certain investments with no readily determinable fair values are recorded at NAV per share as a practical expedient to estimating fair value.

Donated marketable securities are recorded at fair value at the date of the gift.

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Other Long-term Investment

The Foundation has a 3% membership interest in SBHC Private Equity IV, LLC's campus hotel (the "Hotel"). See Notes 6 and 15. This investment has been accounted for under the cost method, as the Foundation owns less than 20% of the voting rights and does not have the ability to exercise significant influence over the operating and financial policies of SBHC Private Equity IV, LLC. The Foundation accounts for amounts distributed under the cost method as rental income.

Land, Buildings, Equipment and Collections

Land, buildings and equipment purchased in excess of \$2,000 are recorded at cost, or if donated, at fair value at the date of donation. Depreciation is computed on the straight-line basis, with half-year convention, over the following estimated useful lives:

| | |
|---------------------------|----------|
| Buildings | 30 years |
| Land improvements | 5 years |
| Equipment and furnishings | 5 years |

Collections (e.g., artwork and books) are not depreciated. Costs incurred for repairs, maintenance and minor improvements are charged to expense as incurred. Major improvements which substantially extend the useful lives of the assets are capitalized.

Annuities

The Foundation holds life annuities which represent assets made available to the Foundation, whereby, the Foundation is obligated to pay stipulated amounts, on a quarterly basis, to the designated individuals. Assets of annuity funds belong to the Foundation subject to the liability for future payments to annuitants. The fair value of investments held from life annuities is \$694,695 and \$882,607 at June 30, 2022 and 2021, respectively, and are included in cash and cash equivalents and other investments on the accompanying statement of financial position. The Foundation is mandated by New York State Insurance Law to keep, as a reserve, an additional 26.5% of its outstanding annuity contracts, which equaled \$533,572 and \$554,680 at June 30, 2022 and 2021, respectively.

The obligations due under the life annuities are classified as annuities payable on the Foundation's combined statement of financial position and totaled \$546,494 and \$724,637 at June 30, 2022 and 2021, respectively. Payments terminate, as specified in the agreement, upon the death of the annuitant. All of the Foundation's life annuities require that upon termination, the principal of the annuity funds be transferred to net assets with donor restrictions: held in perpetuity or remain as net assets with donor restrictions: amounts distributable for certain purposes as restricted by the donor.

Revenue

Revenue is recorded by the Foundation on the accrual basis of accounting. The Foundation derives its revenue from gifts, grants, contracts, rent, and investment earnings.

Certain revenues received under contractual agreements may be subject to audits. In the opinion of management, any potential disallowances resulting from such audits would be immaterial to the Foundation's combined financial statements.

Gifts of Nonfinancial Assets

Donations of works of art, books and similar items are recorded at appraised value when received. When appraised value is not available, these items are recorded at a nominal value. Such donations are reported as contributions of nonfinancial assets in the accompanying combined statement of activities. Gains or

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

losses from deaccessions of collections are reflected on the combined statement of activities as changes in the appropriate net asset classes. The Foundation does not monetize such assets as a matter of policy. The Foundation received gifts of nonfinancial assets totaling \$5,603 and \$511,045 for the years ended June 30, 2022 and 2021, respectively. Such assets have donor restrictions.

Contributions

The Foundation recognizes revenue from grants and contracts in accordance with ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Foundation evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Foundation applies guidance under Financial Accounting Standards Board ("FASB") ASC Topic 605, *Revenue Recognition*. If the transfer of assets is determined to be a contribution, the Foundation evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Foundation is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The Foundation has determined that its revenues from grants and contracts were not exchange contracts, and therefore treated the transfer of assets as contributions.

The Foundation records contributions of cash and other assets when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either net assets with donor restrictions or net assets without donor restrictions, depending on whether the donor has imposed a restriction on the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded as contributions at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Management must make estimates of the collectability of pledges and loans receivable. The carrying value of pledges and loans receivable have been reduced by an appropriate allowance for uncollectible accounts, based on historical collection experience, and therefore, approximates net realizable value. Receivables are written-off in the period in which they are deemed uncollectible and payments subsequently collected are recorded as revenue in the period received.

Conditional promises to give received in cash by the Foundation are recorded as deferred revenue. They are subsequently recognized as contributions in the period when the conditions have been substantially met.

The Foundation reports gifts of property, plant and equipment as net assets without donor restriction support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets without donor restrictions support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Expenses

Expenses are recorded in the period incurred. Expenses directly attributable to a specific functional area are reported within that functional area. Indirect expenses that benefit multiple areas have been allocated based upon reasonable ratios determined by management.

Advertising

All costs associated with advertising are expensed as incurred. Advertising costs were \$413,307 and \$196,672 for the years ended June 30, 2022 and 2021, respectively, and are included in supplies and expenses on the accompanying combined statement of functional expenses.

Uncertain Tax Positions

The Foundation and SBFR follow guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is more-likely-than-not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Foundation and SBFR are exempt from federal income tax under Internal Revenue Code ("IRC") section 501(c)(3), though both are subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. Both the Foundation and SFBR have processes presently in place to ensure the maintenance of their respective tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Foundation and SBFR have determined that there are no material uncertain tax positions that require recognition or disclosure in the combined financial statements.

The Foundation derives unrelated business income from its limited partnership investments; however, its tax liability as of June 30, 2022 and 2021 is immaterial to the combined financial statements.

