

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

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

June 30, 2023 and 2022

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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 and Related Entity

Opinion

We have audited the consolidated financial statements of the Research Foundation of the City University of New York and Related Entity (collectively, "RF CUNY"), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of RF CUNY as of June 30, 2023 and 2022, 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.

Basis for opinion

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

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's responsibilities for the audit of the financial statements

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

In performing an audit in accordance with US GAAS, we:

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

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

Other matters*Supplementary information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2023 consolidating information included in pages 6 - 7 is presented for purposes of additional analysis and is not a required part of the 2023 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 2023 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2023 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 2023 consolidated financial statements or to the 2023

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 2023 consolidating information is fairly stated, in all material respects, in relation to the 2023 consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
October 24, 2023

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

CONSOLIDATED BALANCE SHEETS

As of June 30, 2023 and 2022
(with consolidating information as of June 30, 2023)

	2023			
	Consolidating Information			Total
	Foundation	230 West 41st Street LLC	Eliminations	
ASSETS				
Cash and cash equivalents	\$ 250,782,646	\$ 18,432,954	\$ -	\$ 269,215,600
Restricted cash (Notes 2 and 8)	-	2,681,086	-	2,681,086
Grants, contracts, and accounts receivable (net of allowance of \$4,900,000 in 2023 and \$2,700,000 in 2022)	129,348,766	-	-	129,348,766
Rent receivable	-	854,893	-	854,893
Prepaid expenses and other assets	4,496,419	47,420	-	4,543,839
Prepaid postretirement benefits asset (Note 4)	65,877,728	-	-	65,877,728
Investments, at fair value (Note 3)	49,089,311	-	-	49,089,311
Investment in 230 West 41st Street LLC	27,035,196	-	(27,035,196)	-
Right-of-use asset	37,048,064	-	(37,048,064)	-
Deferred rent receivable	-	22,726,623	-	17,777,319
Deferred costs (net of accumulated amortization of \$5,878,305 in 2023 and \$5,633,342 in 2022)	-	1,534,815	-	1,534,815
Fixed assets:				
Rental property, net (Note 7)	-	39,669,770	-	39,669,770
Furniture, fixtures, and equipment (net of accumulated depreciation of \$3,546,385 in 2023 and \$3,546,385 in 2022)	-	-	-	-
Total assets	\$ 563,678,130	\$ 85,947,561	\$ (69,032,564)	\$ 580,593,127
				\$ 512,515,904
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses (Notes 4 and 6)	\$ 95,558,419	\$ 994,082	\$ -	\$ 96,552,501
Deferred revenue (Note 5)	145,345,501	53,254	-	145,398,755
Grants payable to CUNY (Note 9)	5,236,539	-	-	5,236,539
Lease liability	41,997,368	-	(41,997,368)	-
Tenant security deposits payable	-	613,419	-	613,419
Deposits held in custody for CUNY colleges	138,674,087	-	-	138,674,087
Mortgage loan payable, net (Note 8)	-	57,251,610	-	57,251,610
Total liabilities	426,811,914	58,912,365	(41,997,368)	443,726,911
Commitments and contingencies (Notes 2, 6 and 10)				
Net assets:				
Without donor restrictions:				
Postretirement benefits	65,877,728	-	-	65,877,728
230 West 41st Street LLC	27,035,196	27,035,196	(27,035,196)	27,035,196
Other	43,953,292	-	-	43,953,292
Total net assets	136,866,216	27,035,196	(27,035,196)	136,866,216
Total liabilities and net assets	\$ 563,678,130	\$ 85,947,561	\$ (69,032,564)	\$ 580,593,127
				\$ 512,515,904

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

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30, 2023 and 2022
(with consolidating information for the year ended June 30, 2023)

