



THE ROCKEFELLER UNIVERSITY

Financial Statements and Supplementary
Information on Federal Awards Programs

June 30, 2016

(With Independent Auditors' Report and
Reports on Internal Control and Compliance Thereon)

THE ROCKEFELLER UNIVERSITY

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Independent Auditors' Report

The Board of Trustees
The Rockefeller University:

Report on the Financial Statements

We have audited the accompanying financial statements of The Rockefeller University (the University), which comprise the balance sheet as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Rockefeller University as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

***Report on Summarized Comparative Information***

We have previously audited the University's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016, 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

October 11, 2016, except for our report on the supplementary schedule of expenditures of federal awards, for which the date is March 6, 2017

THE ROCKEFELLER UNIVERSITY

Balance Sheet

June 30, 2016

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

Assets	2016	2015
Cash and cash equivalents	\$ 76,199,589	81,472,298
Accounts and accrued interest receivable	7,491,675	9,527,053
Contributions receivable (note 8)	447,378,816	465,753,473
Loans receivable – faculty and staff	32,637,561	34,837,703
Deposits held by trustees (note 13)	13,248,845	100,002,451
Other assets	31,326,790	31,830,684
Investments (notes 2 and 13)	2,058,252,999	2,126,133,048
Plant assets, net (note 6)	867,009,304	763,032,783
Total assets	<u>\$ 3,533,545,579</u>	<u>3,612,589,493</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 56,915,348	46,046,025
Deferred revenues	5,002,769	5,054,823
Obligation under derivative instruments (notes 5 and 13)	192,893,305	141,125,302
Long-term debt (note 5)	734,669,717	735,076,112
Conditional asset retirement obligation	8,648,635	8,554,054
Postretirement benefit obligation (note 7)	68,590,000	59,846,000
Amounts held for others (notes 12 and 13)	103,987,647	110,620,786
Total liabilities	<u>1,170,707,421</u>	<u>1,106,323,102</u>
Commitments and contingencies (notes 2 and 11)		
Net assets (note 3):		
Unrestricted	401,031,126	477,267,634
Temporarily restricted (note 9)	1,642,742,214	1,769,997,656
Permanently restricted (note 9)	319,064,818	259,001,101
Total net assets	<u>2,362,838,158</u>	<u>2,506,266,391</u>
Total liabilities and net assets	<u>\$ 3,533,545,579</u>	<u>3,612,589,493</u>

See accompanying notes to financial statements.

THE ROCKEFELLER UNIVERSITY
Statement of Activities
Year ended June 30, 2016
(with comparative financial information for the year
ended June 30, 2015)

	2016			Total	2015 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Revenues:					
Government grants and contracts	\$ 81,278,136	—	—	81,278,136	82,555,028
Private gifts and grants	17,581,319	78,662,169	50,077,768	146,321,256	372,622,285
Investment (loss) income (note 2)	(4,501,287)	(1,536,416)	(14,051)	(6,051,754)	111,208,041
Net depreciation in fair value of derivative instruments (note 5)	(51,768,003)	—	—	(51,768,003)	(18,225,621)
Sales and services of auxiliary enterprises	31,904,203	—	—	31,904,203	32,215,416
Rent, royalty, and other income	17,341,621	—	—	17,341,621	24,816,278
Net assets released from restrictions (note 9)	204,381,195	(204,381,195)	—	—	—
Total revenues	<u>296,217,184</u>	<u>(127,255,442)</u>	<u>50,063,717</u>	<u>219,025,459</u>	<u>605,191,427</u>
Expenses and other changes:					
Expenses (note 10):					
Research	234,989,126	—	—	234,989,126	230,606,973
Graduate education	12,940,413	—	—	12,940,413	12,315,962
Research support	33,570,816	—	—	33,570,816	33,363,677
Institutional support	40,664,902	—	—	40,664,902	40,735,615
Auxiliary enterprises	34,634,261	—	—	34,634,261	34,360,602
Total expenses	<u>356,799,518</u>	<u>—</u>	<u>—</u>	<u>356,799,518</u>	<u>351,382,829</u>
Other changes:					
Postretirement related changes other than net periodic postretirement benefit cost (note 7)	2,919,000	—	—	2,919,000	6,589,000
Forgiveness of loan receivable	2,735,174	—	—	2,735,174	—
University matching gift	10,000,000	—	(10,000,000)	—	—
Net expenses and other changes	<u>372,453,692</u>	<u>—</u>	<u>(10,000,000)</u>	<u>362,453,692</u>	<u>357,971,829</u>
Change in net assets	<u>(76,236,508)</u>	<u>(127,255,442)</u>	<u>60,063,717</u>	<u>(143,428,233)</u>	<u>247,219,598</u>
Net assets at beginning of year	477,267,634	1,769,997,656	259,001,101	2,506,266,391	2,259,046,793
Net assets at end of year	<u>\$ 401,031,126</u>	<u>1,642,742,214</u>	<u>319,064,818</u>	<u>2,362,838,158</u>	<u>2,506,266,391</u>

See accompanying notes to financial statements.

THE ROCKEFELLER UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2016

(with comparative financial information for the year
ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (143,428,233)	247,219,598
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net depreciation (appreciation) in fair value of investments	9,196,658	(109,385,025)
Net depreciation in fair value of derivative instruments	51,768,003	18,225,621
Net (appreciation) depreciation in fair value of deposits held by trustees	(311,030)	5,512
Gain on sale of equipment	(4,195)	—
Donated equipment	(1,113,939)	—
Depreciation and amortization	42,480,342	40,249,213
Private gifts and grants restricted for long-term investment	(50,077,768)	(404,756)
Contributions for capital	(19,830,143)	(225,583,031)
Changes in operating assets and liabilities:		
Accounts and accrued interest receivable	2,035,378	(1,290,579)
Contributions receivable, excluding amounts in financing activities	60,892,777	(33,940,629)
Other assets	503,894	(2,603,801)
Accounts payable and accrued expenses	(1,680,290)	886,107
Deferred revenues	(52,054)	(141,994)
Conditional asset retirement obligation	94,581	424,476
Postretirement benefit obligation	8,744,000	11,870,000
Amounts held for others	(5,637,618)	(5,493,562)
Net cash used in operating activities	<u>(46,419,637)</u>	<u>(59,962,850)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	407,878,025	559,141,371
Purchase of investments	(350,190,155)	(530,839,238)
Additions to plant assets	(145,784,624)	(52,252,292)
Proceeds from sale of equipment	39,500	—
Change in accounts payable for capital expenditures	12,549,613	2,368,688
Principal collections on loans receivable – faculty and staff	3,629,969	2,671,659
Issuance of loans – faculty and staff	(1,429,827)	(5,454,045)
Change in deposits held by bond trustees, net	87,064,636	(100,007,963)
Net cash provided by (used in) investing activities	<u>13,757,137</u>	<u>(124,371,820)</u>
Cash flows from financing activities:		
Proceeds from private gifts and grants restricted for long-term investment	12,189,791	4,128,022
Proceeds from private gifts restricted for capital	15,200,000	15,000,500
Proceeds from issuance of long term debt	—	188,190,000
Retirement of indebtedness	—	(62,650,000)
Bond issuance costs	—	(540,000)
Net cash provided by financing activities	<u>27,389,791</u>	<u>144,128,522</u>
Net decrease in cash and cash equivalents	(5,272,709)	(40,206,148)
Cash and cash equivalents at beginning of year	<u>81,472,298</u>	<u>121,678,446</u>
Cash and cash equivalents at end of year	<u>\$ 76,199,589</u>	<u>81,472,298</u>
Supplemental disclosures:		
Interest paid	\$ 30,939,975	29,323,897
Net (depreciation) appreciation in amounts held for others	(995,521)	7,175,344

See accompanying notes to financial statements.

THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2016

(with comparative financial information as of and
for the year ended June 30, 2015)**(1) Discussion of Operations and Summary of Significant Accounting Policies**

The Rockefeller University (the University) is a world-renowned center for research and graduate education in the biomedical sciences, chemistry, bioinformatics, and physics. The University's 75 laboratories conduct both clinical and basic research and study a diverse range of biological and biomedical problems with the mission of improving the understanding of life for the benefit of humanity. Laboratories are loosely clustered in nine research areas covering a wide spectrum of disciplines in the life sciences, including neuroscience, immunology, genetics, structural biology and bioinformatics. The University does not charge tuition. Its revenues are derived primarily from investment income, government grants and contracts, and private gifts and grants.

The significant accounting policies followed by the University are described below:

(a) Basis of Presentation

The University prepares its financial statements on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board (FASB) for external reporting by not-for-profit organizations. Those standards require the classification of net assets and changes therein in one of three classes of net assets as follows:

Unrestricted net assets are not subject to donor-imposed restrictions, but may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets are subject to donor-imposed restrictions that will be met by actions of the University or the passage of time and includes unexpended gains on endowment funds that have not been appropriated for expenditure.

Permanently restricted net assets are subject to donor-imposed restrictions that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income and gains on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. As discussed further in note 3, the University follows the provisions of Accounting Standards Codification (ASC) 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to the Uniform Prudent Management of Institutional Funds Act*, which impacts the reporting of investment return on endowment funds. Accordingly, dividends, interest, and net gains and losses on endowment funds are reported as follows (i) as increases or decreases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund; or (ii) as increases or decreases in temporarily restricted net assets until appropriated for expenditure by the University.

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2016

(with comparative financial information as of and
for the year ended June 30, 2015)

Expirations of temporary restrictions on net assets, that is, the donor-imposed restricted purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

(b) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(c) Cash Equivalents

All highly liquid debt instruments with an original maturity of three months or less are considered to be cash equivalents, except for such assets that are part of the University's investment portfolio managed by external investment managers for long-term purposes.

(d) Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Contributions to be received after one year are discounted to reflect the present value of future cash flows at a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

Contributions of property, plant, and equipment without donor stipulation concerning the use of such long-lived assets are reported as revenues of the unrestricted net assets class. Contributions of cash or other assets to be used to acquire property, plant, and equipment are reported as revenues of the temporarily restricted net assets class; the restrictions are considered to be released at the time such long-lived assets are placed into service.

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2016

(with comparative financial information as of and
for the year ended June 30, 2015)**(e) Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon values provided by the University's external investment managers or upon quoted market values. Investments in partnerships, as a practical expedient, are reflected at net asset value as reported by the general partners, and may differ from the values that would have been reported had a ready market for these securities existed. The University reviews and evaluates the values provided by the general partners and agrees with the valuation methods and assumptions used in determining the fair value of the limited partnerships.

(f) Plant Assets

Plant assets are stated at cost or at fair value at date of donation in the case of gifts. Depreciation of buildings and building improvements is recorded over estimated useful lives ranging from 15 to 50 years. Equipment is depreciated over estimated useful lives ranging from 5 to 10 years. Leasehold improvements are amortized over the life of the asset or term of the lease, whichever is shorter. Library books are depreciated over estimated useful lives of 15 years.

(g) Government Grants and Contracts

Revenue from government grants and contracts is generally recognized as earned, that is, as the related costs are incurred under the grant or contract agreements. Amounts expended in excess of reimbursements are reported as accounts receivable.

(h) Derivative Instruments

The University accounts for derivative instruments at fair value. The fair value of the derivatives held is based upon values provided by third-party financial institutions and is assessed by management for reasonableness. The fair values of the University's interest rate swaps were calculated as of June 30, 2016, using industry-recognized methodologies. The valuations are based on the present value of the difference between the fixed rate paid by the University and the mid-market fixed rate the University would pay on a similar transaction if it were entered into on June 30, 2016.

(i) Conditional Asset Retirement Obligation

Upon acquisition, and when reasonably estimable, the University recognizes the fair value of the liability related to the legal obligation to perform asset retirement activity on tangible long-lived assets.

(j) Income Taxes

The University is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The University follows the guidance of ASC 740-10, *Income Taxes – Overall*, which addresses accounting for uncertainties in income taxes recognized in an enterprise's financial statements. The University utilizes a threshold of more-likely than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return.

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2016

(with comparative financial information as of and
for the year ended June 30, 2015)

(k) 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 and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of these financial statements include the valuation of investments, estimated net realizable value of receivables, the obligation under derivative instruments, and the postretirement benefit obligation. Actual results could differ from those estimates.

(l) Comparative Financial Information

The statement of activities is presented with prior year financial information in total, which does not include net asset class detail. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's 2015 financial statements, from which the summarized information was derived.

(m) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(2) Investments

The fair value of the University's investments consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash equivalents	\$ 31,531,506	73,725,250
U.S. government and agency obligations	197,589,539	168,250,232
U.S. long equities	227,496,598	244,428,948
International/global equities	299,232,252	393,679,588
Real assets	9,790,863	—
Alternative investments – public:		
Long/short equities	196,945,611	205,837,537
Absolute return	337,396,021	326,512,508
Real assets	73,676,735	85,625,368
Alternative investments – private:		
Buyout funds	179,146,859	171,470,424
Venture capital funds	199,399,495	216,473,830
Real estate funds	137,472,961	142,967,209
Natural resources and other	168,574,559	97,162,154
	<u>\$ 2,058,252,999</u>	<u>2,126,133,048</u>

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2016

(with comparative financial information as of and
for the year ended June 30, 2015)

Investments include limited partnerships totaling approximately \$1.699 billion and \$1.759 billion at June 30, 2016 and 2015, respectively, which are presented above by the underlying investment classification.

Alternative investments – public investments include interests in limited partnerships and limited liability corporations that invest principally in public equities and corporate bonds and may employ both long and short strategies.

Alternative investments – private investments include interests in limited partnerships and limited liability corporations that invest principally in buyout funds, venture capital, real estate funds, and natural resources. These interests generally have very limited liquidity.

