THE ROCKEFELLER UNIVERSITY HOSPITAL

(A Division of The Rockefeller University)

Financial Statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Trustees
The Rockefeller University:

Opinion

We have audited the financial statements of The Rockefeller University Hospital (a division of The Rockefeller University) (the Hospital), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Rockefeller University Hospital as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

KPMG LLP

New York, New York
May 24, 2022

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

Balance Sheets

December 31, 2021 and 2020

Assets		2021	2020
Due from The Rockefeller University	$	9,625,216	9,310,075
Contributions receivable		50,000	—
Land, buildings, and equipment, net (note 4)		4,761,919	5,099,440
Total assets	$	14,437,135	14,409,515
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	656,230	655,110
Total liabilities		656,230	655,110
Net assets without donor restrictions:			
Expended for land, buildings, and equipment		4,761,919	5,099,440
Designated for plant replacement and expansion		9,018,986	8,654,965
Total net assets		13,780,905	13,754,405
Total liabilities and net assets	$	14,437,135	14,409,515

See accompanying notes to financial statements.

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

Statements of Activities

Years ended December 31, 2021 and 2020

		2021	2020
Revenues:			
Government grants (note 3)	$	4,055,019	4,460,416
Other revenue		43,686	51,181
Contributions		50,000	50,000
Total revenues		4,148,705	4,561,597
Expenses (note 9):			
Patient care		7,760,522	8,097,027
Research		3,204,992	3,484,801
Administrative and general		4,077,561	4,294,715
Total expenses		15,043,075	15,876,543
Deficiency of revenues over expenses		(10,894,370)	(11,314,946)
Other changes in net assets:			
Operating subsidy grant from The Rockefeller University (note 1)		10,894,370	11,314,946
Capital subsidy grant from The Rockefeller University		26,500	25,766
Increase in net assets		26,500	25,766
Net assets at beginning of year		13,754,405	13,728,639
Net assets at end of year	$	13,780,905	13,754,405

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets	$ 26,500	25,766
Adjustments to reconcile the increase in net assets to net cash used in operating activities:		
Depreciation	364,021	366,591
Operating subsidy grant from The Rockefeller University classified as financing activities	(10,894,370)	(11,314,946)
Capital subsidy grant from The Rockefeller University classified as financing activities	(26,500)	(25,766)
Increase in contributions receivable	(50,000)	—
Increase/(decrease) in accounts payable and accrued expenses	1,120	(21,685)
Net cash used in operating activities	(10,579,229)	(10,970,040)
Cash flows from investing activity:		
Purchases of land, buildings, and equipment	(26,500)	(25,766)
Net cash used in investing activity	(26,500)	(25,766)
Cash flows from financing activities:		
Operating subsidy grant from The Rockefeller University classified as financing activities	10,894,370	11,314,946
Capital subsidy grant from The Rockefeller University classified as financing activities	26,500	25,766
Increase in due from The Rockefeller University	(315,141)	(344,906)
Net cash provided by financing activities	10,605,729	10,995,806
Net change in cash	—	—
Cash at beginning of year	—	—
Cash at end of year	$ —	—

See accompanying notes to financial statements.

(1) Nature of Operations

The Rockefeller University Hospital (the Hospital) operates under the charter of The Rockefeller University (the University) and is not incorporated as a separate legal entity. The Hospital conducts research on volunteer patients. These activities are funded primarily through a grant provided by the U.S. Department of Health and Human Services (DHHS). Approximately 27% and 28% of the Hospital's operations were funded by this grant in 2021 and 2020, respectively. The balance of the operating costs is funded primarily by an operating subsidy grant from the University.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Hospital prepares its financial statements on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board (FASB) for external reporting by not-for-profit organizations. The accompanying financial statements include the economic resources and financial activities of the Hospital.

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

Revenues are 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.

(b) Deficiency of Revenues over Expenses

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

(c) Patient Service Revenue

Net patient service revenue, represents the estimated net realizable amounts from patients and third-party payors for services rendered, net of contractual and courtesy allowances. Estimated contractual adjustments, including prospective rate adjustments arising under third-party reimbursement programs, are accrued in the period the services are rendered to the patients. Differences between estimated retroactive third-party reimbursement settlements for prior years and subsequent final settlements are recorded in the year of settlement as contractual adjustments. No net patient service revenue has been recognized for the years ended December 31, 2021 and 2020.

(d) Government Grants and Contributions Receivable

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

(Continued)

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. Contributions receivable consists of $50,000 and $0 as of June 30, 2021 and 2020, respectively, which is expected to be collected in less than one year.

(e) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(f) Land, Buildings, and Equipment

Plant assets are stated at cost or at fair value at date of donation in the case of gifts. Depreciation of buildings and building improvements is recorded over estimated useful lives ranging from 15 to 50 years. Equipment is depreciated over estimated useful lives ranging from 5 to 20 years.