	2023			
	Consolidating information			2022
	Foundation	230 West 41st Street LLC	Eliminations	
Grants and contracts administered for others:				
Revenue:				
Governmental	\$ 394,885,748	\$ -	-	\$ 394,885,748
Private	165,535,419	-	-	165,535,419
Total grants and contracts revenue	560,421,167	-	-	560,421,167
Expenses:				
Research	(210,465,188)	-	-	(210,465,188)
Training	(147,485,217)	-	-	(147,485,217)
Other sponsored activity	(153,958,275)	-	-	(153,958,275)
Other institutional activity	(48,512,487)	-	-	(48,512,487)
Total grants and contracts expenses	(560,421,167)	-	-	(560,421,167)
Administrative services:				
Revenue:				
Administrative fees	38,219,841	-	-	38,219,841
Investment return (loss)	3,073,673	190,353	-	3,264,026
Rental income (Notes 6 and 9)	-	14,150,188	(4,096,535)	10,053,653
Other	12,370	51,605	-	63,975
Total administrative revenue	41,305,884	14,392,146	(4,096,535)	51,601,495
Expenses:				
Management and general	(33,441,767)	-	4,096,535	(29,345,232)
Postretirement credit (Note 4)	5,533,780	-	-	5,533,780
Grants to CUNY for central research initiatives (Note 9)	(2,993,650)	-	-	(2,993,650)
Operating expenses of 230 West 41st Street LLC (Note 10)	-	(5,718,924)	-	(5,718,924)
Interest expense	-	(2,840,855)	-	(2,840,855)
Real estate taxes (Note 11)	-	(1,305,261)	-	(1,305,261)
Depreciation and amortization	(1,208)	(1,744,894)	-	(1,746,102)
Total administrative expenses	(30,902,845)	(11,609,934)	4,096,535	(38,416,244)
Excess of revenue over expenses before other changes	10,403,039	2,782,212	-	13,185,251
Other changes:				
Change in Foundation investment in 230 West 41st Street LLC	1,282,212	-	(1,282,212)	-
230 West 41st Street LLC distribution to Foundation	1,500,000	(1,500,000)	-	-
Postretirement benefits changes other than net periodic benefit cost (Note 4)	19,230,236	-	-	19,230,236
Increase (decrease) in net assets	32,415,487	1,282,212	(1,282,212)	32,415,487
Net assets at beginning of year	104,450,729	25,752,984	(25,752,984)	104,450,729
Net assets at end of year	\$ 136,866,216	\$ 27,035,196	\$ (27,035,196)	\$ 136,866,216
				\$ 104,450,729

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Increase in net assets without donor restrictions	\$ 32,415,487	\$ 24,764,218
Adjustments to reconcile increase in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation and amortization	1,789,673	1,817,471
Provision for bad debts	(2,013,064)	573,074
Postretirement benefits changes other than net periodic benefit cost	(19,230,236)	(7,211,936)
Net (appreciation) depreciation in fair value of investments	(156,059)	761,205
Changes in assets and liabilities:		
Grants, contracts, accounts, and rents receivable	(26,210,440)	956,909
Prepaid expenses and other assets	84,855	1,066,264
Deferred rent receivable	27,695	(311,665)
Accounts payable and accrued expenses, and security deposit payable	11,144,586	482,711
Deferred revenue	18,023,279	38,834,187
Grants payable to CUNY	342,263	791,195
Postretirement benefits payable	(5,533,780)	(14,267,991)
Deposits held in custody for CUNY colleges	7,657,922	9,497,458
Net cash provided by operating activities	<u>18,342,181</u>	<u>57,753,100</u>
Cash flows from investing activities:		
Expenditures for rental property improvements	(671,454)	(1,238,163)
Payment of deferred leasing costs	(104,868)	(122,045)
Purchases of investments	(89,565,988)	(60,857,146)
Sales and maturity of investments	84,837,230	66,806,041
Net cash (used in) provided by investing activities	<u>(5,505,080)</u>	<u>4,588,687</u>
Cash flows from financing activities:		
Principal payments on mortgage loan	<u>(1,578,306)</u>	<u>(1,505,230)</u>
Net cash used in financing activities	<u>(1,578,306)</u>	<u>(1,505,230)</u>
Net increase in cash, cash equivalents, and restricted cash	11,258,795	60,836,557
Cash, cash equivalents, and restricted cash at beginning of year	<u>260,637,891</u>	<u>199,801,334</u>
Cash, cash equivalents, and restricted cash at end of year	<u><u>\$ 271,896,686</u></u>	<u><u>\$ 260,637,891</u></u>
Supplemental cash flow disclosure:		
Cash paid for interest	<u>\$ 2,803,532</u>	<u>\$ 2,876,608</u>
Additions for rental property improvements included in accounts payable and accrued expenses	<u><u>\$ 28,420</u></u>	<u><u>\$ 290,718</u></u>

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements, which consolidate the accounts of the Foundation and the LLC (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.

