



**THE RESEARCH FOUNDATION FOR  
THE STATE UNIVERSITY OF NEW YORK**

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

**THE RESEARCH FOUNDATION FOR  
THE STATE UNIVERSITY OF NEW YORK**

June 30, 2020 and 2019

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KPMG LLP  
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## Independent Auditors' Report

The Board of Directors  
The Research Foundation for The State University of New York:

We have audited the accompanying financial statements of The Research Foundation for The State University of New York, which comprise the balance sheet as of June 30, 2020, the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 the entity'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Research Foundation for The State University of New York as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



*Emphasis of Matters*

As discussed in note 2(e) to the financial statements, in 2020, The Research Foundation for The State University of New York adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, ASU No. 2014-09, *Revenue From Contracts with Customers (Topic 606)*, as amended, and ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to these matters.

*Report on Summarized Comparative Information*

We have previously audited The Research Foundation for The State University of New York's 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustments to adopt ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (ASU 2016-18). As part of our audit of the 2020 financial statements, we also audited the adjustments described in Note 2(e) that were applied to adopt ASU 2016-18 retrospectively in the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG LLP

October 26, 2020

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THE STATE UNIVERSITY OF NEW YORK**

Balance Sheets

June 30, 2020 and 2019

<b>Assets</b>	<b>2020</b>	<b>2019</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 8,398,499	5,548,735
Accounts receivable, net	195,719,057	230,357,565
Advances to others	15,066,455	14,208,454
Investments	485,317,318	354,630,425
Due from broker for securities sold	851,146	4,000,000
Other current assets	677,163	912,200
Total current assets	<u>706,029,638</u>	<u>609,657,379</u>
<b>Noncurrent assets:</b>		
Investments	81,584,822	59,354,330
Fixed assets, net	543,634,950	496,053,812
Intangible assets, net	7,373,546	16,076,728
Other noncurrent assets	7,593,827	7,592,355
Total noncurrent assets	<u>640,187,145</u>	<u>579,077,225</u>
Total assets	<u>\$ 1,346,216,783</u>	<u>1,188,734,604</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 93,004,992	109,150,920
Accrued compensation	27,819,784	17,342,617
Accrued leave	30,074,808	29,574,780
Deferred revenue	320,585,898	268,657,394
Deposits held for others	22,201,737	26,498,267
Current portion of capital lease obligations	18,508,646	17,052,981
Current portion of long-term debt	1,015,714	1,005,714
Line of credit	4,000,000	17,800,000
Total current liabilities	<u>517,211,579</u>	<u>487,082,673</u>
<b>Noncurrent liabilities:</b>		
Postretirement benefit obligation	162,763,722	137,322,551
Other deferred revenue	—	264,776,926
Capital lease obligations, net of current portion	199,670,486	218,179,132
Long-term debt, net of current portion	6,346,429	7,362,143
Other liabilities	8,364,237	8,184,254
Total noncurrent liabilities	<u>377,144,874</u>	<u>635,825,006</u>
Total liabilities	<u>894,356,453</u>	<u>1,122,907,679</u>
<b>Net assets:</b>		
Without donor restrictions	431,663,574	53,423,193
With donor restrictions	20,196,756	12,403,732
Total net assets	<u>451,860,330</u>	<u>65,826,925</u>
Total liabilities and net assets	<u>\$ 1,346,216,783</u>	<u>1,188,734,604</u>

See accompanying notes to financial statements.

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Statement of Activities

Year ended June 30, 2020 (with summarized comparative information for the year ended June 30, 2019)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenue:				
Grants for research and other sponsored activities:				
Federal	\$ 308,001,723	8,000,000	316,001,723	324,127,227
Federal flow through	90,835,576	—	90,835,576	106,275,794
New York State	234,415,453	—	234,415,453	127,024,167
Private and other	229,188,474	—	229,188,474	227,402,111
	<u>862,441,226</u>	<u>8,000,000</u>	<u>870,441,226</u>	<u>784,829,299</u>
Total grants for research and other sponsored activities				
Indirect cost recoveries:				
Federal	96,753,951	—	96,753,951	95,270,565
Federal flow through	26,078,596	—	26,078,596	24,323,921
New York State	8,079,997	—	8,079,997	9,068,532
Private and other	16,756,591	—	16,756,591	17,517,137
	<u>147,669,135</u>	<u>—</u>	<u>147,669,135</u>	<u>146,180,155</u>
Total indirect cost recoveries				
Other research-related income:				
Inventions and licenses income	6,571,085	—	6,571,085	8,353,202
Third party service center	3,840,254	—	3,840,254	10,430,654
Agency fees	7,146,522	—	7,146,522	7,029,653
Fixed price awards	4,712,716	—	4,712,716	7,493,907
Institutional support funding	47,127,960	—	47,127,960	38,591,172
Other	833,880	—	833,880	831,296
	<u>70,232,417</u>	<u>—</u>	<u>70,232,417</u>	<u>72,729,884</u>
Total other research-related income				
Investment income, net	20,578,787	467,074	21,045,861	21,059,129
Net assets released from restrictions	674,050	(674,050)	—	—
Previously deferred economic development program revenue (see note 2e)	290,421,189	—	290,421,189	—
	<u>1,392,016,804</u>	<u>7,793,024</u>	<u>1,399,809,828</u>	<u>1,024,798,467</u>
Total revenue				
Expenses:				
Sponsored programs and other activities	793,834,679	—	793,834,679	779,552,065
Indirect administrative and support expenses	138,430,751	—	138,430,751	140,780,682
Other research-related expenses	36,816,667	—	36,816,667	42,071,482
	<u>969,082,097</u>	<u>—</u>	<u>969,082,097</u>	<u>962,404,229</u>
Total expenses				
Change in net assets from revenue and expenses	422,934,707	7,793,024	430,727,731	62,394,238
Changes in net assets related to postretirement benefit obligation	(44,694,326)	—	(44,694,326)	(55,897,849)
	<u>378,240,381</u>	<u>7,793,024</u>	<u>386,033,405</u>	<u>6,496,389</u>
Change in net assets				
Net assets at beginning of year	53,423,193	12,403,732	65,826,925	59,330,536
Net assets at end of year	<u>\$ 431,663,574</u>	<u>20,196,756</u>	<u>451,860,330</u>	<u>65,826,925</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Federal grants and contracts	\$ 567,502,199	533,546,769
State and local grants and contracts	333,473,779	310,177,858
Private gifts and grants	264,707,456	223,237,674
Other receipts	224,342,831	249,686,610
Salaries and wages payments	(414,353,191)	(408,923,617)
Employee benefits payments	(137,508,858)	(142,880,392)
Payments to suppliers and vendors	(470,471,847)	(433,821,474)
Operating interest and dividends	7,897,570	7,255,157
Distribution from BSA partnership	2,502,891	2,426,210
Interest payments on capital debt and notes	(19,307,392)	(20,653,811)
Other payments	(92,278,346)	(89,348,614)
Net cash provided by operating activities	266,507,092	230,702,370
Cash flows from investing activities:		
Proceeds from sales of investments	63,851,820	60,882,111
Purchases of investments	(118,380,042)	(100,108,771)
Proceeds from sales of fixed assets	952,000	313,500
Cash paid for purchases of fixed and intangible assets	(95,892,777)	(169,642,706)
Net cash used in investing activities	(149,468,999)	(208,555,866)
Cash flows from financing activities:		
Principal payments on long-term debt and capital lease obligations	(18,058,695)	(16,712,514)
Proceeds from line of credit	11,050,000	71,873,593
Payments on line of credit	(24,850,000)	(85,853,594)
Net cash used in financing activities	(31,858,695)	(30,692,515)
Net change in cash and cash equivalents	85,179,398	(8,546,011)
Cash and cash equivalents, beginning of year (as restated, note 2(g))	122,065,965	130,611,976
Cash and cash equivalents, end of year	\$ 207,245,363	122,065,965

