Consolidated Financial Statements and Report of Independent Certified Public Accountants

Research Foundation of The City University of New York and Related Entities

June 30, 2019 and 2018

Research Foundation of The City University of New York and Related Entities

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of the
Research Foundation of The City University of New York:

Report on the financial statements

We have audited the accompanying consolidated financial statements of the Research Foundation of The City University of New York and its related entities (collectively, "RF CUNY"), which comprise the consolidated balance sheet as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to RF CUNY's preparation and fair presentation of the consolidated 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 RF CUNY'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Research Foundation of The City University of New York and its related entities as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton

Other matters

2018 Consolidated financial statements
The consolidated financial statements of RF CUNY as of and for the year ended June 30, 2018 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2018 consolidated financial statements in their report dated October 24, 2018.

Supplementary information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2019 consolidating information included in pages 3 - 4 is presented for purposes of additional analysis and is not a required part of the 2019 consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the 2019 consolidated financial statements or to the 2019 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2019 consolidating information is fairly stated, in all material respects, in relation to the 2019 consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
October 18, 2019

Research Foundation of the City University of New York and Related Entities

CONSOLIDATED BALANCE SHEETS

As of June 30, 2019 and 2018
(with consolidating information as of June 30, 2019)

	2019					
	Consolidating information					
	Foundation	230 West 41st Street LLC	GrantsPlus	Eliminations	Total	2018
ASSETS						
Cash and cash equivalents	$ 172,973,011	$ 10,928,802	$ 107,724	$ -	$ 184,009,537	$ 162,968,696
Restricted cash (note 8)	-	2,688,732	-	-	2,688,732	2,661,901
Grants, contracts, and accounts receivable (net of allowance of $2,900,000 in 2019 and $5,600,000 in 2018)	105,225,074	-	-	-	105,225,074	102,348,000
Rent receivable	-	254,546	-	-	254,546	713,744
Prepaid expenses and other assets	3,334,070	924,904	3,529	-	4,262,503	3,577,137
Prepaid postretirement benefits asset (note 4)	1,211,926	-	-	-	1,211,926	7,156,165
Investments, at fair value (note 3)	55,018,633	-	-	-	55,018,633	48,428,469
Investment in GrantsPlus	30,019	-	-	(30,019)	-	-
Investment in 230 West 41st Street LLC	15,024,628	-	-	(15,024,628)	-	-
Deferred rent receivable	-	18,708,512	-	(2,289,133)	16,419,379	16,470,529
Value of in-place leases (net of accumulated amortization of $2,716,741 in 2019 and $2,584,775 in 2018)	-	236,440	-	-	236,440	368,406
Above-market leases (net of accumulated amortization of $1,829,945 in 2019 and $1,730,574 in 2018)	-	177,601	-	-	177,601	276,972
Deferred costs (net of accumulated amortization of $4,704,547 in 2019 and $4,440,402 in 2018)	-	2,226,650	-	-	2,226,650	2,450,940
Fixed assets:						
Rental property, net (note 7)	-	43,404,320	-	-	43,404,320	44,345,516
Furniture, fixtures, and equipment (net of accumulated depreciation of $3,464,956 in 2019 and $3,412,526 in 2018)	85,371	-	-	-	85,371	137,801
Total assets	$ 352,902,732	$ 79,550,507	$ 111,253	$ (17,343,780)	$ 415,220,712	$ 391,904,276
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses (notes 4 and 6)	$ 104,763,191	$ 1,039,890	$ 81,234	$ -	$ 105,884,315	$ 91,922,221
Deferred revenue (note 5)	88,535,259	113,065	-	-	88,648,324	89,429,300
Grants payable to CUNY (note 9)	2,579,475	-	-	-	2,579,475	1,821,540
Deferred rent payable	2,289,133	-	-	(2,289,133)	-	-
Tenant security deposits payable	-	407,452	-	-	407,452	409,915
Deposits held in custody for CUNY colleges	100,577,354	-	-	-	100,577,354	93,008,080
Mortgage loan payable, net (note 8)	-	62,965,472	-	-	62,965,472	64,227,585
Total liabilities	298,744,412	64,525,879	81,234	(2,289,133)	361,062,392	340,818,641
Commitments and contingencies (notes 2, 6 and 10)						
Net assets without donor restrictions, available for/to:						
Postretirement benefits	1,211,926	-	-	-	1,211,926	7,156,165
230 West 41st Street LLC	15,024,628	15,024,628	-	(15,024,628)	15,024,628	12,127,515
GrantsPlus	30,019	-	30,019	(30,019)	30,019	68,668
Foundation operations	37,891,747	-	-	-	37,891,747	31,733,287
Total net assets without donor restrictions	54,158,320	15,024,628	30,019	(15,054,647)	54,158,320	51,085,635
Total liabilities and net assets without donor restrictions	$ 352,902,732	$ 79,550,507	$ 111,253	$ (17,343,780)	$ 415,220,712	$ 391,904,276

The accompanying notes are an integral part of these consolidated financial statements.