Use of Estimates

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Other Significant Accounting Policies

Fees are charged by the Foundation to restricted campus programs based upon a defined percentage of gifts and grants received during the year to cover administrative costs. In fiscal years 2022 and 2021, these fees amounted to \$2,200,067 and \$1,729,109, respectively, and are included in net assets released from restrictions in the accompanying combined statement of activities.

New Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date of ASU 2016-02. The guidance permits eligible entities to defer the adoption Topic 842 until the period beginning after December 15, 2021 (i.e., the Foundation's fiscal year 2023). The Foundation has elected to defer the implementation of Topic 842 and is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements nor decided upon the method of adoption.

Evaluation of Subsequent Events

Management has evaluated subsequent events through October 25, 2022, the date the combined financial statements were available to be issued. The Foundation is unaware of any events that would require disclosure in the accompanying combined financial statements.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are reported at fair value using discount rates commensurate with the expected collection period, which at June 30, 2022 and 2021 ranged from 3.19% to 0.84%. Pledges receivable are summarized as follows at June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|----------------|---------------|
| Pledges receivable due in: | | |
| Less than one year | \$ 38,060,941 | \$ 46,026,492 |
| One year to five years | 53,545,654 | 47,756,239 |
| More than five years | 71,712,093 | 9,348,845 |
| | 163,318,688 | 103,131,576 |
| Less: present value adjustment | (17,469,557) | (3,341,495) |
| Less: allowance for uncollectible pledges | (1,708,347) | (2,044,584) |
| Net pledges receivable | \$ 144,140,784 | \$ 97,745,497 |

At June 30, 2022 and 2021, approximately 84% and 73%, respectively, of pledges receivable are due from 14 members of the Board of Trustees and/or their affiliated organizations.

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 4 - NOTES RECEIVABLE

Notes Receivable

The Foundation issued an eight-year \$3,000,000 loan to the Turkana Basin Institute, Limited on February 11, 2015. The Turkana Basin Institute, Limited was established to advance the academic and research mission of the Stony Brook University in Kenya. It is a not-for-profit company limited by guarantee under the laws of Kenya. Turkana Basin Institute's programs assist Stony Brook University to attract excellent students, faculty and international scholars from around the world. The loan will be utilized to conduct activities in the furtherance of its educational and scientific mission. The current interest rate is 2.5%. TBI makes a \$75,000 semi-annual payment which goes towards both principal and interest. After three years this rate will be reviewed and renegotiated. The loan is due in full on February 17, 2023. As of June 30, 2022, and 2021, the outstanding balance was \$2,807,754 and \$2,886,088, respectively.

NOTE 5 - INVESTMENTS

Investments consist of the following at June 30, 2022 and 2021:

| | 2022 | | | Fair Value |
|--|----------------|-----------------------------------|------------------------------------|----------------|
| | Cost | Cumulative Unrealized Gains | Cumulative Unrealized Losses | |
| Carried at fair value: | | | | |
| Short-term investments: | | | | |
| Investments in Treasury Bills | \$ 62,198,848 | \$ - | \$ - | \$ 62,198,848 |
| Long-term investments: | | | | |
| Investments in U.S. equities funds | 38,652,384 | 99,455,961 | - | 138,108,345 |
| Investments in global equities funds | 62,545,520 | 5,497,784 | - | 68,043,304 |
| Investments in diversified fixed-income funds | 721,829 | (27,134) | - | 694,695 |
| Investments in multi-strategy funds | 34,138,337 | 47,994,098 | - | 82,132,435 |
| Investments in private-equity funds | 92,915,790 | 48,592,060 | - | 141,507,850 |
| Investments | 228,973,860 | 201,512,769 | | 430,486,629 |
| Pending investment purchases and redemptions * | 4,436,580 | - | - | 4,436,580 |
| Total long-term investments | 233,410,440 | 201,512,769 | - | 434,923,209 |
| Total investments | \$ 295,609,288 | \$ 201,512,769 | \$ - | \$ 497,122,057 |

* Amounts included above as pending investment purchases/redemptions as of June 30, 2022 reflect cash disbursement to an investment fund that has not been credited to the Foundation's capital account as of June 30, 2022.

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

| | 2021 | | | Fair Value |
|--|----------------|-----------------------------------|------------------------------------|----------------|
| | Cost | Cumulative Unrealized Gains | Cumulative Unrealized Losses | |
| Carried at fair value: | | | | |
| Short-term investments: | | | | |
| Investments in Treasury Bills | \$ 62,123,622 | \$ - | \$ - | \$ 62,123,622 |
| Long-term investments: | | | | |
| Investments in U.S. equities funds | 38,975,342 | 109,036,528 | - | 148,011,870 |
| Investments in global equities funds | 48,415,653 | 28,427,474 | - | 76,843,127 |
| Investments in diversified fixed-income funds | 750,086 | 132,521 | - | 882,607 |
| Investments in multi-strategy funds | 38,728,634 | 46,641,350 | - | 85,369,984 |
| Investments in private-equity funds | 80,823,168 | 49,550,774 | - | 130,373,942 |
| Investments | 207,692,883 | 233,788,647 | | 441,481,530 |
| Pending investment purchases and redemptions * | 2,796,075 | - | - | 2,796,075 |
| Total long-term investments | 210,488,958 | 233,788,647 | - | 444,277,605 |
| Total investments | \$ 272,612,580 | \$ 233,788,647 | \$ - | \$ 506,401,227 |

* Amounts included above as pending investment purchases/redemptions as of June 30, 2021 reflect cash disbursement to an investment fund that has not been credited to the Foundation's capital account as of June 30, 2021.

