



THE ROCKEFELLER UNIVERSITY

Financial Statements and Supplementary
Information on Federal Awards Programs

June 30, 2020

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

THE ROCKEFELLER UNIVERSITY

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KPMG LLP
345 Park Avenue
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Independent Auditors' Report

The Board of Trustees
The Rockefeller University:

Report on the Financial Statements

We have audited the accompanying financial statements of The Rockefeller University (the University), which comprise the balance sheet as of June 30, 2020, 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, 2020, 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.

Emphasis of Matter

As discussed in note 1(c) to the financial statements, in 2020, the University adopted new accounting guidance, Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

We have previously audited the University's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustment to adopt ASU 2016-18. As part of our audit of the 2020 financial statements, we also audited the adjustment described in note 1(c) that was applied to adopt ASU 2016-18 retrospectively in the 2019 financial statements. In our opinion, such adjustment is appropriate and has been properly applied.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020, 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

November 11, 2020

THE ROCKEFELLER UNIVERSITY

Balance Sheet

June 30, 2020

(With comparative financial information as of June 30, 2019)

| Assets | 2020 | 2019 |
|--|-------------------------|----------------------|
| Cash and cash equivalents | \$ 82,612,414 | 72,872,417 |
| Accounts receivable | 11,393,902 | 9,474,914 |
| Contributions receivable (note 9) | 207,923,934 | 238,452,871 |
| Loans receivable – faculty and staff | 37,155,889 | 37,439,667 |
| Other assets | 28,729,813 | 31,900,748 |
| Investments (notes 3 and 14) | 2,337,747,636 | 2,305,924,544 |
| Plant assets, net (note 7) | 1,171,360,181 | 1,205,856,387 |
| Total assets | <u>\$ 3,876,923,769</u> | <u>3,901,921,548</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 42,196,323 | 55,110,334 |
| Deferred revenues | 14,912,836 | 6,710,849 |
| Obligation under derivative instruments (notes 6 and 14) | 217,049,168 | 153,110,528 |
| Obligation under lines of credit (note 5) | — | 5,115,000 |
| Long-term debt (note 6) | 896,054,598 | 729,232,262 |
| Conditional asset retirement obligation | 9,152,105 | 8,638,858 |
| Postretirement benefit obligation (note 8) | 84,945,000 | 78,695,000 |
| Amounts held for others (notes 13 and 14) | 132,277,506 | 126,856,510 |
| Contingent liabilities (note 12) | 20,996,002 | 155,691,635 |
| Total liabilities | <u>1,417,583,538</u> | <u>1,319,160,976</u> |
| Commitments and contingencies (notes 3 and 12) | | |
| Net assets (notes 4 and 10): | | |
| Without donor restrictions | 360,197,163 | 633,291,264 |
| With donor restrictions | 2,099,143,068 | 1,949,469,308 |
| Total net assets | <u>2,459,340,231</u> | <u>2,582,760,572</u> |
| Total liabilities and net assets | <u>\$ 3,876,923,769</u> | <u>3,901,921,548</u> |

See accompanying notes to financial statements.

THE ROCKEFELLER UNIVERSITY

Statement of Activities

Year ended June 30, 2020

(With summarized comparative financial information for the year ended June 30, 2019)

| | 2020 | | | 2019 |
|--|-------------------------------|----------------------------|---------------|---------------|
| | Without donor restrictions | With donor restrictions | Total | Total |
| Revenues: | | | | |
| Government grants and contracts | \$ 86,812,921 | — | 86,812,921 | 85,072,260 |
| Private gifts and grants | 12,597,016 | 77,572,572 | 90,169,588 | 121,380,355 |
| Investment income, net (note 3) | 49,874,800 | 165,700,961 | 215,575,761 | 167,576,876 |
| Net depreciation in fair value of derivative instruments (note 6) | (63,938,640) | — | (63,938,640) | (35,475,815) |
| Sales and services of auxiliary enterprises | 32,531,806 | — | 32,531,806 | 33,258,212 |
| Royalty and other income | 34,048,304 | — | 34,048,304 | 26,819,910 |
| Net assets released from restrictions (note 10) | 93,599,773 | (93,599,773) | — | — |
| Total revenues | 245,525,980 | 149,673,760 | 395,199,740 | 398,631,798 |
| Expenses and other changes: | | | | |
| Expenses (note 11): | | | | |
| Research | 262,824,539 | — | 262,824,539 | 252,013,234 |
| Graduate education | 15,866,697 | — | 15,866,697 | 15,174,193 |
| Research support | 39,714,763 | — | 39,714,763 | 38,994,295 |
| Institutional support | 50,025,267 | — | 50,025,267 | 47,926,567 |
| Auxiliary enterprises | 37,638,496 | — | 37,638,496 | 38,885,968 |
| Total expenses | 406,069,762 | — | 406,069,762 | 392,994,257 |
| Other changes: | | | | |
| Postretirement related changes other than net periodic postretirement benefit cost (note 8) | 2,210,000 | — | 2,210,000 | 8,077,000 |
| Litigation payments (note 12) | 110,340,319 | — | 110,340,319 | 162,938,011 |
| Net expenses and other changes | 518,620,081 | — | 518,620,081 | 564,009,268 |
| Change in net assets | (273,094,101) | 149,673,760 | (123,420,341) | (165,377,470) |
| Net assets at beginning of year | 633,291,264 | 1,949,469,308 | 2,582,760,572 | 2,748,138,042 |
| Net assets at end of year | \$ 360,197,163 | 2,099,143,068 | 2,459,340,231 | 2,582,760,572 |

See accompanying notes to financial statements.

THE ROCKEFELLER UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2020

(With comparative financial information for the year ended June 30, 2019)

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (123,420,341) | (165,377,470) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Net appreciation in fair value of investments | (215,303,583) | (163,841,427) |
| Net depreciation in fair value of derivative instruments | 63,938,640 | 35,475,815 |
| Donated equipment | — | (678,845) |
| Depreciation and amortization | 57,503,548 | 46,834,877 |
| Write-off of unamortized bond issuance costs | 2,309,250 | — |
| Write-off of unamortized bond premium | (4,474,464) | — |
| Private gifts and grants restricted for long-term investment | (7,359,079) | (25,747,673) |
| Contributions for capital | (1,905,162) | (7,746,053) |
| Contingent liability | (134,695,633) | 155,691,635 |
| Changes in operating assets and liabilities: | | |
| Accounts and accrued interest receivable | (1,918,988) | 856,257 |
| Contributions receivable, excluding amounts in financing activities | 17,169,697 | 72,631,976 |
| Other assets | 3,170,935 | 3,025,420 |
| Accounts payable and accrued expenses | 4,189,983 | (7,973,006) |
| Deferred revenues | 8,201,987 | 3,074,623 |
| Conditional asset retirement obligation | 513,247 | (36,919) |
| Postretirement benefit obligation | 6,250,000 | 11,608,000 |
| Amounts held for others | (6,846,420) | (1,300,438) |
| Net cash used in operating activities | <u>(332,676,383)</u> | <u>(43,503,228)</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 629,481,386 | 336,516,807 |
| Purchase of investments | (358,268,489) | (276,788,207) |
| Additions to plant assets | (24,384,174) | (123,098,450) |
| Change in accounts payable for capital expenditures | (17,103,994) | (10,011,629) |
| Principal collections on loans receivable – faculty and staff | 1,952,426 | 1,272,706 |
| Issuance of loans – faculty and staff | (1,668,648) | (5,637,595) |
| Net cash provided by (used) in investing activities | <u>230,008,507</u> | <u>(77,746,368)</u> |
| Cash flows from financing activities: | | |
| Proceeds from private gifts and grants restricted for long-term investment | 9,513,481 | 14,302,877 |
| Proceeds from private gifts restricted for capital | 13,110,000 | 132,051,000 |
| Proceeds from issuance of long-term debt | 376,792,826 | — |
| Proceeds from lines of credit | 185,000,000 | 5,115,000 |
| Retirement of indebtedness | (204,180,000) | (5,115,000) |
| Retirement of line of credit | (190,115,000) | (36,242,943) |
| Bond issuance costs | (2,248,444) | — |
| Net cash provided by financing activities | <u>187,872,863</u> | <u>110,110,934</u> |
| Net increase in cash, cash equivalents, and restricted cash | 85,204,987 | (11,138,662) |
| Cash, cash equivalents, and restricted cash at beginning of year (note 1 (c)) | <u>153,252,617</u> | <u>164,391,279</u> |
| Cash, cash equivalents, and restricted cash at end of year (note 1 (c)) | \$ <u>238,457,604</u> | <u>153,252,617</u> |
| Supplemental disclosures: | | |
| Interest paid | \$ 36,166,701 | 33,297,390 |
| Net appreciation in amounts held for others | 12,267,416 | 10,960,769 |

See accompanying notes to financial statements.

THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

(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 maintains its accounts in accordance with the principles of fund accounting. Under this method of accounting, resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund.

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

- *Without Donor Restrictions* – 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. In addition, changes in this category of net assets include returns on “funds functioning as endowment” and certain types of philanthropic support.

Such philanthropic support includes gifts without restrictions, including those designated by the Board of Trustees (the Board) to function as endowment and previously restricted gifts and grants for buildings that have been placed in service.

- *With Donor Restrictions* – Net assets subject to donor-imposed restrictions that will be met either by actions of the University or the passage of time. Items that affect this net asset category are gifts with donor restrictions, including gifts for buildings not yet placed in service and unexpended investment returns on donor-imposed endowment funds that have not been appropriated for expenditure. Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts for buildings when the associated long-lived assets is placed in service, are reported as net assets restricted from restrictions.

Also included in the category are net assets subject to donor-imposed restrictions to be maintained permanently by the University, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity.

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

Revenue is reported as increases in net assets without donor restrictions unless limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. As discussed further in note 4, the University follows the provisions of Accounting Standards Codification (ASC) Topic 958, Subtopic 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 increases or decreases in net assets with donor restrictions until appropriated for expenditure by the University.

(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 prices or published net asset value similar to those of a mutual fund (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.

In November 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The University adopted this ASU for the fiscal year ended June 30, 2020 on a retrospective basis. As a result, the University reclassified certain amounts previously reported on the statements of cash flows for the year endings June 30, 2019 to confirm to the requirement of the new standard. The adoption of this standard had no impact to the University's statements of financial positions and statements of activities.

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|--------------------|
| Cash and cash equivalents | \$ 82,612,414 | 72,872,417 |
| Cash in investments | 155,845,190 | 80,380,200 |
| Total cash, cash equivalents, and restricted cash shown in the statement of cash flows | <u>\$ 238,457,604</u> | <u>153,252,617</u> |

Cash included in investments is held with investment managers for liquidity and long-term investment 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 net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire property, plant, and equipment are reported as revenues of the net assets with donor restrictions class; the restrictions are considered to be released at the time such long-lived assets are placed into service. A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. Conditional promises to give are recognized only when the barriers on which they depend are met and the promises become unconditional. Conditional contributions at June 30, 2020 were approximately \$39,890,000.

(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 (NAV) 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.

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

(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) *Revenue Recognition*

In accordance with Topic 606, the University accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable the University will collect substantially all of the consideration to which it is entitled.

| Products and services | Nature, timing of satisfaction of performance obligations, and significant payment terms |
|------------------------------|--|
| Auxiliary enterprises | <p>Consists of the following:</p> <p><i>Press operations</i> – issues 4 different scientific journals. Subscription sales revenue is recognized on a straight-line basis over the subscription (contract) period (one year) up front.</p> <p><i>Housing services</i> – provides a variety of housing accommodations in support of the scientific needs of the University. Tenants leases are for a one-year term. Revenue is recognized on a point in time basis.</p> <p><i>Food services</i> – provides food services to the University community through a cafeteria, café, and conference dining. Food service revenue is recognized at a point in time sale.</p> |
| Royalty income | <p>Royalty income is generated from licensing agreements the University enters with a third-party patentable inventions, tangible materials and copyrighted materials are transferred to the for-profit sector for further development into useful commercial products and services. Licensing agreements can terminate for convenience. Agreements are milestone based and revenue is recognized upon receipt (point in time) once certain milestones are achieved.</p> |

(Continued)

THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

(i) *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, 2020 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 midmarket fixed rate the University would pay on a similar transaction if it were entered into on June 30, 2020.

(j) *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.

(k) *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 Subtopic 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. The University evaluates on an annual basis, the effect of any uncertain tax position on its financial statements. As of June 30, 2020, the University has not identified or provided for any such positions.

(l) *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.

(m) *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 2019 financial statements, from which the summarized information was derived.

(n) *Reclassifications*

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

(o) New Authoritative Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of 12 months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and (b) a right-of-use asset, representing the lessee's right to use, or control the use of, a specified asset for the lease term. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842) Targeted Improvements*, to provide an additional transition method to adopt the guidance by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative effect to the opening balance of net assets. ASU No. 2020-05: *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* deferred the effective date of this ASU for one year, the standard is effective for fiscal years beginning after December 15, 2019. The University is currently evaluating the impact this standard will have on the 2021 financial statements.

(2) Liquidity and Availability of Financial Assets

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled debt service payments, and capital construction costs not financed with debt, were as follows:

| | 2020 | 2019 |
|---|----------------|-------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 82,612,414 | 72,872,417 |
| Accounts receivable | 11,393,902 | 9,474,914 |
| Contribution receivable due in one year, excluding endowment | 64,759,999 | 62,881,846 |
| Endowment spending | 113,224,810 | 105,056,936 |
| Total financial assets available within one year | 271,991,125 | 250,286,113 |
| Liquidity resources: | | |
| Quasi-endowment funds without donor restrictions subject to board resolutions | 379,159,393 | 452,273,743 |
| Revolving credit agreement | 150,000,000 | 150,000,000 |
| Revolving credit agreement | 100,000,000 | 94,885,000 |
| Total financial assets available within one year and liquidity resources | \$ 901,150,518 | 947,444,856 |

(Continued)

THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

The University manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due. In addition, the University invests cash in excess of daily requirements in short-term investments or fixed-income securities. To manage additional liquidity, the University maintains lines of credit with several banks that are drawn upon as needed during the year to manage cash flows primarily related to construction activities. Amounts from the board-designated quasi-endowment funds could be made available if necessary through a board resolution.

(3) Investments

The fair value of the University's investments consists of the following at June 30, 2020 and 2019:

| | 2020 | 2019 |
|--|-------------------------|----------------------|
| Cash and cash equivalents | \$ 197,618,993 | 136,896,488 |
| U.S. government and agency obligations | 72,420,164 | 33,863,981 |
| U.S. long equities | 319,383,056 | 289,138,792 |
| International/global equities | 228,089,532 | 303,104,633 |
| Alternative investments – public: | | |
| Long/short equities | 221,061,911 | 238,690,694 |
| Absolute return | 301,103,988 | 373,364,413 |
| Real assets | — | 41,738,342 |
| Alternative investments – private: | | |
| Buyout funds | 309,485,620 | 274,549,565 |
| Venture capital funds | 396,282,329 | 300,615,150 |
| Real estate funds | 58,742,972 | 47,875,043 |
| Natural resources and other | 233,559,071 | 266,087,443 |
| | <u>\$ 2,337,747,636</u> | <u>2,305,924,544</u> |

Investments include limited partnerships totaling approximately \$2.047 billion and \$2.123 billion at June 30, 2020 and 2019, 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.

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.

