

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

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

June 30, 2020 and 2019

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 sheets as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters*Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2020 consolidating information included in pages 5 - 6 is presented for purposes of additional analysis and is not a required part of the 2020 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 2020 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2020 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 2020 consolidated financial statements or to the 2020 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 2020 consolidating information is fairly stated, in all material respects, in relation to the 2020 consolidated financial statements as a whole.



New York, New York
October 16, 2020

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

CONSOLIDATED BALANCE SHEETS

As of June 30, 2020 and 2019
(with consolidating information as of June 30, 2020)

	2020				Total	2019
	Foundation	230 West 41st Street LLC	GrantsPlus	Eliminations		
CURRENT ASSETS						
Cash and cash equivalents	\$ 183,723,802	\$ 13,908,794	\$ 30,019	\$ -	\$ 197,662,615	\$ 184,009,537
Restricted cash (Note 8)	-	1,863,850	-	-	1,863,850	2,688,732
Grants, contracts, and accounts receivable (net of allowance of \$4,000,000 in 2020 and \$2,900,000 in 2019)	103,325,882	-	-	-	103,325,882	105,225,074
Rent receivable (net of allowance of \$398,339 in 2020 and \$0 in 2019)	-	468,511	-	-	468,511	254,546
Prepaid expenses and other assets	3,588,513	890,405	-	-	4,478,918	4,262,503
Prepaid postretirement benefits asset (Note 4)	3,065,678	-	-	-	3,065,678	1,211,926
Investments, at fair value (Note 3)	49,956,864	-	-	-	49,956,864	55,018,633
Investment in GrantsPlus	30,019	-	-	(30,019)	-	-
Investment in 230 West 41st Street LLC	18,910,440	-	-	(18,910,440)	-	-
Deferred rent receivable	-	20,263,096	-	(3,088,642)	17,174,454	16,419,379
Value of in-place leases (net of accumulated amortization of \$2,848,707 in 2020 and \$2,716,741 in 2019)	-	104,474	-	-	104,474	236,440
Above-market leases (net of accumulated amortization of \$1,929,315 in 2020 and \$1,829,945 in 2019)	-	78,231	-	-	78,231	177,601
Deferred costs (net of accumulated amortization of \$5,063,842 in 2020 and \$4,704,547 in 2019)	-	2,115,470	-	-	2,115,470	2,226,650
Fixed assets:						
Rental property, net (Note 7)	-	41,885,961	-	-	41,885,961	43,404,320
Furniture, fixtures, and equipment (net of accumulated depreciation of \$3,506,274 in 2020 and \$3,464,956 in 2019)	41,318	-	-	-	41,318	85,371
Total assets	<u>\$ 362,642,516</u>	<u>\$ 81,578,792</u>	<u>\$ 30,019</u>	<u>\$ (22,029,101)</u>	<u>\$ 422,222,226</u>	<u>\$ 415,220,712</u>
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses (Notes 4 and 6)	\$ 94,001,822	\$ 563,574	\$ -	\$ -	\$ 94,565,396	\$ 105,884,315
Deferred revenue (Note 5)	89,164,094	57,356	-	-	89,221,450	88,648,324
Grants payable to CUNY (Note 9)	3,261,146	-	-	-	3,261,146	2,579,475
Deferred rent payable	3,088,642	-	-	(3,088,642)	-	-
Tenant security deposits payable	-	407,452	-	-	407,452	407,452
Deposits held in custody for CUNY colleges	112,928,435	-	-	-	112,928,435	100,577,354
Mortgage loan payable, net (Note 8)	-	61,639,970	-	-	61,639,970	62,965,472
Total liabilities	<u>302,444,139</u>	<u>62,668,352</u>	<u>-</u>	<u>(3,088,642)</u>	<u>362,023,849</u>	<u>361,062,392</u>
Commitments and contingencies (Notes 2, 6 and 10)						
Net assets:						
Unrestricted:						
Postretirement benefits	3,065,678	-	-	-	3,065,678	1,211,926
230 West 41st Street LLC	18,910,440	18,910,440	-	(18,910,440)	18,910,440	15,024,628
GrantsPlus	30,019	-	30,019	(30,019)	30,019	30,019
Other	38,192,240	-	-	-	38,192,240	37,891,747
Total net assets	<u>60,198,377</u>	<u>18,910,440</u>	<u>30,019</u>	<u>(18,940,459)</u>	<u>60,198,377</u>	<u>54,158,320</u>
Total liabilities and net assets	<u>\$ 362,642,516</u>	<u>\$ 81,578,792</u>	<u>\$ 30,019</u>	<u>\$ (22,029,101)</u>	<u>\$ 422,222,226</u>	<u>\$ 415,220,712</u>

