



**THE ROCKEFELLER UNIVERSITY HOSPITAL**  
(A Division of The Rockefeller University)

Financial Statements

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)



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

## Independent Auditors' Report

The Board of Trustees  
The Rockefeller University:

We have audited the accompanying financial statements of The Rockefeller University Hospital (a division of The Rockefeller University) (the Hospital), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Hospital as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



*Emphasis of Matter*

As discussed in note 2(h) to the financial statements, during the year ended December 31, 2018, The Rockefeller University Hospital adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, on a retrospective basis for the year ended December 31, 2017. Our opinion is not modified with respect to this matter.

KPMG LLP

May 13, 2019

**THE ROCKEFELLER UNIVERSITY HOSPITAL**  
(A Division of The Rockefeller University)

Balance Sheets

December 31, 2018 and 2017

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Due from The Rockefeller University	\$ 8,445,160	8,239,931
Land, buildings, and equipment, net (note 4)	<u>5,823,011</u>	<u>6,135,458</u>
Total assets	<u>\$ 14,268,171</u>	<u>14,375,389</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ <u>552,082</u>	<u>738,973</u>
Total liabilities	<u>552,082</u>	<u>738,973</u>
Net assets without donor restrictions:		
Expended for land, buildings, and equipment	5,823,011	6,135,458
Designated for plant replacement and expansion	<u>7,893,078</u>	<u>7,500,958</u>
Total net assets	<u>13,716,089</u>	<u>13,636,416</u>
Total liabilities and net assets	<u>\$ 14,268,171</u>	<u>14,375,389</u>

See accompanying notes to financial statements.

**THE ROCKEFELLER UNIVERSITY HOSPITAL**  
(A Division of The Rockefeller University)

Statements of Activities

Years ended December 31, 2018 and 2017

	<b>2018</b>	<b>2017</b>
Revenues:		
Government grants (note 3)	\$ 6,039,743	6,070,699
Other revenue	62,238	120,016
Contributions	125,000	200,000
Total revenues	6,226,981	6,390,715
Expenses:		
Patient care	6,714,103	7,090,148
Research	4,260,000	4,246,218
Administrative and general	4,067,244	3,924,975
Total expenses	15,041,347	15,261,341
Deficiency of revenues over expenses	(8,814,366)	(8,870,626)
Other changes in net assets:		
Operating subsidy grant from The Rockefeller University	8,814,366	8,870,626
Capital subsidy grant from The Rockefeller University	79,673	87,842
Increase in net assets	79,673	87,842
Net assets at beginning of year	13,636,416	13,548,574
Net assets at end of year	\$ 13,716,089	13,636,416

See accompanying notes to financial statements.

**THE ROCKEFELLER UNIVERSITY HOSPITAL**  
(A Division of The Rockefeller University)

Statements of Cash Flows

Years ended December 31, 2018 and 2017

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
Increase in net assets	\$ 79,673	87,842
Adjustments to reconcile the increase in net assets to net cash used in operating activities:		
Depreciation	392,120	393,276
Operating subsidy grant from The Rockefeller University classified as financing activities	(8,814,366)	(8,870,626)
Capital subsidy grant from The Rockefeller University classified as financing activities	(79,673)	(87,842)
(Decrease) increase in accounts payable and accrued expenses	(186,891)	12,908
Net cash used in operating activities	(8,609,137)	(8,464,442)
Cash flows from investing activity:		
Purchases of land, buildings, and equipment	(79,673)	(87,842)
Net cash used in investing activity	(79,673)	(87,842)
Cash flows from financing activities:		
Operating subsidy grant from The Rockefeller University classified as financing activities	8,814,366	8,870,626
Capital subsidy grant from The Rockefeller University classified as financing activities	79,673	87,842
Increase in due from The Rockefeller University	(205,229)	(406,184)
Net cash provided by financing activities	8,688,810	8,552,284
Net change in cash	—	—
Cash at beginning of year	—	—
Cash at end of year	\$ —	—

See accompanying notes to financial statements.