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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, 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, 2020, the University had approximately \$389.7 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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for the year ended June 30, 2019)

Investment income, net consists of the following as of June 30:

| | 2020 | | | 2019 |
|--|-------------------------------|----------------------------|-------------|-------------|
| | Without donor restrictions | With donor restrictions | Total | Total |
| Interest and dividends, net | \$ 1,552,372 | (1,280,195) | 272,177 | 3,735,449 |
| Net appreciation in fair value of investments | 48,322,428 | 166,981,156 | 215,303,584 | 163,841,427 |
| Total | \$ 49,874,800 | 165,700,961 | 215,575,761 | 167,576,876 |

(4) 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, real estate funds and natural resources. The assets are primarily invested by external investment managers through separate accounts or through commingled vehicles, including funds, trusts, and limited partnerships.

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

(a) Spending Policy

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

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average market value. Should endowment returns prove to be insufficient to support this policy, the balance is provided from accumulated capital gains. Should endowment returns exceed the amounts necessary to attain this objective, the balance is reinvested. The applied spending rate was 5.5% as of June 30, 2020 and 2019, respectively. The spending rate appropriation from the portion of the endowment without donor restrictions for the year ended June 30, 2020 was \$86,555,971.

(b) Funds with Deficiencies

From time to time, the fair value of endowment assets may fall below the fund's original value. Deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2020, the fair value of one endowment account was \$40,761, which is less than its original donated amount of \$51,942 causing the fund to be underwater by \$11,181.

The University applies the aforementioned spending policy to its endowment accounts with deficiencies by utilizing the accumulated gains on the board-designated endowment without donor restrictions.

At June 30, 2020 and 2019, net assets associated with endowment funds, exclusive of pledges and nonpooled endowments principally in trusts, consisted of the following:

| 2020 | | | |
|-----------------------------------|-------------------------------|----------------------------|---------------|
| | Without donor restrictions | With donor restrictions | Total |
| Donor restricted | \$ — | 1,805,531,133 | 1,805,531,133 |
| Designated for long-term purposes | 379,159,393 | — | 379,159,393 |
| Total | \$ 379,159,393 | 1,805,531,133 | 2,184,690,526 |
| 2019 | | | |
| | Without donor restrictions | With donor restrictions | Total |
| Donor restricted | \$ — | 1,660,038,063 | 1,660,038,063 |
| Designated for long-term purposes | 452,273,743 | — | 452,273,743 |
| Total | \$ 452,273,743 | 1,660,038,063 | 2,112,311,806 |

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Changes in net assets associated with endowment funds, exclusive of pledges and nonpooled endowments principally in trusts, for the years ended June 30, 2020 and 2019, were as follows:

| | 2020 | | |
|-------------------------------|---------------------------------------|------------------------------------|---------------|
| | Without donor restrictions | With donor restrictions | Total |
| Net assets at June 30, 2019 | \$ 452,273,743 | 1,660,038,063 | 2,112,311,806 |
| Contributions | — | 9,513,481 | 9,513,481 |
| Investment return, net | 41,596,160 | 165,700,961 | 207,297,121 |
| Transfers, net | (93,799,999) | 60,537,396 | (33,262,603) |
| Total before spending rate | 400,069,904 | 1,895,789,901 | 2,295,859,805 |
| Endowment spending rate: | | | |
| Without donor restrictions | (20,910,511) | (86,555,971) | (107,466,482) |
| With donor restrictions | — | (3,702,797) | (3,702,797) |
| Total endowment spending rate | (20,910,511) | (90,258,768) | (111,169,279) |
| Net assets at June 30, 2020 | \$ 379,159,393 | 1,805,531,133 | 2,184,690,526 |

Transfers out of without donor restrictions principally consists of funding for litigation payments. Transfers into with donor restrictions primarily relate to transfers of endowment cash from the operating fund.

| | 2019 | | |
|-------------------------------|---------------------------------------|------------------------------------|---------------|
| | Without donor restrictions | With donor restrictions | Total |
| Net assets at June 30, 2018 | \$ 424,672,169 | 1,621,326,375 | 2,045,998,544 |
| Contributions | — | 14,302,877 | 14,302,877 |
| Investment return, net | 35,188,614 | 129,546,399 | 164,735,013 |
| Transfers, net | 12,872,022 | (25,917,672) | (13,045,650) |
| Total before spending rate | 472,732,805 | 1,739,257,979 | 2,211,990,784 |
| Endowment spending rate: | | | |
| Without donor restrictions | (20,459,062) | (76,312,149) | (96,771,211) |
| With donor restrictions | — | (2,907,767) | (2,907,767) |
| Total endowment spending rate | (20,459,062) | (79,219,916) | (99,678,978) |
| Net assets at June 30, 2019 | \$ 452,273,743 | 1,660,038,063 | 2,112,311,806 |

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Transfers out of with donor restrictions principally consists of money that was released from restriction due to the death of one of the University's laboratory heads. Such funds were transferred into the without donor restricted net assets. Transfers into without donor restrictions principally consists of the aforementioned transfer offset by funding for litigation payments.

(5) 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 March 30, 2023, 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 \$0 outstanding as of June 30, 2020 and 2019, 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 November 7, 2022, 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 \$0 and \$5,115,000 outstanding as of June 30, 2020 and 2019, respectively.

Fees relating to the obligation under the line of credit for the years ended June 30, 2020 and 2019 were approximately \$175,000 and \$281,000, respectively.

(6) Long-Term Debt

The University has financed certain plant asset acquisition and construction costs, and obtained general institutional liquidity, through revenue obligations of the Dormitory Authority of the State of New York (the Authority) and other sources.

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The following obligations were outstanding at June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------|--------------------|
| The Rockefeller University Revenue Bonds, Series 2020A, 3.777%, due serially to 2053 | \$ 40,985,000 | — |
| The Rockefeller University Revenue Bonds, Series 2020B, 3.777%, due serially to 2051 | 75,345,000 | — |
| The Rockefeller University Revenue Bonds, Series 2019A, 2.856%, due serially to 2035 | 46,770,000 | — |
| The Rockefeller University Revenue Bonds, Series 2019B, 3.545%, due serially to 2050 | 73,285,000 | — |
| The Rockefeller University Revenue Bonds, Series 2019C, 3.545%, due serially to 2050 | 89,365,000 | — |
| The Rockefeller University Revenue Bonds, Series 2017A, variable rate, partially hedged by interest rate swap, due 2052 (effective rate 4.34% and 3.65% as of June 30, 2020 and 2019, respectively) | 100,445,000 | 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 4.79% and 4.53% as of June 30, 2020 and 2019, 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 0.94% and 2.29% as of June 30, 2020 and 2019, 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 |
| The Rockefeller University Revenue Bonds, Series 2009C, 5.00%, due serially to 2040 | — | 100,000,000 |
| The Rockefeller University Revenue Bonds, Series 2009A, 4.50% to 5.00%, due serially to 2028 | — | 54,180,000 |
| The Rockefeller University Revenue Bonds, Series 2008A, variable rate, partially hedged by interest rate swap, due 2039 (effective rate 3.84% and 4.09% as of June 30, 2020 and 2019, 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 4.75% and 4.21% as of June 30, 2020 and 2019, respectively) | 50,000,000 | 50,000,000 |
| | <u>845,455,000</u> | <u>723,885,000</u> |
| Unamortized bond premium | 55,447,327 | 10,528,215 |
| Unamortized bond issuance costs | <u>(4,847,729)</u> | <u>(5,180,953)</u> |
| | <u>\$ 896,054,598</u> | <u>729,232,262</u> |

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The Series 2012A, 2012B, 2010A, 2009A, 2009C, 2019A, 2019B, 2019C, and 2020A bonds were issued at a premium, which are being amortized over the lives of the bonds.