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2020 and 2019

**(1) Organization**

The Research Foundation for The State University of New York (RF) is the largest comprehensive university-connected research foundation in the country. It serves The State University of New York (SUNY) by providing an infrastructure of talent, services, and technology that empowers SUNY to research, innovate, and transfer discoveries that transform the world's knowledge economy.

The RF works with the academic and business leadership of SUNY to support research and discovery through administration of sponsored projects and technology transfer and management of intellectual property for public benefit and economic growth. It enables faculty to write and submit grant proposals; establish contracts and manage funding awarded to run campus-based research projects; and protect and commercialize intellectual property created within those projects.

The RF comprises a central office and operating units at 30 state-operated campuses across New York State and is governed by an independent board of directors. The RF was chartered in 1951 by the New York State Board of Regents as a nonprofit education corporation.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The accompanying financial statements of the RF are presented consistent with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the RF's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**(b) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of liabilities and net assets and disclosures of contingencies as of the dates of the financial statements and the reported amounts of change in net assets during the reporting periods. The most significant areas which are affected by the use of estimates include allowances for doubtful receivables, commitments and contingencies, useful lives and valuation of long-lived assets, and certain actuarial assumptions that affect the postretirement benefit obligation. Actual results could differ from those estimates and the differences between estimates and actual results could be significant.

**(c) Risks and Uncertainties**

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. Although it is not possible to determine the pandemic's ultimate length, severity, or impacts on the economy or the RF's financial position and operations, the RF may experience material adverse effects posed by the risks, or our stakeholders' perceptions of the risks, related to COVID-19. As a result of the pandemic, beginning in March 2020, the RF temporarily suspended in-person research and other campus-based activities. Although Federal and certain other sponsors allowed for the continuance of funding under their grant agreements, the flexibilities afforded under these continuances was limited and temporary. Additionally, the RF has and will continue to incur certain incremental costs due to the

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pandemic, including transitioning to online work environments and costs associated with protocols put in place to return to campus laboratories and offices.

The pandemic could continue to materially affect the RF's ability to conduct its operations, the cost of its operations, and the generation of certain revenue. The impact of the pandemic could have negative consequences on the ability of our sponsored programs to continue to provide such funding as well as financial markets and such effects could be consequential to the RF. The full extent of the impact of COVID-19 on the RF will depend on various future developments, particularly the duration and depth of the pandemic, which may be influenced by emerging medical treatments and applicable health and safety regulations.

**(d) Net Asset Classes**

The accompanying financial statements present information regarding the RF's balance sheet and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions: net assets are not subject to donor stipulations restricting their use but may be designated for specific purposes by the RF or may be limited by contractual agreements with outside parties.

With donor restrictions: net assets are subject to donor stipulations that expire with the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

The RF has two \$10 million endowment grants from the National Institute on Minority Health and Health Disparities (NIMHD), which are to be paid to the RF over the first five-year periods of each grant. The endowments are invested on behalf of the RF by the University at Albany Foundation (UAF) and the Health Science Center at Brooklyn Foundation, Inc. (HSCBF) under long-term service agreements. As of June 30, 2020, and 2019, the fair value of the funds was \$20.2 million and \$12.4 million, respectively. Under these grants, the endowment returns are to be used to facilitate minority health and health disparities research.

Aside from the NIMHD endowment balances, the RFs net assets have no other donor-imposed restrictions.

**(e) Recent Accounting Pronouncements**

During the year ended June 30, 2020, the RF adopted the following new accounting standard updates.

Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. The ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance, and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes both a barrier or barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the RF for the year ended June 30, 2020.

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The RF adopted ASU No. 2018-08 on a modified prospective basis as of July 1, 2019. In accordance with this adoption, during the year ended June 30, 2020, the RF has recognized revenue in the amount of \$290.4 million, associated with the purchase of capitalized equipment or intangible assets under sponsored programs related to economic development previously recorded in deferred revenue and recognized into revenue over the life of the asset. The barriers associated with these grants have been overcome and there are no further rights of return for the assets contributed to the RF.

ASU 2014-09, *Revenue from Contracts with Customers*, was issued by the FASB in May 2014 and is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition guidance in GAAP. The ASU became effective for the RF for the year ended June 30, 2020. The RF's adoption of the ASU using the modified retrospective method did not materially change the timing or amount of revenue recognized by the RF. The ASU requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods or services. Additional disclosure is required to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, was issued by the FASB in November 2016 and provides specific guidance related to the statement of cash flows. The ASU provides guidance to address inconsistencies associated with reporting of cash flows.

This ASU became effective for the RF for the year ended June 30, 2020 with retrospective implementation upon adoption. A summary of the changes to the statement of cash flows for the year ended June 30, 2019 resulting from the adoption of ASU 2016-18 is as follows:

	<u>As previously presented</u>	<u>Adjustments</u>	<u>As restated</u>
Operating interest and dividends	\$ 4,973,362	2,281,795	7,255,157
Net cash provided by operating activities	228,420,575	2,281,795	230,702,370
Proceeds from sales of investments	\$ 349,889,559	(289,007,448)	60,882,111
Purchases of investments	(373,172,214)	273,063,443	(100,108,771)
Net cash used in investing activities	\$ (192,611,861)	(15,944,005)	(208,555,866)
Change in cash and cash equivalents	\$ 5,116,199	(13,662,210)	(8,546,011)
Cash and cash equivalents, beginning of year	\$ 432,536	130,179,440	130,611,976
Cash and cash equivalents, end of year	5,548,735	116,517,230	122,065,965

See note 2(g) for further information regarding the presentation of cash and cash equivalents.

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ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, was issued by the FASB in March 2017 to improve the presentation of defined benefit pension costs and postretirement benefit costs (net benefit cost) to reflect the employer's financial arrangements and the cost of benefits provided to employees. This ASU became effective for the RF for the year ended June 30, 2020 and did not have a material effect on the financial statements.