At June 30, 2023 and 2022, 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Grants and Contracts Revenue Recognition

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 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 \$24,653,000 and \$19,828,000 for the years ended June 30, 2023 and 2022, 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. 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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.

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 2023 or 2022.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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:

	2023	2022
Cash and cash equivalents	\$ 269,215,600	\$ 258,822,451
Restricted cash	2,681,086	1,815,440
Total cash, cash equivalents and restricted cash	<u>\$ 271,896,686</u>	<u>\$ 260,637,891</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.

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

RF CUNY is exempt from federal income tax under Section 501(a) of the Code as an organization described in section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code.

RF CUNY follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

Leases

RF CUNY adopted ASU 216-02, *Leases (Topic 842)*, as of July 1, 2022. After adoption of this standard, RF CUNY determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether RF CUNY controls the use of the identified asset throughout the period of use. RF CUNY classifies leases as either financing or operating, which is determined at the commencement of the lease. Right-of-use ("ROU") assets are recognized at the lease commencement date and represent RF CUNY's right to use an underlying asset for the lease term and lease liabilities represent RF CUNY's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. The present value of lease payments is discounted based on a risk-free rate.

NOTE 3 - INVESTMENTS

Investments held by the Foundation consisted of the following at June 30, 2023 and 2022:

	Fair Value	
	2023	2022
U.S. money market	\$ 5,129,337	\$ 4,973,536
U.S. treasury bills	25,806,339	24,087,937
U.S. government agency obligations	1,442,318	1,266,440
U.S. equity securities	1,002,583	940,853
U.S. corporate bonds	15,708,734	12,935,728
Total	<u>\$ 49,089,311</u>	<u>\$ 44,204,494</u>

At June 30, 2023 and 2022, 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, 2023 and 2022 was \$12,529,593 and \$10,889,158, 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 \$3,479,797 and \$3,337,084 as of June 30, 2023 and 2022, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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 non-pension 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:

	2023	2022
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 158,441,204	\$ 203,971,610
Service cost	3,548,723	5,561,916
Interest cost	6,834,622	5,427,969
Actuarial gain	(9,883,953)	(50,648,868)
Benefits paid and administrative expenses	<u>(6,217,803)</u>	<u>(5,871,423)</u>
Benefit obligation at end of year	<u>152,722,793</u>	<u>158,441,204</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	199,554,916	223,605,395
Actual return on plan assets	19,045,605	(33,050,479)
Employer contributions	6,217,803	14,871,423
Benefits paid and administrative expenses	<u>(6,217,803)</u>	<u>(5,871,423)</u>
Fair value of plan assets at end of year	<u>218,600,521</u>	<u>199,554,916</u>
Funded status, recorded as an asset in the accompanying consolidated balance sheets	<u>\$ (65,877,728)</u>	<u>\$ (41,113,712)</u>
	2023	2022
Components of net periodic cost:		
Service cost	\$ 3,548,723	\$ 5,561,916
Interest cost	6,834,622	5,427,969
Expected return on plan assets	(9,977,746)	(11,180,270)
Recognized prior service credit	<u>278,424</u>	<u>793,817</u>
Net periodic benefit cost	<u>\$ 684,023</u>	<u>\$ 603,432</u>
	2023	2022
Weighted average assumptions for the years ended June 30:		
Discount rate used to determine benefit obligation	4.90%	4.40%
Discount rate used to determine net periodic benefit cost	4.40%	2.70%
Expected return on plan assets	5.00%	5.00%

For measurement purposes, increases in healthcare costs (5.50% in 2023) were assumed to decrease by 0.25% per year in years 2024 through 2030 to an ultimate rate of 3.50% in 2031 and after.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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 2023:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total of service and interest cost components	\$ 1,714,514	\$ (1,592,267)
Effect on postretirement benefit obligation	19,359,337	(19,088,352)

The Foundation made contributions of \$0 and \$9,000,000 to the postretirement plan in 2023 and 2022, respectively. In addition, for the years ended June 30, 2023 and 2022, the Foundation paid claims and expenses of \$6,217,803 and \$5,871,423, respectively. The Foundation expects to contribute or pay claims and expenses aggregating to approximately \$6,000,000 in 2024.