Research Foundation of the City University of New York and Related Entities

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30, 2019 and 2018
(with consolidating information for the year ended June 30, 2019)

	2019					
	Consolidating information					
	Foundation	230 West 41st Street LLC	GrantsPlus	Eliminations	Total	2018
Grants and contracts administered for others:						
Revenue:						
Governmental	$ 383,298,329	$ -	$ -	$ -	$ 383,298,329	$ 361,858,222
Private	136,912,172	-	-	-	136,912,172	137,676,146
Total grants and contracts revenue	520,210,501	-	-	-	520,210,501	499,534,368
Expenses:						
Research	(152,357,287)	-	-	-	(152,357,287)	(146,924,274)
Training	(158,947,970)	-	-	-	(158,947,970)	(165,533,055)
Other sponsored activity	(157,501,390)	-	-	-	(157,501,390)	(134,058,147)
Other institutional activity	(51,403,854)	-	-	-	(51,403,854)	(53,018,892)
Total grants and contracts expenses	(520,210,501)	-	-	-	(520,210,501)	(499,534,368)
Administrative services:						
Revenue:						
Administrative fees	35,792,235	-	118,454	-	35,910,689	33,973,015
Investment return, net	2,238,136	59,379	-	-	2,297,515	881,600
Rental income (notes 6 and 9)	-	17,097,564	-	(4,096,595)	13,000,969	14,794,472
Donated services	-	-	43,875	(43,875)	-	-
Other	677,633	159,500	-	(668,670)	168,463	156,214
Total administrative revenue	38,708,004	17,316,443	162,329	(4,809,140)	51,377,636	49,805,301
Expenses:						
Management and general	(32,832,105)	-	(12,603)	4,096,595	(28,748,113)	(28,109,697)
Postretirement credit (note 4)	6,319,349	-	-	-	6,319,349	474,060
Grants to CUNY for central research initiatives (note 9)	(2,300,000)	-	-	-	(2,300,000)	(2,300,000)
Operating expenses of 230 West 41st Street LLC (note 10)	-	(5,360,930)	-	668,670	(4,692,260)	(4,916,001)
Interest expense	-	(3,114,556)	-	-	(3,114,556)	(3,175,249)
Real estate taxes (note 11)	-	(1,123,810)	-	-	(1,123,810)	(1,277,961)
Depreciation and amortization	(61,939)	(2,320,034)	-	-	(2,381,973)	(2,246,609)
Donated services expenses	-	-	(43,875)	43,875	-	-
Total administrative expenses	(28,874,695)	(11,919,330)	(56,478)	4,809,140	(36,041,363)	(41,551,457)
Excess of revenue over expenses before other changes	9,833,309	5,397,113	105,851	-	15,336,273	8,253,844
Other changes:						
Change in Foundation investment in 230 West 41st Street LLC	2,897,113	-	-	(2,897,113)	-	-
Change in Foundation investment in GrantsPlus	(38,649)	-	-	38,649	-	-
230 West 41st Street LLC distribution to Foundation	2,500,000	(2,500,000)	-	-	-	-
GrantsPlus management fee to Foundation (note 9)	144,500	-	(144,500)	-	-	-
Postretirement benefits changes other than net periodic benefit cost (note 4)	(12,263,588)	-	-	-	(12,263,588)	8,053,978
Increase (decrease) in net assets without donor restrictions	3,072,685	2,897,113	(38,649)	(2,858,464)	3,072,685	16,307,822
Net assets without donor restrictions, beginning of year	51,085,635	12,127,515	68,668	(12,196,183)	51,085,635	34,777,813
Net assets without donor restrictions, end of year	$ 54,158,320	$ 15,024,628	$ 30,019	$ (15,054,647)	$ 54,158,320	$ 51,085,635

The accompanying notes are an integral part of these consolidated financial statements.