(g) Income Taxes

The Hospital is a division of the University, which is classified by the Internal Revenue Service as exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. The Hospital follows the guidance of FASB Accounting Standards Codification Subtopic 740-10, *Accounting for Income Taxes – Overall*, which addresses accounting for uncertainties in income taxes recognized in an enterprise's financial statements. The Hospital utilizes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There were no uncertain tax positions as of December 31, 2021 and 2020.

(3) Grants Revenue

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

As of December 31, 2021, awards totaling $4,567,049 had been granted for the period from June 1, 2021 to May 31, 2022, of which $2,290,112 was unexpended as of December 31, 2021. As of December 31, 2020, awards totaling $4,496,879 had been granted for the period from June 1, 2020 to May 31, 2021, of which $1,778,082 was expended during the year ended December 31, 2021.

(4) Land, Buildings, and Equipment

Land, buildings, and equipment, all of which are funded by the University, are stated at cost at December 31, 2021 and 2020 and consist of the following:

	2021	2020
Land	$ 1,191,709	1,191,709
Buildings and equipment	15,910,060	15,883,560
Total	17,101,769	17,075,269
Less accumulated depreciation	(12,339,850)	(11,975,829)
	$ 4,761,919	5,099,440

(5) Retirement Benefits

The Hospital participates with the University in a defined-contribution retirement plan covering substantially all personnel. The plan is fully funded by the purchase of annuity contracts. Pension costs attributable to the Hospital amounted to approximately $584,000 and $614,000 for the years ended December 31, 2021 and 2020, respectively.

In addition, the Hospital participates with the University in providing certain healthcare and life insurance benefits for retired professional and administrative employees who meet certain age and length-of-service requirements upon retirement. Postretirement benefit costs allocated to the Hospital amounted to approximately $387,000 and $302,000 for the years ended December 31, 2021 and 2020, respectively. Information as to vested and nonvested earned benefits, as well as plan assets, as they relate to the Hospital, is not readily available.

(6) Medical Malpractice Insurance

The University, acting on behalf of the Hospital, carries umbrella policies providing $35,000,000 per annual policy period. The occurrence-based medical malpractice coverage provides coverage for losses in excess of $1,000,000 per occurrence and $3,000,000 in aggregate as well as clinical trial liability insurance for losses up to $5,000,000 per occurrence and $5,000,000 in aggregate. The current policy was renewed on December 1, 2021.

As of December 31, 2021 and 2020, there were no medical malpractice claims filed against the Hospital. The cost of providing medical malpractice insurance coverage amounted to approximately $544,300 and $537,400 for the years ended December 31, 2021 and 2020, respectively.

(7) Contingent Liabilities

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

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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 counsels 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, modified the statute of limitations for civil claims relating to certain childhood abuse claims and created a one-year window, beginning August 14, 2019, for persons to initiate civil lawsuits and closed August 14, 2021. As of June 30, 2021, the University recorded in its financial statements amounts for CVA settlements, legal fees, investigation costs, and other expenses through October 15, 2021. 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.

(8) Liquidity and Availability of Resources

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

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

There are $9,625,216 and $9,310,075 in 2021 and 2020, respectively representing due from the University, and $50,000 and $0 in 2021 and 2020, respectively representing contributions receivable, which could readily be made available within one year of the balance sheet date to meet general expenditures.

(9) Functional Expenses

The Hospital's primary program services are patient care and research. Expenses reported as administrative and general are incurred in support of these primary program activities. Accordingly, total program services expenses approximated $10,966,000 and $11,582,000 in 2021 and 2020, respectively. Operations and maintenance of plant and depreciation are allocated to program and supporting services using a variety of cost allocation techniques, such as square footage and time and effort.

(Continued)

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

	2021			
	Patient care	Research	Administrative and general	Total
Salaries and benefits	$ 6,492,758	2,299,505	2,874,816	11,667,079
Consultants and professional services	—	—	141,460	141,460
Supplies, materials, and other	1,064,817	744,413	1,061,285	2,870,515
Depreciation	202,947	161,074	—	364,021
	$ 7,760,522	3,204,992	4,077,561	15,043,075

	2020			
	Patient care	Research	Administrative and general	Total
Salaries and benefits	$ 6,967,522	2,495,552	3,003,201	12,466,275
Consultants and professional services	—	—	138,009	138,009
Supplies, materials, and other	925,126	827,037	1,153,505	2,905,668
Depreciation	204,379	162,212	—	366,591
	$ 8,097,027	3,484,801	4,294,715	15,876,543

(10) Subsequent Events

The Hospital evaluated events subsequent to December 31, 2021 through _____ __, ____, the date which the financial statements were issued and concluded that no additional disclosures are required.