



THE ROCKEFELLER UNIVERSITY

Financial Statements and Supplementary
Information on Federal Awards Programs

June 30, 2018

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

THE ROCKEFELLER UNIVERSITY

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

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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2018, 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 solely 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 the effectiveness of the University's 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 3, 2018

THE ROCKEFELLER UNIVERSITY

Balance Sheet

June 30, 2018

(with comparative financial information as of June 30, 2017)

Assets	2018	2017
Cash and cash equivalents	\$ 69,796,336	77,711,517
Accounts and accrued interest receivable	10,331,171	10,350,060
Contributions receivable (note 8)	423,944,998	431,504,979
Loans receivable – faculty and staff	33,074,778	31,484,987
Other assets	34,926,168	34,984,789
Investments (notes 2 and 13)	2,205,065,691	2,077,568,535
Plant assets, net (note 6)	<u>1,129,349,352</u>	<u>1,006,297,055</u>
Total assets	<u>\$ 3,906,488,494</u>	<u>3,669,901,922</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 73,094,969	63,537,783
Deferred revenues	3,636,226	4,696,696
Obligation under derivative instruments (notes 5 and 13)	117,634,713	147,057,123
Obligation under lines of credit (note 4)	36,242,943	—
Long-term debt (note 5)	734,782,645	734,263,325
Conditional asset retirement obligation	8,675,777	8,886,088
Postretirement benefit obligation (note 7)	67,087,000	65,800,000
Amounts held for others (notes 12 and 13)	<u>117,196,179</u>	<u>110,754,459</u>
Total liabilities	<u>1,158,350,452</u>	<u>1,134,995,474</u>
Commitments and contingencies (notes 2 and 11)		
Net assets (note 3):		
Unrestricted	542,748,655	465,356,884
Temporarily restricted (note 9)	1,871,794,949	1,744,249,177
Permanently restricted (note 9)	<u>333,594,438</u>	<u>325,300,387</u>
Total net assets	<u>2,748,138,042</u>	<u>2,534,906,448</u>
Total liabilities and net assets	<u>\$ 3,906,488,494</u>	<u>3,669,901,922</u>

See accompanying notes to financial statements.

THE ROCKEFELLER UNIVERSITY

Statement of Activities

Year ended June 30, 2018

(with comparative financial information for the year ended June 30, 2017)

	2018			Total	2017
	Unrestricted	Temporarily restricted	Permanently restricted		Total
Revenues:					
Government grants and contracts	\$ 87,231,396	—	—	87,231,396	87,076,735
Private gifts and grants	23,360,506	180,167,792	7,908,307	211,436,605	119,921,637
Investment income (note 2)	43,324,617	166,138,562	385,744	209,848,923	225,965,215
Net appreciation in fair value of derivative instruments (note 5)	29,422,410	—	—	29,422,410	45,836,182
Sales and services of auxiliary enterprises	34,861,372	—	—	34,861,372	33,535,170
Rent, royalty, and other income	21,895,688	—	—	21,895,688	26,229,271
Net assets released from restrictions (note 9)	218,760,582	(218,760,582)	—	—	—
Total revenues	458,856,571	127,545,772	8,294,051	594,696,394	538,564,210
Expenses and other changes:					
Expenses (note 10):					
Research	251,520,824	—	—	251,520,824	246,425,041
Graduate education	15,272,390	—	—	15,272,390	13,598,096
Research support	36,829,954	—	—	36,829,954	36,220,077
Institutional support	44,293,362	—	—	44,293,362	41,698,885
Auxiliary enterprises	35,652,270	—	—	35,652,270	35,101,821
Total expenses	383,568,800	—	—	383,568,800	373,043,920
Other changes:					
Postretirement related changes other than net periodic postretirement benefit cost (note 7)	(2,104,000)	—	—	(2,104,000)	(6,548,000)
Net expenses and other changes	381,464,800	—	—	381,464,800	366,495,920
Change in net assets	77,391,771	127,545,772	8,294,051	213,231,594	172,068,290
Net assets at beginning of year	465,356,884	1,744,249,177	325,300,387	2,534,906,448	2,362,838,158
Net assets at end of year	\$ 542,748,655	1,871,794,949	333,594,438	2,748,138,042	2,534,906,448

See accompanying notes to financial statements.