A description of the various categories follows:

Long/short equities represent investments in funds that invest predominantly in liquid publicly traded marketable securities, primarily equities. These funds are able to hold both long and short positions and utilize leverage. These funds attempt to generate higher returns with lower volatility than their long-only counterparts and demonstrate moderate equity market correlation.

Absolute return represents investments in funds that pursue strategies that do not demonstrate a sustained correlation to public equity markets such as distressed debt and credit strategies, market neutral strategies, macro strategies, event driven and merger arbitrage strategies, and deep value investing.

Real assets represent investments in funds whose assets attempt to retain their value in inflationary environments and include investments in real estate, commodities and natural resources, and inflation-linked bonds.

Buyout funds represent investments in funds that take negotiated, frequently controlling ownership stakes in companies in the United States and internationally.

Venture capital funds represent investments in companies that are newly formed and which require substantial initial capital.

Real estate funds represent investments in a broad range of commercial and residential real estate properties.

Natural resources and other represent investments in partnerships that invest in a broad range of natural resources including oil and gas, timber, metals and mining, and power. Other generally represents private partnerships in credit, royalty, or other nonequity investments.

At June 30, 2016, the University had approximately \$336 million for which capital calls had not been exercised pertaining to alternative investments – private. Such commitments generally have fixed expiration dates or other termination clauses. The University maintains sufficient liquidity to cover such calls. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2016

(with comparative financial information as of and
for the year ended June 30, 2015)

the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Investment income (loss) consists of the following as of June 30:

	2016			Total	2015 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Interest and dividends	\$ 2,645,734	188,140	—	2,833,874	1,828,528
Net (depreciation) appreciation in fair value of investments	(7,147,021)	(1,724,556)	(14,051)	(8,885,628)	109,379,513
Total	\$ (4,501,287)	(1,536,416)	(14,051)	(6,051,754)	111,208,041

(3) Endowment Funds

The primary role of the endowment is to advance the research mission of the University through support of the annual operating budget. The University's endowment consists of both donor-restricted endowment funds and funds designated by the University for long-term purposes and is subject to the provision of the *New York Prudent Management of Institutional Funds Act* (NYPMIFA). The University has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary.

The endowment's assets are invested in marketable securities, including U.S. and global equities and fixed income securities, and partnerships, including long/short equities, absolute return, venture capital, buyout funds, and real assets. The assets are primarily invested by external investment managers through separate accounts or through commingled vehicles, including funds, trusts, and limited partnerships.

The Investment Committee of the University's Board of Trustees (the Committee) is responsible for overseeing the endowment. With the support of the Office of Investments, the Committee establishes the endowment's investment policy and asset allocation, retains and oversees external investment managers, and monitors the implementation and performance of the investment program. The Committee has established a long-term asset allocation policy, which is designed to earn superior investment returns while reducing the risk of permanent impairment of capital. The policy emphasizes (1) a substantial allocation to equity investments; (2) broad diversification of asset class, style, and manager; (3) low correlation to traditional equity market indices; (4) low volatility strategies; and (5) less efficient asset classes. The asset allocation policy is reviewed annually by the Committee. Actual asset allocation is reviewed quarterly by the Committee, which may tactically overweight or underweight a particular asset class.

At June 30, 2016, the fair values of 8 endowment accounts were less than their original fair value (underwater) by a total of approximately \$1,240,000. At June 30, 2015, the fair values of 3 endowment accounts were less than their original fair value (underwater) by a total of approximately \$516,000.

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2016

(with comparative financial information as of and
for the year ended June 30, 2015)

The University operates under a spending policy for operations that applies a spending rate to the endowment's trailing three-year average fair value of investments. The applied spending rate was 5.7% and 5.8% as of June 30, 2016 and 2015, respectively, of the three-year average fair value of investments. The spending rate appropriation from the temporarily restricted portion of the endowment for the year ended June 30, 2016 was \$73,122,003.

At June 30, 2016 and 2015, net assets associated with endowment funds consisted of the following:

	2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ (1,239,674)	1,125,310,566	266,814,979	1,390,885,871
Designated for long-term purposes	<u>375,589,124</u>	<u>—</u>	<u>—</u>	<u>375,589,124</u>
Total	<u>\$ 374,349,450</u>	<u>1,125,310,566</u>	<u>266,814,979</u>	<u>1,766,474,995</u>
	2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ (515,737)	1,207,722,521	244,644,888	1,451,851,672
Designated for long-term purposes	<u>350,078,871</u>	<u>—</u>	<u>—</u>	<u>350,078,871</u>
Total	<u>\$ 349,563,134</u>	<u>1,207,722,521</u>	<u>244,644,888</u>	<u>1,801,930,543</u>

(Continued)

THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2016

(with comparative financial information as of and
for the year ended June 30, 2015)

Changes in net assets associated with endowment funds, exclusive of pledges and nonpooled endowments principally in trusts, for the years ended June 30, 2016 and 2015 were as follows:

	2016			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Net assets at June 30, 2015	\$ 349,563,134	1,207,722,521	244,644,888	1,801,930,543
Contributions	—	—	12,189,791	12,189,791
Interest and dividends	(40,982)	188,140	—	147,158
Realized gains	10,792,108	65,453,238	—	76,245,346
Unrealized losses	(18,853,876)	(70,628,025)	(19,700)	(89,501,601)
Transfers, net	52,234,727	1,363,266	10,000,000	63,597,993
Total before spending rate	<u>393,695,111</u>	<u>1,204,099,140</u>	<u>266,814,979</u>	<u>1,864,609,230</u>
Endowment spending rate:				
Unrestricted	(19,345,661)	(73,122,003)	—	(92,467,664)
Restricted	<u>—</u>	<u>(5,666,571)</u>	<u>—</u>	<u>(5,666,571)</u>
Total endowment spending rate	<u>(19,345,661)</u>	<u>(78,788,574)</u>	<u>—</u>	<u>(98,134,235)</u>
Net assets at June 30, 2016	<u>\$ 374,349,450</u>	<u>1,125,310,566</u>	<u>266,814,979</u>	<u>1,766,474,995</u>

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	2015			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Net assets at June 30, 2014	\$ 399,007,935	1,196,793,326	240,619,980	1,836,421,241
Contributions	—	—	4,128,022	4,128,022
Interest and dividends	9,060	304,716	—	313,776
Realized gains	31,170,199	132,428,856	—	163,599,055
Unrealized losses	(9,675,316)	(42,638,331)	(103,114)	(52,416,761)
Transfers, net	<u>(50,419,267)</u>	<u>(5,980,224)</u>	<u>—</u>	<u>(56,399,491)</u>
Total before spending rate	<u>370,092,611</u>	<u>1,280,908,343</u>	<u>244,644,888</u>	<u>1,895,645,842</u>
Endowment spending rate:				
Unrestricted	(20,529,477)	(71,741,368)	—	(92,270,845)
Restricted	<u>—</u>	<u>(1,444,454)</u>	<u>—</u>	<u>(1,444,454)</u>
Total endowment spending rate	<u>(20,529,477)</u>	<u>(73,185,822)</u>	<u>—</u>	<u>(93,715,299)</u>
Net assets at June 30, 2015	\$ <u>349,563,134</u>	<u>1,207,722,521</u>	<u>244,644,888</u>	<u>1,801,930,543</u>

(4) Obligation under Line of Credit

On October 1, 2013, the University entered into a revolving credit agreement with a financial institution. This agreement consists of a \$150 million committed facility, expiring on October 14, 2017, to be used for general institutional purposes. The facility borrowings may occur at the London Interbank Offered Rate (LIBOR) plus 0.55%, money market rate plus 0.55%, or a Corporate Base Rate. The commitment fee on the facility is 0.10% of the undrawn balance. There was no outstanding balance as of June 30, 2016 or 2015.