The benefits expected to be paid in each fiscal year from 2024 through 2028 and the five subsequent years are:

<u>Year Ending June 30,</u>	
2024	\$ 6,487,677
2025	7,078,178
2026	7,682,487
2027	8,269,209
2028	8,678,360
2029 - 2033	<u>49,506,075</u>
 Total	 <u>\$ 87,701,986</u>

At June 30, 2023 and 2022, the items not yet recognized as a component of net periodic benefit cost follow:

	<u>2023</u>	<u>2022</u>
Net loss	\$ 3,329,928	\$ 22,560,164

The actuarial loss that is expected to be amortized into net periodic cost in fiscal year 2024 is \$0.

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, 2023 and 2022, by asset category, follow:

	<u>Target Allocation 2023</u>	<u>Actual Allocation 2023</u>	<u>Target Allocation 2022</u>	<u>Actual Allocation 2022</u>
Growth portfolio:				
Domestic equity securities	24% - 70%	59%	24% - 70%	56%
Debt securities	13% - 42%	31%	13% - 42%	31%
Commodities	0% - 7%	0%	0% - 7%	0%
International equity securities	9% - 34%	4%	9% - 34%	4%
Cash equivalents	0% - 5%	6%	0% - 5%	9%
		<u>100%</u>		<u>100%</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

	Target Allocation 2023	Actual Allocation 2023	Target Allocation 2022	Actual Allocation 2022
Immunized fixed income:				
Debt securities	100%	78%	100%	86%
Cash equivalents	0%	22%	0%	14%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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, 2023 and 2022:

	2023			
	Fair Value	Level 1	Level 2	Level 3
Debt securities:				
Fixed income mutual fund	\$ 4,607,311	\$ 4,607,311	\$ -	\$ -
Corporate bonds	63,984,331	-	63,984,331	-
U.S. government obligations	13,382,840	13,382,840	-	-
Foreign bonds	9,601,200	-	9,601,200	-
Other	1,353,338	-	1,353,338	-
Total debt securities	<u>92,929,020</u>	<u>17,990,151</u>	<u>74,938,869</u>	<u>-</u>
Equity securities:				
Equity mutual funds	44,041,497	44,041,497	-	-
U.S. common stock	45,719,596	45,719,596	-	-
American depositary receipts	4,347,400	4,347,400	-	-
Foreign stock	2,653,500	2,653,500	-	-
Real estate investment trusts	776,661	776,661	-	-
Total equity securities	<u>97,538,654</u>	<u>97,538,654</u>	<u>-</u>	<u>-</u>
Short-term investments	<u>19,054,396</u>	<u>19,054,396</u>	<u>-</u>	<u>-</u>
Total	209,522,070	<u>\$ 134,583,201</u>	<u>\$ 74,938,869</u>	<u>\$ -</u>
Investments valued at NAV	<u>9,078,451</u>			
	<u>\$ 218,600,521</u>			

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

		2022		
	Fair Value	Level 1	Level 2	Level 3
Debt securities:				
Fixed income mutual fund	\$ 5,017,158	\$ 5,017,158	\$ -	\$ -
Corporate bonds	61,751,673	-	61,751,673	-
U.S. government obligations	10,776,720	10,776,720	-	-
Foreign bonds	10,416,263	-	10,416,263	-
Other	2,076,887	-	2,076,887	-
Total debt securities	90,038,701	15,793,878	74,244,823	-
Equity securities:				
Equity mutual funds	36,990,679	36,990,679	-	-
U.S. common stock	36,335,117	36,335,117	-	-
American depositary receipts	3,807,379	3,807,379	-	-
Foreign stock	1,869,319	1,869,319	-	-
Real estate investment trusts	932,689	932,689	-	-
Total equity securities	79,935,183	79,935,183	-	-
Short-term investments	17,844,164	17,844,164	-	-
Total	187,818,048	\$ 113,573,225	\$ 74,244,823	\$ -
Investments valued at NAV	11,736,868			
	\$ 199,554,916			