THE ROCKEFELLER UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2018

(with comparative financial information for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 213,231,594	172,068,290
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net appreciation in fair value of investments	(207,959,922)	(225,514,758)
Net appreciation in fair value of derivative instruments	(29,422,410)	(45,836,182)
Net appreciation in fair value of deposits held by trustees	—	(2,565)
Donated equipment	(95,350)	(469,991)
Depreciation and amortization	42,725,858	42,563,898
Write-off of unamortized bond issuance costs	952,340	—
Private gifts and grants restricted for long-term investment	(7,908,307)	(5,810,891)
Contributions for capital	(31,294,380)	(33,220,391)
Changes in operating assets and liabilities:		
Accounts and accrued interest receivable	18,889	(2,858,385)
Contributions receivable, excluding amounts in financing activities	(17,709,499)	17,926,107
Other assets	58,621	(3,657,999)
Accounts payable and accrued expenses	6,067,669	3,314,492
Deferred revenues	(1,060,470)	(306,073)
Conditional asset retirement obligation	(210,311)	237,453
Postretirement benefit obligation	1,287,000	(2,790,000)
Amounts held for others	(5,810,968)	(6,355,606)
Net cash used in operating activities	<u>(37,129,646)</u>	<u>(90,712,601)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	384,922,740	751,773,109
Purchase of investments	(292,207,286)	(532,451,469)
Additions to plant assets	(166,115,825)	(181,788,050)
Change in accounts payable for capital expenditures	3,489,517	3,307,943
Principal collections on loans receivable – faculty and staff	4,964,390	4,000,791
Issuance of loans – faculty and staff	(6,554,181)	(2,848,217)
Change in deposits held by bond trustees, net	—	13,251,410
Net cash (used in) provided by investing activities	<u>(71,500,645)</u>	<u>55,245,517</u>
Cash flows from financing activities:		
Proceeds from private gifts and grants restricted for long-term investment	24,492,167	6,779,012
Proceeds from private gifts restricted for capital	39,980,000	30,200,000
Proceeds from issuance of long term debt	100,445,000	—
Proceeds from lines of credit	36,242,943	—
Retirement of indebtedness	(100,000,000)	—
Bond issuance costs	(445,000)	—
Net cash provided by financing activities	<u>100,715,110</u>	<u>36,979,012</u>
Net (decrease) increase in cash and cash equivalents	(7,915,181)	1,511,928
Cash and cash equivalents at beginning of year	<u>77,711,517</u>	<u>76,199,589</u>
Cash and cash equivalents at end of year	<u>\$ 69,796,336</u>	<u>77,711,517</u>
Supplemental disclosures:		
Interest paid	\$ 32,531,551	31,789,346
Net appreciation in amounts held for others	12,252,688	13,122,418

See accompanying notes to financial statements.

THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2018

(With comparative financial information as of and
for the year ended June 30, 2017)**(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 82 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 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.

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.

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2018

(With comparative financial information as of and
for the year ended June 30, 2017)**(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 or published 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 or published 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 or published 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, 2018

(With comparative financial information as of and
for the year ended June 30, 2017)**(e) Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted or published 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, 2018 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, 2018.

(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, 2018

(With comparative financial information as of and
for the year ended June 30, 2017)

(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 2017 financial statements, from which the summarized information was derived.

(2) Investments

The fair value of the University's investments consists of the following at June 30, 2018 and 2017:

	2018	2017
Cash equivalents	\$ 136,142,563	67,717,051
Investment receivable	—	44,553,602
U.S. government and agency obligations	31,371,079	55,063,803
U.S. long equities	335,319,670	220,091,466
International/global equities	235,770,079	327,866,236
Real assets	17,107,235	18,487,711
Alternative investments – public:		
Long/short equities	265,631,984	238,226,619
Absolute return	356,576,507	337,889,267
Real assets	43,910,281	53,522,434
Alternative investments – private:		
Buyout funds	227,838,895	211,450,039
Venture capital funds	237,327,824	213,312,473
Real estate funds	65,165,205	69,202,835
Natural resources and other	252,904,369	220,184,999
	\$ 2,205,065,691	2,077,568,535

Investments include limited partnerships totaling approximately \$1.955 billion and \$1.827 billion at June 30, 2018 and 2017, respectively, which are presented above by the underlying investment classification.

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

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2018

(With comparative financial information as of and
for the year ended June 30, 2017)

Alternative investments – private investments include interests in limited partnerships 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. The other category generally represents private partnerships in credit, royalty, or other nonequity investments.

At June 30, 2018, the University had approximately \$330 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 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.

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2018

(With comparative financial information as of and
for the year ended June 30, 2017)

Investment income consists of the following as of June 30:

	2018			Total	2017 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Interest and dividends	\$ 1,018,212	870,789	—	1,889,001	447,892
Net appreciation in fair value of investments	42,306,405	165,267,773	385,744	207,959,922	225,517,323
Total	<u>\$ 43,324,617</u>	<u>166,138,562</u>	<u>385,744</u>	<u>209,848,923</u>	<u>225,965,215</u>

(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.