As of June 30, 2020, 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: | | | |
| 2021 | \$ — | 34,500,941 | 34,500,941 |
| 2022 | — | 35,363,007 | 35,363,007 |
| 2023 | — | 35,401,197 | 35,401,197 |
| 2024 | — | 35,439,387 | 35,439,387 |
| 2025 | — | 35,450,844 | 35,450,844 |
| Thereafter | <u>845,455,000</u> | <u>666,283,002</u> | <u>1,511,738,002</u> |
| | <u>\$ 845,455,000</u> | <u>842,438,378</u> | <u>1,687,893,378</u> |

Interest expense on long-term debt for the years ended June 30, 2020 and 2019 was approximately \$36,167,000 and \$28,775,000, respectively; approximately \$0 and \$4,522,000 was capitalized for the years ended June 30, 2020 and 2019, respectively.

In May 2020, the University entered into two bond transactions. The Series 2020A bonds refunded the Series 2010A bonds and bear interest at a fixed rate. The Series 2020B bonds bear interest at a fixed rate and were issued for general institutional liquidity.

In December 2019, the University entered into two bond transactions. The 2019A bonds refunded the 2009A bonds and bear interest at a fixed rate. The 2019B and 2019C bonds were issued jointly and bear interest at a fixed rate. The 2019B bonds issued for additional financing for a construction project. The 2019C bonds refunded the 2009C bonds.

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 and the Series 2008A 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 and 2008A bonds, the University arranged for a standby purchase

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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.

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, 2020:

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

The swaps are a partial hedge of the Series 2002A2, 2008A, 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 \$217,049,168 and \$153,110,528 at June 30, 2020 and 2019, respectively. Additionally, the change in the cumulative loss is included in net depreciation in fair value of derivative instruments in the accompanying statement of activities and amounted to \$63,938,640 and \$35,475,815 for the years ended June 30, 2020 and 2019, respectively.

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(7) Plant Assets

Plant assets at June 30, 2020 and 2019 comprise the following:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------------|----------------------|
| Land and land improvements | \$ 32,553,820 | 32,141,074 |
| Buildings and building improvements | 1,686,357,648 | 1,712,505,007 |
| Equipment | 112,119,491 | 106,272,650 |
| Leasehold improvements | 435,112 | 424,726 |
| Library books | 755,237 | 755,237 |
| Works of art | 888,464 | 888,464 |
| | <hr/> | <hr/> |
| Total | 1,833,109,772 | 1,852,987,158 |
| Less accumulated depreciation and amortization | (669,056,725) | (655,692,857) |
| Construction in progress | 7,307,134 | 8,562,086 |
| | <hr/> | <hr/> |
| | \$ <u>1,171,360,181</u> | <u>1,205,856,387</u> |

(8) 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 \$11,803,000 and \$11,309,000 for the years ended June 30, 2020 and 2019, 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 net assets without donor restrictions.

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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, 2020 and 2019:

| | 2020 | 2019 |
|---|--------------------------|--------------------------|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | \$ 106,274,000 | 93,869,000 |
| Service cost | 4,040,000 | 3,531,000 |
| Interest cost | 3,695,000 | 3,954,000 |
| Plan participants' contributions | 593,000 | 554,000 |
| Retiree drug subsidy receipts | — | 150,000 |
| Actuarial loss | 2,166,000 | 7,553,000 |
| Benefits paid | (3,709,000) | (3,337,000) |
| Benefit obligation at end of year | <u>113,059,000</u> | <u>106,274,000</u> |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | 27,579,000 | 26,782,000 |
| Actual return on plan assets | 535,000 | 797,000 |
| Employer contribution | 3,116,000 | 2,633,000 |
| Plan participants' contributions | 593,000 | 554,000 |
| Retiree drug subsidy receipts | — | 150,000 |
| Benefits paid | (3,709,000) | (3,337,000) |
| Fair value of plan assets at end of year (Level 1 inputs) | <u>28,114,000</u> | <u>27,579,000</u> |
| Accrued postretirement benefit obligation (APBO) \$ | <u><u>84,945,000</u></u> | <u><u>78,695,000</u></u> |

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

| | 2020 | 2019 |
|--|----------------------------|-------------------------|
| Service cost | \$ 4,040,000 | 3,531,000 |
| Interest cost | 3,695,000 | 3,954,000 |
| Expected return on plan assets | (1,933,000) | (1,877,000) |
| Net periodic postretirement benefit cost | <u><u>\$ 5,802,000</u></u> | <u><u>5,608,000</u></u> |

No amounts will be amortized into net periodic postretirement benefit cost in 2021.

As of June 30, 2020, the postretirement benefit obligation includes net actuarial losses of \$15,774,000. As of June 30, 2019, the postretirement benefit obligation includes net actuarial losses of \$12,210,000.

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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>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Discount rate for benefit obligation | 3.162 % | 3.788 % |
| Discount rate for net periodic postretirement cost | 3.788 | 4.479 |
| Expected return on plan assets | 7.01 | 7.01 |

For measurement purposes, an annual rate of 5.7% of increase in the per capita cost of covered healthcare and prescription drug benefits was assumed as of June 30, 2020. 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 | \$ 2,043,000 | (1,515,000) |
| Effect on year-end APBO | 24,306,000 | (18,639,000) |

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

| | <u>2020</u> | <u>2020 Target</u> | <u>2019</u> | <u>2019 Target</u> |
|-----------------|--------------|--------------------|--------------|--------------------|
| Asset category: | | | | |
| Equities | 76 % | 75 % | 78 % | 75 % |
| Fixed income | 24 | 25 | 22 | 25 |
| | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> |

The fair value of plan assets as of June 30, 2020 and 2019 includes equity mutual funds of approximately \$21.4 million, respectively, and fixed income mutual funds of approximately \$6.7 million and \$6.2 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.

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The benefits expected to be paid in each fiscal year from 2021 to 2025 and the five subsequent years thereafter are as follows:

| | Payments not reflecting Medicare subsidy | Medicare subsidy | Benefits reflecting Medicare subsidy |
|-----------|---|-----------------------------|---|
| 2021 | \$ 3,169,000 | 194,000 | 2,975,000 |
| 2022 | 3,342,000 | 198,000 | 3,144,000 |
| 2023 | 3,421,000 | 202,000 | 3,219,000 |
| 2024 | 3,597,000 | 205,000 | 3,392,000 |
| 2025 | 3,795,000 | 208,000 | 3,587,000 |
| 2026–2030 | 22,026,000 | 1,092,000 | 20,934,000 |

The expected benefits to be paid are based on the same assumptions used to measure the University's benefit obligation at June 30, 2020.

Employer contributions of approximately \$2.9 million are expected to be made in 2021.

(9) Contributions Receivable

Contributions receivable consist of the following at June 30, 2020 and 2019:

| | 2020 | 2019 |
|--|-----------------------|--------------------|
| Amounts expected to be collected in: | | |
| Less than one year | \$ 76,365,632 | 69,978,512 |
| One year to five years | 97,402,556 | 131,823,300 |
| Thereafter | 57,840,000 | 64,100,000 |
| | 231,608,188 | 265,901,812 |
| Less allowance | (2,500,000) | (2,500,000) |
| Less discount to present value at a 5% rate at June 30, 2020 and 2019 | (21,184,254) | (24,948,941) |
| | <u>\$ 207,923,934</u> | <u>238,452,871</u> |

Included in gross contributions receivable at June 30, 2020 and 2019 is approximately \$112 million and \$130 million, respectively, due from three donors.