The following table represents a reconciliation of the cumulative unrealized appreciation on investments at June 30, 2022 and 2021:

| | Net Assets Without Donor Restrictions | Net Assets with Donor Restrictions | Fair Value |
|--|---|--|----------------|
| Unrealized appreciation in fair value, June 30, 2021 | \$ 71,458,592 | \$ 162,330,055 | \$ 233,788,647 |
| Current year appreciation (foundation) | (9,672,918) | (22,580,302) | (32,253,220) |
| Current year appreciation (funds held for others) | - | (22,658) | (22,658) |
| Unrealized appreciation in fair value, June 30, 2022 | \$ 61,785,674 | \$ 139,727,095 | \$ 201,512,769 |

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the combined financial statements. At June 30, 2022 and 2021, investments in liquidation totaled \$100,543 and \$1,640,686, respectively. In the opinion of management, these amounts are realizable.

The Foundation has invested in investment firms in which a foundation board of trustee member is related to or is a majority stockholder of the respective investment firm. This amounted to approximately 8.8% and 7.3% of the total investment portfolio as of June 30, 2022 and 2021, respectively. Investment management fees paid to these investment firms totaled \$216,824 and \$230,006 for the years ended June 30, 2022 and 2021, respectively. The Board of Trustees of the Foundation has concluded that no disqualifying conflicts are involved.

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

During the years ended June 30, 2022 and 2021, the Foundation entered into subscription agreements with investment funds in the amount of \$7,500,000 and \$18,000,000, respectively. As of June 30, 2022, and 2021, the Foundation has remitted approximately \$55,408,943 and \$53,127,807, respectively, of commitments to their investment funds with the remaining funds payable upon request. Unfunded commitments related to subscription agreements with investment funds are \$59,685,274 and \$53,317,109 as of June 30, 2022 and 2021, respectively.

In September 2009, the Foundation subleased an 11-acre parcel of land to SBHC Private Equity IV, LLC (“SBHC”) to be used for the construction, operation, and development of the Hotel with a termination date of June 2049. In consideration for this sublease, SBHC provided the Foundation with a 3% membership interest in the Hotel for no monetary considerations. The Foundation used the income approach, a discounted cash flow model, to value the membership interest in the Hotel to be \$279,000 at February 14, 2013. In accordance with the sublease, the Foundation received a 0% distribution amounting to \$0 in fiscal year ended June 30, 2022.

This investment has a carrying value of \$126,475 at June 30, 2022 and 2021. As the membership interest was granted in consideration of the sublease arrangement, the Foundation has deferred the revenue arising from this transaction and will amortize the income on a straight-line basis over the term of the lease. For the years ended June 30, 2022 and 2021, \$7,644 and \$7,644 was recorded as rental income under the straight-line method. The Foundation evaluates the carrying value of its investment for impairment annually or sooner if circumstances indicate that there is an other-than-temporary decline in the value of its investment. As of June 30, 2022, and 2021, no event had occurred that would adversely affect the carrying value of this investment.

NOTE 6 - FAIR VALUE MEASUREMENTS

The following tables present information about the Foundation’s assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2022 and 2021, and indicate the fair value hierarchy of the valuation techniques the Foundation utilized to determine such fair values:

| | 2022 | | | | |
|---|--|---|---|-----------------------------------|-----------------------|
| | Significant Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) | Investments Reported at NAV | Total |
| Carried at fair value: | | | | | |
| Short-term investments: | | | | | |
| Investments in Treasury Bills | \$ 62,198,848 | \$ - | \$ - | \$ - | \$ 62,198,848 |
| Long-term investments: | | | | | |
| Investments in U.S. equities funds | - | - | - | 138,108,345 | 138,108,345 |
| Investments in global equities funds | 33,130,798 | - | - | 34,912,506 | 68,043,304 |
| Investments in diversified fixed-income funds | - | - | - | 694,695 | 694,695 |
| Investments in multi-strategy funds | - | - | - | 82,132,435 | 82,132,435 |
| Investments in private-equity funds | 1,282,000 | - | - | 140,225,850 | 141,507,850 |
| Total long-term investments | <u>34,412,798</u> | <u>-</u> | <u>-</u> | <u>396,073,831</u> | <u>430,486,629</u> |
| Total investments | <u>\$ 96,611,646</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 396,073,831</u> | <u>\$ 492,685,477</u> |

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

| | 2021 | | | | |
|---|--|---|---|-----------------------------------|-----------------------|
| | Significant Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) | Investments Reported at NAV | Total |
| Carried at fair value: | | | | | |
| Short-term investments: | | | | | |
| Investments in Treasury Bills | \$ 62,123,622 | \$ - | \$ - | \$ - | \$ 62,123,622 |
| Long-term investments: | | | | | |
| Investments in U.S. equities funds | - | - | - | 148,011,870 | 148,011,870 |
| Investments in global equities funds | 21,291,733 | - | - | 55,551,394 | 76,843,127 |
| Investments in diversified fixed- income funds | - | - | - | 882,607 | 882,607 |
| Investments in multi-strategy funds | - | - | - | 85,369,984 | 85,369,984 |
| Investments in private-equity funds | 2,327,989 | - | - | 128,045,953 | 130,373,942 |
| Total long-term investments | <u>23,619,722</u> | <u>-</u> | <u>-</u> | <u>417,861,808</u> | <u>441,481,530</u> |
| Total investments | <u>\$ 85,743,344</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 417,861,808</u> | <u>\$ 503,605,152</u> |