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2018

(With comparative financial information as of and
for the year ended June 30, 2017)

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, 2018, the fair values of 2 endowment accounts were less than their original fair value (underwater) by a total of approximately \$199,000. At June 30, 2017, the fair values of 3 endowment accounts were less than their original fair value (underwater) by a total of approximately \$522,000.

The University operates under a modified inflation-based spending formula for operations. This formula consists of 70% of the allowable spending in the prior fiscal year, increased by the rate of inflation (Higher Education Price Index (HEPI)) and 30% of the current year spend rate applied to a 12 quarter average market value. The applied spending rate was 5.5% and 5.6% as of June 30, 2018 and 2017, respectively. The spending rate appropriation from the temporarily restricted portion of the unrestricted endowment for the year ended June 30, 2018 was \$75,327,457.

At June 30, 2018 and 2017, net assets associated with endowment funds consisted of the following:

		2018			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$	(199,203)	1,309,515,193	312,010,385	1,621,326,375
Designated for long-term purposes		424,672,169	—	—	424,672,169
Total	\$	<u>424,472,966</u>	<u>1,309,515,193</u>	<u>312,010,385</u>	<u>2,045,998,544</u>
		2017			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$	(522,097)	1,224,558,516	287,132,474	1,511,168,893
Designated for long-term purposes		401,836,570	—	—	401,836,570
Total	\$	<u>401,314,473</u>	<u>1,224,558,516</u>	<u>287,132,474</u>	<u>1,913,005,463</u>

(Continued)

THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2018

(With comparative financial information as of and
for the year ended June 30, 2017)

Changes in net assets associated with endowment funds, exclusive of pledges and nonpooled endowments principally in trusts, for the years ended June 30, 2018 and 2017 were as follows:

	2018			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2017	\$ 401,314,473	1,224,558,516	287,132,474	1,913,005,463
Contributions	—	—	24,492,167	24,492,167
Interest and dividends	166,236	924,243	—	1,090,479
Realized gains	23,468,495	93,220,297	—	116,688,792
Unrealized gains	18,429,002	71,935,807	385,744	90,750,553
Transfers, net	—	853,810	—	853,810
Total before spending rate	<u>443,378,206</u>	<u>1,391,492,673</u>	<u>312,010,385</u>	<u>2,146,881,264</u>
Endowment spending rate:				
Unrestricted	(18,905,240)	(75,327,457)	—	(94,232,697)
Restricted	—	(6,650,023)	—	(6,650,023)
Total endowment spending rate	<u>(18,905,240)</u>	<u>(81,977,480)</u>	<u>—</u>	<u>(100,882,720)</u>
Net assets at June 30, 2018	<u>\$ 424,472,966</u>	<u>1,309,515,193</u>	<u>312,010,385</u>	<u>2,045,998,544</u>

(Continued)

THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2018

(With comparative financial information as of and
for the year ended June 30, 2017)

	2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2016	\$ 374,349,450	1,125,310,566	266,814,979	1,766,474,995
Contributions	—	—	6,779,012	6,779,012
Interest and dividends	(157,533)	(317,824)	—	(475,357)
Realized gains	9,550,517	37,593,451	—	47,143,968
Unrealized gains	36,763,847	141,975,341	424,678	179,163,866
Transfers, net	—	499,230	13,113,805	13,613,035
	420,506,281	1,305,060,764	287,132,474	2,012,699,519
Total before spending rate				
Endowment spending rate:				
Unrestricted	(19,191,808)	(75,027,995)	—	(94,219,803)
Restricted	—	(5,474,253)	—	(5,474,253)
	(19,191,808)	(80,502,248)	—	(99,694,056)
Total endowment spending rate				
Net assets at June 30, 2017	\$ 401,314,473	1,224,558,516	287,132,474	1,913,005,463

(4) Obligation under Lines 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 February 28, 2019, to be used for general institutional purposes. The facility borrowings may occur at the London Interbank Offered Rate (LIBOR) plus 0.50%, money market rate plus 0.50%, or a Corporate Base Rate. The commitment fee on the facility is 0.10% of the undrawn balance. There was \$28,172,948 and \$0 outstanding as of June 30, 2018 and 2017, respectively.

On December 23, 2016, the University entered into a revolving credit agreement with a financial institution. This agreement consists of a \$100 million committed facility, expiring on December 23, 2019, to be used for general institutional purposes. The facility borrowings may occur at LIBOR plus 0.45% or a prime based rate. The commitment fee on the facility is 0.10% of the undrawn balance. There was \$8,069,995 and \$0 outstanding as of June 30, 2018 and 2017, respectively.

Fees relating to the obligation under the line of credit for the years ended June 30, 2018 and 2017 were approximately \$238,000 and \$206,000, respectively.

The obligation under Lines of Credit were both paid off in full subsequent to year-end.