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(10) Net Assets

Net assets consist of the following as of June 30, 2020 and 2019:

| | 2020 | | | 2019 | | |
|---|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | Without donor restrictions | With donor restrictions | 2020 Total | Without donor restrictions | With donor restrictions | 2019 Total |
| Operations | \$ (294,267,814) | — | (294,267,814) | (290,491,604) | — | (290,491,604) |
| Net investment in plant | 275,305,584 | — | 275,305,584 | 471,509,125 | — | 471,509,125 |
| Endowment funds without donor restrictions | 379,159,393 | — | 379,159,393 | 452,273,743 | — | 452,273,743 |
| Underwater endowment funds | — | (11,181) | (11,181) | — | (68,350) | (68,350) |
| Research | — | 84,061,246 | 84,061,246 | — | 86,357,904 | 86,357,904 |
| Research support | — | 303,422 | 303,422 | — | 291,063 | 291,063 |
| Graduation education | — | 816,042 | 816,042 | — | 735,700 | 735,700 |
| Renovation of facilities | — | 210,800 | 210,800 | — | 45,398 | 45,398 |
| Subsequent years: | | | | | | |
| Pledges – Facilities | — | 77,224,544 | 77,224,544 | — | 117,334,011 | 117,334,011 |
| Pledges – Program | — | 99,805,972 | 99,805,972 | — | 88,071,040 | 88,071,040 |
| Pledges – Endowment | — | 30,893,418 | 30,893,418 | — | 33,047,820 | 33,047,820 |
| Accumulated gains | — | 1,419,646,316 | 1,419,646,316 | — | 1,248,542,963 | 1,248,542,963 |
| Annuity Trust & Split Interest Agreements | — | 296,491 | 296,491 | — | 296,491 | 296,491 |
| Permanent endowment corpus | — | 385,895,998 | 385,895,998 | — | 374,815,268 | 374,815,268 |
| | <u>\$ 360,197,163</u> | <u>2,099,143,068</u> | <u>2,459,340,231</u> | <u>633,291,264</u> | <u>1,949,469,308</u> | <u>2,582,760,572</u> |

The endowment funds without donor restrictions consisted of the following at June 30, 2020 and 2019:

| | 2020 | 2019 |
|---|-----------------------|--------------------|
| Board-designated funds primarily for capital reserves | \$ — | 55,878,854 |
| Working capital in the endowment | 38,355,567 | 36,658,090 |
| Other funds designated for long-term investment | 340,803,826 | 359,736,799 |
| | <u>\$ 379,159,393</u> | <u>452,273,743</u> |

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

Net assets released from restrictions as of June 30, 2020 consisted of the following:

Spending on restricted funds:

| | |
|------------|---------------|
| Research | \$ 87,399,776 |
| Education | 549,817 |
| Facilities | 14,621,021 |

Endowment spending rate:

| | |
|----------------------------|------------|
| Without donor restrictions | 86,555,971 |
|----------------------------|------------|

Restricted spending:

| | |
|-----------|-----------|
| Research | 3,700,094 |
| Education | 2,703 |

| | |
|---|--------------|
| Operating equity transfer to endowment equity | (99,229,609) |
|---|--------------|

| | |
|-------|----------------------|
| Total | <u>\$ 93,599,773</u> |
|-------|----------------------|

(11) Expenses by Natural Classification by Function

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 \$356,044,000 and \$345,068,000 in 2020 and 2019, respectively. Institutional support includes approximately \$9,503,000 and \$9,235,000 of fund-raising expenses in 2020 and 2019, respectively. Operations and maintenance of plant and depreciation are allocated to program and supporting activities based upon square footage. Interest is allocated to program and supporting activities based upon the usage of bond proceeds.

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

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

| | 2020 | | | | | | |
|---|----------------|------------|------------------|---|-----------------------|-----------------------|-------------|
| | Research | Education | Research support | Operations and maintenance of plant (O&M) | Institutional support | Auxiliary enterprises | Total |
| Salaries and benefits | \$ 102,558,533 | 2,128,440 | 31,000,496 | 19,508,754 | 36,038,409 | 8,658,660 | 199,893,292 |
| Supplies and other | 23,970,095 | 5,723,753 | 8,403,434 | 6,391,334 | 1,447,391 | 11,656,694 | 57,592,701 |
| Fellow ships and stipends | 6,577,480 | 5,103,764 | — | — | — | — | 11,681,244 |
| Subcontracts | 10,613,311 | — | — | — | — | — | 10,613,311 |
| Professional fees and service contracts | 8,787,830 | 246,418 | 5,833,638 | 5,138,910 | 1,998,986 | 1,740,243 | 23,746,025 |
| Depreciation and amortization | 29,486,444 | 3,286,084 | 3,978,077 | 4,632,670 | 4,740,538 | 9,214,518 | 55,338,331 |
| Interest and related costs | 29,359,959 | — | 5,170,868 | 203,917 | 1,270,904 | 683,183 | 36,688,831 |
| O&M – Utilities | 30,269,583 | 117,157 | 7,319,188 | (34,435,930) | 2,845,740 | 4,400,289 | 10,516,027 |
| Interdepartmental charges | 21,201,304 | (738,919) | (21,990,938) | (1,439,655) | 1,683,299 | 1,284,909 | — |
| Total functional expenses | 262,824,539 | 15,866,697 | 39,714,763 | — | 50,025,267 | 37,638,496 | 406,069,762 |
| Postretirement related changes other than service costs | 900,663 | 32,330 | 530,139 | — | 593,977 | 152,891 | 2,210,000 |
| Litigation payments | — | — | — | — | 110,340,319 | — | 110,340,319 |
| Total expenses and other changes | \$ 263,725,202 | 15,899,027 | 40,244,902 | — | 160,959,563 | 37,791,387 | 518,620,081 |

| | 2019 | | | | | | |
|---|----------------|------------|------------------|---|-----------------------|-----------------------|-------------|
| | Research | Education | Research support | Operations and maintenance of plant (O&M) | Institutional support | Auxiliary enterprises | Total |
| Salaries and benefits | \$ 99,913,160 | 1,889,264 | 28,748,344 | 16,603,794 | 32,710,373 | 7,905,583 | 187,770,518 |
| Supplies and other | 26,676,786 | 5,893,500 | 10,012,751 | 6,923,139 | 1,934,561 | 15,018,384 | 66,459,121 |
| Fellow ships and stipends | 7,318,767 | 4,709,004 | — | — | — | — | 12,027,771 |
| Subcontracts | 12,886,036 | — | — | — | — | — | 12,886,036 |
| Professional fees and service contracts | 9,671,014 | 350,976 | 5,662,077 | 4,316,749 | 5,187,256 | 2,197,821 | 27,385,893 |
| Depreciation and amortization | 25,515,044 | 2,606,255 | 3,673,341 | 3,678,428 | 3,763,092 | 7,598,718 | 46,834,878 |
| Interest and related costs | 22,836,422 | — | 4,935,547 | 112,972 | 471,058 | 709,162 | 29,065,161 |
| O&M - Utilities | 26,667,318 | 103,202 | 6,447,369 | (29,490,684) | 2,506,772 | 4,330,902 | 10,564,879 |
| Interdepartmental charges | 20,528,687 | (378,008) | (20,485,134) | (2,144,398) | 1,353,455 | 1,125,398 | — |
| Total functional expenses | 252,013,234 | 15,174,193 | 38,994,295 | — | 47,926,567 | 38,885,968 | 392,994,257 |
| Postretirement related changes other than service costs | 3,407,425 | 111,440 | 1,893,839 | — | 2,128,279 | 536,017 | 8,077,000 |
| Litigation payments | — | — | — | — | 162,938,011 | — | 162,938,011 |
| Total expenses and other changes | \$ 255,420,659 | 15,285,633 | 40,888,134 | — | 212,992,857 | 39,421,985 | 564,009,268 |

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

(12) Contingent Liabilities

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.

During 2018, the University retained external legal counsel to investigate a report by a former patient of inappropriate conduct by a former physician at the Rockefeller University Hospital. The University made publicly available the external counsel's report on its investigation. The University also established the Rockefeller Hospital Therapy Fund to provide financial assistance for therapy costs.