Research Foundation of the City University of New York and Related Entities

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets without donor restrictions	$ 3,072,685	$ 16,307,822
Adjustments to reconcile increase in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation and amortization	2,524,915	2,389,551
Provision (reversal) for bad debts	(2,700,000)	2,300,000
Postretirement benefits changes other than net periodic benefit cost	12,263,588	(8,053,978)
Net appreciation in fair value of investments	(313,599)	(29,406)
Changes in assets and liabilities:		
Grants, contracts, accounts, and rents receivable	282,124	(16,771,588)
Prepaid expenses and other assets	(685,366)	(231,078)
Deferred rent receivable	51,150	(2,722,516)
Accounts payable and accrued expenses, and security deposit payable	13,545,445	11,218,007
Deferred revenue	(780,976)	1,991,137
Grants payable to CUNY	757,935	(120,618)
Postretirement benefits payable	(6,319,349)	(474,059)
Deposits held in custody for CUNY colleges	7,569,274	10,050,272
Net cash provided by operating activities	29,267,826	15,853,546
Cash flows from investing activities:		
Purchases of fixed assets	(9,508)	(55,391)
Additions for rental property improvements	(568,541)	(1,193,409)
Payment of deferred leasing costs	(39,856)	(393,073)
Purchases of investments	(120,820,420)	(100,834,056)
Sales and maturity of investments	114,543,855	100,311,496
Net cash used in investing activities	(6,894,470)	(2,164,433)
Cash flows from financing activity:		
Restricted cash	(26,831)	(465,054)
Principal payments on mortgage loan	(1,305,684)	(1,245,230)
Net cash used in financing activity	(1,332,515)	(1,710,284)
Net increase in cash and cash equivalents	21,040,841	11,978,829
Cash and cash equivalents at beginning of year	162,968,696	150,989,867
Cash and cash equivalents at end of year	$ 184,009,537	$ 162,968,696
Supplemental cash flow disclosure:		
Cash paid for interest	$ 3,076,154	$ 3,136,607
Additions for rental property improvements included in accounts payable and accrued expenses	$ 414,186	$ 457,296

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - ORGANIZATION AND PURPOSE

The Research Foundation of The City University of New York (the "Foundation") was chartered in 1963 to further the purposes of The City University of New York (the "University" or "CUNY") through the pursuit, acquisition, and administration of grants and gifts. The Foundation is a separate legal entity and is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the "Code") and similar state provisions.

230 West 41st Street LLC (the "LLC") was established on May 7, 2004 as a Delaware limited liability company and organized pursuant to the Limited Liability Operating Agreement (the "Agreement") dated July 14, 2004 between the Foundation (the Sole Member with a 100% interest in the LLC) and the LLC. The LLC was formed to acquire, own, and operate an approximate 300,000 square-foot office building located at 230 West 41st Street in New York, New York (the "Property"). The LLC is a single member limited liability company and, accordingly, is treated as a disregarded entity for federal, state, and local income tax purposes.

GrantsPlus Inc. ("GrantsPlus") was created by the Foundation and incorporated in May 2004 to provide postaward administration of sponsored programs for not-for-profit organizations other than the Foundation or CUNY. GrantsPlus is a separate legal entity exempt from federal income taxes under the provisions of Section 501(c)(3) of the Code and similar state provisions. All postaward administration of sponsored programs provided by GrantsPlus ended effective June 30, 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements, which consolidate the accounts of the Foundation, the LLC, and GrantsPlus (collectively, "RF CUNY"), are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America for external financial reporting by not-for-profit organizations. All intercompany accounts and transactions have been eliminated in consolidation.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The ASU amended the reporting model of not-for-profit organizations and requires certain additional disclosures and was adopted by RF CUNY in fiscal 2019 on a retrospective basis. The significant changes include:

- Presentation of two net asset classes - "net assets without donor restrictions" and "net assets with donor restrictions";
- Underwater endowment funds, if any, are included within net assets with donor restrictions;
- Releases from restrictions, if any, on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations, are recognized when the assets are placed in service;
- An analysis of expenses by function and nature is presented in the notes to the consolidated financial statements;
- Quantitative and qualitative disclosure on liquidity; and
- Investment return is presented net of external and direct internal investment expenses.

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions, if any. Accordingly, net assets are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent resources which are not restricted by donors and, therefore, are fully available at the discretion of the Foundation's Board of Directors and management in meeting its organizational mission and operational objectives. Net assets without donor restrictions may be designated for specific purposes by the Foundation's Board of Directors or may be limited by legal requirements or contractual agreements with outside parties.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent resources which are subject to donor-imposed stipulations whose use is restricted by time and/or purpose. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

At June 30, 2019 and 2018, none of RF CUNY's net assets or changes therein were subject to donor-imposed restrictions and, accordingly, were classified and reported as net assets without donor restrictions.

Revenues and gains and losses on investments and other assets are reported as changes in net assets without donor restrictions unless limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions.

Grants and Contracts Revenue Recognition

Revenue from grants and contracts, awarded to and accepted by the Foundation, GrantsPlus, and various units of the University, as joint grantees, primarily for research, training, other sponsored activity and other institutional activity, is recognized as earned, that is, as the related costs are incurred under the grant or contract agreements. Included in private grants and contracts revenue are grants sponsored by CUNY, totaling approximately $29,943,000 and $43,488,000 for the years ended June 30, 2019 and 2018, respectively.