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, 2020 and 2019
(with consolidating information for the year ended June 30, 2020)

	2020					2019
	Consolidating information				Total	
	Foundation	230 West 41st Street LLC	GrantsPlus	Eliminations		
Grants and contracts administered for others:						
Revenue:						
Governmental	\$ 373,016,991	\$ -	\$ -	\$ -	\$ 373,016,991	\$ 383,298,329
Private	136,661,149	-	-	-	136,661,149	136,912,172
Total grants and contracts revenue	<u>509,678,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>509,678,140</u>	<u>520,210,501</u>
Expenses:						
Research	(146,038,405)	-	-	-	(146,038,405)	(152,357,287)
Training	(167,271,089)	-	-	-	(167,271,089)	(158,947,970)
Other sponsored activity	(145,858,955)	-	-	-	(145,858,955)	(157,501,390)
Other institutional activity	(50,509,691)	-	-	-	(50,509,691)	(51,403,854)
Total grants and contracts expenses	<u>(509,678,140)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(509,678,140)</u>	<u>(520,210,501)</u>
Administrative services:						
Revenue:						
Administrative fees	34,494,614	-	-	-	34,494,614	35,910,689
Investment return (Note 3)	1,749,063	54,010	-	-	1,803,073	2,297,515
Rental income (Notes 6 and 9)	-	17,508,171	-	(4,095,488)	13,412,683	13,000,969
Other	12,582	101,467	-	-	114,049	168,463
Total administrative revenue	<u>36,256,259</u>	<u>17,663,648</u>	<u>-</u>	<u>(4,095,488)</u>	<u>49,824,419</u>	<u>51,377,636</u>
Expenses:						
Management and general	(35,361,713)	-	-	4,095,488	(31,266,225)	(28,748,113)
Postretirement credit (Note 4)	11,920,301	-	-	-	11,920,301	6,319,349
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)	-	(5,725,100)	-	-	(5,725,100)	(4,692,260)
Interest expense	-	(3,050,917)	-	-	(3,050,917)	(3,114,556)
Real estate taxes (Note 11)	-	(1,266,136)	-	-	(1,266,136)	(1,123,810)
Depreciation and amortization	(44,053)	(1,985,683)	-	-	(2,029,736)	(2,381,973)
Total administrative expenses	<u>(25,785,465)</u>	<u>(12,027,836)</u>	<u>-</u>	<u>4,095,488</u>	<u>(33,717,813)</u>	<u>(36,041,363)</u>
Excess of revenue over expenses before other changes	10,470,794	5,635,812	-	-	16,106,606	15,336,273
Other changes:						
Change in Foundation investment in 230 West 41st Street LLC	3,885,812	-	-	(3,885,812)	-	-
230 West 41st Street LLC distribution to Foundation	1,750,000	(1,750,000)	-	-	-	-
Postretirement benefits changes other than net periodic benefit cost (Note 4)	(10,066,549)	-	-	-	(10,066,549)	(12,263,588)
Increase (decrease) in net assets	<u>6,040,057</u>	<u>3,885,812</u>	<u>-</u>	<u>(3,885,812)</u>	<u>6,040,057</u>	<u>3,072,685</u>
Net assets at beginning of year	54,158,320	15,024,628	30,019	(15,054,647)	54,158,320	51,085,635
Net assets at end of year	<u>\$ 60,198,377</u>	<u>\$ 18,910,440</u>	<u>\$ 30,019</u>	<u>\$ (18,940,459)</u>	<u>\$ 60,198,377</u>	<u>\$ 54,158,320</u>