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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, 2018 and 2017:

	2018	2017
The Rockefeller University Revenue Bonds, Series 2017A, variable rate, partially hedged by interest rate swap, due 2052 (effective rate 3.66% as of June 30, 2018)	\$ 100,445,000	—
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, partially hedged by interest rate swap, due 2045 (effective rate 4.50% and 4.59% as of June 30, 2018 and 2017, 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 1.99% and 1.45% as of June 30, 2018 and 2017, 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 3.59% as of June 30, 2017),	—	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 3.96% and 3.92% as of June 30, 2018 and 2017, respectively)	103,215,000	103,215,000
The Rockefeller University Revenue Bonds, Series 2002A2, variable rate, partially hedged by interest rate swap, due 2032 (effective rate 4.17% and 4.53% as of June 30, 2018 and 2017, respectively)	50,000,000	50,000,000
	729,000,000	728,555,000
Unamortized bond premium	11,269,568	12,010,917
Unamortized bond issuance costs	(5,486,923)	(6,302,592)
	\$ 734,782,645	734,263,325

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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, 2018, 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:			
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
2022	5,305,000	30,539,419	35,844,419
2023	5,575,000	30,312,359	35,887,359
Thereafter	<u>701,985,000</u>	<u>508,694,420</u>	<u>1,210,679,420</u>
	<u>\$ 729,000,000</u>	<u>662,449,288</u>	<u>1,391,449,288</u>

Interest expense on long-term debt for the years ended June 30, 2018 and 2017 was approximately \$26,695,000 and \$26,406,000, respectively; approximately \$5,837,000 and \$5,383,000 was capitalized for the years ended June 30, 2018 and 2017, respectively.

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 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 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, 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.

On August 3, 2017, the Series 2009B bonds were refunded through proceeds from the 2017A bonds. The 2017A bonds were issued in the amount of \$100,445,000. The 2017A 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.

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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, 2018:

<u>Effective date</u>	<u>Notional amount</u>	<u>Termination date</u>
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, 2015A, 2015B, and 2017A 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 \$117,634,713 and \$147,057,123 at June 30, 2018 and 2017, respectively. Additionally, the change in the cumulative loss is included in net appreciation in fair value of derivative instruments in the accompanying statement of activities, and amounted to \$29,422,410 and \$45,836,182 for the years ended June 30, 2018 and 2017, respectively.

(6) Plant Assets

Plant assets at June 30, 2018 and 2017 comprise the following:

	<u>2018</u>	<u>2017</u>
Land and land improvements	\$ 22,991,999	22,991,999
Buildings and building improvements	1,154,579,743	1,140,081,915
Equipment	94,728,705	97,374,669
Leasehold improvements	424,726	424,726
Library books	755,237	755,237
Works of art	877,839	877,839
Total	1,274,358,249	1,262,506,385
Less accumulated depreciation and amortization	(608,255,046)	(571,640,727)
Construction in progress	463,246,149	315,431,397
	<u>\$ 1,129,349,352</u>	<u>1,006,297,055</u>

The University commenced a construction project to build a two story research tower over the FDR Drive in New York City. The estimated cost of the River Campus project is \$525 million. The University has commitments in the amount of \$62 million as of June 30, 2018 related to its capital expansion project.

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(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 \$10,970,000 and \$10,559,000 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 91,243,000	90,956,000
Service cost	3,833,000	3,667,000
Interest cost	3,934,000	3,614,000
Plan participants' contributions	449,000	403,000
Retiree drug subsidy receipts	120,000	156,000
Actuarial loss	(2,549,000)	(4,369,000)
Benefits paid	<u>(3,161,000)</u>	<u>(3,184,000)</u>
Benefit obligation at end of year	<u>93,869,000</u>	<u>91,243,000</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	25,443,000	22,366,000
Actual return on plan assets	1,339,000	3,077,000
Employer contribution	2,592,000	2,625,000
Plan participants' contributions	449,000	403,000
Retiree drug subsidy receipts	120,000	156,000
Benefits paid	<u>(3,161,000)</u>	<u>(3,184,000)</u>
Fair value of plan assets at end of year (Level 1 inputs)	<u>26,782,000</u>	<u>25,443,000</u>
Accrued postretirement benefit obligation (APBO)	<u>\$ 67,087,000</u>	<u>65,800,000</u>

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

	<u>2018</u>	<u>2017</u>
Service cost	\$ 3,833,000	3,667,000
Interest cost	3,934,000	3,614,000
Expected return on plan assets	(1,784,000)	(1,568,000)
Amortization:		
Prior service cost	—	644,000
Net gains	—	26,000
	<u>5,983,000</u>	<u>6,383,000</u>
Net periodic postretirement benefit cost	\$ <u>5,983,000</u>	<u>6,383,000</u>

No amounts will be amortized into net periodic postretirement benefit cost in 2018.