The New York Child Victims Act (CVA), which was passed in February 2019, modifies the statute of limitations for civil claims relating to certain childhood abuse claims and creates a one-year window, beginning August 14, 2019, for persons to initiate civil lawsuits which has been extended through August 14, 2021. For the year ended June 30, 2020, approximately \$110.3 million has been recorded in the financial statements for CVA settlements, legal fees, investigation costs, and other expenses through September 23, 2020. Such future costs and other expenses relating to this matter cannot be reasonably estimated at this time. The University expects that a number of these claims will be covered by existing insurance coverage and has filed a lawsuit against its insurers to recover proceeds in connection with these claims.

The University is a defendant in various other 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.

(13) 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

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

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 2020 and 2019, the University provided funding of \$3,218,000 and \$1,109,000, respectively, to TDI.

(14) Fair Value

The University's assets and liabilities at June 30, 2020 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 | \$ 197,618,993 | 197,618,993 | — | — |
| U.S. government and agency obligations | 72,420,164 | 72,420,164 | — | — |
| U.S. long equities | 20,235,557 | 20,235,557 | — | — |
| | <u>290,274,714</u> | <u>\$ 290,274,714</u> | <u>—</u> | <u>—</u> |
| Investments reported at net asset value: | | | | |
| Public: | | | | |
| U.S. long equities | 299,147,499 | | | |
| International/global equities | 228,089,532 | | | |
| Long/short equities | 221,061,911 | | | |
| Absolute return | 301,103,988 | | | |
| Total public at net asset value | <u>1,049,402,930</u> | | | |
| Private: | | | | |
| Buyout funds | 309,485,620 | | | |
| Venture capital funds | 396,282,329 | | | |
| Real estate funds | 58,742,972 | | | |
| Natural resources and other | 233,559,071 | | | |
| Total private at net asset value | <u>998,069,992</u> | | | |
| Total investments | <u>\$ 2,337,747,636</u> | | | |
| Liabilities: | | | | |
| Interest rate swap agreements | \$ 217,049,168 | — | 217,049,168 | — |
| Amounts held for others | 132,277,506 | — | — | 132,277,506 |

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

Equities and alternative investments – public contain various monthly, quarterly, semiannual, 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, 2020, the following table summarizes at fair value the composition of various redemption provisions and lock-up periods in the investment portfolio:

| Redemption period | Public investments reported at net asset value | | | |
|-------------------|---|------------------------|--------------------|---------------|
| | Long equities | Long/short equities | Absolute return | Total |
| Monthly | \$ 103,973,462 | — | — | 103,973,462 |
| Quarterly | 194,888,228 | 97,817,461 | 70,995,427 | 363,701,116 |
| Semiannual | — | — | 155,414,214 | 155,414,214 |
| Annual | — | 1,129,931 | 59,698,829 | 60,828,760 |
| In liquidation | 2,054,939 | 80,273 | 1,914,401 | 4,049,613 |
| Lock-up (a) | 226,320,402 | 122,034,246 | 13,081,117 | 361,435,765 |
| Total | \$ 527,237,031 | 221,061,911 | 301,103,988 | 1,049,402,930 |

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

| | Amount |
|--------------|-----------------------|
| Fiscal year: | |
| 2021 | \$ 146,498,693 |
| 2022 | 84,330,096 |
| Thereafter | 130,606,976 |
| | <u>\$ 361,435,765</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 ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

The University's assets and liabilities at June 30, 2019 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 | \$ 136,896,488 | 136,896,488 | — | — |
| U.S. government and agency obligations | 33,863,981 | 33,863,981 | — | — |
| U.S. long equities | 11,669,608 | 11,669,608 | — | — |
| | <u>182,430,077</u> | <u>\$ 182,430,077</u> | <u>—</u> | <u>—</u> |
| Investments reported at net asset value: | | | | |
| Public: | | | | |
| U.S. long equities | 277,469,184 | | | |
| International/global equities | 303,104,633 | | | |
| Long/short equities | 238,690,694 | | | |
| Absolute return | 373,364,413 | | | |
| Real assets | <u>41,738,342</u> | | | |
| Total public at net asset value | <u>1,234,367,266</u> | | | |
| Private: | | | | |
| Buyout funds | 274,549,565 | | | |
| Venture capital funds | 300,615,150 | | | |
| Real estate funds | 47,875,043 | | | |
| Natural resources and other | <u>266,087,443</u> | | | |
| Total private at net asset value | <u>889,127,201</u> | | | |
| Total investments | <u>\$ 2,305,924,544</u> | | | |
| Liabilities: | | | | |
| Interest rate swap agreements | \$ 153,110,528 | — | 153,110,528 | — |
| Amounts held for others | 126,856,510 | — | — | 126,856,510 |

(Continued)

THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

Equities and alternative investments – public contain various monthly, quarterly, semiannual, 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, 2019, 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 | \$ 159,615,174 | — | — | — | 159,615,174 |
| Quarterly | 198,144,243 | 86,217,284 | 117,637,992 | 41,738,342 | 443,737,861 |
| Semiannual | — | — | 192,987,497 | — | 192,987,497 |
| Annual | — | 2,831,393 | 49,816,367 | — | 52,647,760 |
| In liquidation | 2,419,569 | 354,365 | 2,759,698 | — | 5,533,632 |
| Lock-up (a) | 220,394,831 | 149,287,652 | 10,162,859 | — | 379,845,342 |
| Total | \$ 580,573,817 | 238,690,694 | 373,364,413 | 41,738,342 | 1,234,367,266 |

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

| | Amount |
|--------------|-----------------------|
| Fiscal year: | |
| 2020 | \$ 171,250,903 |
| 2021 | 65,378,641 |
| Thereafter | 143,215,798 |
| | <u>\$ 379,845,342</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, 2020 and 2019 for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

| | Fair value at June 30, 2019 | Acquisitions | Dispositions | Realized gains | Unrealized gains | Fair value at June 30, 2020 |
|-------------------------|-----------------------------|--------------|--------------|----------------|------------------|-----------------------------|
| Amounts held for others | \$ 126,856,510 | 155,515 | (7,001,934) | 10,742,624 | 1,524,791 | 132,277,506 |

| | Fair value at June 30, 2018 | Acquisitions | Dispositions | Realized gains | Unrealized gains | Fair value at June 30, 2019 |
|-------------------------|-----------------------------|--------------|--------------|----------------|------------------|-----------------------------|
| Amounts held for others | \$ 117,196,179 | 5,442,888 | (6,743,327) | 9,404,813 | 1,555,957 | 126,856,510 |

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THE ROCKEFELLER UNIVERSITY

Notes to Financial Statements

June 30, 2020

(With comparative financial information as of and
for the year ended June 30, 2019)

(15) Subsequent Events

The University evaluated events subsequent to June 30, 2020 through November 11, 2020, the date on which the financial statements were issued and concluded that no additional disclosures are required, except as referred to above in note 12 and the below item.

The spread of coronavirus (COVID-19) around the world has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the University is unable to determine if it will have a material impact to its operations.