**(f) Revenue Recognition**

Grants and contracts awarded by federal and other sponsors, which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. The RF has elected the simultaneous release policy available under ASU 2018-08, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. The RF recognizes reimbursement of facilities and administrative costs relating to government and other contracts and grants at authorized rates each year. Although not a condition or barrier to revenue recognition, all funds expended in connection with government grants and contracts are subject to audit by granting agencies. Amounts received in excess of revenue recognized are recorded as deferred revenue. In the opinion of management, any potential liability resulting from these audits will not have a material effect on the RF's financial position. Total revenue from grants and contracts recognized in net assets without donor restrictions was \$1,010.1 million and \$926.8 million for the years ended June 30, 2020 and 2019, respectively. Payments received from sponsors in advance of conditions being met are reported as deferred revenue, which totaled \$292.2 million and \$219.7 million as of June 30, 2020 and 2019, respectively.

Contributions, including unconditional promises to give, are recognized upon receipt at fair value. Contributions other than cash are recorded at fair value at the date of contribution. Contributions with donor-imposed restrictions are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when an expenditure is incurred that satisfies the restriction or the designated time elapses.

Investment income or loss includes dividends and interest, realized and unrealized gains and losses, and earnings from the RF's share in the Brookhaven Science Associates partnership (see note 4c). Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis of accounting. The average original purchase price of securities is used to determine the basis for computing realized and unrealized gains or losses.

Inventions and licenses income consists of royalties received from licenses and is recognized on the accrual basis. The income is distributed based on SUNY's Patents and Inventions Policy which governs the apportionment of income to inventors and campuses. Campus expenditures of their shares of the income (which fall under the provisions of the Bayh-Dole Act), and inventors' shares are reflected in the RF's inventions and licenses expenses.

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Other research-related income is recognized on the accrual basis and primarily consists of third-party service center revenue, nonsponsored income from activities such as proceeds from the sale of equipment, and fees earned for administering human resources, payroll, purchasing and payables services to university-related organizations, such as foundations or clinical practice plans.

**(g) Cash Equivalents**

For purposes of balance sheet presentation, cash equivalents include short-term, highly liquid investments with an original maturity of three months or less at the time of purchase, exclusive of amounts classified as noncurrent investments. Cash equivalents are stated at fair value and are considered a Level 1 financial asset as defined in note 5.

In accordance with ASU 2016-18, cash equivalents classified as current investments are included as cash and cash equivalents for the purposes of the statement of cash flows. The following table provides a reconciliation of cash and cash equivalents as reported in the balance sheets to cash and cash equivalents reported in the statements of cash flows:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 8,398,499	5,548,735
Current investments (see note 5)	198,846,864	116,517,230
Total cash and cash equivalents shown in the statements of cash flows:	\$ 207,245,363	122,065,965

**(h) Accounts Receivable**

Accounts receivable includes:

- (1) Deficit balances from sponsored program activity that result when spending occurs in advance of when funds are received;
- (2) Deficit balances from service centers that are established and maintained to provide a specific service to sponsored programs and other users, recognized as rates are periodically adjusted to reflect actual expenses of those centers; and
- (3) Amounts billed and due from external sources of funding for other research-related income.

Accounts receivable is reported net of an allowance for doubtful accounts. The RF's allowance for doubtful accounts as of June 30, 2020 and 2019 was \$25.6 million and \$28.1 million, respectively.

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Accounts receivable, net of the allowance for doubtful accounts, is summarized as follows as of June 30:

	<b>2020</b>	<b>2019</b>
Accounts receivable:		
Federal	\$ 39,993,963	46,609,039
Federal flow through	43,217,515	65,480,405
New York State	92,242,983	89,445,556
Private and other	20,264,596	28,822,565
	\$ 195,719,057	230,357,565

**(i) Investments**

Investments are reported at fair value, which is generally the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. Certain investments in limited liability partnerships and corporations are measured at net asset value or its equivalent as a practical expedient to estimating fair value.

**(j) Fixed and Intangible Assets**

Fixed and intangible assets are stated at cost, net of accumulated depreciation and amortization, and are depreciated on a straight-line basis over the estimated useful lives of the assets. Using historical and industry experience, estimated useful lives, with the exception of land, range from five to 50 years. The RF monitors its long-lived assets for impairment. If an indication of impairment is identified, the RF would perform the required analysis and, if applicable, it would record impairment charges.

Upon sale or retirement of capitalized assets, both the cost and the related accumulated depreciation and amortization are removed from the accounts and a gain or loss is recorded. Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$65.1 million and \$56.8 million, respectively.

The title to equipment purchased using sponsored funds is generally retained by the grantor institution until such time final disposition is determined. Accordingly, purchases of equipment charged to the respective grant or contract are not capitalized, except for equipment or infrastructure purchased under a sponsored program for the purpose of economic development and for which title is retained by the RF.

**(k) Deferred Revenue**

Deferred revenue includes:

- (1) Surplus balances from sponsored program activity that result when funds are received in advance of spending, recognized into revenue under the terms of the sponsored program; and

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- (2) Surplus balances from service centers that are established and maintained to provide a specific service to sponsored programs and other users, recognized as rates are periodically adjusted to reflect actual expenses of those centers.

For reporting periods prior to the year ended June 30, 2020, noncurrent deferred revenue also included purchases of capitalized equipment or intangible assets under sponsored programs related to economic development, recognized into revenue over the life of the asset. With the adoption of recent accounting pronouncements (see note 2e), beginning with the year ended June 30, 2020, the RF no longer defers revenue for these purchases.

**(l) *Accrued Leave***

RF employees are granted vacation and sick leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for accumulated vacation up to a maximum of 30 days. Employees are not reimbursed for accumulated sick leave at termination; however, upon retirement up to 200 days of accumulated sick leave is considered in the computation of retirement benefits. Included in the leave accrual is an accrual for the net obligation under the sick leave benefit amounting to \$2.8 million as of June 30, 2020 and 2019.

**(m) *Postretirement Benefit Obligation***

The RF has a defined medical benefit postretirement plan covering substantially all of its nonstudent eligible employees upon their retirement. The RF's postretirement obligations are based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return on plan assets, compensation increases, turnover rates, and healthcare cost trend rates. The RF reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in other changes to net assets and amortized to net periodic cost over future periods using the 10% corridor method. The net periodic costs are recognized as employees render the services necessary to earn the postretirement benefits.

The RF maintains a Voluntary Employee Benefit Association (VEBA) trust for the postretirement benefit plan. The assets held in the VEBA trust reduce the accumulated postretirement benefit obligation, as reported on the accompanying balance sheets.

**(n) *Fair Value of Financial Instruments***

The carrying amounts of accounts receivable, other current assets, accounts payable and accrued expenses, and deposits held for others approximate fair value due to the short duration of these financial instruments. See notes 5 and 6 for additional information regarding fair value considerations with respect to investments, deferred compensation assets and interest rate swap on outstanding bonds.