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase in net assets without donor restrictions	\$ 6,040,057	\$ 3,072,685
Adjustments to reconcile increase in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation and amortization	2,172,678	2,524,915
Provision (reversal) for bad debts	1,498,339	(2,700,000)
Postretirement benefits changes other than net periodic benefit cost	10,066,549	12,263,588
Net appreciation in fair value of investments	(5,172)	(313,599)
Changes in assets and liabilities:		
Grants, contracts, accounts, and rents receivable	186,888	282,124
Prepaid expenses and other assets	(216,415)	(685,366)
Deferred rent receivable	(755,075)	51,150
Accounts payable and accrued expenses, and security deposit payable	(11,345,822)	13,545,445
Deferred revenue	573,126	(780,976)
Grants payable to CUNY	681,671	757,935
Postretirement benefits payable	(11,920,301)	(6,319,349)
Deposits held in custody for CUNY colleges	12,351,081	7,569,274
Net cash provided by operating activities	<u>9,327,604</u>	<u>29,267,826</u>
Cash flows from investing activities:		
Purchases of fixed assets	-	(9,508)
Expenditures for rental property improvements	50,838	(568,541)
Payment of deferred leasing costs	(248,115)	(39,856)
Purchases of investments	(91,145,267)	(120,820,420)
Sales and maturity of investments	96,212,208	114,543,856
Net cash provided by (used in) investing activities	<u>4,869,664</u>	<u>(6,894,469)</u>
Cash flows from financing activities:		
Principal payments on mortgage loan	(1,369,072)	(1,305,684)
Net cash used in financing activities	<u>(1,369,072)</u>	<u>(1,305,684)</u>
Net increase in cash and cash equivalents	12,828,196	21,067,673
Cash, cash equivalents, and restricted cash at beginning of year	<u>186,698,269</u>	<u>165,630,596</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 199,526,465</u>	<u>\$ 186,698,269</u>
Supplemental cash flow disclosure:		
Cash paid for interest	<u>\$ 3,012,766</u>	<u>\$ 3,076,154</u>
Additions for rental property improvements included in accounts payable and accrued expenses	<u>\$ 26,902</u>	<u>\$ 414,186</u>

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 approximately 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 accounting principles generally accepted in the United States of America (U.S. GAAP) for external financial reporting by not-for-profit organizations. All intercompany accounts and transactions have been eliminated in consolidation.

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 that 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 that 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

At June 30, 2020 and 2019, 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

During the year ended June 30, 2020, RF CUNY adopted Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional. As required by ASU 2018-08, RF CUNY applied the requirements to agreements that either were not completed as of June 30, 2019 or were entered into after July 1, 2019. Upon adoption of ASU 2018-08, RF CUNY determined that certain grants and contracts previously treated as exchange transactions meet the new definition of conditional contributions.

During the year ended June 30, 2019, revenue from grants and contracts was recognized as earned, that is, as the related costs were incurred under the grant or contract agreements.

Beginning July 1, 2019, with the adoption of ASU 2018-08, RF CUNY recognizes government and private grants and contracts as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or nonreciprocal. For contributions, revenue is recognized when a contribution becomes unconditional. Typically, grant and contract agreements contain a right of return or right of release from the respective obligation provision on the part of the grantor and RF CUNY has limited discretion over how funds transferred should be spent. As such, RF CUNY recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome.

Revenue from grants and contracts is 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. Included in private grants and contracts revenue are grants sponsored by CUNY, totaling approximately \$24,982,000 and \$29,943,000 for the years ended June 30, 2020 and 2019, 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 that extend the economic life of the Property are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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 2020 or 2019.

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.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated balance sheets that sum to the same such totals shown in the consolidated statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 197,662,615	\$ 184,009,537
Restricted cash	<u>1,863,850</u>	<u>2,688,732</u>
Total cash, cash equivalents and restricted cash	<u>\$ 199,526,465</u>	<u>\$ 186,698,269</u>

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, 2020 or 2019.

New Authoritative Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("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, 2019 (i.e., fiscal year ending June 30, 2021). RF CUNY is in the process of evaluating the new guidance and has not determined the impact this standard may have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires lessees and lessors to recognize leases on the balance sheet and disclose key information about leasing arrangements. Accounting Standards Codification ("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, 2021 (i.e., fiscal year ending June 30, 2023). Early adoption is permitted. RF CUNY is in the process of evaluating the new guidance and has not determined the impact this standard may have on the consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE 3 - INVESTMENTS

Investments held by the Foundation consisted of the following at June 30, 2020 and 2019:

