Consolidated Financial Statements and Report of Independent Certified Public Accountants

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

June 30, 2021 and 2020

Contents

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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 entity (collectively, "RF CUNY"), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, 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.

GrantThornton

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 entity as of June 30, 2021 and 2020, 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2021 consolidating information included in pages 5 - 6 is presented for purposes of additional analysis and is not a required part of the 2021 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 2021 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2021 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 2021 consolidated financial statements or to the 2021 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 2021 consolidating information is fairly stated, in all material respects, in relation to the 2021 consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
October 21, 2021

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

CONSOLIDATED BALANCE SHEETS

As of June 30, 2021 and 2020
(with consolidating information as of June 30, 2021)

	2021				
	Consolidating Information				
	Foundation	230 West 41st Street LLC	Eliminations	Total	2020
ASSETS					
Cash and cash equivalents	$ 181,255,387	$ 16,931,511	$ -	$ 198,186,898	$ 197,662,615
Restricted cash (Notes 2 and 8)	-	1,614,436	-	1,614,436	1,863,850
Grants, contracts, and accounts receivable (net of allowance of $3,700,000 in 2021 and $4,000,000 in 2020)	102,301,763	-	-	102,301,763	103,325,882
Rent receivable (net of allowance of $132,193 in 2021 and $398,339 in 2020)	-	1,208,375	-	1,208,375	468,511
Prepaid expenses and other assets	4,579,845	1,115,113	-	5,694,958	4,478,918
Prepaid postretirement benefits asset (Note 4)	19,633,785	-	-	19,633,785	3,065,678
Investments, at fair value (Note 3)	50,914,594	-	-	50,914,594	49,956,864
Investment in 230 West 41st Street LLC	23,237,816	-	(23,237,816)	-	-
Deferred rent receivable	-	21,287,698	(3,794,349)	17,493,349	17,174,454
Value of in-place leases (net of accumulated amortization of $2,953,181 in 2021 and $2,848,707 in 2020)	-	-	-	-	104,474
Above-market leases (net of accumulated amortization of $2,007,546 in 2021 and $1,929,315 in 2020)	-	-	-	-	78,231
Deferred costs (net of accumulated amortization of $5,356,570 in 2021 and $5,063,842 in 2020)	-	1,829,637	-	1,829,637	2,115,470
Fixed assets:					
Rental property, net (Note 7)	-	40,425,616	-	40,425,616	41,885,961
Furniture, fixtures, and equipment (net of accumulated depreciation of $3,533,927 in 2021 and $3,506,274 in 2020)	13,665	-	-	13,665	41,318
Total assets	$ 381,936,855	$ 84,412,386	$ (27,032,165)	$ 439,317,076	$ 422,222,226
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses (Notes 4 and 6)	$ 84,316,979	$ 495,054	$ -	$ 84,812,033	$ 94,565,396
Deferred revenue (Note 5)	88,517,228	24,061	-	88,541,289	89,221,450
Grants payable to CUNY (Note 9)	4,103,081	-	-	4,103,081	3,261,146
Deferred rent payable	3,794,349	-	(3,794,349)	-	-
Tenant security deposits payable	-	407,452	-	407,452	407,452
Deposits held in custody for CUNY colleges	121,518,707	-	-	121,518,707	112,928,435
Mortgage loan payable, net (Note 8)	-	60,248,003	-	60,248,003	61,639,970
Total liabilities	302,250,344	61,174,570	(3,794,349)	359,630,565	362,023,849
Commitments and contingencies (Notes 2, 6 and 10)					
Net assets:					
Without donor restrictions:					
Postretirement benefits	19,633,785	-	-	19,633,785	3,065,678
230 West 41st Street LLC	23,237,816	23,237,816	(23,237,816)	23,237,816	18,910,440
Other	36,814,910	-	-	36,814,910	38,222,259
Total net assets	79,686,511	23,237,816	(23,237,816)	79,686,511	60,198,377
Total liabilities and net assets	$ 381,936,855	$ 84,412,386	$ (27,032,165)	$ 439,317,076	$ 422,222,226

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, 2021 and 2020
(with consolidating information for the year ended June 30, 2021)