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The Foundation uses the NAV to determine the fair value of all underlying investments which (a) do not have readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables list investments in other investment companies by major category:

| June 30, 2022 | | | | | |
|--|------------------------------|--------------|-----------------------|--------------------|--|
| Strategy | NAV per Share Range in Funds | No. of Funds | Fair Value | Redemption Terms * | Redemption Restrictions |
| Investments in U.S. equities funds ^(a) | \$214- \$4,829 | 10 | \$ 138,108,345 | 75 – 445 days | 2 funds have 1-year lock-up provision, 1 fund has 2 years. 1 fund illiquid, 6 funds have no lock-up |
| Investments in global equity funds ^(b) | \$351- \$914 | 6 | 34,912,506 | 135 – 730 days | 2 funds have a lock-up provision of 1 year, 2 fund 2 years, 1 fund 18 months, 1 fund has no restrictions |
| Investments in diversified fixed-income funds ^(c) | \$1.00- \$322 | 1 | 694,695 | 2 days | None |
| Investments in multi-strategy funds ^(d) | \$943- \$10,280 | 11 | 82,132,435 | 35 – 775 days | 9 funds have no lock-up provisions or they have expired, 1 fund has a lock-up provision of 2 years, 1 funds 1 year |
| Investments in private-equity funds ^(e) | N/A | 40 | 140,225,850 | No liquidity | N/A |
| Total | | 68 | \$ 396,073,831 | | |

| June 30, 2021 | | | | | |
|--|------------------------------|--------------|-----------------------|--------------------|--|
| Strategy | NAV per Share Range in Funds | No. of Funds | Fair Value | Redemption Terms * | Redemption Restrictions |
| Investments in U.S. equities funds ^(a) | \$241- \$4,666 | 10 | \$ 148,011,870 | 75 – 445 days | 2 funds have 1-year lock-up provision, 1 fund has 2 years. 1 fund illiquid, 6 funds have no lock-up |
| Investments in global equity funds ^(b) | \$427- \$2,158 | 6 | 55,551,394 | 135 – 730 days | 2 funds have a lock-up provision of 1 year, 2 fund 2 years, 1 fund 18 months, 1 fund has no restrictions |
| Investments in diversified fixed-income funds ^(c) | \$1.00- \$322 | 1 | 882,607 | 2 days | None |
| Investments in multi-strategy funds ^(d) | \$1,206- \$10,512 | 11 | 85,369,984 | 35 – 775 days | 9 funds have no lock-up provisions or they have expired, 1 fund has a lock-up provision of 2 years, 1 funds 1 year |
| Investments in private-equity funds ^(e) | N/A | 37 | 128,045,953 | No liquidity | N/A |
| Total | | 65 | \$ 417,861,808 | | |

* Redemption terms represent the liquidity frequency and the notification period related to each investment fund. The liquidity frequency refers to the frequency in which the Foundation is permitted to liquidate the related fund. The notification period refers to the time period in which the Foundation must inform the fund manager prior to its intent to commence liquidation of the fund.

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

- (a) Long-biased, equity hedge funds with a quant focus of investing in U.S. equities. The objective is to generate attractive net returns over the S&P 500 with lower volatility.
- (b) Hedged equity fund with a long bias, designed to give the manager the flexibility to invest both long and short in accordance with their global approach embracing a combination of growth, value, fundamental and technical elements. The objective is to outperform equities with less volatility and more consistent results than a long-only approach.
- (c) Focus on companies undergoing some form of transformation to their historical businesses or capital structures. The funds employ a disciplined process of fundamental, legal and regulatory analysis to identify misperceptions and mispricing (in both equity and credit markets) that have the potential to lead to outsized returns on capital.
- (d) Multiple strategies, including: convertible bond arbitrage, event-driven, equity restructuring and merger arbitrage, statistical equity arbitrage, global energy, options trading, fundamental long/short equity and fixed-income.
- (e) Private equity funds are investment funds organized as limited partnerships that are not publicly traded. The funds use extensive use of debt financing to purchase companies, which they restructure and attempt to resell for a higher value.

NOTE 7- ENDOWMENT FUNDS

The Foundation follows the provisions of the *Not-for-Profit Entities* Topic of ASC 958, related to enhanced disclosures for endowment funds. On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). The Foundation adopted provisions regarding the classification of donor restricted endowment funds. Specifically, the Foundation shall classify the portion of the endowment funds that is not classified as net assets with donor restrictions: held in perpetuity as net assets with donor restrictions: amounts distributable, until appropriated for expenditure by the Foundation. If the endowment fund is also subject to a purpose restriction, the reclassification of the appropriated amount to net assets with donor restrictions would not occur until the purpose restriction also has been met.