**THE ROCKEFELLER UNIVERSITY HOSPITAL**  
(A Division of The Rockefeller University)

Notes to Financial Statements

December 31, 2018 and 2017

**(1) Nature of Operations**

The Rockefeller University Hospital (the Hospital) operates under the charter of The Rockefeller University (the University) and is not incorporated as a separate legal entity. The Hospital conducts research on volunteer patients. These activities are funded primarily through a grant provided by the U.S. Department of Health and Human Services (DHHS). Approximately 40% of the Hospital's operations were funded by this grant in both 2018 and 2017. The balance of the operating costs is funded primarily by an operating subsidy grant from the University.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The Hospital 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. The accompanying financial statements include the economic resources and financial activities of the Hospital.

All net assets not restricted by donors are accounted for as net assets without donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions. The Hospital has designated a portion of the net assets without donor restrictions for plant replacement and expansion.

**(b) Deficiency of Revenues over Expenses**

The accompanying statements of activities include an intermediate measure of operations entitled deficiency of revenues over expenses. Changes in net assets without donor restrictions that are excluded from the deficiency of revenues over expenses, consistent with industry practice, include operating and capital subsidy grants received from the University.

**(c) Patient Service Revenue**

Net patient service revenue, net, represents the estimated net realizable amounts from patients and third-party payors for services rendered, net of contractual and courtesy allowances. Estimated contractual adjustments, including prospective rate adjustments arising under third-party reimbursement programs, are accrued in the period the services are rendered to the patients. Differences between estimated retroactive third-party reimbursement settlements for prior years and subsequent final settlements are recorded in the year of settlement as contractual adjustments. No net patient service revenue has been recognized for the years ended December 31, 2018 and 2017.

**(d) Government Grants**

Revenue from grants is recognized as earned as related costs are incurred under the grant agreements.

**THE ROCKEFELLER UNIVERSITY HOSPITAL**  
(A Division of The Rockefeller University)

Notes to Financial Statements

December 31, 2018 and 2017

**(e) 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 contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

**(f) Land, Buildings, and Equipment**

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 20 years.

**(g) Income Taxes**

The Hospital is a division of the University, which is classified by the Internal Revenue Service as exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. The Hospital follows the guidance of Accounting Standards Codification Subtopic 740-10, *Accounting for Income Taxes – Overall*, which addresses accounting for uncertainties in income taxes recognized in an enterprise's financial statements. The Hospital 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.

**(h) New Accounting Pronouncements**

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. ASU 2016-14 reduces the number of net assets from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. The Hospital did not have any amounts classified as net assets with donor restrictions as of December 31, 2018 and 2017, respectively. Additionally, this ASU increases quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires expenses to be reported by both their natural and functional classification in one location. The Hospital adopted ASU 2016-14 in 2018 and applied the changes retrospectively.

**(i) Future Accounting Pronouncements Not Yet Adopted**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, ASU 2014-09 provides guidance based on the principle that revenue is recognized in an amount expected to be collected and to which the entity expects to be entitled in exchange for the transfer of goods or services. FASB ASU No. 2015-14 *Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date*, deferred the effective date such that the standard is effective for fiscal years beginning after December 15, 2018, and interim periods within the fiscal years beginning after December 15, 2019. The guidance can be adopted either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The Hospital is in the process of evaluating the adoption alternatives allowed by the new standard and the impact the standard is expected to have on its financial statements.

**THE ROCKEFELLER UNIVERSITY HOSPITAL**  
(A Division of The Rockefeller University)

Notes to Financial Statements

December 31, 2018 and 2017

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Hospital plans to adopt ASU 2018-08 for the year ending December 31, 2019. The Hospital is continuing to evaluate the impact of adopting this guidance on its financial statements.

**(3) Grants Revenue**

The Hospital's primary funding is the Clinical and Translational Science Awards (CTSA) from DHHS for clinical research projects that are administered through the Hospital's Center for Clinical and Translational Science. The center is designed to provide an optimal infrastructure to conduct clinical and translational research and to educate the next generation of physician scientists committed to patient-oriented research.

As of December 31, 2018, awards totaling \$5,724,733 had been granted for the period from July 1, 2018 to June 30, 2019, of which \$2,605,162 was unexpended as of December 31, 2018. As of December 31, 2017, awards totaling \$6,048,955 had been granted for the period from July 1, 2017 to June 30, 2018, of which \$2,920,172 was expended as of December 31, 2018.