	Fair value	
	2020	2019
U.S. money market	\$ 2,440,189	\$ 1,621,488
U.S. treasury bills	30,230,364	36,088,161
U.S. government agency obligations	811,696	738,650
U.S. equity securities	897,325	761,650
U.S. corporate bonds	15,577,290	15,808,684
Total	\$ 49,956,864	\$ 55,018,633

At June 30, 2020 and 2019, 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, 2020 and 2019 was approximately \$12,239,000 and \$10,753,000, 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 \$2,960,242 and \$2,877,890 as of June 30, 2020 and 2019, 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).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Information with respect to the postretirement plan follows:

	<u>2020</u>	<u>2019</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 173,931,565	\$ 154,504,129
Service cost	4,800,407	4,116,565
Interest cost	5,821,276	6,225,731
Actuarial loss	12,846,557	14,201,183
Benefits paid and administrative expenses	<u>(5,259,083)</u>	<u>(5,116,043)</u>
Benefit obligation at end of year	<u>192,140,722</u>	<u>173,931,565</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	175,143,491	161,660,294
Actual return on plan assets	9,862,909	9,483,197
Employer contributions	15,459,083	9,116,043
Benefits paid and administrative expenses	<u>(5,259,083)</u>	<u>(5,116,043)</u>
Fair value of plan assets at end of year	<u>195,206,400</u>	<u>175,143,491</u>
Funded status, recorded as an asset in the accompanying consolidated balance sheets	<u>\$ (3,065,678)</u>	<u>\$ (1,211,926)</u>
	<u>2020</u>	<u>2019</u>
Components of net periodic cost:		
Service cost	\$ 4,800,407	\$ 4,116,565
Interest cost	5,821,276	6,225,731
Expected return on plan assets	(8,757,175)	(8,083,015)
Recognized prior service credit	<u>1,674,274</u>	<u>537,413</u>
Net periodic benefit cost	<u>\$ 3,538,782</u>	<u>\$ 2,796,694</u>
	<u>2020</u>	<u>2019</u>
Weighted average assumptions for the years ended June 30:		
Discount rate used to determine benefit obligation	2.55%	3.40%
Discount rate used to determine net periodic benefit cost	3.40	4.10
Expected return on plan assets	5.00	5.00

For measurement purposes, increases in healthcare costs (5.50% in 2020) 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 2020:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total of service and interest cost components	\$ 1,741,645	\$ (1,924,278)
Effect on postretirement benefit obligation	32,387,645	(29,002,108)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The Foundation made contributions of \$10,200,000 and \$4,000,000 to the postretirement plan in 2020 and 2019, respectively. In addition, for the years ended June 30, 2020 and 2019, the Foundation paid claims and expenses of \$5,259,083 and \$5,116,043, respectively. The Foundation expects to contribute or pay claims and expenses aggregating to approximately \$1,000,000 in 2021.

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

<u>Year ending June 30,</u>	
2021	\$ 5,501,555
2022	5,886,454
2023	6,402,763
2024	6,891,626
2025	7,293,263
2026 - 2030	<u>41,967,876</u>
 Total	 <u>\$ 73,943,537</u>

At June 30, 2020 and 2019, the items not yet recognized as a component of net periodic benefit cost follow:

	<u>2020</u>	<u>2019</u>
Net loss	\$ 43,556,098	\$ 33,489,549

The actuarial loss that is expected to be amortized into net periodic cost in fiscal year 2021 is \$2,565,215.

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, 2020 and 2019, by asset category, follow:

	<u>Target allocation 2020</u>	<u>Actual allocation 2020</u>	<u>Target allocation 2019</u>	<u>Actual allocation 2019</u>
Growth portfolio:				
Domestic equity securities	24% - 70%	60%	24% - 70%	58%
Debt securities	13% - 42%	27%	13% - 42%	25%
Commodities	0% - 7%	1%	0% - 7%	0%
International equity securities	9% - 34%	6%	9% - 34%	10%
Cash equivalents	0% - 5%	6%	0% - 5%	7%
		<u>100%</u>		<u>100%</u>
	<u>Target allocation 2020</u>	<u>Actual allocation 2020</u>	<u>Target allocation 2019</u>	<u>Actual allocation 2019</u>
Immunized fixed income:				
Debt securities	100%	92%	100%	95%
Cash equivalents	0%	8%	0%	5%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, 2020 and 2019:

	2020			
	Fair Value	Level 1	Level 2	Level 3
Debt securities:				
Fixed income mutual fund	\$ 3,722,512	\$ 3,722,512	\$ -	\$ -
Corporate bonds	82,427,606	-	82,427,606	-
U.S. government obligations	13,362,296	13,362,296	-	-
Foreign bonds	9,557,119	-	9,557,119	-
Other	426,861	-	426,861	-
Total debt securities	<u>109,496,394</u>	<u>17,084,808</u>	<u>92,411,586</u>	<u>-</u>
Equity securities:				
Equity mutual funds	25,884,257	25,884,257	-	-
U.S. common stock	33,116,018	33,116,018	-	-
American depository receipts	4,579,863	4,579,863	-	-
Foreign stock	1,905,902	1,905,902	-	-
Real estate investment trusts	694,946	694,946	-	-
Total equity securities	66,180,987	66,180,987	-	-
Short-term investments	<u>10,869,577</u>	<u>10,869,577</u>	-	-
Total	186,546,958	<u>\$ 94,135,372</u>	<u>\$ 92,411,586</u>	<u>\$ -</u>
Investments valued at NAV	<u>8,659,442</u>			
	<u>\$ 195,206,400</u>			

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

	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	<u>86,844,531</u>	<u>15,187,595</u>	<u>71,656,936</u>	<u>-</u>
Equity securities:				
Equity mutual funds	28,890,937	28,890,937	-	-
U.S. common stock	29,900,581	29,900,581	-	-
American depository 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	<u>7,222,715</u>	<u>7,222,715</u>	-	-
Total	164,015,802	\$ 92,358,866	\$ 71,656,936	\$ -
Investments valued at NAV	<u>11,127,689</u>			
	<u>\$ 175,143,491</u>			

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of June 30, 2020 and 2019:

	2020 fair value	2019 fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period	Redemption restrictions
Common trust funds (a)	\$ 8,659,442	\$ 11,127,689	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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE 5 - DEFERRED REVENUE

At June 30, 2020 and 2019, cash advances for grants and contracts were for the following projects:

	<u>2020</u>	<u>2019</u>
Research	\$ 19,347,710	\$ 18,241,292
Training	22,252,548	24,725,375
Other sponsored activity	25,717,642	22,649,916
Other institutional activity	<u>21,903,550</u>	<u>23,031,741</u>
	<u>\$ 89,221,450</u>	<u>\$ 88,648,324</u>

NOTE 6 - COMMITMENTS

Rental Income under Operating Leases

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

<u>Year ending June 30,</u>	<u>LLC</u>	Less: Foundation portion eliminated in consolidation	<u>Total</u>
2021	\$ 13,832,029	\$ 3,391,179	\$ 10,440,850
2022	13,635,834	3,475,959	10,159,875
2023	12,520,461	3,562,858	8,957,603
2024	12,672,442	3,651,929	9,020,513
2025	13,348,995	3,999,551	9,349,444
Thereafter	<u>123,306,579</u>	<u>41,680,757</u>	<u>81,625,822</u>
Total minimum rental receipts	<u>\$ 189,316,340</u>	<u>\$ 59,762,233</u>	<u>\$ 129,554,107</u>

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 \$105,000,000.

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 \$3,254,913 included as a component of accounts payable and accrued expenses in the accompanying consolidated balance sheets as of June 30, 2020 and 2019, and is secured by an irrevocable letter of credit to the carrier for the same amount, which expires on December 31, 2020.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE 7 - RENTAL PROPERTY

Rental property (95% occupied as of June 30, 2020) consisted of the following at June 30,:

	<u>2020</u>	<u>2019</u>
Land	\$ 9,037,040	\$ 9,037,040
Building	36,149,160	36,149,160
Building improvements	12,663,113	12,361,820
Tenant improvements	15,630,186	15,630,186
Construction-in-progress	<u>13,090</u>	<u>338,320</u>
 Total	 73,492,589	 73,516,526
 Accumulated depreciation	 <u>(31,606,628)</u>	 <u>(30,112,206)</u>
 Rental property, net	 <u>\$ 41,885,961</u>	 <u>\$ 43,404,320</u>