Fees relating to the obligation under the line of credit for the years ended June 30, 2016 and 2015 were approximately \$152,000.

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THE ROCKEFELLER UNIVERSITY

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(5) Long-Term Debt

The University has financed certain plant asset acquisition and construction costs through revenue obligations of the Dormitory Authority of the State of New York (the Authority) and other sources. The following obligations were outstanding at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Note Payable, direct placement 3.77%, due serially to 2045	\$ 25,000,000	25,000,000
The Rockefeller University Revenue Bonds, Series 2015A, variable rate, hedged by interest rate swap, due 2045 (effective rate 4.72% and 4.75% as of June 30, 2016 and 2015, respectively)	119,190,000	119,190,000
The Rockefeller University Revenue Bonds, Series 2015B, variable rate, partially hedged by interest rate swap, due 2025 (effective rate 1.10% and 0.96% as of June 30, 2016 and 2015, respectively)	44,000,000	44,000,000
The Rockefeller University Revenue Bonds, Series 2012B, 4.00% to 5.00%, due serially to 2038	51,390,000	51,390,000
The Rockefeller University Revenue Bonds, Series 2012A, 4.00% to 5.00%, due serially to 2037	26,465,000	26,465,000
The Rockefeller University Revenue Bonds, Series 2010A, 5.00%, due serially to 2041	50,000,000	50,000,000
The Rockefeller University Revenue Bonds, Series 2009C, 5.00%, due serially to 2040	100,000,000	100,000,000
The Rockefeller University Revenue Bonds, Series 2009B, variable rate, hedged by interest rate swap, due 2040 (effective rate 3.80% and 3.69% as of June 30, 2016 and 2015, respectively)	100,000,000	100,000,000
The Rockefeller University Revenue Bonds, Series 2009A, 4.50% to 5.00%, due serially to 2028	59,295,000	59,295,000
The Rockefeller University Revenue Bonds, Series 2008A, variable rate, partially hedged by interest rate swap, due 2039 (effective rate 3.91% and 3.76% as of June 30, 2016 and 2015, respectively)	103,215,000	103,215,000
The Rockefeller University Revenue Bonds, Series 2002A2, variable rate, hedged by interest rate swap, due 2032 (effective rate 4.72% and 4.62% as of June 30, 2016 and 2015, respectively)	50,000,000	50,000,000
	<u>728,555,000</u>	<u>728,555,000</u>
Unamortized bond premium	12,752,267	13,493,618
Unamortized bond issuance costs	(6,637,550)	(6,972,506)
	<u>\$ 734,669,717</u>	<u>735,076,112</u>

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The Series 2012A, 2012B, 2010A, 2009A, and 2009C bonds were issued at a premium, which are being amortized over the lives of the bonds.

As of June 30, 2016, the University's projected debt service payments on its long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
Year ending June 30:			
2017	\$ —	30,914,622	30,914,622
2018	—	31,040,649	31,040,649
2019	5,115,000	31,151,400	36,266,400
2020	5,375,000	30,975,849	36,350,849
2021	5,645,000	30,775,841	36,420,841
Thereafter	<u>712,420,000</u>	<u>524,714,398</u>	<u>1,237,134,398</u>
	<u>\$ 728,555,000</u>	<u>679,572,759</u>	<u>1,408,127,759</u>

Interest expense on long-term debt for the years ended June 30, 2016 and 2015 was approximately \$24,720,800 and \$29,533,100, respectively, of which \$6,219,200 was capitalized for the year ended June 30, 2016.

On April 10, 2015, the University entered into a note purchase agreement with a major insurance company for \$25 million, with principal due April 10, 2045.

The Series 2015A bonds bear interest at a variable rate and were directly placed with a financial institution for an initial 10 year period through a bond purchase and placement agreement. The 2005A bonds were refunded through partial proceeds of the 2015A bonds. The 2015B bonds bear interest at a variable rate and were directly placed with a financial institution through a bond purchase and placement agreement.

The Series 2002A2 bonds, the Series 2005A bonds, the Series 2008A bonds, and the Series 2009B bonds bear interest at variable rates and are subject to optional and mandatory tender. The University has entered into agreements with remarketing agents pursuant to which the remarketing agents are obligated to use their best efforts to remarket any bonds so tendered. The University is obligated to purchase any bonds that are tendered but not remarketed. In connection with the Series 2002A2, 2005A, 2008A, and 2009B bonds, the University arranged for a standby purchase agreement to be provided by a bank, pursuant to which the bank will purchase any bonds that are tendered and not remarketed.

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(with comparative financial information as of and
for the year ended June 30, 2015)***Interest Rate Swap Agreements***

The University has entered into five interest rate swap agreements. The following schedule presents the notional principal amounts of the swaps and other related information as of June 30, 2016:

Effective date	Notional amount	Termination date
January 31, 2002	\$ 50,000,000	2032
May 2, 2005	50,000,000	2032
July 1, 2008	100,000,000	2039
July 1, 2009	100,000,000	2040
July 1, 2010	75,000,000	2040

The swaps are a partial hedge of the Series 2002A2, 2008A, 2009B, 2015A and 2015B bond issues. Under the terms of the agreements, the University pays interest at predetermined fixed rates and receives variable rates. Included in obligation under derivative instruments in the balance sheet is the net cumulative loss on these derivative transactions in the amounts of \$192,893,305 and \$141,125,302 at June 30, 2016 and 2015, respectively. Additionally, the change in the cumulative loss is included in net depreciation in fair value of derivative instruments in the accompanying statement of activities, and amounted to a loss of \$51,768,003 and \$18,225,621 for the years ended June 30, 2016 and 2015, respectively.

(6) Plant Assets

Plant assets at June 30, 2016 and 2015 comprise of the following:

	2016	2015
Land and land improvements	\$ 22,448,136	19,350,702
Buildings and building improvements	1,117,102,802	1,101,213,207
Equipment	89,577,603	88,375,569
Leasehold improvements	424,726	424,726
Library books	755,237	755,237
Works of art	817,839	817,839
Total	1,231,126,343	1,210,937,280
Less accumulated depreciation and amortization	(529,141,259)	(493,446,161)
Construction in progress	165,024,220	45,541,664
	\$ 867,009,304	763,032,783

The University commenced a construction project to build a two story research tower over the FDR Drive. The estimated cost of the River Campus project is \$500 million. The University has commitments in the amount of \$65 million as of June 30, 2016 related to its capital expansion project.