Interpretation of Relevant Law

The spending of endowment funds by a not-for-profit corporation in the State of New York is currently governed by the NYPMIFA. The Foundation has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as net assets with donor restrictions: held in perpetuity: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund (net investment earnings) that is not restricted by donors as net assets with donor restrictions: held in perpetuity, is classified as net assets with donor restrictions: amounts distributable due to time and/or purpose restrictions. The purpose-restricted portion of the net assets with donor restrictions: amounts distributable endowment fund will be released when the respective donor-restricted purposes are fulfilled. The time restricted portion of the net assets with donor restrictions: amounts distributable endowment fund will be released when those amounts are appropriated for expenditure by the Foundation.

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment funds;
- The purpose of the Foundation and the donor-restricted endowment funds;
- General economic conditions;
- The possible effects of inflation and deflation;
- The expected total return from income and appreciation/depreciation of investments;
- Other resources for the Foundation; and
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment funds, giving due consideration to the effect that such alternatives may have on the Foundation.

Spending Formula

The Foundation's investments are managed to achieve the maximum total return within tolerable risk levels. The Foundation has a policy, whereby a portion of the investment income and realized and unrealized investment gains/losses are distributed each year for spending purposes. During fiscal years 2022 and 2021, the Foundation allocated a portion of its earnings to net assets with donor restrictions: amounts distributable for campus programs at a defined rate based on the average market value of their respective net asset balances averaged over the previous five fiscal years. Such rate was 5.5% for net assets with donor restrictions: amounts distributable during fiscal years 2022 and 2021. The Foundation charged the net assets with donor restrictions: amounts distributable for campus programs a fee for administrative services at a rate of 1.0% for fiscal years 2022 and 2021 on the average market value of their respective net asset balances over the previous five fiscal years, which results in a net 4.5%, available for program spending, as long as the fund is not brought underwater, during fiscal years 2022 and 2021. Distribution will be suspended if the fund is underwater. These administrative fees aggregated \$2,234,360 and \$1,942,152 in fiscal years 2022 and 2021, respectively, and are included within the combined statement of activities as an offset to revenue from contracts and other support.

Endowment Investment Policy

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of returns that can be utilized to fund its programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds.

Under this policy, as approved by the investment committee, the endowment assets are invested in a manner that is intended to achieve investment returns that are competitive versus pools of assets of similar nature and circumstances.

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Endowment net assets consisted of the following at June 30, 2022:

| | Net Assets Without Donor Restrictions | Net Assets with Donor Restrictions | | Total |
|-----------------------------------|---|------------------------------------|-----------------------|-----------------------|
| | | Accumulated Unspent Earnings | Held in Perpetuity | |
| Donor-restricted endowment funds | \$ - | \$ 106,947,435 | \$ 231,500,558 | \$ 338,447,993 |
| Board-designated endowment funds | 31,875,497 | - | - | 31,875,497 |
| Total endowment net assets | \$ 31,875,497 | \$ 106,947,435 | \$ 231,500,558 | \$ 370,323,490 |

Endowment net assets consisted of the following at June 30, 2021:

| | Net Assets Without Donor Restrictions | Net Assets with Donor Restrictions | | Total |
|-----------------------------------|---|------------------------------------|-----------------------|-----------------------|
| | | Accumulated Unspent Earnings | Held in Perpetuity | |
| Donor-restricted endowment funds | \$ - | \$ 125,438,750 | \$ 219,420,125 | \$ 344,858,875 |
| Board-designated endowment funds | 21,840,511 | - | - | 21,840,511 |
| Total endowment net assets | \$ 21,840,511 | \$ 125,438,750 | \$ 219,420,125 | \$ 366,699,386 |

The following tables present the composition of endowment net assets by fund type at June 30, 2022 and 2021:

| | 2022 | | | |
|--|---|------------------------------------|-----------------------|-----------------------|
| | Net Assets Without Donor Restrictions | Accumulated Unspent Earnings | Held in Perpetuity | Total |
| Endowment net assets, June 30, 2021 | \$ 21,840,511 | \$ 125,438,750 | \$ 219,420,125 | \$ 366,699,386 |
| Net investment return | (1,008,926) | (9,165,060) | 2,268 | (10,171,718) |
| Transfers of net assets | 867,589 | 500,000 | 762,396 | 2,129,985 |
| Appropriation of endowment assets for expenditure | - | (10,519,223) | - | (10,519,223) |
| Gifts and other fund additions | - | 602,985 | 10,359,629 | 10,962,614 |
| Donor-stipulated transfers of net assets | 10,176,323 | 89,983 | 956,140 | 11,222,446 |
| Endowment net assets, June 30, 2022 | \$ 31,875,497 | \$ 106,947,435 | \$ 231,500,558 | \$ 370,323,490 |

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

| | 2021 | | | |
|--|---|------------------------------------|-----------------------|-----------------------|
| | Net Assets Without Donor Restrictions | Net Assets with Donor Restrictions | | |
| | | Accumulated Unspent Earnings | Held in Perpetuity | Total |
| Endowment net assets, June 30, 2020 | \$ 14,621,443 | \$ 65,878,573 | \$ 198,831,259 | \$ 279,331,275 |
| Net investment return | 3,828,747 | 64,073,992 | - | 67,902,739 |
| Transfers of net assets | - | 327,110 | - | 327,110 |
| Appropriation of endowment assets for expenditure | - | (8,325,555) | - | (8,325,555) |
| Gifts and other fund additions | - | 311,732 | 14,857,357 | 15,169,089 |
| Donor-stipulated transfers of net assets | 3,390,321 | 3,172,898 | 5,731,509 | 12,294,728 |
| Endowment net assets, June 30, 2021 | <u>\$ 21,840,511</u> | <u>\$ 125,438,750</u> | <u>\$ 219,420,125</u> | <u>\$ 366,699,386</u> |

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. Under NYPMIFA, the Foundation may spend below the historical dollar value of its endowment funds, if determined to be prudent, unless specific donors have stipulated to the contrary. At June 30, 2022 and 2021, no such donor stipulations were noted. At June 30, 2022 and 2021, the Foundation had not spent below the historical dollar value of its endowments.