NOTE 8 - MORTGAGE LOAN PAYABLE, NET

Outstanding mortgage loan payable as of June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Mortgage loan payable	\$ 62,679,694	\$ 64,048,766
Less unamortized costs of issuance	<u>(1,039,724)</u>	<u>(1,083,294)</u>
 Mortgage loan payable, net	 <u>\$ 61,639,970</u>	 <u>\$ 62,965,472</u>

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 five 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

At June 30, 2020, future minimum principal payments were as follows:

	<u>Amount</u>
2021	\$ 1,435,538
2022	1,505,230
2023	1,578,306
2024	1,654,929
2025	1,735,271
Thereafter	<u>54,770,420</u>
	<u>\$ 62,679,694</u>

Included in restricted cash in the accompanying consolidated balance sheets are balances in escrow accounts, including interest earned, of approximately \$1,456,000 and \$2,335,000 as of June 30, 2020 and 2019, respectively. Under the terms of the loan, the LLC was 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, 2020 and 2019, rental revenue from CUNY was \$6,024,668 and \$5,502,576, respectively.

In fiscal years 2020 and 2019, the Foundation approved grants to CUNY for central research initiatives of \$2,300,000 annually. Grants payable to CUNY at June 30, 2020 and 2019 were \$3,261,146 and \$2,579,475, respectively.

For the years ended June 30, 2020 and 2019, GrantsPlus' management fee to the Foundation for services rendered was \$0 and \$144,500, respectively, which was eliminated in consolidation.

NOTE 10 - PROPERTY MANAGEMENT FEES

The LLC has a management agreement that operated on a month-to-month basis with a third party to manage and provide leasing services to the Property for the years ended June 30, 2020 and 2019. The agreement was renewed on July 1, 2020 and will expire on July 1, 2023. 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 2020 and 2019, the LLC obtained a real estate tax reduction amounting to \$1,815,876 and \$1,837,403, respectively, relating to an exemption for the portion of the Property used by CUNY as a not-for-profit, tax exempt organization.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE 12 - NATURAL CLASSIFICATION OF EXPENSES

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, 2020 consisted of the following:

	<u>Program services</u>	<u>Administrative expenses</u>	<u>Total expenses</u>
Salaries and fringe	\$ 287,376,029	\$ 23,161,980	\$ 310,538,009
Facilities and administrative costs	60,372,216	-	60,372,216
Subcontracts	57,468,354	-	57,468,354
Independent contractor	17,658,028	199,314	17,857,342
Stipends	19,251,702	-	19,251,702
Supplies	11,485,375	75,254	11,560,629
Laboratory fees	1,071,867	-	1,071,867
Occupancy	5,616,528	-	5,616,528
Travel	5,804,416	8,909	5,813,325
Insurance	1,394,120	1,089,313	2,483,433
Conference and meeting	3,152,383	77,737	3,230,120
Postretirement credit	-	(11,920,301)	(11,920,301)
Interest expense	-	3,050,917	3,050,917
Real estate taxes	-	1,266,136	1,266,136
Depreciation and amortization	-	2,029,736	2,029,736
All other expenses	<u>39,027,122</u>	<u>14,678,818</u>	<u>53,705,940</u>
 Total expenses	 <u>\$ 509,678,140</u>	 <u>\$ 33,717,813</u>	 <u>\$ 543,395,953</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Expenses by natural classification for the year ended June 30, 2019 consisted of the following:

	<u>Program services</u>	<u>Administrative expenses</u>	<u>Total expenses</u>
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
Postretirement 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
	<u>\$ 520,210,501</u>	<u>\$ 36,041,363</u>	<u>\$ 556,251,864</u>
Total expenses			

NOTE 13 - LIQUIDITY

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 197,662,615	\$ 184,009,537
Grants, contracts, and accounts receivable, net	103,325,882	105,225,074
Investments	49,956,864	55,018,633
Less:		
Accounts payable	(78,868,204)	(91,982,088)
Deferred revenue	(89,164,094)	(88,535,259)
Deposits held in custody for CUNY colleges	<u>(112,928,435)</u>	<u>(100,577,354)</u>
Total financial assets available within one year	<u>\$ 69,984,628</u>	<u>\$ 63,158,543</u>

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE 14 - SUBSEQUENT EVENTS

RF CUNY evaluated events subsequent to June 30, 2020 and through October 16, 2020, 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, other than what has been disclosed below.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on RF CUNY's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on its grantees, employees and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact RF CUNY's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.