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(with comparative financial information as of and
for the year ended June 30, 2015)**(7) Retirement Benefits**

The University has defined contribution retirement plans covering substantially all academic and nonacademic personnel. The plans are fully funded by the purchase of annuity contracts. Pension costs amounted to approximately \$10,395,000 and \$8,825,000 for the years ended June 30, 2016 and 2015, respectively.

In addition to providing pension benefits, the University provides certain healthcare and life insurance benefits for retired faculty and administrative employees who meet certain age and length-of-service requirements upon retirement. The University recognizes the funded status (i.e., the difference between the fair value of plan assets and projected benefit obligations) of its benefit plan as an asset or liability in its balance sheet and recognizes changes in that funded status in the year in which the changes occur through changes in unrestricted net assets.

The following table sets forth the postretirement benefit plan's funded status and amounts recognized in the University's financial statements as of and for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 82,991,000	71,683,000
Service cost	2,933,000	2,675,000
Interest cost	3,637,000	3,377,000
Plan participants' contributions	371,000	326,000
Retiree drug subsidy receipts	175,000	166,000
Actuarial loss	3,453,000	7,223,000
Benefits paid	<u>(2,604,000)</u>	<u>(2,459,000)</u>
Benefit obligation at end of year	<u>90,956,000</u>	<u>82,991,000</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	23,145,000	23,707,000
Actual return on plan assets	(778,000)	(562,000)
Employer contribution	2,057,000	1,967,000
Plan participants' contributions	371,000	326,000
Retiree drug subsidy receipts	175,000	166,000
Benefits paid	<u>(2,604,000)</u>	<u>(2,459,000)</u>
Fair value of plan assets at end of year (Level 1 inputs)	<u>22,366,000</u>	<u>23,145,000</u>
Accrued postretirement benefit obligation (APBO)	<u>\$ 68,590,000</u>	<u>59,846,000</u>

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(with comparative financial information as of and
for the year ended June 30, 2015)

The components of net periodic postretirement benefit cost for the years ended June 30 are as follows:

	<u>2016</u>	<u>2015</u>
Service cost	\$ 2,933,000	2,675,000
Interest cost	3,637,000	3,377,000
Expected return on plan assets	(1,545,000)	(1,662,000)
Amortization:		
Prior service cost	<u>2,858,000</u>	<u>2,858,000</u>
Net periodic postretirement benefit cost	<u>\$ 7,883,000</u>	<u>7,248,000</u>

The estimated amount that will be amortized into net periodic postretirement benefit cost in 2017 is \$831,000.

As of June 30, 2016, the postretirement benefit obligation includes unrecognized prior service costs and net actuarial losses of \$644,000 and \$11,585,000, respectively. As of June 30, 2015, the postretirement benefit obligation includes unrecognized prior service costs and net actuarial losses of \$3,502,000 and \$5,809,000, respectively.

Weighted average assumptions used to calculate the benefits obligation and to determine net periodic pension cost as of and for the years ended June 30 are as follows:

	<u>2016</u>	<u>2015</u>
Discount rate for benefit obligation	4.135%	4.909%
Discount rate for net periodic postretirement cost	4.909	4.746
Expected return on plan assets	7.01	7.01

For measurement purposes, an annual rate of 6.9% of increase in the per capita cost of covered healthcare and prescription drug benefits was assumed as of June 30, 2016. The rate was assumed to decrease to an ultimate rate of 4.5% in 2028 and remain at that level thereafter. Assumed healthcare cost trends have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	<u>1-percentage- point increase</u>	<u>1-percentage- point decrease</u>
Effect on total of service and interest cost components	\$ 1,566,000	(1,189,000)
Effect on year-end APBO	18,586,000	(14,439,000)

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The asset allocation of the postretirement benefit plan as of June 30 was:

	<u>2016</u>	<u>2015</u>	<u>Target</u>
Asset category:			
Equities	75%	76%	70%
Fixed income	25	24	30
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The fair value of plan assets as of June 30, 2016 and 2015 includes equity mutual funds of \$16.7 million and \$17.6 million, respectively, and fixed income mutual funds of \$5.7 million and \$5.5 million, respectively.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 is reflected assuming that the University will continue to provide a prescription drug benefit to plan participants that is at least actuarially equivalent to Medicare Part D and that the University will receive the federal subsidy until 2016. The amounts do not reflect the effects, if any, of the Patient Protection and Affordable Care Act and Health Care and Reconciliation Act that were enacted in March 2010.

The benefits expected to be paid in each fiscal year from 2017 to 2021 and the five subsequent years thereafter are as follows:

	<u>Expected benefits payments not reflecting medicare subsidy</u>	<u>Medicare subsidy</u>	<u>Expected benefits reflecting medicare subsidy</u>
2017	\$ 2,647,000	211,000	2,436,000
2018	2,863,000	219,000	2,644,000
2019	3,232,000	225,000	3,007,000
2020	3,363,000	232,000	3,131,000
2021	3,518,000	237,000	3,281,000
2022–2026	21,078,000	1,242,000	19,836,000

The expected benefits to be paid are based on the same assumptions used to measure the University's benefit obligation at June 30, 2016.

Employer contributions of approximately \$2.4 million are expected to be made in 2017.

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(with comparative financial information as of and
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Contributions receivable consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Amounts expected to be collected in:		
Less than one year	\$ 74,862,837	60,640,001
One year to five years	308,185,022	349,486,780
Thereafter	<u>127,338,000</u>	<u>112,440,000</u>
	510,385,859	522,566,781
Less allowance	(2,500,000)	(2,500,000)
Less discount to present value at a 5% rate at June 30, 2016 and 2015	<u>(60,507,043)</u>	<u>(54,313,308)</u>
	<u>\$ 447,378,816</u>	<u>465,753,473</u>

Included in gross contributions receivable at June 30, 2016 and 2015 is approximately \$287 million and \$337.5 million, respectively, due from three donors.

(9) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Restricted as to purpose:		
Research	\$ 179,866,659	250,420,331
Research support	8,859,215	19,374,733
Renovation of facilities	252,242,597	226,478,242
Graduate education	1,938,739	893,340
Restricted as to time:		
For subsequent years	1,199,765,004	1,272,656,537
Annuity trust agreements	<u>70,000</u>	<u>174,473</u>
	<u>\$ 1,642,742,214</u>	<u>1,769,997,656</u>

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Permanently restricted net assets at June 30, 2016 and 2015 are restricted to investments in perpetuity, with investment return available to support the following activities:

	2016	2015
Research	\$ 88,007,855	70,157,127
Research support	25,022,964	4,768,182
Unrestricted activities	206,033,999	184,075,792
	\$ 319,064,818	259,001,101

Net assets released from restrictions as of June 30, 2016 consisted of the following:

Spending on restricted funds	\$ 90,870,553
Unrestricted pledge payment	34,722,065
Endowment spending rate:	
Unrestricted appropriation	73,122,003
Restricted spending	5,666,574
Total	\$ 204,381,195

(10) Expenses

Expenses are reported in the statement of activities in categories recommended by the National Association of College and University Business Officers. The University's primary program services are research and graduate education. Expenses reported as research support and auxiliary enterprises are incurred in support of these primary program services. Accordingly, total program services expenses approximated \$316,135,000 and \$310,647,000 in 2016 and 2015, respectively. Institutional support includes approximately \$7,613,000 and \$7,447,000 of fund-raising expenses in 2016 and 2015, respectively.