**(o) *Tax Status***

The RF is a not-for-profit corporation and has been determined by the Internal Revenue Service to be an organization described in Internal Revenue Code (IRC) Section 501(c)(3) and, therefore, is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

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The RF recognizes the effects of income tax positions only if those positions are more likely than not to be sustained.

Management has determined there are no uncertain tax positions as of June 30, 2020 and 2019. The RF is subject to routine audits by taxing jurisdictions and believes that it is no longer subject to income tax examinations for years prior to the year ended June 30, 2017.

**(p) Other Information**

Advances to others and deposits held for others represent amounts related to agency activity at the campus and affiliated organization locations.

Various SUNY employees perform work on RF sponsored grants. SUNY pays these employees directly, and is reimbursed by the RF monthly. The related amounts due to SUNY are included in accrued compensation and consist of both a known and estimated component. The total liability to SUNY at June 30, 2020 and 2019 is approximately \$8.3 million and \$7.3 million, respectively.

**(q) Reclassifications**

Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation

**(3) Liquidity and Availability**

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 8,398,499	5,548,735
Accounts receivable, net	193,719,057	230,357,565
Investments	485,317,318	354,630,425
Due from broker for securities sold	<u>851,146</u>	<u>4,000,000</u>
Total financial assets available within one year	<u>\$ 688,286,020</u>	<u>594,536,725</u>

The RF's annual cash flows are dependent on spending, billing and collections on thousands of individual sponsored awards across 30 campus locations. Cash-basis direct sponsored program spending, including capital equipment purchases, aggregated \$906.0 million and \$911.0 million during the years ended June 30, 2020 and 2019, respectively.

To help manage liquidity, the RF's investment policy ensures the RF has access to funds, as needed, during the year through allocations to readily redeemable cash equivalent funds, mutual funds, and exchange traded funds (see note 5). Additionally, the RF maintains lines of credit of \$65.0 million (see note 11) that are drawn upon as needed during the year to manage cash flow.

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**(4) Affiliated Organizations**

The RF has established partnerships to accelerate the growth of sponsored program and applied research opportunities at SUNY. Unless otherwise noted, these organizations are not controlled by or significantly influenced by the RF and do not impact the RF's financial statements. The affiliated organizations are as follows:

**(a) *BioBAT, Inc.***

BioBAT, Inc. is a private, not-for-profit corporation formed by the RF (acting on behalf of SUNY Downstate Medical Center) and the New York City Economic Development Corporation (on behalf of the City of New York) to develop the Brooklyn Army Terminal into a site for biotechnology and biopharmaceutical manufacturing, and research.

**(b) *Broad Hollow Bioscience Park, Inc.***

Broad Hollow Bioscience Park, Inc. is a not-for-profit corporation formed by the RF (acting on behalf of Farmingdale State College) and Cold Spring Harbor Laboratory to operate an incubator facility on the Farmingdale State campus. Its purpose is to assist in the economic development of the region by attracting public and private funds to further biotechnology development through the commercialization of new technologies and the creation of new companies and jobs.

**(c) *Brookhaven Science Associates, LLC***

Brookhaven Science Associates, LLC (BSA) is a limited liability company formed by the RF (acting on behalf of Stony Brook University) and Battelle Memorial Institute (Battelle). In 1998, the U.S. Department of Energy selected BSA to operate Brookhaven National Laboratory. BSA net earnings are allocated 50% each to Battelle and the RF.

The accompanying financial statements of the RF include its share of the net earnings of BSA based on the operating results for its years ended September 30, 2019 and 2018. The RF records distributions received as a reduction of the investment balance.

**(d) *Buffalo 2020 Development Corporation***

Buffalo 2020 Development Corporation was formed by the RF (acting on behalf of University at Buffalo) and FNUB, Inc., a subsidiary of the University at Buffalo Foundation, to enable the purchase, development, and construction of research-based facilities and infrastructure on University at Buffalo property on the downtown Buffalo, New York campus. These facilities will support the research, academic and economic development mission of the SUNY campus at Buffalo.

**(e) *CUBRC, Inc.***

CUBRC, Inc. is a private, not-for-profit corporation formed by the RF (acting on behalf of the University at Buffalo) and other foundations. CUBRC, Inc.'s mission is to leverage the capabilities of scientists from academia and industry to provide economic opportunities in Western New York. CUBRC, Inc. competes for research programs that would not otherwise be available to the University at Buffalo.

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**(f) Downstate Technology Center, Inc.**

Downstate Technology Center, Inc. is a private, not-for-profit corporation formed by the RF (acting on behalf of SUNY Downstate Medical Center) and the Health Science Center at Brooklyn Foundation, Inc. to provide for the construction of an advanced biotechnology incubator adjacent to the SUNY Downstate Medical Center. The facility seeks to advance medical research, provide incubator space and assist in the economic development of the Borough of Brooklyn.

**(g) Empire Discovery Institute**

Empire Discovery Institute (EDI) is a private, not-for-profit corporation, formed by the RF (acting on behalf of the University at Buffalo), along with the University of Rochester, and Roswell Park Comprehensive Cancer Center. EDI was established to provide infrastructure, funding and cross-institutional support for science research and education as well as scientific business ventures.

**(h) Long Island High Technology Incubator**

Long Island High Technology Incubator (LIHTI) is a private, not-for-profit corporation formed by the RF (acting on behalf of Stony Brook University) and the Stony Brook Foundation, Inc. LIHTI's mission is the development of new high-technology companies.

**(i) New York Center for Research, Economic Advancement, Technology, Engineering, and Science Corporation**

New York Center for Research, Economic Advancement, Technology, Engineering, and Science Corporation (NY CREATES) is a private, not-for-profit corporation formed by the RF and SUNY Polytechnic Institute Foundation, Inc. to assume oversight of Fort Schuyler Management Corporation (FSMC) and Fuller Road Management Corporation (FRMC) and manage all projects in the FRMC and FSMC economic development portfolio.

**(j) New York Genome Center**

New York Genome Center (NYGC) is a private, not-for-profit corporation formed by the RF (acting on behalf of Stony Brook University) and other New York-based universities and academic medical centers. The RF participates in NYGC as an Institutional Founding Member. The mission of NYGC is to transform medical research and clinical care in and around New York City through the creation of what will become one of the largest genomics and bioinformatics facilities in North America.

**(k) U.S. Photovoltaic Manufacturing Consortium, Inc.**

The Photovoltaic Manufacturing Consortium (PVMC) is a private, not-for-profit corporation, formed by the RF (acting on behalf of SUNY Poly) and Sematech, Inc. to facilitate an industry-led consortium for cooperative research and development among industry, university, and government partners to accelerate the development, commercialization, and manufacturing of next-generation solar photovoltaic systems.