NOTE 8 – LAND, BUILDINGS, EQUIPMENT AND COLLECTIONS

Land, buildings, equipment and collections, net, are summarized as follows at June 30, 2022 and 2021:

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Buildings | \$ 6,804,608 | \$ 6,804,608 |
| Land improvements | 390,090 | 390,090 |
| Equipment and furnishings | 225,901 | 187,217 |
| | 7,420,599 | 7,381,915 |
| Less: accumulated depreciation | (4,277,565) | (4,038,223) |
| | 3,143,034 | 3,343,692 |
| Land | 1,065,854 | 1,065,854 |
| Artwork and books | 6,979,027 | 6,979,027 |
| Net land, buildings, equipment and collections | <u>\$ 11,187,915</u> | <u>\$ 11,388,573</u> |

Depreciation for the years ended June 30, 2022 and 2021 totaled \$239,342 and \$238,300, respectively.

In an effort to reduce potential risks and exposure associated with assets used within the research and teaching environment, management has decided to transfer title of certain equipment to Stony Brook University. During fiscal years 2022 and 2021, \$2,702,883 and \$635,234, respectively, of equipment acquisitions, land improvements and building, which were recorded as research support and awards within the combined statement of functional expenses, were transferred to Stony Brook University.

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 9 – CONDITIONAL PROMISES TO GIVE

During fiscal 2022, the Foundation recognized revenue totaling \$2,445,464 related to the conditional promises to give for which the conditions had been met during the year. As of June 30, 2022, the Foundation had \$21,279,022 of conditional promises to give remaining, of which \$1,784,148 is conditional upon the continued employment of certain faculty, \$18,444,082 is conditional upon matching, \$50,000 is conditional upon pending future supplemental retirement proceeds, \$630,892 is conditional on a year by year basis, and \$369,900 is conditional upon the fulfillment of specific reporting/milestones.

NOTE 10 – FUNDS HELD IN TRUST FOR OTHERS

The Foundation holds funds as a trustee/disbursing agent for auxiliary agencies of Stony Brook University, which amounted to \$66,901,428 and \$52,666,256 as of June 30, 2022 and 2021, respectively. The amounts included in cash and cash equivalents are \$50,556,122 and \$36,316,697 as of June 30, 2022 and 2021, respectively. The balance is included in short-term and long-term investments in the accompanying combined statement of financial position. The Foundation charges fees to these agencies for administrative costs, based upon negotiated rates, which amounted to \$1,726,607 and \$1,587,062 for fiscal years 2022 and 2021, respectively, and are included in contracts and other support in the combined statement of activities.

NOTE 11 – LOANS PAYABLE

The Foundation received a Paycheck Protection Program (“PPP”) loan of \$1,400,000 which was exclusively used to help subsidize payroll. The PPP loan helped retain employees and continue its mission to support Stony Brook University and its students, ensuring access to a world-class public university education for students from families with limited means. The Foundation submitted the necessary PPP loan application through the lender in May 2021. On June 25, 2021, the Small Business Administration (“SBA”) authorized full forgiveness of the PPP Loan.

NOTE 12 – OTHER AFFILIATE ORGANIZATION

Long Island High Technology Incubator, Inc. (“LIHTI”) – In 1985, the New York State Legislature allocated certain funds to the Urban Development Corporation for the purpose of forming an incubator project on the campus of Stony Brook University. LIHTI was formed for the purpose of administering the project. The purpose of such project is to provide a leadership role in promoting economic development on Long Island. The Foundation has entered into a partnership with the Research Foundation of Stony Brook University as co-members of LIHTI in order to promote the project. This arrangement is to operate the on-campus incubator/innovation facility, which commenced operations in November 1992. The Foundation does not control LIHTI, nor does it have economic interest, and therefore LIHTI is not consolidated into the accompanying financial statements.

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Foundation to credit risk, consist principally of temporary cash investments. The Foundation places its temporary cash investments with various financial institutions. The cash amounts exceed the Federal Deposit Insurance Corporation coverage limit. The Foundation does not anticipate any losses on such accounts.

At June 30, 2022 and 2021, approximately 82% and 65%, respectively, of pledges receivable are due from one donor.

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 14 – LINE OF CREDIT

At June 30, 2022 and 2021, the Foundation maintained a \$20,000,000 line of credit with a financial institution. As of June 30, 2022, and 2021, the Foundation had no borrowings against the line of credit. The Foundation entered into a new agreement as of June 30, 2022, any borrowings under the line of credit would bear interest at the adjusted LIBOR rate. The adjusted LIBOR Rate is defined as the sum of the Applicable Margin plus the LIBOR Rate multiplied by the Statutory Reserve Rate. The Applicable Margin is defined as 0.90% per annum. The agreement was extended in June 2022 and expires on June 28, 2023.