As of June 30, 2018, the postretirement benefit obligation includes net actuarial losses of \$3,577,000. As of June 30, 2017, the postretirement benefit obligation includes net actuarial losses of \$5,681,000.

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>2018</u>	<u>2017</u>
Discount rate for benefit obligation	4.479%	4.285%
Discount rate for net periodic postretirement cost	4.285	4.135
Expected return on plan assets	7.01	7.01

For measurement purposes, an annual rate of 6.2% of increase in the per capita cost of covered healthcare and prescription drug benefits was assumed as of June 30, 2018. The rate was assumed to decrease to an ultimate rate of 4.5% in 2037 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	\$ 2,008,000	(1,503,000)
Effect on year-end APBO	18,774,000	(14,640,000)

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

	<u>2018</u>	<u>2018 Target</u>	<u>2017</u>	<u>2017 Target</u>
Asset Category:				
Equities	79%	75%	77%	75%
Fixed income	21	25	23	25
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The fair value of plan assets as of June 30, 2018 and 2017 includes equity mutual funds of approximately \$21.1 million and \$19.7 million, respectively, and fixed income mutual funds of approximately \$5.7 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. The University received the federal subsidy until 2018. 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 2019 to 2023 and the five subsequent years thereafter are as follows:

	Payments not reflecting medicare subsidy	Medicare subsidy	Benefits reflecting medicare subsidy
2019	\$ 2,925,000	184,000	2,741,000
2020	3,155,000	190,000	2,965,000
2021	3,394,000	195,000	3,199,000
2022	3,625,000	198,000	3,427,000
2023	3,804,000	203,000	3,601,000
2024–2028	22,504,000	1,064,000	21,440,000

The expected benefits to be paid are based on the same assumptions used to measure the University's benefit obligation at June 30, 2018.

Employer contributions of approximately \$2.7 million are expected to be made in 2019.

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(8) Contributions Receivable

Contributions receivable consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Amounts expected to be collected in:		
Less than one year	\$ 207,764,442	137,440,756
One year to five years	163,631,914	229,314,537
Thereafter	<u>86,360,000</u>	<u>110,630,000</u>
	457,756,356	477,385,293
Less allowance	(2,500,000)	(2,500,000)
Less discount to present value at a 5% rate at June 30, 2018 and 2017	<u>(31,311,358)</u>	<u>(43,380,314)</u>
	<u>\$ 423,944,998</u>	<u>431,504,979</u>

Included in gross contributions receivable at June 30, 2018 and 2017 is approximately \$226 million and \$278 million, respectively, due from three donors.

(9) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Restricted as to purpose:		
Research	\$ 379,301,872	324,222,523
Research support	35,209,596	26,664,776
Renovation of facilities	315,898,603	284,703,798
Graduate education	2,777,731	3,015,736
Restricted as to time:		
For subsequent years	1,138,537,147	1,105,572,344
Annuity trust agreements	<u>70,000</u>	<u>70,000</u>
	<u>\$ 1,871,794,949</u>	<u>1,744,249,177</u>

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Permanently restricted net assets at June 30, 2018 and 2017 are restricted to investments in perpetuity, with investment return available to support the following activities:

	2018	2017
Research	\$ 115,985,397	108,628,991
Research support	23,421,978	24,703,306
Unrestricted activities	194,187,063	191,968,090
	\$ 333,594,438	325,300,387

Net assets released from restrictions as of June 30, 2018 consisted of the following:

Spending on restricted funds	\$	97,241,102
Unrestricted pledge payments		39,542,000
Endowment spending rate:		
Unrestricted appropriation		75,327,457
Restricted spending		6,650,023
Total	\$	218,760,582

(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 \$339,275,000 and \$331,345,000 in 2018 and 2017, respectively. Institutional support includes approximately \$7,822,000 and \$7,987,000 of fund-raising expenses in 2018 and 2017, 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.

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(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.

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 2018 and 2017, the University provided funding of \$1,750,000 and \$3,167,000, respectively, to TDI.