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of June 30, 2023 and 2022:

	2023 Fair Value	2022 Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	Redemption Restrictions
Common trust funds ^(a)	\$ 9,078,451	\$ 11,736,868	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 Entity

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 5 - DEFERRED REVENUE

At June 30, 2023 and 2022, cash advances for grants and contracts were for the following projects:

	2023	2022
Research	\$ 27,115,142	\$ 30,279,073
Training	42,754,950	30,240,258
Other sponsored activity	48,570,775	44,734,320
Other institutional activity	26,957,888	22,121,825
	<u>\$ 145,398,755</u>	<u>\$ 127,375,476</u>

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
2024	\$ 13,176,077	\$ 3,651,929	\$ 9,524,148
2025	14,097,427	3,999,551	10,097,876
2026	14,248,238	4,110,684	10,137,554
2027	13,718,078	4,213,451	9,504,627
2028	13,778,680	4,318,788	9,459,892
Thereafter	85,579,967	29,037,833	56,542,134
	<u>\$ 154,598,467</u>	<u>\$ 49,332,236</u>	<u>\$ 105,266,231</u>
Total minimum rental receipts			

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 \$86,000,000.

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 \$3,125,400, is included as a component of accounts payable and accrued expenses in the accompanying consolidated balance sheets as of June 30, 2023 and 2022, and is secured by an irrevocable letter of credit to the carrier for the same amount, which expires on December 31, 2023.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 7 - RENTAL PROPERTY

Rental property (80% occupied as of June 30, 2023) consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 9,037,040	\$ 9,037,040
Building	36,149,160	36,149,160
Building improvements	13,713,611	12,991,656
Tenant improvements	16,856,834	16,857,194
Construction-in-progress	<u>-</u>	<u>21,720</u>
Total	75,756,645	75,056,770
Accumulated depreciation	<u>(36,086,875)</u>	<u>(34,586,944)</u>
Rental property, net	<u>\$ 39,669,770</u>	<u>\$ 40,469,826</u>

NOTE 8 - MORTGAGE LOAN PAYABLE, NET

The outstanding mortgage loan payable as of June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Mortgage loan payable	\$ 58,160,621	\$ 59,738,927
Less unamortized costs of issuance	<u>(909,011)</u>	<u>(952,583)</u>
Mortgage loan payable, net	<u>\$ 57,251,610</u>	<u>\$ 58,786,344</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.

At June 30, 2023, future minimum principal payments were as follows:

	<u>Amount</u>
2024	\$ 1,654,929
2025	1,735,272
2026	1,819,516
2027	1,907,850
2028	2,000,472
Thereafter	<u>49,042,582</u>
	<u>\$ 58,160,621</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Included in restricted cash in the accompanying consolidated balance sheets are balances in escrow accounts, including interest earned, of approximately \$2,068,000 and \$1,252,000 as of June 30, 2023 and 2022, 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 that expires in April 2034. To account for this lease, the Foundation recorded a right-of-use asset of \$37,048,064 and a related lease liability of \$41,997,368 on the accompanying consolidating balance sheet, both of which are eliminated in consolidation.

CUNY has an agreement with the LLC to lease 122,424 square feet of space in the Property of which 8,056 expires in March 2026 and 114,368 expires in April 2034. For the years ended June 30, 2023 and 2022, rental revenue from CUNY was \$6,488,567 and \$6,330,107, respectively.

In fiscal years 2023 and 2022, the Foundation approved grants to CUNY for central research initiatives of \$2,993,650 and \$2,718,650, respectively. Grants payable to CUNY at June 30, 2023 and 2022 were \$5,236,539 and \$4,894,276, respectively.

NOTE 10 - PROPERTY MANAGEMENT FEES

The LLC has a management agreement with a third party to manage and provide leasing services to the Property that expires on July 1, 2024. 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 and are amortized over the life of the lease.