Facilities and administrative costs recovered on grants and contracts are recorded at rates negotiated by the Foundation with its federal cognizant agency or predetermined by the nonfederal sponsor. Facilities and administrative cost rates for government grants and contracts are subject to audit, and subsequent final settlements, if any, are recorded as current period adjustments. Management believes the impact of any future settlements to be immaterial to the accompanying consolidated financial statements.

The cost of operating the Foundation is covered by a fee charged on the activity it administers. Sponsored projects and all recovery account activity are included in the fee calculation. The current fee structure recognizes that services vary widely, depending on the requirements of each sponsored research project, and that there are varying costs associated with each service, driven largely by workload. The Foundation has identified six distinct areas of cost – construction, personal services, other than personal services, independent contractor agreements/MOUs, subawards and equipment grants. The fee is assessed based on actual project expenditures, not award amounts, and is generally paid with college overhead funds.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts such estimates when facts and circumstances dictate. In the preparation of RF CUNY's consolidated financial statements, management uses significant accounting estimates with respect to the valuation of accounts receivable and postretirement benefit obligation.

Cash Equivalents

Highly liquid debt instruments with maturities at date of purchase of three months or less are classified as cash equivalents, except for those short-term investments that are managed by an external investment manager for long-term investment purposes.

Investments

Investments are reported at fair value based upon quoted market prices. Realized and unrealized gains and losses on investments are reflected in the accompanying consolidated statements of activities.

The fair value of debt and equity securities with a readily determinable fair value is based on quotations obtained from national security exchanges. The fair value of non-U.S Treasury debt securities is determined by a nationally recognized independent pricing service.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the consolidated statements of activities in the period in which the securities are sold. Dividends are accrued based on the ex-dividend date. Interest is recognized as earned.

Common trust funds are carried at net asset values ("NAV") as provided by the investment managers as of the reporting date.

All investment securities are exposed to various risks such as interest risk, 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 could occur in the near term and such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Rental Revenue Recognition

Base rental income relating to the LLC is recognized on a straight-line basis, rather than in accordance with lease payment schedules. Accordingly, scheduled base rent increases and the effects of rent abatements are spread evenly over the terms of the respective leases. Differences between the straight-line rents recorded and the amounts actually received are reported as deferred rent receivable in the accompanying consolidated balance sheets. Allowances are provided for uncollectible amounts, as appropriate.

Rental Property

Building and building improvements of the LLC are carried at cost and are depreciated, using the straight-line method, over their estimated useful lives of 39 years or the life of the improvements, whichever is shorter. Significant renovations or improvements, which extend the economic life of the Property, are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

The LLC reviews the carrying amount of the Property for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment adjustments have been made as a result of this review process during 2019 or 2018.

Furniture, Fixtures and Equipment

Furniture, fixtures, and equipment and leasehold improvements are stated at cost. Depreciation of furniture, fixtures, and equipment is computed on a straight-line basis, over the estimated useful lives of the assets, ranging from five to seven years. Amortization of leasehold improvements is computed on a straight-line basis, over the estimated useful lives of the assets, not to exceed the remaining life of the lease.

Equipment purchased by the Foundation on behalf of various units of the University from grant and contract funds is to be used in the project for which it was purchased and is not included in the Foundation's fixed assets in the accompanying consolidated balance sheets as it is subject to return to those respective grantors.

Purchase Accounting for Acquisition of Real Estate

The fair value of the LLC's acquired rental property was allocated to the acquired tangible assets, consisting of land and building; and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases, and value of tenant relationships, based in each case on their respective fair values.

Deferred Costs

Deferred financing costs were incurred in obtaining long-term financing for the LLC's Property acquisition. Such costs are being amortized on a straight-line basis over the term of the related debt and are recorded as a component of interest expense.

Restricted Cash

Restricted cash of the LLC includes amounts to be funded for tenant improvements, repairs, real estate taxes, and insurance as required by the LLC's loan agreement. Restricted cash also includes tenant security deposits held in accordance with tenant leases and other tenant deposits held for improvements to leased space.

Deposits Held in Custody for CUNY Colleges

Deposits held in custody for CUNY colleges reflect those resources held on behalf of the individual colleges of the University. These accounts are credited with recoveries related to facilities and administrative costs, released time and summer salary recoveries, as well as, CUNY Charitable Gift Trust Annuity Funds of the respective colleges.

Fair Value Measurements

Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. RF CUNY measures the fair value of its financial assets using a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

RF CUNY's interests in common trust funds are generally reported at NAV per share by the fund managers, which is used as a practical expedient to estimate the fair value of such investments. Those funds that use NAV as a practical expedient to estimate fair value are not categorized in the fair value hierarchy.

Income Taxes

The effects of uncertain tax positions are recognized only if those positions are more-likely-than-not of being sustained. No such positions have been recorded in the consolidated financial statements as of June 30, 2019 or 2018.