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(13) Fair Value

The University's assets and liabilities at June 30, 2018 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 reported at fair value:				
Cash equivalents	\$ 136,142,563	136,142,563	—	—
U.S. government and agency obligations	31,371,079	31,371,079	—	—
U.S. long equities	58,812,386	58,812,386	—	—
International/global equities	7,023,514	7,023,514	—	—
Real assets	<u>17,107,235</u>	<u>17,107,235</u>	<u>—</u>	<u>—</u>
	<u>250,456,777</u>	<u>\$ 250,456,777</u>	<u>—</u>	<u>—</u>
Investments reported at net asset value:				
Public:				
U.S. long equities	276,507,284			
International/global equities	228,746,565			
Long/short equities	265,631,984			
Absolute return	356,576,507			
Real assets	<u>43,910,281</u>			
Total public at net asset value	<u>1,171,372,621</u>			
Private:				
Buyout funds	227,838,895			
Venture capital funds	237,327,824			
Real estate funds	65,165,205			
Natural resources and other	<u>252,904,369</u>			
Total private at net asset value	<u>783,236,293</u>			
Total investments	<u>\$ 2,205,065,691</u>			
Liabilities:				
Interest rate swap agreements	\$ 117,634,713	—	117,634,713	—
Amounts held for others	117,196,179	—	—	117,196,179

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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, 2018, 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	\$ 149,207,659	—	—	—	149,207,659
Quarterly	187,295,530	64,763,755	114,185,857	43,910,281	410,155,423
Semiannual	—	—	189,219,852	—	189,219,852
Annual	—	46,983,010	49,648,696	—	96,631,706
In liquidation	4,829,703	1,289,372	3,522,102	—	9,641,177
Lock-up (a)	163,920,957	152,595,847	—	—	316,516,804
Total	\$ 505,253,849	265,631,984	356,576,507	43,910,281	1,171,372,621

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

	<u>Amount</u>
Fiscal year:	
2019	\$ 118,716,694
2020	38,742,565
Thereafter	<u>159,057,545</u>
	\$ <u>316,516,804</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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The University's assets and liabilities at June 30, 2017 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 reported at fair value:				
Cash equivalents	\$ 67,717,051	67,717,051	—	—
Investment receivable	44,553,602	44,553,602	—	—
U.S. government and agency obligations	55,063,803	—	55,063,803	—
U.S. long equities	58,094,782	58,094,782	—	—
International/global equities	6,980,165	6,980,165	—	—
Real assets	<u>18,487,711</u>	<u>18,487,711</u>	<u>—</u>	<u>—</u>
	<u>250,897,114</u>	\$ <u>195,833,311</u>	<u>55,063,803</u>	<u>—</u>
Investments reported at net asset value:				
Public:				
U.S. long equities	161,996,684			
International/global equities	320,886,071			
Long/short equities	238,226,619			
Absolute return	337,889,267			
Real assets	<u>53,522,434</u>			
Total public at net asset value	<u>1,112,521,075</u>			
Private:				
Buyout funds	211,450,039			
Venture capital funds	213,312,473			
Real estate funds	69,202,835			
Natural resources and other	<u>220,184,999</u>			
Total private at net asset value	<u>714,150,346</u>			
Total investments	\$ <u>2,077,568,535</u>			
Liabilities:				
Interest rate swap agreements	\$ 147,057,123	—	147,057,123	—
Amounts held for others	110,754,459	—	—	110,754,459

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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, 2017, 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	\$ 104,007,950	—	—	—	104,007,950
Quarterly	198,982,791	53,500,181	116,584,882	53,522,434	422,590,288
Semiannual	—	—	170,340,178	—	170,340,178
Annual	—	46,347,140	45,117,833	—	91,464,973
In liquidation	8,236,601	2,679,036	5,846,374	—	16,762,011
Lock-up (a)	171,655,413	135,700,262	—	—	307,355,675
Total	\$ 482,882,755	238,226,619	337,889,267	53,522,434	1,112,521,075

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

	<u>Amount</u>
Fiscal year:	
2018	\$ 110,680,469
2019	6,208,476
Thereafter	<u>190,466,730</u>
	\$ <u>307,355,675</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.

The following table presents the University's activity for the fiscal years ended June 30, 2018 and 2017 for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair value at June 30, 2017	Acquisitions	Dispositions	Realized gains	Unrealized gains	Fair value at June 30, 2018
Amounts held for others	\$ 110,754,459	1,232,204	(7,047,343)	6,670,647	5,586,212	117,196,179
	Fair value at June 30, 2016	Acquisitions	Dispositions	Realized gains	Unrealized gains	Fair value at June 30, 2017
Amounts held for others	\$ 103,987,647	614,892	(6,970,498)	2,725,826	10,396,592	110,754,459

(Continued)

THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2018

(With comparative financial information as of and
for the year ended June 30, 2017)

(14) Subsequent Events

The University evaluated events subsequent to June 30, 2018 through October 3, 2018, 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, 2018