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**(5) Fair Value Measurements**

Except for investments reported at net asset value (NAV) or its equivalent as a practical expedient to estimate fair value, fair value is measured using three levels as described below:

Level 1: Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that are assessable at the measurement date.

Level 2: Inputs are other than quoted prices in active markets that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies.

Level 3: Inputs used in valuation are unobservable.

The following is a description of the valuation methodologies used for investments measured at fair value:

Mutual funds and exchange traded funds are reported at current quoted fair values as of the balance sheet date.

Investments in limited liability partnerships and corporations represent investments measured at NAV or its equivalent and consist of a diversified portfolio of hedge funds of funds, real estate, domestic and foreign equity funds, fixed income securities and private equity funds in various investment vehicles. These investments, which are not exchange traded, do not have readily determinable fair values. These investments are typically redeemable at NAV under the terms of the investment agreements. Estimates of fair value that are made using NAV per share or its equivalent as a practical expedient are not categorized in the fair value hierarchy.

Investments in pooled endowment portfolios are reported at the NAV of the RF's interest in the portfolios as a practical expedient to estimate fair value. The pooled endowments use diversified investment approaches incorporating multiple asset classes, strategies and managers, including alternative investment funds involving hedged and private equity strategies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the RF believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a materially different fair value measurement at the reporting dates.

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The following tables summarize, as of June 30, 2020 and 2019, the RF's investments as well as the liquidity redemption and notification provisions:

		2020				Redemption	Days
		Total	Level 1	Level 2	Level 3	frequency	notice
Investments:							
Cash equivalents	\$	198,846,864	198,846,864	—	—	Daily	1
Mutual and exchange traded funds:							
U.S. government fixed income		40,538,357	40,538,357	—	—	Daily	1
U.S. equities		45,279,686	45,279,686	—	—	Daily	1
Foreign equities		19,142,476	19,142,476	—	—	Daily/Monthly	1-15
Real estate		24,090,125	24,090,125	—	—	Daily	1
U.S. equities		86,620	86,620	—	—	Daily	4
Investments measured at NAV or its equivalent:							
Absolute multistrategy return		45,300,706	—	—	—	Monthly/Quarterly	45 to 95
Credit securities		12,864,220	—	—	—	Monthly/Quarterly	30 to 45
Global equities		68,231,675	—	—	—	Mthly/Qtrly/Annly	30 to 90
Hedged equities		70,156,592	—	—	—	Quarterly	90
Private equity		22,783,099	—	—	—	See (a) below	N/A
Pooled endowments		16,196,756	—	—	—	See (b) below	N/A
Total investments at fair value		563,517,176	327,984,128	—	—		
Investment in BSA partnership		3,384,964	—	—	—	N/A	N/A
Total investments		\$ 566,902,140	327,984,128	—	—		
2019							
		Total	Level 1	Level 2	Level 3	Redemption	Days
						frequency	notice
Investments:							
Cash equivalents	\$	116,517,230	116,517,230	—	—	Daily	1
Mutual and exchange traded funds:							
U.S. government fixed income		43,813,804	43,813,804	—	—	Daily	1
U.S. equities		32,138,137	32,138,137	—	—	Daily	1
Foreign equities		17,547,889	17,547,889	—	—	Daily	1-15
Real estate		19,086,560	19,086,560	—	—	Daily	1
U.S. equities		116,168	116,168	—	—	Daily	4
Investments measured at NAV or its equivalent:							
Absolute multistrategy return		39,567,828	—	—	—	Monthly/Quarterly	45 to 95
Credit securities		8,206,403	—	—	—	Monthly/Quarterly	30 to 45
Global equities		45,701,825	—	—	—	Mthly/Qtrly/Annly	30 to 90
Hedged equities		57,732,240	—	—	—	Quarterly	90
Private equity		17,839,924	—	—	—	See (a) below	N/A
Pooled endowments		12,403,732	—	—	—	See (b) below	N/A
Total investments at fair value		410,671,740	229,219,788	—	—		
Investment in BSA partnership		3,313,015	—	—	—	N/A	N/A
Total investments		\$ 413,984,755	229,219,788	—	—		

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- (a) Private equity fund investments include noncontrolling shares or interests in funds where the controlling general partner serves as the investment's manager. Such investments are generally not eligible for redemption from the fund or general partner but can potentially be sold to third-party buyers in private transactions. It is the intent of the RF to hold these investments until the fund has fully distributed all proceeds to the investors.
- (b) Under the service agreements with UAF and HSCBF, investment accounts were established at UAF and HSCBF with the funds received by the RF under the NIMHD grants, as described in note 2(c). These investment accounts are treated as term endowments with the corpus not to be expended for at least 20 years and with an annual distribution of fund income for programmatic spending by the RF. The terms of the UAF and HSCBF agreements are through March 31, 2046 and December 31, 2042, respectively, with further extension possible at the discretion of the parties.

There has been no transfer activity among levels for investments during fiscal years 2020 and 2019. The RF has unfunded commitments to private equity investments as of June 30, 2020 of approximately \$37.3 million.

**(6) Other Assets and Other Liabilities**

Other assets and liabilities consist of the following at June 30:

	<b>2020</b>	<b>2019</b>
Other assets:		
Current:		
Royalties receivable	\$ 560,000	710,000
Miscellaneous	117,163	202,200
Total other current assets	677,163	912,200
Noncurrent:		
Deferred compensation assets	7,593,827	7,592,355
Total other noncurrent assets	7,593,827	7,592,355
Total other assets	\$ 8,270,990	8,504,555
Other liabilities – noncurrent:		
Deferred compensation obligation	\$ 7,593,827	7,592,355
Interest rate swap agreement	770,410	591,899
Total other liabilities	\$ 8,364,237	8,184,254

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The RF maintains a deferred compensation plan established in accordance with Section 457(b) of the IRC. Plan assets are a part of the general assets of the RF, which are subject to claims of creditors of the RF. For the years ended June 30, 2020 and 2019, respectively, the assets consist of mutual funds of approximately \$3.5 million and \$3.5 million, which involve Level 1 inputs under the fair value hierarchy, variable annuities of approximately \$2.5 million and \$3.0 million, which are recorded at NAV, and fully benefit-responsive annuity contracts of approximately \$1.6 million and \$1.1 million, which are recorded at contract value.

As indicated in note 11(b), the RF currently has an interest rate swap on its outstanding bonds. The value of the swap is adjusted, through net assets without donor restrictions, to fair value involving Level 2 inputs under the fair value hierarchy.