	2021				
	Consolidating information				
	Foundation	230 West 41st Street LLC	Eliminations	Total	2020
Grants and contracts administered for others:					
Revenue:					
Governmental	$ 340,990,967	$ -	$ -	$ 340,990,967	$ 373,016,991
Private	127,209,230	-	-	127,209,230	136,661,149
Total grants and contracts revenue	468,200,197	-	-	468,200,197	509,678,140
Expenses:					
Research	(154,507,450)	-	-	(154,507,450)	(146,038,405)
Training	(148,761,720)	-	-	(148,761,720)	(167,271,089)
Other sponsored activity	(123,396,902)	-	-	(123,396,902)	(145,858,955)
Other institutional activity	(41,534,125)	-	-	(41,534,125)	(50,509,691)
Total grants and contracts expenses	(468,200,197)	-	-	(468,200,197)	(509,678,140)
Administrative services:					
Revenue:					
Administrative fees	31,960,299	-	-	31,960,299	34,494,614
Investment return	(21,082)	11,355	-	(9,727)	1,803,073
Rental income (Notes 6 and 9)	-	16,061,829	(4,096,553)	11,965,276	13,412,683
Other	41,609	29,819	-	71,428	114,049
Total administrative revenue	31,980,826	16,103,003	(4,096,553)	43,987,276	49,824,419
Expenses:					
Management and general	(32,060,522)	-	4,096,553	(27,963,969)	(31,266,225)
Postretirement credit (Note 4)	2,784,109	-	-	2,784,109	11,920,301
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)	-	(4,524,556)	-	(4,524,556)	(5,725,100)
Interest expense	-	(2,984,189)	-	(2,984,189)	(3,050,917)
Real estate taxes (Note 11)	-	(1,374,034)	-	(1,374,034)	(1,266,136)
Depreciation and amortization	(27,653)	(1,892,848)	-	(1,920,501)	(2,029,736)
Total administrative expenses	(31,604,066)	(10,775,627)	4,096,553	(38,283,140)	(33,717,813)
Excess of revenue over expenses before other changes	376,760	5,327,376	-	5,704,136	16,106,606
Other changes:					
Change in Foundation investment in 230 West 41st Street LLC	4,327,376	-	(4,327,376)	-	-
230 West 41st Street LLC distribution to Foundation	1,000,000	(1,000,000)	-	-	-
Postretirement benefits changes other than net periodic benefit cost (Note 4)	13,783,998	-	-	13,783,998	(10,066,549)
Increase (decrease) in net assets	19,488,134	4,327,376	(4,327,376)	19,488,134	6,040,057
Net assets at beginning of year	60,198,377	18,910,440	(18,910,440)	60,198,377	54,158,320
Net assets at end of year	$ 79,686,511	$ 23,237,816	$ (23,237,816)	$ 79,686,511	$ 60,198,377

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, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets without donor restrictions	$ 19,488,134	$ 6,040,057
Adjustments to reconcile increase in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation and amortization	2,042,303	2,172,678
Provision for bad debts	334,512	1,498,339
Postretirement benefits changes other than net periodic benefit cost	(13,783,998)	10,066,549
Net depreciation (appreciation) in fair value of investments	8,589	(5,173)
Changes in assets and liabilities:		
Grants, contracts, accounts, and rents receivable	(50,257)	186,888
Prepaid expenses and other assets	(1,216,040)	(216,415)
Deferred rent receivable	(318,895)	(755,075)
Accounts payable and accrued expenses, and security deposit payable	(9,762,153)	(11,345,821)
Deferred revenue	(680,161)	573,126
Grants payable to CUNY	841,935	681,671
Postretirement benefits payable	(2,784,109)	(11,920,301)
Deposits held in custody for CUNY colleges	8,590,272	12,351,081
Net cash provided by operating activities	2,710,132	9,327,604
Cash flows from investing activities:		
Expenditures for rental property improvements	(26,510)	50,838
Payment of deferred leasing costs	(6,895)	(248,115)
Purchases of investments	(78,290,424)	(91,145,267)
Sales and maturity of investments	77,324,104	96,212,208
Net cash (used in) provided by investing activities	(999,725)	4,869,664
Cash flows from financing activities:		
Principal payments on mortgage loan	(1,435,538)	(1,369,072)
Net cash used in financing activities	(1,435,538)	(1,369,072)
Net increase in cash, cash equivalents, and restricted cash	274,869	12,828,196
Cash, cash equivalents, and restricted cash at beginning of year	199,526,465	186,698,269
Cash, cash equivalents, and restricted cash at end of year	$ 199,801,334	$ 199,526,465
Supplemental cash flow disclosure:		
Cash paid for interest	$ 2,946,300	$ 3,012,766
Additions for rental property improvements included in accounts payable and accrued expenses	$ 8,790	$ 26,902