Federal grants/program title or cluster	CFDA number	Pass-through entity identifying number	Amount provided to subrecipients	Expenditures
Research and Development Cluster:				
U.S. Department of Health and Human Services (DHHS):				
National Center for Research Resources:				
Trans-NIH Research Support	93.310		\$ 711,987	3,551,451
Pass-through programs from:				
University of Southern California	93.310	68029876	—	88,272
Mount Sinai School of Medicine	93.310	0255-3871-4609	—	18,286
Total National Center for Research Resources			<u>711,987</u>	<u>3,658,009</u>
National Cancer Institute:				
Cancer Cause and Prevention Research	93.393		1,739,214	4,933,217
Cancer Treatment Research	93.395		—	972,542
Cancer Biology Research	93.396		685,960	2,710,138
Cancer Research Manpower	93.398		—	367,055
Pass-through programs from:				
Sloan-Kettering Institute for Cancer Research	93.393	BD517695	—	390
NYU School of Medicine	93.394	14-AD-00-003341-01	—	123,741
CDI Labs	93.396	N/A	—	16,499
RGENIX	93.395	1R44CA206677-01A1	—	73,778
Sloan-Kettering Institute for Cancer Research	93.395	BD518561A	—	378,116
Mayo Clinic	93.397	ROC-235004	—	227,800
Total National Cancer Institute			<u>2,425,174</u>	<u>9,803,276</u>
National Eye Institute:				
Vision Research	93.867		—	394,200
National Heart, Lung and Blood Institute:				
Blood Diseases and Resources Research	93.839		144,861	1,340,818
National Institute of Allergy and Infectious Diseases:				
Allergy, Immunology and Transplantation Research	93.855		1,263,636	13,390,400
Pass-through programs from:				
Albert Einstein College of Medicine	93.855	31004A	—	155,701
California Institute of Technology	93.855	19GM-1093751, 1093766	—	814,166
The Wistar Institute	93.855	25281-11-324	—	235,525
Weill Cornell Medical College of Cornell University	93.855	13121690-R1	—	370,820
Dana-Farber Cancer Institute	93.855	1282101	—	169,466
Stamford University	93.855	61538217-28291	—	152,766
Rise Therapeutics	93.855	N/A	—	35,862
Mount Sinai School of Medicine	93.855	0255-6974-4609	—	972,642
Benaroya Research Institute	93.855	ITN017	—	66,370
Rutgers University	93.855	U19AI109713-04	—	524,473
The Scripps Research Institute	93.855	5-53272	—	959,614
McGill University	93.855	N/A	—	178,750
Emory University	93.855	U19 AI057266	—	144,319
Total National Institute of Allergy and Infectious Diseases			<u>1,263,636</u>	<u>18,170,874</u>
National Institute of Alcohol Abuse and Alcoholism	93.273		—	492,706
Office of the Assistant Secretary for Health	93.344		—	147,482
National Institute of Human Genome				
Pass-through programs from:				
New York Genome – NIH	93.172	UM1-RU-1	—	290,829
National Human Genome Research Institute	93.172	2 R25 HG007511-04	—	48,820
Total National Institute of Human Genome			<u>—</u>	<u>339,649</u>
National Institute of Arthritis, Musculoskeletal and Skin Diseases				
Pass-through programs from:				
New York University	93.846	14-AO-00-003268-01	—	122,286
Mount Sinai School of Medicine	93.846	0255-6542-4609	—	590,793
Texas Tech University	93.846	15LM0183NLS	—	151,537
Total National Institute of Arthritis, Musculoskeletal and Skin Diseases			<u>—</u>	<u>2,683,109</u>
National Institute of Child Health and Human Development				
Pass-through program from:				
Columbia	93.865	GG012223-01	—	336,884
Total National Institute of Child Health and Human Development			<u>—</u>	<u>1,280,963</u>
National Institute of Deafness and Communication Disorders				
	93.173		—	338,624
National Institute of Diabetes and Digestive and Kidney Diseases:				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		—	1,575,318

(Continued)