NOTE 15 – COMMITMENTS, CONTINGENCIES AND RELATED ORGANIZATION TRANSACTIONS

The Foundation leases certain ground space, office facility space and residential properties under operating leases that have initial or remaining noncancelable terms in excess of one year that expire through 2072.

At June 30, 2022, future minimum rental payments, by year end in the aggregate, under the leases are as follows:

| | <u>Year</u> |
|------------|---------------------|
| 2023 | \$ 535,450 |
| 2024 | 318,138 |
| 2025 | 234,578 |
| 2026 | 151,888 |
| 2027 | 153,704 |
| Thereafter | <u>4,442,500</u> |
| | <u>\$ 5,836,258</u> |

In 1989, the State University of New York leased to SBFR, a parcel of land comprising approximately 11 acres adjacent to the Stony Brook University campus (the "Hotel Site") for the purpose of constructing a hotel. In order to pay for the expenses incurred by SBFR in connection with the aforesaid lease, SBFR borrowed \$450,000 from the Foundation, evidenced by a note (the "Foundation Loan"). The Foundation charged SBFR interest of 10% on the outstanding balance of the Foundation Loan through June 30, 1990 and, thereafter, no interest has been charged. At both June 30, 2022 and 2021, the outstanding balance on this loan was \$68,434, and is eliminated in the combined statement of financial position.

In September 2009, SBFR subleased the Hotel Site to SBHC for the construction and operation of the Hotel with a sublease termination date of June 2049 (the "Sublease"). Sublease rent payments equal \$100,008 for the year and commenced on February 14, 2013. Every year on February 1, the Sublease anniversary date, the Sublease rent payments will increase 3%. In addition to rent payments, the Foundation received a 3% membership interest in the Hotel pursuant to the Sublease. For the years ended June 30, 2022 and 2021, sublease rent was equal to \$151,426 and \$132,184, respectively.

The original ground lease between SBFR and State University of New York was amended in November 2009 to revise the payment provision. Under the amendment, rent payments commenced in February 2013, the month in which the Hotel was first opened to the public for business. In April 2017, the ground lease was amended to extend the lease from December 4, 2049 to December 4, 2072.

During 2009, SBFR entered into an operating agreement with SBHC which provided the Foundation with a 3% interest in profits and losses of the SBHC. The intent of this agreement was to supplement the rental income from the Sublease entered into with SBHC.

Stony Brook Foundation, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The Research Foundation of the State University of New York (“Research Foundation”) pays payroll and certain related costs (including employee benefit expenses, which are charged at a percentage agreed upon by the parties) for the Foundation. The Foundation subsequently reimburses the Research Foundation for all of these costs, plus a processing fee. At June 30, 2022 and 2021, \$908,170 and \$855,976, respectively, were due to the Research Foundation for payroll and related costs. Such amounts are included in accounts payable and accrued expenses in the accompanying combined statement of financial position.

NOTE 16 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The organization has an operating reserve that had a balance of \$18.7 million and \$8.9 million at June 30, 2022 and 2021, respectively. This is a governing board-designated reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The organization’s target for this reserve is a total of \$30.0 million, which was determined based on Stony Brook Foundation’s Board of Directors judgment about the appropriate amount of funds to have set aside in addition to working capital. The operating reserve funds are held in cash, short-term investments, and other investments. The operating reserve balance is included in the cash and cash equivalents and investments lines on the combined statement of financial position.

In the event of an unanticipated liquidity need, the organization also could draw upon \$20,000,000 of an available line of credit (as further discussed in Note 14).

| | 2022 | 2021 |
|---|----------------|----------------|
| Financial assets as of June 30: | | |
| Cash and cash equivalents | \$ 149,245,122 | \$ 113,102,335 |
| Short-term investment | 62,198,848 | 62,123,622 |
| Pledges receivable, net | 144,140,784 | 97,745,497 |
| Loans and other receivables | 295,159 | 475,570 |
| Long-term investments | 434,923,209 | 444,277,605 |
| | 790,803,122 | 717,724,629 |
| Less: | | |
| Amounts unavailable for general expenditures within one year due to: | | |
| Restricted by donors with other purpose restrictions (non-endowment) | 322,461,306 | 254,115,653 |
| Funds held in trust for others | 66,901,428 | 52,666,256 |
| Donor-restricted endowment funds: | | |
| Amounts to be held in perpetuity | 231,500,558 | 219,420,125 |
| Unappropriated accumulated endowment gains | 106,947,435 | 125,438,750 |
| Total donor-restricted endowment funds | 338,447,993 | 344,858,875 |
| Total amounts unavailable to management due to donor restrictions or law | 727,810,727 | 651,640,784 |
| Total financial assets available to management for general expenditure before amounts subject to the board’s approval | 62,992,395 | 66,083,845 |
| Amounts available to management subject to board’s approval | | |
| Board designated endowment funds | 31,875,497 | 21,840,511 |
| Operations reserve | 18,778,567 | 8,954,847 |
| Total amounts available to management subject to the board’s approval | 50,654,064 | 30,795,358 |
| Total financial assets available to management for general expenditure within one year | \$ 12,338,331 | \$ 35,288,487 |