(11) Contingent Liabilities

The University is a defendant in various lawsuits. Management of the University does not expect the ultimate resolution of these actions to have a significant effect on the University's financial position.

Amounts expended by the University under various government grants and contracts are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the University's financial position.

(12) Affiliated Entities

The Rockefeller Archive Center

The Rockefeller Archive Center (RAC) was a division of the University. On June 20, 2006, RAC was formed as a separate legal entity with a board of trustees separate and distinct from the University's board of trustees. The University's President participates in RAC's board of trustees.

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The University has entered into an agreement whereby it is providing investment services to RAC. Amounts held for others represent the fair value of RAC's units in the University's endowment pool. RAC, upon written notice to the University, may submit a request to redeem all or a portion of the units held by RAC. Each redemption request shall be no less than \$2 million. After receiving the redemption request, the University shall notify RAC of the portion, if any, of the redemption request that is accepted and the manner and timing of payment of the redemption amounts. Pursuant to the terms of the investment services agreement, RAC has no beneficial interest or rights with respect to the University's underlying investments.

Tri-Institutional Therapeutics Discovery Institute

Tri-Institutional Therapeutics Discovery Institute (TDI) is a nonprofit corporation formed in 2013 to further and improve health and the diagnosis, prevention and treatment of disease through furthering and improving translational research. TDI is controlled and governed by the University and two other leading not-for-profit academic, medical and research institutions. The University's president and one additional University faculty member participate on TDI's board of directors. The University provides accounting and tax services to TDI on a pro-bono basis.

The collaboration agreement among TDI and the Tri-Institutional members states that each Tri-Institutional member will contribute at least \$1.3 million annually (calendar year basis) in support of TDI's activity. In 2016 and 2015, the University provided funding of \$1,562,500 and \$1,500,000, respectively, to TDI.

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(13) Fair Value

The University's assets and liabilities at June 30, 2016 that are reported at fair value are summarized within the fair value hierarchy as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Investments:				
Cash equivalents	\$ 31,531,506	31,531,506	—	—
U.S. government and agency obligations	197,589,539	—	197,589,539	—
U.S. long equities	95,459,372	95,459,372	—	—
International/global equities	25,206,791	25,206,791	—	—
Real assets	<u>9,790,863</u>	<u>9,790,863</u>	<u>—</u>	<u>—</u>
	<u>359,578,071</u>	<u>\$ 161,988,532</u>	<u>197,589,539</u>	<u>—</u>
Investments reported at net asset value:				
Public:				
U.S. long equities	132,037,226			
International/global equities	274,025,461			
Long/short equities	196,945,611			
Absolute return	337,396,021			
Real assets	<u>73,676,735</u>			
Total public at net asset value	<u>1,014,081,054</u>			
Private:				
Buyout funds	179,146,859			
Venture capital funds	199,399,495			
Real estate funds	137,472,961			
Natural resources and other	<u>168,574,559</u>			
Total private at net asset value	<u>684,593,874</u>			
Total investments	<u>\$ 2,058,252,999</u>			
Deposits held by trustees – government securities	\$ 13,248,845	—	13,248,845	—
Liabilities:				
Interest rate swap agreements	\$ 192,893,305	—	192,893,305	—
Amounts held for others	103,987,647	—	—	103,987,647

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Equities and alternative investments – public contain various monthly, quarterly, semi-annual, and annual redemption restrictions with required written notice ranging up to 180 days. In addition, certain of these investments are restricted by initial lock-up periods. As of June 30, 2016, the following table summarizes at fair value the composition of various redemption provisions and lock-up periods in the investment portfolio:

<u>Redemption period</u>	<u>Long equities</u>	<u>Public investments reported at net asset value</u>			<u>Total</u>
		<u>Long/short equities</u>	<u>Absolute return</u>	<u>Real assets</u>	
Monthly	\$ 79,463,174	—	—	—	79,463,174
Quarterly	177,775,404	20,848,299	204,242,952	73,676,735	476,543,390
Semiannual	—	—	84,577,181	—	84,577,181
Annual	—	54,458,549	42,747,344	—	97,205,893
In liquidation	9,702,946	3,674,165	5,828,544	—	19,205,655
Lock-up (a)	139,121,163	117,964,598	—	—	257,085,761
Total	\$ 406,062,687	196,945,611	337,396,021	73,676,735	1,014,081,054

(a) The amount subject to redemption lock-up is set to expire as follows:

	<u>Amount</u>
Fiscal year:	
2017	\$ 84,464,651
2018	63,979,809
Thereafter	108,641,301
	<u>\$ 257,085,761</u>

Private partnerships are invested through drawdown vehicles such that capital is drawn and repaid over time. On average, private partnerships have a cash flow weighted duration that ranges from 3 to 5 years.

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June 30, 2016

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for the year ended June 30, 2015)

The University's assets and liabilities at June 30, 2015 that are reported at fair value are summarized within the fair value hierarchy as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Investments:				
Cash equivalents	\$ 73,725,250	73,725,250	—	—
U.S. government and agency obligations	168,250,232	—	168,250,232	—
U.S. long equities	95,493,321	95,493,321	—	—
International/global equities	29,256,917	29,256,917	—	—
	<u>366,725,720</u>	<u>\$ 198,475,488</u>	<u>168,250,232</u>	<u>—</u>
Investments reported at net asset value:				
Public:				
U.S. long equities	148,935,627			
International/global equities	364,422,671			
Long/short equities	205,837,537			
Absolute return	326,512,508			
Real assets	85,625,368			
	<u>1,131,333,711</u>			
Private:				
Buyout funds	171,470,424			
Venture capital funds	216,473,830			
Real estate funds	142,967,209			
Natural resources and other	97,162,154			
	<u>628,073,617</u>			
Total investments	<u>\$ 2,126,133,048</u>			
Deposits held by trustees – government securities	\$ 100,002,451	—	100,002,451	—
Liabilities:				
Interest rate swap agreements	\$ 141,125,302	—	141,125,302	—
Amounts held for others	110,620,786	—	—	110,620,786

(Continued)

THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2016

(with comparative financial information as of and
for the year ended June 30, 2015)

Equities and alternative investments – public contain various monthly, quarterly, semi-annual, and annual redemption restrictions with required written notice ranging up to 180 days. In addition, certain of these investments are restricted by initial lock-up periods. As of June 30, 2015, the following table summarizes at fair value the composition of various redemption provisions and lock-up periods in the investment portfolio:

Redemption period	Long equities	Public investments reported at net asset value			Total
		Long/short equities	Absolute return	Real assets	
Monthly	\$ 103,356,468	—	—	—	103,356,468
Quarterly	291,926,932	22,842,839	149,707,893	85,625,368	550,103,032
Semiannual	—	13,347,558	48,555,104	—	61,902,662
Annual	—	40,042,673	123,161,775	—	163,204,448
In liquidation	12,250,712	5,631,210	5,087,736	—	22,969,658
Lock-up (a)	105,824,186	123,973,257	—	—	229,797,443
Total	\$ 513,358,298	205,837,537	326,512,508	85,625,368	1,131,333,711

(a) The amount subject to redemption lock-up is set to expire as follows:

	Amount
Fiscal year:	
2016	\$ 22,604,662
2017	108,070,754
Thereafter	99,122,027
	\$ 229,797,443

Private partnerships are invested through drawdown vehicles such that capital is drawn and repaid over time. On average, private partnerships have a cash flow weighted duration that ranges from 3 to 5 years.

The following table presents the University's activity for the fiscal years ended June 30, 2016 and 2015 for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair value at June 30, 2015	Acquisitions	Dispositions	Realized gains	Unrealized losses	Fair value at June 30, 2016
Amounts held for others	\$ 110,620,786	1,135,867	(6,773,485)	4,570,477	(5,565,998)	103,987,647
	Fair value at June 30, 2014	Acquisitions	Dispositions	Realized gains	Unrealized losses	Fair value at June 30, 2015
Amounts held for others	\$ 108,939,004	994,515	(6,488,077)	9,561,123	(2,385,779)	110,620,786

(Continued)

THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2016

(with comparative financial information as of and
for the year ended June 30, 2015)

(14) Subsequent Events

The University evaluated events subsequent to June 30, 2016 through October 11, 2016, the date on which the financial statements were issued and concluded that no additional disclosures are required.

THE ROCKEFELLER UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

Federal grants/program title or cluster	CFDA number	Pass-through entity identifying number	Amount Provided to Subrecipients	Expenditures
Research and Development cluster:				
Department of Health and Human Services (DHHS):				
National Center for Research Resources:				
Trans-NIH Research Support	93.310		\$ 884,277	\$ 2,650,620
Pass-through programs from:				
University of Southern California	93.310	68029876	—	53,440
Total National Center for Research Resources			<u>884,277</u>	<u>2,704,060</u>
National Cancer Institute:				
Cancer Cause and Prevention Research	93.393		601,721	2,163,616
Cancer Detection and Diagnosis Research	93.394		124,787	246,097
Cancer Treatment Research	93.395		—	438,914
Cancer Biology Research	93.396		563,227	2,172,515
Cancer Research Manpower	93.398		—	330,865
Pass-through programs from:				
Sloan-Kettering Institute for Cancer Research	93.397	BD517695	—	251,805
Columbia University	93.393	GG007306-01	—	11,350
NYU School of Medicine	93.394	14-AD-00-003341-01	—	271,471
Total National Cancer Institute			<u>1,289,735</u>	<u>5,886,633</u>
National Eye Institute:				
Vision Research	93.867		—	618,043
Total National Eye Institute			<u>—</u>	<u>618,043</u>
National Heart, Lung and Blood Institute:				
Blood Diseases and Resources Research	93.839		178,639	1,031,910
Cardiovascular Diseases Research	93.837		—	22,587
Total National Heart, Lung and Blood Institute			<u>178,639</u>	<u>1,054,497</u>
National Institute of Allergy and Infectious Diseases:				
Allergy, Immunology and Transplantation Research	93.855		539,227	10,988,282
Pass-through programs from:				
California Institute of Technology	93.855	19GM-1093751, 1093766	—	1,167,115
Celldex Therapeutics	93.855	024071	—	110,358
UT Southwestern Medical School	93.855	150312	—	30,619
Stamford University	93.855	60934604-28291	—	195,684
Fred Hutchinson Cancer Research Center	93.855	829993	—	460,928
Mount Sinai School of Medicine	93.855	0254-6906-4609	—	1,122,968
Benaroya Research Institute	93.855	ITN017	—	174,311
Rutgers University	93.855	U19AI109713-03	—	521,355
University of California	93.855	7441SC	—	54,908
The Scripps Research Institute	93.855	5-50273	—	1,916,911
Emory University	93.855	AI-057266	—	157,555
Total National Institute of Allergy and Infectious Diseases			<u>539,227</u>	<u>16,900,994</u>
National Institute of Alcohol Abuse and Alcoholism	93.273		—	388,011
National Institute of Human Genome	93.172		—	53,261
Pass-through programs from:				
SimulConsult	93.172	2R42HG006974-02	—	121,988
Total National Institute of Human Genome			<u>—</u>	<u>175,249</u>
National Institute of Arthritis, Musculoskeletal and Skin Diseases				
Pass-through programs from:				
New York University	93.846	14-AO-00-003268-01	—	2,000,311
Mount Sinai School of Medicine	93.846	0255-6542-4609	—	312,584
Texas Tech University	93.846	15LM0183NLS	—	70,629
Total National Institute of Arthritis, Musculoskeletal and Skin Diseases			<u>—</u>	<u>107,644</u>
National Institute of Child Health and Human Development				
Pass-through programs from:				
Albert Einstein College of Medicine	93.865	310954	—	20,882
Total National Institute of Child Health and Human Development			<u>—</u>	<u>1,215,395</u>
National Institute of Deafness and Communication Disorders				
Pass-through programs from:				
Monell Chemical Senses Center	93.173	32551	—	393,813
Total National Institute of Deafness and Communications Disorders			<u>—</u>	<u>73,139</u>
National Institute of Diabetes and Digestive and Kidney Diseases:				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		—	851,622
Total National Institute of Diabetes and Digestive and Kidney Diseases			<u>—</u>	<u>851,622</u>

(Continued)

THE ROCKEFELLER UNIVERSITY
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2016