**(7) Fixed Assets**

<u>Fixed asset classification</u>	<u>Fixed assets June 30, 2019</u>	<u>Additions</u>	<u>Dispositions/ retirements</u>	<u>Placed in service</u>	<u>Fixed assets June 30, 2020</u>
Building	\$ 6,500,000	—	—	—	6,500,000
Building – capital lease	317,704,048	—	—	—	317,704,048
Research and office equipment	271,057,772	50,381,975	(10,762,628)	145,933,660	456,610,779
Information systems	25,462,324	—	—	—	25,462,324
Construction in progress	149,358,216	60,458,893	(1,102,531)	(145,933,660)	62,780,918
Total fixed assets	<u>770,082,360</u>	<u>110,840,868</u>	<u>(11,865,159)</u>	<u>—</u>	<u>869,058,069</u>
Less accumulated depreciation:					
Building	2,210,000	130,000	—	—	2,340,000
Building – capital lease	129,067,269	19,856,504	—	—	148,923,773
Research and office equipment	117,288,955	39,411,802	(8,003,735)	—	148,697,022
Information systems	25,462,324	—	—	—	25,462,324
Total accumulated depreciation	<u>274,028,548</u>	<u>59,398,306</u>	<u>(8,003,735)</u>	<u>—</u>	<u>325,423,119</u>
Fixed assets, net	<u>\$ 496,053,812</u>	<u>51,442,562</u>	<u>(3,861,424)</u>	<u>—</u>	<u>543,634,950</u>

There is no depreciation expense associated with construction in progress assets as they have not yet been placed in service. Upon being placed in service, the assets, primarily consisting of research equipment, are classified in the appropriate categories above and depreciated over their useful lives.

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**(8) Intangible Assets**

<u>Intangible asset classification</u>	<u>Intangible assets June 30, 2019</u>	<u>Additions</u>	<u>Dispositions/ retirements</u>	<u>Intangible assets June 30, 2020</u>
Technology licenses	\$ 89,200,000	—	(65,000,000)	24,200,000
Capitalized software	18,029,825	1,030,948	—	19,060,773
Total intangible assets	<u>107,229,825</u>	<u>1,030,948</u>	<u>(65,000,000)</u>	<u>43,260,773</u>
Less accumulated amortization:				
Technology licenses	81,700,000	4,218,750	(61,718,750)	24,200,000
Capitalized software	9,453,097	2,234,130	—	11,687,227
Total accumulated amortization	<u>91,153,097</u>	<u>6,452,880</u>	<u>(61,718,750)</u>	<u>35,887,227</u>
Intangible assets, net	<u>\$ 16,076,728</u>	<u>(5,421,932)</u>	<u>(3,281,250)</u>	<u>7,373,546</u>

The approximate annual amortization of the intangible assets over the next five years is as follows:

Fiscal year ending:	
2021	\$ 2,268,000
2022	2,172,000
2023	1,635,000
2024	920,000
2025	206,000

**(9) Postretirement Benefit Obligation**

**(a) Plan Information**

The RF sponsors a defined benefit postretirement plan that covers substantially all nonstudent employees. The plan provides postretirement medical benefits and is contributory for employees hired after 1985. Retirees who were hired after 1985 are subject to cost sharing requirements with respect to medical coverage. With respect to dental coverage, retirees must pay the full premium cost of the coverage selected.

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**(b) Plan Funded Status and Related Assumptions**

Annual contributions to fund the plan are made by the RF pursuant to a funding policy established by the RF's board of directors. For payment of benefits under the plan, the RF established a VEBA trust with Bank of New York Mellon as the trustee. The VEBA trust held assets of \$254.2 million and \$248.3 million as of June 30, 2020 and 2019, respectively. Current obligations are assumed to be paid out of the trust assets, with the remaining unfunded obligation reflected as a noncurrent liability of the RF. There were approximately 6,400 and 6,800 participants in the plan as of July 1, 2019 and 2018, respectively.

The following table sets forth the plan's funded status reconciled with the amount shown in the accompanying financial statements at June 30:

	<u>2020</u>	<u>2019</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 385,576,711	333,388,589
Service cost	9,586,322	9,346,090
Interest cost	12,047,756	13,580,235
Plan participants' contributions	1,324,747	1,308,704
Actuarial loss	20,591,552	39,221,733
Benefits paid	<u>(12,193,776)</u>	<u>(11,268,640)</u>
Benefit obligation at end of year	<u>416,933,312</u>	<u>385,576,711</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	248,254,160	234,878,496
Return on plan assets	10,800,655	17,354,429
Employer contributions	5,983,804	5,981,171
Plan participants' contributions	1,324,747	1,308,704
Benefits paid	<u>(12,193,776)</u>	<u>(11,268,640)</u>
Fair value of plan assets at end of year	<u>254,169,590</u>	<u>248,254,160</u>
Funded status and amount recognized in balance sheet	<u>\$ (162,763,722)</u>	<u>(137,322,551)</u>
Amounts not yet reflected in net periodic benefit cost and included in the balance sheet:		
Prior service credit	\$ 140,867,936	172,956,304
Net actuarial loss	<u>(196,145,309)</u>	<u>(183,539,351)</u>
Total	<u>\$ (55,277,373)</u>	<u>(10,583,047)</u>
Weighted average assumptions used to determine benefit obligation:		
Discount rate at end of year	2.48 %	3.35 %

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	<b>2020</b>	<b>2019</b>
Components of net periodic benefit cost:		
Service cost	\$ 9,586,322	9,346,090
Interest cost	12,047,756	13,580,235
Expected return on plan assets	(16,903,654)	(15,976,528)
Amortization of:		
Prior service credit	(32,088,368)	(32,234,723)
Actuarial loss	14,088,593	14,180,706
Net periodic benefit gain	\$ (13,269,351)	(11,104,220)
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate for the year	3.35 %	4.05 %
Expected long-term rate of return	7.00	7.00
	<b>2020</b>	<b>2019</b>
Other changes in plan assets and benefit obligations recognized in net assets without donor restriction:		
Net actuarial loss	\$ (26,694,551)	(37,843,832)
Amortization of:		
Prior service credit	(32,088,368)	(32,234,723)
Actuarial loss	14,088,593	14,180,706
Total recognized as decrease in net assets without donor restriction	\$ (44,694,326)	(55,897,849)

The components of net periodic benefit gain are included in the line items “sponsored programs and other activities,” “indirect administrative support expenses” and “other research-related expenses” in the statement of activities based on the functional classification of compensation.

Expected amounts to be amortized from net assets into net periodic benefit cost for fiscal year ending 2021 include prior service credit of \$32.1 million and actuarial loss of \$17.0 million.

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Estimated net benefit payments over future years are as follows:

Fiscal year ending:		
2021	\$	14,775,000
2022		15,734,000
2023		16,783,000
2024		17,566,000
2025		18,380,000
2026–2030		99,965,000

For measurement purposes, the initial trend rates vary by coverage. The health maintenance organization rate is 6.25%, the preferred provider organization (PPO) rate is 6.25%, the PPO prescription rate is 8.50%, and administrative fees are 4.50%. Trend rates grade down to an ultimate rate of 4.50% in 2026 and later.