NOTE 11 - REAL ESTATE TAX EXEMPTION

During fiscal years 2023 and 2022, the LLC obtained a real estate tax reduction amounting to \$1,871,247 and \$1,700,291, respectively, relating to an exemption for the portions of the Property used by CUNY and the Foundation as not-for-profit, tax exempt organizations.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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, 2023 consisted of the following:

	<u>Program Services</u>	<u>Administrative Expenses</u>	<u>Total Expenses</u>
Salaries and fringe	\$ 322,404,198	\$ 23,490,066	\$ 345,894,264
Facilities and administrative costs	68,040,989	-	68,040,989
Subcontracts	51,188,277	-	51,188,277
Independent contractor	25,653,532	24,510	25,678,042
Stipends	23,609,766	-	23,609,766
Supplies	16,731,636	47,828	16,779,464
Laboratory fees	3,075,814	-	3,075,814
Occupancy	2,033,393	-	2,033,393
Travel	7,200,316	1,956	7,202,272
Insurance	209,856	2,035,129	2,244,985
Conference and meeting	3,427,253	68,103	3,495,356
Equipment and Furniture	11,559,360	114,206	11,673,566
Postretirement credit	-	(5,533,780)	(5,533,780)
Interest expense	-	2,840,855	2,840,855
Real estate taxes	-	1,305,261	1,305,261
Depreciation and amortization	-	1,746,102	1,746,102
All other expenses	<u>25,286,777</u>	<u>12,276,008</u>	<u>37,562,785</u>
 Total expenses	 <u>\$ 560,421,167</u>	 <u>\$ 38,416,244</u>	 <u>\$ 598,837,411</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Expenses by natural classification for the year ended June 30, 2022 consisted of the following:

	<u>Program Services</u>	<u>Administrative Expenses</u>	<u>Total Expenses</u>
Salaries and fringe	\$ 289,012,023	\$ 22,679,111	\$ 311,691,134
Facilities and administrative costs	59,355,293	-	59,355,293
Subcontracts	39,757,834	-	39,757,834
Independent contractor	20,335,802	27,193	20,362,995
Stipends	20,956,057	-	20,956,057
Supplies	14,570,946	35,048	14,605,994
Laboratory fees	1,792,040	-	1,792,040
Occupancy	2,218,466	-	2,218,466
Travel	3,059,766	750	3,060,516
Insurance	197,568	1,925,840	2,123,408
Conference and meeting	1,498,329	11,136	1,509,465
Postretirement credit	-	(14,267,991)	(14,267,991)
Interest expense	-	2,914,220	2,914,220
Real estate taxes	-	1,188,821	1,188,821
Depreciation and amortization	-	1,773,900	1,773,900
All other expenses	31,696,077	11,754,634	43,450,711
	<u>\$ 484,450,201</u>	<u>\$ 28,042,662</u>	<u>\$ 512,492,863</u>
Total expenses	<u>\$ 484,450,201</u>	<u>\$ 28,042,662</u>	<u>\$ 512,492,863</u>

NOTE 13 - LIQUIDITY

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 269,215,600	\$ 258,822,451
Grants, contracts, and accounts receivable, net	129,348,766	101,707,596
Investments	49,089,311	44,204,494
Less:		
Accounts payable	(96,552,501)	(85,429,537)
Deferred revenue	(145,398,755)	(127,375,476)
Deposits held in custody for CUNY colleges	<u>(138,674,087)</u>	<u>(131,016,165)</u>
Total financial assets available within one year	<u>\$ 67,028,334</u>	<u>\$ 60,913,363</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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 14 - LINE OF CREDIT

RF CUNY entered into a line of credit agreement for \$15 million with First Republic Bank on January 6, 2021. The interest rate on the line of credit shall be equal to the Index minus one-quarter percent (0.25%) per annum but should not be adjusted to less than three percent (3%) per annum. The line of credit is secured by RF CUNY's accounts receivable with a value at June 30, 2023 of approximately \$129 million. RF CUNY did not utilize the line of credit during fiscal 2023, and the outstanding balance at June 30, 2023 was \$0.

The terms of the line of credit require the maintenance of covenants, including financial reporting requirements and liquidity ratio minimums, which the bank may waive or modify at any time at their discretion.

NOTE 15 - SUBSEQUENT EVENTS

RF CUNY evaluated events subsequent to June 30, 2023 and through October 24, 2023, 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.