New Authoritative Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows - Restricted Cash, which requires that the 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. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of this ASU are effective for RF CUNY for annual periods beginning after December 15, 2018 and interim periods thereafter. Early adoption is permitted. RF CUNY is in the process of evaluating the impact of this ASU on its consolidated financial statements and will implement such requirements in its fiscal year ending June 30, 2020.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees and lessors to recognize leases on-balance sheet and disclose key information about leasing arrangements. ASC Topic 842 (ASC 842) establishes a right of use ("ROU") model that requires lessees and lessors to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. This ASU is effective for RF CUNY for annual periods beginning after December 15, 2019 and interim periods thereafter. Early adoption is permitted. RF CUNY is in the process of evaluating the impact of the ASU.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. This ASU provides updated guidance to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. Contribution revenue is specifically excluded from the scope of this update. This guidance is effective for RF CUNY for annual periods beginning after December 15, 2018. RF CUNY is currently assessing the effect that adoption of the new standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, "Clarifying the scope and the accounting guidance for contributions received and contributions made." This ASU provides framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction, as well as guidance to assist entities in determining whether a contribution is either conditional or unconditional. This update is effective for RF CUNY's fiscal year beginning July 1, 2019. RF CUNY is currently assessing the effect that adoption of the new standard will have on its consolidated financial statements.

NOTE 3 - INVESTMENTS

Investments held by the Foundation consisted of the following at June 30, 2019 and 2018:

	Fair Value	
	2019	2018
U.S. money market	$ 1,621,488	$ 107,334
U.S. treasury bills	36,088,161	30,172,283
U.S. government agency obligations	738,650	625,906
U.S. equity securities	761,650	679,984
U.S. corporate bonds	15,808,684	16,842,962
Total	$ 55,018,633	$ 48,428,469

At June 30, 2019 and 2018, the Foundation's investments were categorized as Level 1, except for U.S. corporate bonds, which were categorized as Level 2.

NOTE 4 - PENSION AND OTHER RETIREMENT BENEFITS

Eligible employees of the Foundation and certain project personnel are covered under a defined contribution pension plan established with Teachers Insurance and Annuity Association. The Foundation's contribution to the pension plan is based on specified percentages, ranging from 8% to 14%, of each employee's annual salary. Total pension expense for the years ended June 30, 2019 and 2018 was approximately $10,753,000 and $11,641,000, respectively. There are no unfunded past service costs.

In addition to providing pension benefits, the Foundation also provides postemployment benefits, including salary continuance, to certain employees. The cost of these benefits is accrued over the employees' years of service. Postemployment benefits liability included in accounts payable and accrued expenses was $2,877,890 and $2,977,624 as of June 30, 2019 and 2018, respectively.

The Foundation also provides certain healthcare benefits to retired employees (including eligible dependents) who have a combination of age and years of service equal to 70 with a minimum age of 62 and at least 10 years of continuous service. The Foundation accounts for postretirement medical and other nonpension benefits provided to retirees on an accrual basis during the period of their employment.

The Foundation charges grants and contracts, as well as the administrative services department for postretirement benefit costs through the application of a fringe benefit rate, an element of which is based upon the estimated amount of such costs. In addition, a charge or credit is recognized in administrative services expenses for the difference between the actuarially determined net periodic postretirement benefit cost and the amount funded (claims paid and contributions to the trust).

Information with respect to the postretirement plan, follows:

	2019	2018
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 154,504,129	$ 150,477,353
Service cost	4,116,565	4,237,055
Interest cost	6,225,731	5,773,845
Actuarial (gain) loss	14,201,183	(901,116)
Benefits paid and administrative expenses	(5,116,043)	(5,083,008)
Benefit obligation at end of year	173,931,565	154,504,129
Change in plan assets:		
Fair value of plan assets at beginning of year	161,660,294	149,105,481
Actual return on plan assets	9,483,197	12,554,813
Employer contributions	9,116,043	5,083,008
Benefits paid and administrative expenses	(5,116,043)	(5,083,008)
Fair value of plan assets at end of year	175,143,491	161,660,294
Funded status, recorded as an (asset) liability in the accompanying consolidated balance sheets	$ (1,211,926)	$ (7,156,165)

	2019	2018
Components of net periodic cost:		
Service cost	$ 4,116,565	$ 4,237,055
Interest cost	6,225,731	5,773,845
Expected return on plan assets	(8,083,015)	(7,455,274)
Amortization of transition obligation	-	605,920
Recognized prior service credit	537,413	1,447,403
Net periodic benefit cost	$ 2,796,694	$ 4,608,949
Weighted average assumptions for the years ended June 30:		
Discount rate used to determine benefit obligation	3.40%	4.10%
Discount rate used to determine net periodic benefit cost	4.10	3.95
Expected return on plan assets	5.00	5.00

For measurement purposes, increases in healthcare costs (5.5% in 2019) were assumed to decrease by 0.5% per year in years 2020 through 2022 to an ultimate rate of 3.5% in 2023 and after.