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

	<u>One-percentage point</u>	
	<u>Increase</u>	<u>Decrease</u>
Effect on total service and interest cost components	\$ 4,274,910	(3,349,385)
Effect on postretirement benefit obligation	73,182,902	(58,549,696)

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**(c) Fair Value of Plan Assets**

The following tables summarize as of June 30, 2020 and 2019, the RF's defined benefit postretirement plan's investments held in the VEBA trust, including the redemption and notification provisions. The hierarchy and inputs to valuation techniques used to measure fair value of the plan's investments are outlined above in note 5.

		2020				Redemption	Days'
		Total	Level 1	Level 2	Level 3	frequency	notice
Investments:							
Cash equivalents	\$	2,359,789	2,359,789	—	—	Daily	1
Mutual and exchange traded funds:							
U.S. government fixed income		21,549,783	21,549,783	—	—	Daily	1
U.S. equities		21,023,506	21,023,506	—	—	Daily	1
Foreign equities		7,996,002	7,996,002	—	—	Daily	15
Real estate		11,959,768	11,959,768	—	—	Daily	1
Hedged equities		606,193	606,193	—	—	Daily	1
Investments measured at NAV or its equivalent:							
Absolute multistrategy return		24,850,352	—	—	—	Monthly/Quarterly	45 to 95
Credit securities		2,973,848	—	—	—	Monthly	30
Global equities		64,341,072	—	—	—	Mthly/Qtrly/Annly	30 to 90
Hedged equities		50,797,945	—	—	—	Quarterly	90
Private equity		45,711,332	—	—	—	See note 5(a)	N/A
	\$	<u>254,169,590</u>	<u>65,495,041</u>	<u>—</u>	<u>—</u>		
2019							
		Total	Level 1	Level 2	Level 3	Redemption	Days'
						frequency	notice
Investments:							
Cash equivalents	\$	1,501,149	1,501,149	—	—	Daily	1
Mutual and exchange traded funds:							
U.S. government fixed income		25,445,567	25,445,567	—	—	Daily	1
U.S. equities		18,980,303	18,980,303	—	—	Daily	1
Foreign equities		10,776,011	10,776,011	—	—	Daily	1-15
Real estate		13,677,953	13,677,953	—	—	Daily	1
Hedged equities		1,077,253	1,077,253	—	—	Daily	1
Investments measured at NAV or its equivalent:							
Absolute multistrategy return		24,965,984	—	—	—	Monthly/Quarterly	45 to 95
Global equities		59,708,267	—	—	—	Mthly/Qtrly/Annly	30 to 90
Hedged equities		52,304,174	—	—	—	Quarterly	90
Private equity		39,817,499	—	—	—	See note 5(a)	N/A
	\$	<u>248,254,160</u>	<u>71,458,236</u>	<u>—</u>	<u>—</u>		

There has been no transfer activity among levels for investments during fiscal years 2020 and 2019. The RF has unfunded commitments to the plan's private equity investments at June 30, 2020 of approximately \$50.3 million.

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**(d) Investment Policies and Strategies**

The plan's primary investment goal is to meet the ongoing obligations while minimizing contributions and controlling risks. This would result in funding short-term liabilities with lower volatility short-term assets, intermediate-term liabilities with moderate-volatility assets and longer-term liabilities with long-term assets.

By use of this structure, and by the diversification of assets, the total portfolio risk exposure and risk adjusted returns meet the plan's long-term total return goal.

The RF's investment managers, under agreement to manage the plan assets kept in the VEBA trust, exercise full investment discretion within the investment policy approved by the RF board of directors, and guidelines as described in the respective investment agreements. Assets must be managed with the care, skill, prudence, and diligence that a prudent investment professional in similar circumstances would exercise, in compliance with applicable laws and regulations.

**(e) Basis Used to Determine the Overall Expected Long-Term Rate of Return on Assets Assumption**

The RF works with a consultant to develop long-term rate of return assumptions used to model and determine the overall asset allocation. The return assumptions used in the asset allocation analysis are based on a building block approach in which risk premium is calculated for each asset class and adjusted for current market conditions including, but not limited to, current market valuations, yield, inflation, and various economic indicators.

The plan's asset allocation, utilizing various investment vehicles, as of June 30, 2020, as shown in the table below, is expected to meet the plan's expected return:

<b>Asset class</b>	<b>Long-term target</b>	<b>Short-term target</b>	<b>Ranges</b>	<b>Actual</b>
Cash	1.0 %	1.0 %	0%–10%	3.2 %
Fixed income:				
Government bonds	8.0 %	3.0 %	0%–30%	2.4 %
Credit	4.0 %	4.0 %	0%–20%	3.1 %
Private debt	9.0 %	7.0 %	0%–20%	6.5 %
Equities:				
Global equities	35.0 %	35.0 %	20%–50%	36.5 %
Hedged equities	15.0 %	19.0 %	0%–25%	19.9 %
Private equity	10.0 %	8.0 %	0%–25%	7.0 %
Absolute return	5.0 %	7.0 %	0%–20%	6.1 %
Real assets:				
Inflation-protected	3.0 %	6.0 %	0%–10%	6.1 %
Commodities	— %	— %	0%–10%	— %
Global real estate	10.0 %	10.0 %	5%–20%	9.2 %

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**(10) Retirement Plan**

The RF maintains a noncontributory Section 401(a) retirement plan for substantially all nonstudent employees. Contributions are based on a percentage of earnings and range from 7% to 15%, depending on date of hire. In addition, the RF provides an additional retirement contribution if an employee retires and meets the age and service requirements for retiree health insurance. This additional contribution is calculated by multiplying the value of the employee's accrued sick leave, up to a maximum of 200 days, by the employee's contribution rate at the time of retirement. Employees become eligible to participate after completing one year of service (a one-year waiting period from their date of hire). At that time, contributions begin and they gain ownership of all future contributions made to their retirement accounts while employed by the RF.

Contributions are allocated to individual employee accounts. Vested participants have the option of having contributions to their accounts deposited in either, a guaranteed income account, an assortment of mutual funds, stocks, bonds, real estate, and money market investments, or a selection of nonproprietary funds that are offered by the Teachers Insurance and Annuity Association (TIAA). The payroll for RF employees covered by TIAA for the years ended June 30, 2020 and 2019 was approximately \$361.4 million and \$359.4 million, respectively. The RF retirement plan contributions were approximately \$29.0 million and \$30.4 million for the years ended June 30, 2020 and 2019, respectively. These contributions are equal to 100% of the required contributions for the year.