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

NOTE 1 - ORGANIZATION AND PURPOSE

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

230 West 41st Street LLC (the "LLC") was established on May 7, 2004 as a Delaware limited liability company and organized pursuant to the Limited Liability Operating Agreement (the "Agreement") dated July 14, 2004 between the Foundation (the Sole Member with a 100% interest in the LLC) and the LLC. The LLC was formed to acquire, own, and operate an 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, 2021 and 2020, 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

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 $19,703,000 and $24,982,000 for the years ended June 30, 2021 and 2020, 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.

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 2021 or 2020.

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:

	2021	2020
Cash and cash equivalents	$ 198,186,898	$ 197,662,615
Restricted cash	1,614,436	1,863,850
Total cash, cash equivalents and restricted cash	$ 199,801,334	$ 199,526,465

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. 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.

New Authoritative Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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.

NOTE 3 - INVESTMENTS

Investments held by the Foundation consisted of the following at June 30, 2021 and 2020:

	Fair Value	
	2021	2020
U.S. money market	$ 2,674,600	$ 2,440,189
U.S. treasury bills	30,282,626	30,230,364
U.S. government agency obligations	1,064,068	811,696
U.S. equity securities	1,195,943	897,325
U.S. corporate bonds	15,697,357	15,577,290
Total	$ 50,914,594	$ 49,956,864

At June 30, 2021 and 2020, 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, 2021 and 2020 was approximately $12,089,000 and $12,239,000, 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 $3,087,713 and $2,960,242 as of June 30, 2021 and 2020, respectively.

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

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

Information with respect to the postretirement plan follows:

	2021	2020
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 192,140,722	$ 173,931,565
Service cost	5,178,361	4,800,407
Interest cost	4,829,443	5,821,276
Actuarial loss	7,419,892	12,846,557
Benefits paid and administrative expenses	(5,596,808)	(5,259,083)
Benefit obligation at end of year	203,971,610	192,140,722
Change in plan assets:		
Fair value of plan assets at beginning of year	195,206,400	175,143,491
Actual return on plan assets	28,398,995	9,862,909
Employer contributions	5,596,808	15,459,083
Benefits paid and administrative expenses	(5,596,808)	(5,259,083)
Fair value of plan assets at end of year	223,605,395	195,206,400
Funded status, recorded as an asset in the accompanying consolidated balance sheets	$ (19,633,785)	$ (3,065,678)

	2021	2020
Components of net periodic cost:		
Service cost	$ 5,178,361	$ 4,800,407
Interest cost	4,829,443	5,821,276
Expected return on plan assets	(9,760,320)	(8,757,175)
Recognized prior service credit	2,565,215	1,674,274
Net periodic benefit cost	$ 2,812,699	$ 3,538,782

	2021	2020
Weighted average assumptions for the years ended June 30:		
Discount rate used to determine benefit obligation	2.70%	2.55%
Discount rate used to determine net periodic benefit cost	2.55	3.40
Expected return on plan assets	5.00	5.00

For measurement purposes, increases in healthcare costs (6.0% in 2021) were assumed to decrease by 0.25% per year in years 2022 through 2030 to an ultimate rate of 3.5% in 2031 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 2021:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 2,803,870	$ (1,460,374)
Effect on postretirement benefit obligation	32,320,002	(29,522,425)

The Foundation made contributions of $0 and $10,200,000 to the postretirement plan in 2021 and 2020, respectively. In addition, for the years ended June 30, 2021 and 2020, the Foundation paid claims and expenses of $5,596,808 and $5,259,083, respectively. The Foundation expects to contribute or pay claims and expenses aggregating to approximately $1,000,000 in 2022.