Federal grants/program title or cluster	CFDA number	Pass-through entity identifying number	Amount Provided to Subrecipients	Expenditures
National Institute on Drug Abuse	93.279		\$ 299,566	\$ 2,667,344
Pass-through programs from:				
Research Foundation of SUNY	93.279	N/A	—	628
University of Kansas	93.279	DA018151	—	33,683
Weill Cornell Medical College of Cornell University	93.279	15050676-0	—	548,899
NYU School of Medicine	93.279	15-A0-003671-01	—	8,892
Total National Institute on Drug Abuse			<u>299,566</u>	<u>3,259,446</u>
National Institute of General Medical Sciences:				
Biomedical Research and Research Training	93.859		2,668,090	14,621,350
Pass-through programs from:				
NYU School of Medicine	93.859	14-A0-00-002587-01	—	87,735
Harvard Medical School	93.859	152463.5096987.0007	—	148,223
University of Michigan	93.859	3002500448	—	195,473
Yale University	93.859	M16A12263 (A10257)	—	37,347
Total National Institute of General Medical Sciences			<u>2,668,090</u>	<u>15,090,128</u>
National Institute of Mental Health:				
Mental Health Research Grants	93.242		218,487	1,468,192
Pass-through programs from:				
Mount Sinai School of Medicine	93.242	0254-3161-4609	—	253,051
Total National Institute of Mental Health			<u>218,487</u>	<u>1,721,243</u>
National Institute of Neurological Disorders and Stroke:				
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		909,931	7,549,172
Total National Institute of Neurological Disorders and Stroke			<u>909,931</u>	<u>7,549,172</u>
National Institute on Aging:				
Aging Research	93.866		—	1,594,196
Pass-through programs from:				
Mount Sinai School of Medicine	93.866	P01 AG16765	65,130	214,397
University of California, Los Angeles	93.866	1558 G SA304	—	19,252
Total National Institute on Aging			<u>65,130</u>	<u>1,827,845</u>
Research Infrastructure Programs:				
Pass-through programs from:				
Sloan-Kettering Institute for Cancer Research	93.351	BD518073	—	51,723
Total Research Infrastructure Programs			<u>—</u>	<u>51,723</u>
National Center for Advancing Translational Sciences	93.350		—	7,338,630
National Institute of Health:				
Research and Training in Complementary and Alternative Medicine	93.213		225,056	423,445
Pass-through program from:				
Albert Einstein College of Medicine	93.UNK	310989/310954	—	187,732
Harvard Medical School	93.UNK	138076-5098503	—	172,726
Henry M. Jackson Foundation	93.UNK	794626	—	34,111
Total National Institute of Health			<u>225,056</u>	<u>818,014</u>
Total DHHS			<u>7,278,138</u>	<u>70,408,825</u>
Department of Defense:				
Intelligence Advanced Research Projects Activity:				
Pass through from:				
Harvard Medical School	12.UNK	138076-5098503	—	225,223
Military Medical Research and Development:	12.420		—	5,303,041
Pass-through programs from:				
Boston Children's Hospital	12.420	RSTFD0000662086	—	115,312
Total Military Medical Research and Development			<u>—</u>	<u>5,418,353</u>
Research and Technology Development:				
Pass-through programs from:				
University of Pennsylvania	12.910	N/A	—	245,005
Emory University	12.910	N/A	—	447,702
Total Research and Technology Development			<u>—</u>	<u>692,707</u>
Total Department of Defense			<u>—</u>	<u>6,336,283</u>
Department of Energy	81.UNK		—	131,231

(Continued)

THE ROCKEFELLER UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

<u>Federal grants/program title or cluster</u>	<u>CFDA number</u>	<u>Pass-through entity identifying number</u>	<u>Amount Provided to Subrecipients</u>	<u>Expenditures</u>
National Science Foundation:				
Biological Sciences	47.074		\$ 43,745	\$ 867,794
Computer and Information Science and Engineering				
Pass-through program from:				
Massachusetts Institute of Technology	47.070	5710003506	—	163,297
Total Computer and Information Science and Engineering			—	163,297
Social, Behavioral, and Economic Sciences	47.075		—	176,235
Education and Human Resource	47.076		—	308,085
Engineering Grants	47.041		—	122,808
Mathematical and Physical Sciences:	47.049		—	116,295
Pass-through program from:				
California State University	47.049	RU230956	—	21,836
Total Mathematical and Physical Sciences			—	138,131
Total National Science Foundation			43,745	1,776,350
Department of Agriculture				
National Institute of Food and Agriculture:				
Agriculture and Food Research Initiative	10.310		23,732	105,829
Research Training Programs:				
Department of Health and Human Services:				
National Institute of Allergy and Infectious Diseases	93.855		—	177,909
National Institute of Cancer	93.398		—	388,087
National Institute of Mental Health	93.242		—	83,050
National Institute of General Medical Sciences	93.859		—	408,078
Total Research Training Programs			—	1,057,124
Fellowships Programs:				
Department of Health and Human Services:				
National Institute of Allergy and Infectious Diseases	93.855		—	169,029
National Institute of Cancer	93.398		—	59,043
National Institute of Deafness and Other Communication Disorders	93.173		—	94,951
National Institute of Child Health and Human Development	93.865		—	58,649
National Institute of Diabetes and Digestive and Kidney Diseases	93.847		—	93,170
National Institute of Mental Health	93.242		—	107,205
National Institute of General Medical Sciences	93.859		—	59,792
Trans-NIH Research Support	93.310		—	27,747
Department of Defense				
Military Medical Research and Development	12.420		—	140,071
National Science Foundation				
Biological Sciences	47.074		—	15,161
Total Fellowships Programs			—	824,818
Total Expenditures of Federal Awards – Research and Development Cluster			\$ 7,345,615	\$ 80,640,460

See accompanying notes to schedule of expenditures of federal awards.

THE ROCKEFELLER UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2016 (the Schedule) presents expenditures of The Rockefeller University (the University) charged to federal awards programs. The information in this schedule is presented on the accrual basis of accounting and is in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the University.

(2) Summary of Significant Accounting Policies for Federal Awards Expenditures

Expenditures for federal awards programs of the University are determined using cost accounting principles and procedures. Under these cost principles, certain expenditures are not allowable or are limited as to reimbursement.

Expenditures include indirect costs, relating primarily to facilities operation and maintenance, and general and departmental administration services, which are allocated to direct cost objectives (including federal awards) based on negotiated formulas commonly referred to as indirect cost rates. Indirect costs allocated to such awards for the year ended June 30, 2016 were based on fixed rates negotiated with the cognizant federal agency, the Department of Health and Human Services. The University has not elected to use the 10-percent de minimis cost rate allowed under Uniform Guidance.

(3) Summary of Indirect Costs

Indirect cost recoveries of the University for the year ended June 30, 2016 are summarized as follows:

Research and development	\$ 28,142,314
Research training and fellowships	95,930
	<u>28,238,244</u>
	<u>\$ 28,238,244</u>

(Continued)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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*

The Board of Trustees
The Rockefeller University:

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 Rockefeller University (the University), which comprise the balance sheet as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2016.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 organization'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 of obtaining reasonable assurance about whether the 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

October 11, 2016



Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance

The Board of Trustees
The Rockefeller University:

Report on Compliance for Each Major Federal Program

We have audited The Rockefeller University's (the University) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the University's major federal program for the year ended June 30, 2016. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Major Federal Program

In our opinion, The Rockefeller University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.



Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

March 6, 2017

THE ROCKEFELLER UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

(1) Summary of Auditors' Results

- (a) The type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (c) Noncompliance which is material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major program: **Unmodified**
- (f) Any audit findings that are required to be reported under 2 CFR 200.516(a): **No**
- (g) Major program: **Research and Development Cluster (various CFDA numbers)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,419,214**
- (i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None