**(4) Land, Buildings, and Equipment**

Land, buildings, and equipment, all of which are funded by the University, are stated at cost at December 31, 2018 and 2017 and consist of the following:

	<b>2018</b>	<b>2017</b>
Land	\$ 1,191,709	1,191,709
Buildings and equipment	15,845,244	15,765,571
Total	17,036,953	16,957,280
Less accumulated depreciation	(11,213,942)	(10,821,822)
	\$ 5,823,011	6,135,458

**(5) Retirement Benefits**

The Hospital participates with the University in a defined-contribution retirement plan covering substantially all personnel. The plan is fully funded by the purchase of annuity contracts. Pension costs attributable to the Hospital amounted to approximately \$604,000 and \$600,000 for the years ended December 31, 2018 and 2017, respectively.

In addition, the Hospital participates with the University in providing certain healthcare and life insurance benefits for retired professional and administrative employees who meet certain age and length-of-service requirements upon retirement. Postretirement benefit costs allocated to the Hospital amounted to approximately \$329,000 and \$363,000 for the years ended December 31, 2018 and 2017, respectively.

**THE ROCKEFELLER UNIVERSITY HOSPITAL**  
(A Division of The Rockefeller University)

Notes to Financial Statements

December 31, 2018 and 2017

Information as to vested and nonvested earned benefits, as well as plan assets, as they relate to the Hospital, is not readily available.

**(6) Medical Malpractice Insurance**

The University, acting on behalf of the Hospital, carries umbrella policies providing \$35,000,000 per annual policy period. The occurrence-based medical malpractice coverage provides coverage for losses in excess of \$1,500,000 per occurrence and \$3,000,000 in aggregate as well as clinical trial liability insurance for losses up to \$5,000,000 per occurrence and \$5,000,000 in aggregate. The current policy was renewed on December 1, 2018.

As of December 31, 2018 and 2017, there were no medical malpractice claims filed against the Hospital. The cost of providing medical malpractice insurance coverage amounted to approximately \$326,000 and \$324,000 for the years ended December 31, 2018 and 2017, respectively.

**(7) Contingent Liabilities**

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

The New York Child Victim Act (the Act), which was passed in February 2019, modifies the statute of limitations for civil claims relating to certain child abuse claims and creates a one-year window, beginning August 14, 2019, for past survivors to initiate civil lawsuits. The amount of future claims is uncertain and no estimate of a range of loss can be made at this time. The University expects that a number of these claims will be covered by existing insurance coverage.

**(8) Liquidity and Availability of Resources**

The Hospital regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The primary source of liquidity at the Hospital's disposal is amounts due from the University. The University is committed to funding the Hospital's activities indefinitely.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Hospital considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

**THE ROCKEFELLER UNIVERSITY HOSPITAL**  
(A Division of The Rockefeller University)

Notes to Financial Statements

December 31, 2018 and 2017

As of December 31, 2018 and 2017, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<b>2018</b>	<b>2017</b>
Financial assets at year-end:		
Due from The Rockefeller University	\$ 8,445,160	8,239,931
Land, buildings, and equipment, net	5,823,011	6,135,458
Total financial assets at year-end	14,268,171	14,375,389
Less amounts not available to meet general expenditures within one year:		
Land, buildings, and equipment, net	5,823,011	6,135,458
Financial assets available to meet general expenditures within one year	\$ 8,445,160	8,239,931

**(9) Functional Expenses**

The Hospital's primary program services are patient care and research. Expenses reported as administrative and general are incurred in support of these primary program activities. Accordingly, total program services expenses approximated \$10,974,000 and \$11,336,000 in 2018 and 2017, respectively. Operations and maintenance of plant and depreciation are allocated to program and supporting services using a variety of cost allocation techniques, such as square footage and time and effort.

Expenses are reported in the statement of activities in functional categories. Natural expenses were categorized as follows:

	<b>2018</b>				<b>2017</b>
	<b>Patient care</b>	<b>Research</b>	<b>Administrative and general</b>	<b>Total</b>	
Salaries and benefits	\$ 5,989,187	3,220,087	2,709,469	11,918,743	12,060,729
Consultants and professional services	—	—	147,099	147,099	137,325
Supplies, materials, and other	507,352	865,357	1,210,676	2,583,385	2,670,011
Depreciation	217,564	174,556	—	392,120	393,276
	\$ 6,714,103	4,260,000	4,067,244	15,041,347	15,261,341

**(10) Subsequent Events**

The Hospital evaluated events subsequent to December 31, 2018 through May 13, 2019, the date which the financial statements were issued and concluded that no additional disclosures are required.