The benefits expected to be paid in each fiscal year from 2022 through 2026 and the five subsequent years are:

Year Ending June 30,	
2022	$ 5,871,423
2023	6,346,993
2024	6,952,759
2025	7,541,244
2026	8,141,071
2027 - 2031	47,625,177
Total	$ 82,478,667

At June 30, 2021 and 2020, the items not yet recognized as a component of net periodic benefit cost follow:

	2021	2020
Net loss	$ 29,772,100	$ 43,556,098

The actuarial loss that is expected to be amortized into net periodic cost in fiscal year 2022 is $793,817.

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, 2021 and 2020, by asset category, follow:

	Target Allocation 2021	Actual Allocation 2021	Target Allocation 2020	Actual Allocation 2020
Growth portfolio:				
Domestic equity securities	24% - 70%	58%	24% - 70%	60%
Debt securities	13% - 42%	25%	13% - 42%	27%
Commodities	0% - 7%	1%	0% - 7%	1%
International equity securities	9% - 34%	7%	9% - 34%	6%
Cash equivalents	0% - 5%	9%	0% - 5%	6%
		100%		100%

	Target Allocation 2021	Actual Allocation 2021	Target Allocation 2020	Actual Allocation 2020
Immunized fixed income:				
Debt securities	100%	93%	100%	92%
Cash equivalents	0%	7%	0%	8%
	100%	100%	100%	100%

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

The following tables present the Foundation's fair value hierarchy for postretirement assets, which are measured at fair value on a recurring basis, as of June 30, 2021 and 2020:

	2021			
	Fair Value	Level 1	Level 2	Level 3
Debt securities:				
Fixed income mutual fund	$ 7,094,835	$ 7,094,835	$ -	$ -
Corporate bonds	67,863,141	-	67,863,141	-
U.S. government obligations	10,504,721	10,504,721	-	-
Foreign bonds	11,320,414	-	11,320,414	-
Other	2,095,338	-	2,095,338	-
Total debt securities	98,878,449	17,599,556	81,278,893	-
Equity securities:				
Equity mutual funds	44,104,037	44,104,037	-	-
U.S. common stock	45,051,900	45,051,900	-	-
American depositary receipts	7,548,146	7,548,146	-	-
Foreign stock	3,115,840	3,115,840	-	-
Real estate investment trusts	1,030,205	1,030,205	-	-
Total equity securities	100,850,128	100,850,128	-	-
Short-term investments	14,677,468	14,677,468	-	-
Total	214,406,045	$ 133,127,152	$ 81,278,893	$ -
Investments valued at NAV	9,199,350			
	$ 223,605,395			

	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	109,496,394	17,084,808	92,411,586	-
Equity securities:				
Equity mutual funds	25,884,257	25,884,257	-	-
U.S. common stock	33,116,018	33,116,018	-	-
American depositary receipts	4,579,863	4,579,863	-	-
Foreign stock	1,905,902	1,905,902	-	-
Real estate investment trusts	694,947	694,947	-	-
Total equity securities	66,180,987	66,180,987	-	-
Short-term investments	10,869,577	10,869,577	-	-
Total	186,546,958	$ 94,135,372	$ 92,411,586	$ -
Investments valued at NAV	8,659,442			
	$ 195,206,400			

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of June 30, 2021 and 2020:

	2021 Fair Value	2020 Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	Redemption Restrictions
Common trust funds [a]	$9,199,350	$ 8,659,442	None	Daily	1 Day	None

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

NOTE 5 - DEFERRED REVENUE

At June 30, 2021 and 2020, cash advances for grants and contracts were for the following projects:

	2021	2020
Research	$ 19,192,429	$ 19,347,710
Training	23,353,530	22,252,548
Other sponsored activity	24,631,612	25,717,642
Other institutional activity	21,363,718	21,903,550
	$ 88,541,289	$ 89,221,450

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
2022	$ 13,635,834	$ 3,475,959	$ 10,159,875
2023	12,520,460	3,562,858	8,957,602
2024	12,672,441	3,651,929	9,020,512
2025	13,348,995	3,999,551	9,349,444
2026	13,498,928	4,110,684	9,388,244
Thereafter	109,807,650	37,570,072	72,237,578
Total minimum rental receipts	$ 175,484,308	$ 56,371,053	$ 119,113,255

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 $99,000,000.

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, 2021 and 2020, and is secured by an irrevocable letter of credit to the carrier for the same amount, which expires on December 31, 2021.