Assumed healthcare trend rates have a significant effect on the amounts reported for postretirement plans. A one percentage point change in assumed healthcare cost trend rates would have the following effects for 2019:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 1,928,677	$ (1,708,958)
Effect on postretirement benefit obligation	27,490,776	(25,153,568)

The Foundation made contributions of $4,000,000 and $0 to the postretirement plan in 2019 and 2018, respectively. In addition, for the years ended June 30, 2019 and 2018, the Foundation paid claims and expenses of $5,116,043 and $5,083,008, respectively. The Foundation expects to contribute or pay claims and expenses aggregating to approximately $10,000,000 in 2020.

The benefits expected to be paid in each fiscal year from 2020 through 2024 and the five subsequent years are:

Year ending June 30,	
2020	$ 5,435,106
2021	6,032,904
2022	6,557,838
2023	7,062,403
2024	7,489,959
2025 - 2029	43,136,923
Total	$ 75,715,133

At June 30, 2019 and 2018, the items not yet recognized as a component of net periodic benefit cost, follow:

	2019	2018
Net loss	$ 33,489,549	$ 21,225,961

The actuarial loss that is expected to be amortized into net periodic cost in fiscal year 2020 is $1,674,274.

Investment allocation and strategy decisions are generally made by management and the Foundation's board of directors. The postretirement plan's weighted average asset allocations at June 30, 2019 and 2018, by asset category, follow:

	Target allocation 2019	Actual allocation 2019	Target allocation 2018	Actual allocation 2018
Growth portfolio:				
Domestic equity securities	24%-70%	58%	24%-70%	60%
Debt securities	13%-42%	25%	13%-42%	26%
Commodities	0%-7%	0%	0%-7%	0%
International equity securities	9%-34%	10%	9%-34%	12%
Cash equivalents	0%-5%	7%	0%-5%	2%
		100%		100%

	Target allocation 2019	Actual allocation 2019	Target allocation 2018	Actual allocation 2018
Immunized fixed income:				
Debt securities	100%	95%	100%	99%
Cash equivalents	0%	5%	0%	1%
	100%	100%	100%	100%

The Foundation's plan assets are measured at fair value. Investments in equity securities and mutual funds with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted market prices.

The following tables present the Foundation's fair value hierarchy for postretirement assets, which are measured at fair value on a recurring basis, as of June 30, 2019 and 2018, respectively:

	2019			
	Fair Value	Level 1	Level 2	Level 3
Debt securities:				
Fixed income mutual fund	$ 2,985,922	$ 2,985,922	$ -	$ -
Corporate bonds	63,035,079	-	63,035,079	-
U.S. government obligations	12,201,673	12,201,673	-	-
Foreign bonds	6,080,339	-	6,080,339	-
Other	2,541,518	-	2,541,518	-
Total debt securities	86,844,531	15,187,595	71,656,936	-
Equity securities:				
Equity mutual funds	28,890,937	28,890,937	-	-
U.S. common stock	29,900,581	29,900,581	-	-
American depositary receipts	8,139,957	8,139,957	-	-
Foreign stock	2,717,738	2,717,738	-	-
Real estate investment trusts	299,343	299,343	-	-
Total equity securities	69,948,556	69,948,556	-	-
Short-term investments	7,222,715	7,222,715	-	-
Total	164,015,802	$92,358,866	$71,656,936	$ -
Investments valued at NAV	11,127,689			
	$ 175,143,491			

	2018			
	Fair Value	Level 1	Level 2	Level 3
Debt securities:				
Fixed income mutual fund	$ 3,493,100	$ 3,493,100	$ -	$ -
Corporate bonds	60,968,081	-	60,968,081	-
U.S. government obligations	12,017,719	12,017,719	-	-
Foreign bonds	6,410,086	-	6,410,086	-
Other	731,303	-	731,303	-
Total debt securities	83,620,289	15,510,819	68,109,470	-
Equity securities:				
Equity mutual funds	27,336,756	27,336,756	-	-
U.S. common stock	26,446,353	26,446,353	-	-
American depositary receipts	8,712,612	8,712,612	-	-
Foreign stock	2,739,826	2,739,826	-	-
Real estate investment trusts	266,674	266,674	-	-
Total equity securities	65,502,221	65,502,221	-	-
Short-term investments	4,147,440	4,147,440	-	-
Total	153,269,950	$85,160,480	$68,109,470	$ -
Investments valued at NAV	8,390,344			
	$ 161,660,294			

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of June 30, 2019 and 2018, respectively.