COMBINING SUPPLEMENTAL SCHEDULES

Stony Brook Foundation, Inc. and Affiliate
COMBINING SCHEDULE OF FINANCIAL POSITION
June 30, 2022

| | Stony Brook Foundation, Inc. | Stony Brook Foundation, Realty, Inc. | Eliminations | Combined |
|---|---|---|---------------------|-----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 149,036,142 | \$ 208,980 | \$ - | \$ 149,245,122 |
| Short-term investments | 62,198,848 | - | - | 62,198,848 |
| Pledges receivable, net | 144,140,784 | - | - | 144,140,784 |
| Loans and other receivables | 295,159 | - | - | 295,159 |
| Prepaid expenses and other assets | 498,931 | 5,500 | - | 504,431 |
| Investments | 434,923,209 | - | - | 434,923,209 |
| Other long-term investments | 100,000 | 126,475 | - | 226,475 |
| Notes receivable | 2,876,188 | - | (68,434) | 2,807,754 |
| Land, buildings, equipment and collections, net | 11,187,915 | - | - | 11,187,915 |
| Total assets | <u>\$ 805,257,176</u> | <u>\$ 340,955</u> | <u>\$ (68,434)</u> | <u>\$ 805,529,697</u> |
| LIABILITIES AND NET ASSETS | | | | |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | \$ 10,557,193 | \$ 202,579 | \$ (68,434) | \$ 10,691,338 |
| Deferred revenue | 44,912 | 207,339 | - | 252,251 |
| Annuities payable | 546,494 | - | - | 546,494 |
| Funds held in trust for others | 66,901,428 | - | - | 66,901,428 |
| Total liabilities | <u>78,050,027</u> | <u>409,918</u> | <u>(68,434)</u> | <u>78,391,511</u> |
| NET ASSETS | | | | |
| Without donor restrictions | 57,287,052 | (68,963) | - | 57,218,089 |
| With donor restrictions | 669,920,097 | - | - | 669,920,097 |
| Total net assets | <u>727,207,149</u> | <u>(68,963)</u> | <u>-</u> | <u>727,138,186</u> |
| Total liabilities and net assets | <u>\$ 805,257,176</u> | <u>\$ 340,955</u> | <u>\$ (68,434)</u> | <u>\$ 805,529,697</u> |

This schedule to be read in conjunction with the accompanying combined financial statements and notes thereto.

Stony Brook Foundation, Inc. and Affiliate

COMBINING SCHEDULE OF ACTIVITIES

Year ended June 30, 2022

| | Stony Brook Foundation, Inc. | Stony Brook Foundation, Realty, Inc. | Eliminations | Combined |
|--|---|---|---------------------|-----------------|
| REVENUES, GAINS AND OTHER SUPPORT | | | | |
| Gifts and grants of financial assets | \$ 116,725,218 | \$ - | \$ - | \$ 116,725,218 |
| Gifts of nonfinancial assets | 5,603 | - | - | 5,603 |
| Contracts and other support | 3,045,143 | - | - | 3,045,143 |
| Net investment return | (9,729,109) | - | - | (9,729,109) |
| Rental income | 90,688 | 151,426 | - | 242,114 |
| Other income | 20,420 | - | - | 20,420 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues, gains and other support | 110,157,963 | 151,426 | - | 110,309,389 |
| EXPENSES | | | | |
| Campus program expenses: | | | | |
| Instruction | 17,328,876 | - | - | 17,328,876 |
| Research | 7,095,462 | - | - | 7,095,462 |
| Public service | 2,683,243 | - | - | 2,683,243 |
| Academic support | 726,890 | - | - | 726,890 |
| Student services | 523,721 | - | - | 523,721 |
| Institutional support | 13,160,326 | - | - | 13,160,326 |
| Scholarships and fellowships | 5,222,580 | - | - | 5,222,580 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total campus program expenses | 46,741,098 | - | - | 46,741,098 |
| General and administrative | 4,278,295 | 105,849 | - | 4,384,144 |
| Fundraising | 4,389,690 | - | - | 4,389,690 |
| Depreciation | 239,342 | - | - | 239,342 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenses | 55,648,425 | 105,849 | - | 55,754,274 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| CHANGE IN NET ASSETS | 54,509,538 | 45,577 | - | 54,555,115 |
| Net assets, beginning of year | 672,697,611 | (114,540) | - | 672,583,071 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net assets, end of year | \$ 727,207,149 | \$ (68,963) | \$ - | \$ 727,138,186 |

This schedule to be read in conjunction with the accompanying combined financial statements and notes thereto.

Stony Brook Foundation, Inc. and Affiliate

COMBINING SCHEDULE OF FUNDS HELD IN TRUST FOR OTHERS

Year ended June 30, 2022

| <u>Account Name</u> | <u>Beginning Balance</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Ending Balance</u> |
|--|------------------------------|----------------------|----------------------|---------------------------|
| Chief Administrator Officer (CAO) fund | \$ 51,627,980 | \$ 34,524,099 | \$ 20,425,776 | \$ 65,726,303 |
| Alumni Association | 493,294 | 382,786 | 236,368 | 639,712 |
| Other agency activities | <u>544,982</u> | <u>(9,569)</u> | <u>-</u> | <u>535,413</u> |
| | <u>\$ 52,666,256</u> | <u>\$ 34,897,316</u> | <u>\$ 20,662,144</u> | <u>\$ 66,901,428</u> |

This schedule to be read in conjunction with the accompanying combined financial statements and notes thereto.