THE ROCKEFELLER UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

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		\$ 1,363	741,544
Pass-through programs from:				
Minneapolis Medical Research Foundation	93.279	07408-01	—	59,600
University of Kansas	93.279	DA018151	—	248,487
NYU School of Medicine	93.279	15-A0-003671-01	—	34,979
Weill Cornell Medical College of Cornell University	93.279	15050676-01	—	389,584
Total National Institute on Drug Abuse			1,363	1,474,194
National Institute of General Medical Sciences:				
Biomedical Research and Research Training	93.859		3,335,908	18,441,790
Pass-through programs from:				
Albert Einstein College of Medicine	93.859	310989	—	169,576
NYU School of Medicine	93.859	14-A0-00-002587-01	—	36,530
University of Michigan	93.859	3004285307	—	538,293
Yale University	93.859	M16A12263 (A10257)	—	68,835
Total National Institute of General Medical Sciences			3,335,908	19,255,024
National Institute of Mental Health:				
Mental Health Research Grants	93.242		22,458	637,513
Pass-through programs from:				
Mount Sinai School of Medicine	93.242	0254-3161-4609	—	204,609
Cold Spring Harbor Laboratory	93.242	64550118	—	182,276
Biolnvenu	93.242	R44MH108203	—	143,485
Total National Institute of Mental Health			22,458	1,167,883
National Institute of Neurological Disorders and Stroke:				
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		1,304,183	5,957,089
National Institute on Aging:				
Aging Research	93.866		50,193	2,763,547
Pass-through program from:				
University of California, Los Angeles	93.866	1558 G SA304	—	18,875
Total National Institute on Aging			50,193	2,782,422
National Center for Advancing Translational Sciences	93.350		153,489	6,449,832
Pass-through programs from:				
Yale University	93.350	GR100975 (CON-80000928)	—	134,956
University of Alabama at Birmingham	93.350	000508606-011	—	31,653
Vanderbilt University	93.350	VUMC 59241	—	36,731
Total National Center for Advancing Translational Sciences			153,489	6,653,172
National Institute of Health:				
Research and Training in Complementary and Alternative Medicine	93.213		—	488,669
Total DHHS			9,413,252	78,003,481
U.S. Department of Defense:				
Intelligence Advanced Research Projects Activity	12.UNK		—	358,682
Pass-through program from:				
Harvard Medical School	12.UNK	138076-5098503	—	371,349
Total Intelligence Advanced Research Projects Activity			—	730,031
Military Medical Research and Development	12.420		27,421	3,360,440
Pass-through programs from:				
Boston Children's Hospital	12.420	RSTFD0000662086	—	140,645
University of Pennsylvania	12.420	565210	—	1,421
Total Military Medical Research and Development			27,421	3,502,506
Research and Technology Development				
Pass-through programs from:				
Emory University	12.910	N/A	—	406,918
Total Department of Defense			27,421	4,639,455
U.S. Department of Energy	81.UNK		—	12,853
National Science Foundation:				
Education and Human Resources	47.076		—	327,342
Biological Sciences	47.074		19,136	540,573
Pass-through programs from:				
Oregon Health and Science University	47.074	1009951-ROCKEFELLER	—	26,382
UCLA – NSF	47.074	1580 G VC929	—	199,088
Total Biological Sciences			19,136	1,093,385
Computer and Information Science and Engineering				
Pass-through program from:				
Massachusetts Institute of Technology	47.070	5710003506	—	129,071

(Continued)

THE ROCKEFELLER UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

<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>
Engineering Grants	47.041		\$ —	320,759
Mathematical and Physical Sciences	47.049		—	400,397
Pass-through program from:				
California State University	47.049	RU230956	—	3,880
Total Mathematical and Physical Sciences			—	404,277
Total National Science Foundation			19,136	1,947,492
U.S. Department of Agriculture:				
National Institute of Food and Agriculture:				
Agriculture and Food Research Initiative	10.310		422,010	695,781
U.S. Department of Justice:				
National Institute of Justice, Research, Evaluation, and Development Project Grants	16.560		—	190,657
Research Training Programs:				
U.S. Department of Health and Human Services:				
National Institute of Allergy and Infectious Diseases	93.855		—	156,746
National Institute of Cancer	93.398		—	397,507
National Institute of General Medical Sciences	93.859		—	371,962
Total Research Training Programs			—	926,215
Fellowships Programs:				
Department of Health and Human Services:				
National Institute of Allergy and Infectious Diseases	93.855		—	171,931
National Institute of Cancer	93.398		—	186,172
National Institute of Child Health and Human Development	93.865		—	119,036
National Institute of Diabetes and Digestive and Kidney Diseases	93.847		—	219,437
National Institute of Mental Health	93.242		—	59,882
National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.846		—	43,574
National Institute of Neurological Disorders and Stroke	93.853		—	13,308
National Institute of General Medical Sciences	93.859		—	2,122
Total Fellowships Programs			—	815,462
Total Expenditures of Federal Awards – Research and Development Cluster			\$ 9,881,819	87,231,396

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, 2018

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards for the year ended June 30, 2018 (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 Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the 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, 2018 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 the Uniform Guidance.

(3) Summary of Indirect Costs

Indirect cost recoveries of the University for the year ended June 30, 2018 are summarized as follows:

Research and development	\$	29,909,024
Research training and fellowships		<u>49,472</u>
	\$	<u><u>29,958,496</u></u>



KPMG LLP
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II-1

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, 2018, 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 3, 2018.

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 3, 2018



Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards 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, 2018. 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, 2018.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the University as of and for the year ended June 30, 2018, and have issued our report thereon dated October 3, 2018, which contained an unmodified opinion on those financial statements. 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 the Uniform Guidance 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.

KPMG LLP

December 19, 2018

THE ROCKEFELLER UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

(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: **\$2,616,942**
- (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