	2019 fair value	2018 fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period	Redemption restrictions
Common trust funds (a)	$11,127,689	$8,390,344	None	Daily	1 Day	None

(a) This category is comprised of investments in an equity fund, a fixed income fund and a short-term investment fund. The equity and fixed income funds are designed to provide investment results that correspond to the price and yield performance of publicly traded common stocks of large-sized and mid-sized domestic companies, respectively. The short-term investment fund is designed to invest and reinvest substantially all of its assets in short-term obligations having a stated maturity date of 365 days or less.

NOTE 5 - DEFERRED REVENUE

At June 30, 2019 and 2018, cash advances for grants and contracts were for the following projects:

	2019	2018
Research	$ 18,241,292	$ 10,839,177
Training	24,725,375	23,769,644
Other sponsored activity	22,649,916	34,659,033
Other institutional activity	23,031,741	20,161,446
	$ 88,648,324	$ 89,429,300

NOTE 6 - COMMITMENTS

Rental Income under Operating Leases

Future minimum rental receipts under the LLC's operating leases, follow:

Year ending June 30,	LLC	Less: Foundation portion eliminated in consolidation	Total
2020	$ 14,469,165	$ (3,297,378)	$ 11,171,787
2021	14,471,752	(3,391,179)	11,080,573
2022	13,033,794	(3,475,959)	9,557,835
2023	11,904,450	(3,562,858)	8,341,592
2024	12,042,135	(3,651,929)	8,390,206
Thereafter	133,360,993	(45,680,308)	87,680,685
Total minimum rental receipts	$199,282,289	$ (63,059,611)	$136,222,678

Pursuant to the individual tenant leases, the tenants pay their proportionate share of operating the Property, including real estate taxes, certain insurance premiums, and other expenses that are not included above. CUNY's portion of the above future minimum rental receipts is approximately $111,000,000.

Letter of Credit

In fiscal year 2008, the Foundation entered into an agreement with one of its health insurance carriers whereby the Foundation is required to pay the carrier, in advance, for claims incurred but not reported in the event of plan termination. The carrier has allowed the Foundation to retain this payment, which totals $3,254,491, is included as a component of accounts payable and accrued expenses in the accompanying consolidated balance sheets as of June 30, 2019 and 2018, and is secured by an irrevocable letter of credit to the carrier for the same amount, which expires on December 31, 2019.

NOTE 7 - RENTAL PROPERTY

Rental property (95% occupied as of June 30, 2019) consisted of the following at June 30, 2019 and 2018:

	2019	2018
Land	$ 9,037,040	$ 9,037,040
Building	36,149,160	36,149,160
Building improvements	12,361,820	11,916,998
Tenant improvements	15,630,186	15,395,177
Construction-in-progress	338,320	35,424
Total	73,516,526	72,533,799
Accumulated depreciation	(30,112,206)	(28,188,283)
Rental property, net	$ 43,404,320	$ 44,345,516

NOTE 8 - MORTGAGE LOAN PAYABLE, NET

Outstanding mortgage loan payable as of June 30, 2019 and 2018 consisted of the following:

	2019	2018
Mortgage loan payable	$ 64,048,766	$ 65,354,450
Less unamortized costs of issuance	(1,083,294)	(1,126,865)
Mortgage loan payable, net	$ 62,965,472	$ 64,227,585

The LLC entered into a mortgage loan (the "loan") on May 12, 2014 with an original principal amount of $70 million which matures on June 1, 2044. The loan bears interest at a rate of 4.75%. The monthly principal and interest payments of $365,153 began on July 1, 2014. The mortgage is amortized over 30 years with options to be called by the bank in 10 years and then every 5 years thereafter until the mortgage matures. The loan is collateralized by the Property and assignment of rents and other payments from the tenants and is guaranteed by the Foundation. The LLC incurred $1,307,121 of financing costs in connection with obtaining the loan, which are being amortized over the life of the loan.

At June 30, 2019, future minimum principal payments were as follows:

	Amount/Year
2020	$ 1,369,072
2021	1,435,537
2022	1,505,230
2023	1,578,306
2024	1,654,929
Thereafter	56,505,692
Total	$ 64,048,766

Included in restricted cash in the accompanying consolidated balance sheets are balances in escrow accounts, including interest earned, of approximately $2,335,000 and $2,250,000 as of June 30, 2019 and 2018, respectively. Under the terms of the loan, the LLC is required to deposit annual payments of $500,000 beginning on May 15, 2015 through May 15, 2019 and an additional payment of $198,515 on May 15, 2020 into an escrow account maintained by the mortgage bank for future tenant improvements related to CUNY's extended lease.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Foundation has an agreement with the LLC to lease 66,867 square feet of space in the LLC's Property. CUNY has an agreement with the LLC to lease 122,424 square feet of space in the Property. Both agreements are scheduled to expire in June 2034. For the years ended June 30, 2019 and 2018, rental revenue from CUNY was $5,502,576 and $5,425,367, respectively. Approximately $22,000 was receivable from CUNY at June 30, 2019.