THE ROCKEFELLER UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

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| 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 Institute of Health: | | | | |
| National Cancer Institute: | | | | |
| Trans-NIH Research Support | 93.310 | | \$ — | 545,087 |
| 21st Century Cures Act – Beau Biden Cancer Moonshot | 93.353 | | 21,989 | 953,062 |
| Cancer Cause and Prevention Research | 93.393 | | 1,292,891 | 3,974,378 |
| Cancer Treatment Research | 93.395 | | — | 1,448,758 |
| Cancer Biology Research | 93.396 | | 74,524 | 2,068,791 |
| Cancer Research Manpower | 93.398 | | — | 590,135 |
| Pass-through programs from: | | | | |
| Sloan-Kettering Institute for Cancer Research | 93.395 | BD518561D | — | 345,551 |
| Sloan-Kettering Institute for Cancer Research | 93.395 | BD518561C | — | 73,581 |
| Weill Cornell Medical College of Cornell University | 93.396 | 191450 | — | 153,147 |
| Sloan-Kettering Institute for Cancer Research | 93.397 | BD525321 | — | 16,914 |
| Sloan-Kettering Institute for Cancer Research | 93.397 | BD525321A | — | 4,625 |
| Dana-Farber Cancer Institute | 93.353 | 1202603 | — | 97,705 |
| Mayo Clinic | 93.397 | ROC-245908 | — | 469,500 |
| Total National Cancer Institute | | | 1,389,404 | 10,741,234 |
| National Eye Institute: | | | | |
| Vision Research | 93.867 | | — | 643,534 |
| Pass-through programs from: | | | | |
| University of California, San Francisco | 93.867 | 12115SC | — | 19,840 |
| Total National Eye Institute | | | — | 663,374 |
| National Heart, Lung and Blood Institute: | | | | |
| Cardiovascular Diseases Research | 93.837 | | — | 187,184 |
| Blood Diseases and Resources Research | 93.839 | | 356,068 | 966,043 |
| Total National Heart, Lung and Blood Institute | | | 356,068 | 1,153,227 |
| National Institute of Allergy and Infectious Diseases: | | | | |
| Trans-NIH Research Support | 93.310 | | — | 1,432,731 |
| Allergy and Infectious Diseases Research | 93.855 | | 3,024,312 | 18,791,085 |
| COVID-19 – Allergy and Infectious Diseases Research Program | 93.855 | | — | 496,202 |
| Pass-through programs from: | | | | |
| Albert Einstein College of Medicine | 93.855 | 31004A | — | 7,853 |
| Albert Einstein College of Medicine | 93.855 | 31142A | — | 112,677 |
| Albert Einstein College of Medicine | 93.855 | 31167A | — | 16,072 |
| California Institute of Technology | 93.855 | S413690 | — | 399,150 |
| The Wistar Institute | 93.855 | 25284-11-324 | — | 236,181 |
| Fred Hutchinson Cancer Research Center | 93.855 | 0000971295 | — | 357,954 |
| Weill Cornell Medical College of Cornell University | 93.855 | 13121690-R1 | — | 279,562 |
| Hackensack Meridian Health | 93.855 | U19AI142731-01 | — | 571,973 |
| Hackensack Meridian Health | 93.855 | G20077-19013 | — | 98,609 |
| University of California, Los Angeles | 93.855 | 1560 G XC477 | — | 7,745 |
| Dana-Farber Cancer Institute | 93.855 | 1282104 | — | 129,798 |
| Mount Sinai School of Medicine | 93.855 | 0254-6901-4609 | — | 153,137 |
| Mount Sinai School of Medicine | 93.855 | 0254-4122-4609 | — | 430,293 |
| Benaroya Research Institute | 93.855 | FY19ITN323 | — | 84,750 |
| Benaroya Research Institute | 93.855 | FY19ITN017 | — | 14,104 |
| The Scripps Research Institute | 93.855 | 5-54025 | — | 748,284 |
| McGill University | 93.855 | N/A | — | 557,140 |
| University of Alabama at Birmingham | 93.855 | 000520244-SP008-SC007 | — | 114,213 |
| University of Alabama at Birmingham | 93.855 | 000520244-SP008-SC008 | — | 111,797 |
| Emory University | 93.855 | A138061 | — | 4,036 |
| Total National Institute of Allergy and Infectious Diseases | | | 3,024,312 | 25,155,346 |
| National Institute of Alcohol Abuse and Alcoholism: | | | | |
| Alcohol Research Programs | 93.273 | | — | 317,601 |
| National Institute of Human Genome: | | | | |
| Human Genome Research | 93.172 | | — | 61,626 |
| Trans-NIH Research Support | 93.310 | | — | 495,057 |
| Pass-through program from: | | | | |
| University of California, Santa Cruz | 93.172 | A20-0450-S004 P0727664 | — | 94,755 |
| New York Genome Center | 93.172 | UM1-RU-1 | — | 82,130 |
| Total National Institute of Human Genome | | | — | 733,568 |
| National Institute of Arthritis, Musculoskeletal and Skin Diseases: | | | | |
| Arthritis, Musculoskeletal and Skin Diseases Research | 93.846 | | — | 1,783,128 |
| Pass-through programs from: | | | | |
| NYU School of Medicine | 93.846 | 19-A0-S2-003268 | — | 268,661 |
| Texas Tech University | 93.846 | 15LM0183NLS | — | 4,926 |
| Total National Institute of Arthritis, Musculoskeletal and Skin Diseases | | | — | 2,056,715 |
| National Institute of Child Health and Human Development: | | | | |
| Pass-through program from: | | | | |
| Columbia University | 93.865 | GG014695-01 | — | 343,761 |
| Columbia University | 93.865 | GG012223-01 | — | 557,989 |
| Total National Institute of Child Health and Human Development | | | — | 901,750 |

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THE ROCKEFELLER UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

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| Federal grants/program title or cluster | CFDA number | Pass-through entity identifying number | Amount provided to subrecipients | Expenditures |
|---|-------------|--|----------------------------------|--------------|
| DHHS, continued: | | | | |
| National Institute of Deafness and Other Communication Disorders: Research Related to Deafness and Communication Disorders | 93.173 | | \$ — | 378,352 |
| National Institute of Diabetes and Digestive and Kidney Diseases: Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | | 4,775 | 2,059,642 |
| Pass-through program from: Mount Sinai School of Medicine | 93.847 | 0255-2621-4609 | — | 65,881 |
| Total National Institute of Diabetes and Digestive and Kidney Diseases | | | 4,775 | 2,125,523 |
| National Institute on Drug Abuse: Drug Abuse and Addiction Research Programs | 93.279 | | — | 80,855 |
| Pass-through programs from: | | | | |
| University of Kentucky Research Foundation | 93.279 | 3200002798-20-052 | — | 96,981 |
| Mount Sinai School of Medicine | 93.279 | 0255-B351-4609 | — | 240,085 |
| Mount Sinai School of Medicine | 93.279 | 0255-B352-4609 | — | 406,519 |
| NYU School of Medicine | 93.279 | 15-A0-003671-01 | — | 10,212 |
| Weill Cornell Medical College of Cornell University | 93.279 | 15050676-02 | — | 19,221 |
| Weill Cornell Medical College of Cornell University | 93.279 | 15050676-01 | — | 158,570 |
| Total National Institute on Drug Abuse | | | — | 1,012,443 |
| National Institute of General Medical Sciences: Trans-NIH Research Support | 93.310 | | — | 513,681 |
| Biomedical Research and Research Training | 93.859 | | 2,232,724 | 13,080,794 |
| Pass-through programs from: | | | | |
| Albert Einstein College of Medicine | 93.859 | 310989 | — | 114,254 |
| NYU School of Medicine | 93.859 | 17-A0-00-007952 | — | 9,427 |
| NYU School of Medicine | 93.859 | 17-A0-00-007952-01 | — | 64,783 |
| University of Michigan | 93.859 | 3004261218 | — | 355,066 |
| University of Michigan | 93.859 | SUBK00009605 | — | 179,208 |
| Cornell University | 93.859 | 83016-11172 | — | 91,197 |
| Stanford University | 93.859 | 61923756-135242 | — | 151,098 |
| Total National Institute of General Medical Sciences | | | 2,232,724 | 14,559,508 |
| National Institute of Mental Health: Mental Health Research Grants | 93.242 | | — | 838,534 |
| Pass-through programs from: | | | | |
| Mount Sinai School of Medicine | 93.242 | 0254-3160-4609 | — | 28,849 |
| Mount Sinai School of Medicine | 93.242 | 0254-3169-4609 | — | 78,145 |
| NYU School of Medicine | 93.242 | 19-A0-00-1003478 | — | 5,964 |
| Total National Institute of Mental Health | | | — | 951,492 |
| National Institute of Neurological Disorders and Stroke: Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | | 786,882 | 9,584,865 |
| Pass-through program from: | | | | |
| Burke Medical Research Institute | 93.853 | 102008-01 | — | 21,370 |
| The Children's Hospital of Philadelphia | 93.853 | 3201870620 | — | 20,281 |
| Rutgers, The State University of New Jersey | 93.853 | 1098 | — | 32,337 |
| Mount Sinai School of Medicine | 93.853 | 0255-D181-4609 | — | 49,848 |
| Mount Sinai School of Medicine | 93.853 | 0255-C051-4609 | — | 18,453 |
| Total National Institute of Neurological Disorders and Stroke | | | 786,882 | 9,727,154 |
| National Institute on Aging: Aging Research | 93.866 | | 171,881 | 2,529,979 |
| Pass-through programs from: | | | | |
| Sanford Burnham Presbys Medical Discovery Institute | 93.866 | 60752-13159-ROCK | — | 209,079 |
| Sloan-Kettering Institute for Cancer Research | 93.866 | BD525461 | — | 260,627 |
| Sloan-Kettering Institute for Cancer Research | 93.866 | BD525461A | — | 202,123 |
| University of California, Los Angeles | 93.866 | NULL | — | 54,685 |
| Total National Institute on Aging | | | 171,881 | 3,256,493 |
| National Center for Advancing Translational Sciences: National Center for Advancing Translational Sciences | 93.350 | | 157,557 | 4,538,534 |
| Trans-NIH Research Support | 93.310 | | 66,153 | 85,223 |
| Pass-through programs from: Vanderbilt University | 93.350 | VUMC 59241 | — | 54,630 |
| Total National Center for Advancing Translational Sciences | | | 223,710 | 4,678,387 |
| National Center for Complementary and Integrative Health: Research and Training in Complementary and Alternative Medicine | 93.213 | | — | 357,803 |
| DHHS Programs | 93.UNK | | — | 370,945 |
| Trans-NIH Research Support | 93.310 | | — | 371,932 |
| Pass-through program from: | | | | |
| University of Southern California | 93.310 | 68029876 | — | 1,904 |
| Mount Sinai School of Medicine | 93.310 | 0255-3874-4609 | — | 156 |
| Total National Institute of Health | | | 8,189,756 | 79,514,907 |
| Administration for Community Living: Pass-through programs from: Carter Burden Network | 93.048 | 90INNU0007-01-00 | — | 95,595 |
| Total DHHS | | | 8,189,756 | 79,610,502 |