NOTE 7 - RENTAL PROPERTY

Rental property (86% occupied as of June 30, 2021) consisted of the following at June 30:

	2021	2020
Land	$ 9,037,040	$ 9,037,040
Building	36,149,160	36,149,160
Building improvements	12,663,113	12,663,113
Tenant improvements	15,630,186	15,630,186
Construction-in-progress	48,391	13,090
Total	73,527,890	73,492,589
Accumulated depreciation	(33,102,274)	(31,606,628)
Rental property, net	$ 40,425,616	$ 41,885,961

NOTE 8 - MORTGAGE LOAN PAYABLE, NET

Outstanding mortgage loan payable as of June 30, 2021 and 2020 consisted of the following:

	2021	2020
Mortgage loan payable	$ 61,244,157	$ 62,679,694
Less unamortized costs of issuance	(996,154)	(1,039,724)
Mortgage loan payable, net	$ 60,248,003	$ 61,639,970

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, 2021, future minimum principal payments were as follows:

	Amount
2022	$ 1,505,230
2023	1,578,306
2024	1,654,929
2025	1,735,271
2026	1,819,516
Thereafter	52,950,905
	$ 61,244,157

Included in restricted cash in the accompanying consolidated balance sheets are balances in escrow accounts, including interest earned, of approximately $1,207,000 and $1,456,00 as of June 30, 2021 and 2020, 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, 2021 and 2020, rental revenue from CUNY was $6,175,502 and $6,024,668, respectively.

In fiscal years 2021 and 2020, the Foundation approved grants to CUNY for central research initiatives of $2,300,000 annually. Grants payable to CUNY at June 30, 2021 and 2020 were $4,103,081 and $3,261,146, 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. 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 and are amortized over the life of the lease.

NOTE 11 - REAL ESTATE TAX EXEMPTION

During fiscal years 2021 and 2020, the LLC obtained a real estate tax reduction amounting to $1,977,987 and $1,815,876, respectively, relating to an exemption for the portions of the Property used by CUNY and the Foundation as not-for-profit, tax exempt organizations.

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, 2021 consisted of the following:

	Program Services	Administrative Expenses	Total Expenses
Salaries and fringe	$ 270,782,228	$ 22,481,834	$ 293,264,062
Facilities and administrative costs	55,532,433	-	55,532,433
Subcontracts	46,865,939	-	46,865,939
Independent contractor	17,425,038	-	17,422,404
Stipends	19,991,196	-	19,991,196
Supplies	11,173,734	31,516	11,205,250
Laboratory fees	760,626	-	760,626
Occupancy	8,695,808	-	8,695,808
Travel	672,718	-	672,764
Insurance	251,092	1,764,720	2,015,812
Conference and meeting	476,265	3,546	479,811
Postretirement credit	-	(2,784,109)	(2,784,109)
Interest expense	-	2,984,189	2,984,189
Real estate taxes	-	1,374,034	1,374,034
Depreciation and amortization	-	1,920,501	1,920,501
All other expenses	35,573,120	10,506,909	46,082,617
Total expenses	$ 468,200,197	$ 38,283,140	$ 506,483,337

Expenses by natural classification for the year ended June 30, 2020 consisted of the following:

	Program Services	Administrative Expenses	Total Expenses
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	39,027,122	14,678,818	53,705,940
Total expenses	$ 509,678,140	$ 33,717,813	$ 543,395,953

NOTE 13 - LIQUIDITY

As of June 30, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 198,186,898	$ 197,662,615
Grants, contracts, and accounts receivable, net	102,301,763	103,325,882
Investments	50,914,594	49,956,864
Less:		
Accounts payable	(84,812,033)	(94,565,396)
Deferred revenue	(88,541,289)	(89,221,450)
Deposits held in custody for CUNY colleges	(121,518,707)	(112,928,435)
Total financial assets available within one year	$ 56,531,226	$ 54,230,080

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

NOTE 14 - 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, 2021 of $102 million. RF CUNY did not utilize the line of credit during fiscal 2021, and the outstanding balance at June 30, 2021 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 - COVID-19 PANDEMIC

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and profound 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.

NOTE 16 - SUBSEQUENT EVENTS

RF CUNY evaluated events subsequent to June 30, 2021 and through October 21, 2021, 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.