In fiscal years 2019 and 2018, the Foundation approved grants to CUNY for central research initiatives of $2,300,000 annually. Grants payable to CUNY at June 30, 2019 and 2018 were $2,579,475 and $1,821,540, respectively.

For the years ended June 30, 2019 and 2018, GrantsPlus management fee to the Foundation for services rendered was $144,500 and $152,000, respectively, which was eliminated in consolidation.

NOTE 10 - PROPERTY MANAGEMENT FEES

The LLC has a management agreement that operates on a month-to-month basis with a third party to manage and provide leasing services to the Property. Such expenses are included in operating expenses in the consolidated statements of activities. Additionally, the LLC pays the property manager a commission in accordance with the terms of the management agreement if the Property manager procures a new lease or an extension, renewal, or expansion of an existing lease for space in the Property during the term of this agreement; such costs are reported as deferred costs in the accompanying consolidated balance sheets.

NOTE 11 - REAL ESTATE TAX EXEMPTION

During fiscal years 2019 and 2018, the LLC obtained a real estate tax reduction amounting to $1,837,403 and $1,632,569, respectively, relating to an exemption for the portion of the Property used by CUNY as a not-for-profit, tax exempt organization.

NOTE 12 - NATURAL CLASSIFICATION OF EXPENSES

Expenses are recognized by the Foundation on the accrual basis. The Foundation's principal program service is grants administration. Expenses reported in the accompanying consolidated statements of activities as research, training, other sponsored activity and other institutional activity are directly incurred in connection with its program service. Costs are allocated and reported on a functional basis using specific identification. Expenses by natural classification for the year ended June 30, 2019 consisted of the following:

	Program Services	Management & General	Total Expenses
Salaries and fringe	$298,156,168	$ 22,836,116	$320,992,284
Facilities and administrative costs	57,887,444	-	57,887,444
Subcontracts	52,099,314	-	52,099,314
Independent contractor	18,668,281	31,919	18,700,200
Stipends	19,171,162	-	19,171,162
Supplies	13,095,967	102,551	13,198,518
Laboratory fees	9,294,525	-	9,294,525
Occupancy	2,614,553	-	2,614,553
Travel	7,890,343	22,287	7,912,630
Insurance	1,186,914	1,067,857	2,254,771
Conference and meeting	3,779,051	74,003	3,853,054
Post retirement credit	-	(6,319,349)	(6,319,349)
Interest expense	-	3,114,556	3,114,556
Real estate taxes	-	1,123,810	1,123,810
Depreciation and amortization	-	2,381,973	2,381,973
All other expenses	36,366,779	11,605,640	47,972,419
Total expenses	$520,210,501	$ 36,041,363	$556,251,864

Expenses by natural classification for the year ended June 30, 2018 consisted of the following:

	Program Services	Management & General	Total Expenses
Salaries and fringe	$290,514,275	$ 23,422,815	$313,937,090
Facilities and administrative costs	54,329,951	-	54,329,951
Subcontracts	38,283,315	-	38,283,315
Independent contractor	19,627,697	79,282	19,706,979
Stipends	19,382,029	-	19,382,029
Supplies	13,321,083	94,063	13,415,146
Laboratory fees	18,499,792	-	18,499,792
Occupancy	2,481,258	-	2,481,258
Travel	7,254,522	21,847	7,276,369
Insurance	162,681	1,135,344	1,298,025
Conference and meeting	4,300,900	147,095	4,447,995
Post retirement credit	-	(474,060)	(474,060)
Interest expense	-	3,175,249	3,175,249
Real estate taxes	-	1,277,961	1,277,961
Depreciation and amortization	-	2,246,609	2,246,609
All other expenses	31,376,865	10,425,252	41,802,117
Total expenses	$499,534,368	$ 41,551,457	$541,085,825

NOTE 13 - LIQUIDITY

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets:	
Cash and cash equivalents	$ 184,009,537
Grants, contracts, and accounts receivable, net	105,225,074
Investments	55,018,633
Less:	
Accounts payable	(91,982,088)
Deferred revenue	(88,535,259)
Deposits held in custody for CUNY colleges	(100,577,354)
Total financial assets available within one year	$ 63,158,543

RF CUNY maintains cash balances at a level designed to ensure short-term liquidity. In addition, a suitable portion of RF CUNY's investment balances are held in instruments that can readily be converted to cash, if needed.

NOTE 14 - SUBSEQUENT EVENTS

RF CUNY evaluated events subsequent to June 30, 2019 and through October 18, 2019, the date on which the consolidated financial statements were available to be issued, the result of which required no adjustments or disclosures to the accompanying consolidated financial statements.