(Continued)

THE ROCKEFELLER UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

I-36

| Federal grants/program title or cluster | CFDA number | Pass-through entity identifying number | Amount provided to subrecipients | Expenditures |
|---|-------------|--|----------------------------------|--------------|
| U.S. Department of Defense: | | | | |
| Intelligence Advanced Research Projects Activity | 12.UNK | | \$ — | 465,590 |
| Military Medical Research and Development | 12.420 | | 11,893 | 1,494,874 |
| Pass-through program from: | | | | |
| Icahn School of Medicine at Mount Sinai | 12.420 | 0258-A371-4609 | — | 1,795 |
| Total Military Medical Research and Development | | | 11,893 | 1,496,669 |
| Research and Technology Development: | | | | |
| Pass-through programs from: | | | | |
| Georgia Tech | 12.910 | AWD102840-G2 | — | 599,037 |
| Total Research and Technology Development | | | — | 599,037 |
| Total U.S. Department of Defense | | | 11,893 | 2,561,296 |
| National Science Foundation: | | | | |
| Education and Human Resources | 47.076 | | — | 581,105 |
| Social, Behavioral, and Economic Sciences | 47.075 | | 9,153 | 41,326 |
| Biological Sciences: | | | | |
| Biological Sciences | 47.074 | | — | 775,236 |
| Pass-through programs from: | | | | |
| Oregon Health and Science University | 47.074 | 1009951-ROCKEFELLER | — | 175,991 |
| University of California, Los Angeles | 47.074 | 1580 G VC929 | — | 212,571 |
| Total Biological Sciences | | | — | 1,163,798 |
| Computer and Information Science and Engineering: | | | | |
| Pass-through programs from: | | | | |
| Massachusetts Institute of Technology | 47.070 | S3377 / PO 242378 | — | 149,564 |
| Engineering Grants: | | | | |
| Engineering | 47.041 | | — | 31,515 |
| Pass-through program from: | | | | |
| RUMI Scientific | 47.041 | 1843570 | — | 54,155 |
| Total Engineering Grants | | | — | 85,670 |
| Mathematical and Physical Sciences | 47.049 | | — | 339,582 |
| Total National Science Foundation | | | 9,153 | 2,361,045 |
| U.S. Department of Agriculture: | | | | |
| National Institute of Food and Agriculture: | | | | |
| Agriculture and Food Research Initiative | 10.310 | | 32,168 | 32,168 |
| U.S. Department of Justice: | | | | |
| Office of Justice Programs: | | | | |
| National Institute of Justice, Research, Evaluation, and Development Project Grants | 16.560 | | — | 164,511 |
| Research Training Programs: | | | | |
| U.S. Department of Health and Human Services: | | | | |
| National Institute of Health: | | | | |
| National Institute of Cancer | 93.398 | | — | 32,043 |
| National Institute of General Medical Sciences | 93.859 | | — | 438,439 |
| National Institute of Allergy and Infectious Diseases | 93.855 | | — | 162,058 |
| Total Research Training Programs | | | — | 632,540 |
| Fellowships Programs: | | | | |
| U.S. Department of Health and Human Services: | | | | |
| National Institute of Health: | | | | |
| National Institute of Allergy and Infectious Diseases | 93.855 | | — | 148,650 |
| National Institute of Cancer | 93.393 | | — | 38,521 |
| National Institute of Cancer | 93.398 | | — | 170,910 |
| National Institute of Child Health and Human Development | 93.865 | | — | 5,621 |
| National Institute of Diabetes and Digestive and Kidney Diseases | 93.847 | | — | 90,103 |
| National Center for Complementary and Integrative Health | 93.213 | | — | 67,075 |
| National Institute of Mental Health | 93.242 | | — | 38,353 |
| National Institute of Arthritis and Musculoskeletal and Skin Diseases | 93.846 | | — | 107,306 |
| National Institute of Alcohol Abuse and Alcoholism | 93.273 | | — | 60,773 |
| National Institute of Neurological Disorders and Stroke | 93.853 | | — | 23,013 |
| National Institute of General Medical Sciences | 93.859 | | — | 147,748 |
| Total Fellowships Programs | | | — | 898,073 |
| Total Expenditures of Federal Awards – Research and Development Cluster | | | \$ 8,242,970 | 86,260,135 |

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, 2020

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards for the year ended June 30, 2020 (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, 2020 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, 2020 are summarized as follows:

| | |
|-----------------------------------|----------------------|
| Research and development | \$ 29,966,336 |
| Research training and fellowships | <u>44,484</u> |
| | <u>\$ 30,010,820</u> |



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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, 2020, 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 November 11, 2020. This report included an emphasis of matter paragraph relating to the University's adoption of Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to this matter.

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) as a basis for designing 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 a 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

KPMG LLP

November 11, 2020



KPMG LLP
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New York, NY 10154-0102

II-3

Independent Auditors' Report on Compliance for the Major Federal 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 the 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, 2020. 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 the 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, 2020.

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 a 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, 2020, and have issued our report thereon dated November 11, 2020, 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 18, 2020

THE ROCKEFELLER UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

(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 the major program disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for the 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: **\$2,587,804**
- (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