**(11) Long-Term Obligations**

	<b>Balance</b>	
	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Long-term obligations:		
Capital lease obligation; see note (a) below	\$ 218,179,132	235,232,113
Bonds payable to Albany Industrial Development agency (AIDA); see note (b) below	3,630,000	3,850,000
Note payable to Citizens Bank, see note (c) below	3,732,143	4,517,857
Total long-term obligations	\$ 225,541,275	243,599,970

- (a) The RF is party to a capital lease for the NanoFabXtension (NFX) facility with FRMC. The lease commenced on January 1, 2013 and expires on December 31, 2028. During the lease term, the RF's payments under the capital lease will be an annual amount equal to \$36 million.
- (b) The RF has an interest rate swap agreement, on the variable-rate AIDA bonds payable, with the Bank of New York to pay a fixed rate of interest of 3.615%. The bonds payable mature in 2033.
- (c) The RF has a fixed rate term loan with Citizens Bank with an interest rate of 3.68%, which commenced on February 2, 2018 and expires on February 1, 2025 and is fully collateralized by certain of the RF's marketable securities.

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Future scheduled payments as of June 30, 2020 are as follows:

	<b>Capital lease obligation</b>		<b>Bonds and notes payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Fiscal year:				
2021	\$ 18,508,646	17,491,354	1,015,714	137,733
2022	20,088,570	15,911,430	1,020,714	107,879
2023	21,803,357	14,196,643	1,030,714	77,985
2024	23,664,522	12,335,478	1,035,714	48,150
2025	25,684,558	10,315,442	849,287	18,730
Thereafter	108,429,479	17,570,521	2,410,000	35,420
Total	\$ <u>218,179,132</u>	<u>87,820,868</u>	<u>7,362,143</u>	<u>425,897</u>

The RF was in compliance with all loan covenant provisions in effect as of the issuance date of these financial statements.

*Lines of Credit*

The RF maintains unsecured lines of credit, with no fixed maturity date, in the amount of \$65.0 million of which \$4.0 million and \$17.8 million were outstanding as of June 30, 2020 and 2019, respectively. During the year ended June 30, 2020, the borrowing rates ranged between 1.19 – 3.44%. The terms of the lines include the specification that each draw must be repaid within one year, and that the bank has the right to demand full repayment of these lines of credit at any time. There has been no indication by the bank of its intent to exercise this right.

**(12) Commitments and Contingencies**

**(a) Commitments**

The RF has commitments under its NFX capital lease as well as agreements with industry partners to support the mission of the SUNY Poly campus, some of which are pending sponsorship or other funding. As of the issuance date of these financial statements, the RF does not anticipate any shortfalls of funding under these commitments to be material in nature.

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**(b) Operating Lease Obligations**

The RF contracts with FRMC and various other entities to lease space as part of its mission to support SUNY research and partnerships. Future minimum payments, as of June 30, 2020, for lease terms in excess of one year are as follows:

<u>Fiscal year</u>	<u>FRMC</u>	<u>Other</u>	<u>Total</u>
2021	\$ 7,014,458	3,184,069	10,198,527
2022	7,014,458	2,333,886	9,348,344
2023	7,014,458	920,435	7,934,893
2024	7,014,458	866,261	7,880,719
2025	7,014,458	808,783	7,823,241
Thereafter	<u>71,898,195</u>	<u>2,513,746</u>	<u>74,411,941</u>
Total	<u>\$ 106,970,485</u>	<u>10,627,180</u>	<u>117,597,665</u>

In May 2005, the RF, as tenant, and FRMC, as landlord, executed an agreement for the lease of clean room facilities, which are used for nanotechnology-related research and development at SUNY Poly. Rent payments made by the RF pursuant to the agreement for each of the years ended June 30, 2020 and 2019 were approximately \$7.0 million. The annual rental payments may escalate annually at a rate not to exceed one percent. The term of the lease is from May 20, 2005 through September 30, 2035.

**(c) Contingencies**

During the ordinary course of business, the RF is exposed to risks associated with legal proceedings and claims. A liability is recognized with respect to legal proceedings and claims if incurrence of a loss is probable and the amount of loss is reasonably estimable. It is not anticipated that potential liability from any matters as yet unresolved as of the issuance date will have a material effect on the RF's financial condition and/or cash flows.

**(13) Functional Expenses**

The statement of activities presents expenses by program classification. The RF also summarizes its expenses by functional and natural classifications. The RF's primary program service is research. Depreciation expense is assigned based on the functional classification of the contract or agreement for which an individual asset was acquired. Postretirement and other benefit expenses are allocated based on the functional classifications of salaries.

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Expenses, categorized based on functional and natural classifications for the years ended June 30, 2020, and June 30, 2019, are as follows (in thousands):

	2020						Total
	Research	Institutional support	Public service	Instruction	Academic support	Other	
Salaries	\$ 191,164	59,327	56,793	37,969	8,535	1,779	355,567
Other employee benefits	64,304	24,554	24,420	14,578	3,284	705	131,845
Postretirement benefit expense	(10,351)	(3,212)	(3,075)	(2,056)	(462)	(96)	(19,252)
Subcontracts	80,688	5	11,011	7,664	491	—	99,859
Office expense	50,234	12,962	6,611	5,040	2,279	720	77,846
Fees for services	25,303	11,380	13,366	4,553	2,554	683	57,839
Depreciation and amortization	60,284	4,105	—	454	7	275	65,125
Occupancy	2,950	13,311	6,814	6,205	425	1,011	30,716
Equipment	24,970	2,123	513	689	436	100	28,831
Interest	18,947	2,020	—	—	—	—	20,967
Travel	7,461	1,693	3,305	2,175	574	67	15,275
Fellow ship stipends	2,912	521	760	10,645	519	1,939	17,296
Tuition and fees	7,607	246	176	9,582	128	257	17,996
Information technology	2,725	4,954	399	433	597	377	9,485
Other expenses	28,744	21,155	3,617	2,369	2,605	1,197	59,687
Total expenses	\$ 557,942	155,144	124,710	100,300	21,972	9,014	969,082

  

	2019						Total
	Research	Institutional support	Public service	Instruction	Academic support	Other	
Salaries	\$ 176,363	57,537	53,779	38,838	11,208	1,643	339,368
Other employee benefits	59,932	22,722	21,621	14,429	4,326	564	123,594
Postretirement benefit expense	(8,879)	(2,897)	(2,707)	(1,955)	(564)	(83)	(17,085)
Subcontracts	73,507	10	12,582	7,896	326	—	94,321
Office expense	51,343	12,063	8,049	5,476	3,162	1,599	81,692
Fees for services	25,557	15,404	19,273	4,845	4,232	2,243	71,554
Depreciation and amortization	51,732	4,385	—	421	—	254	56,792
Occupancy	1,971	14,317	6,049	656	266	5,693	28,952
Equipment	22,965	1,655	309	1,364	1,384	609	28,286
Interest	20,288	2,675	—	15	—	—	22,978
Travel	10,307	2,468	5,280	2,934	1,013	99	22,101
Fellow ship stipends	3,038	650	1,261	11,706	566	1,872	19,093
Tuition and fees	6,810	202	181	10,640	297	171	18,301
Information technology	2,604	6,656	422	423	508	485	11,098
Other expenses	14,652	24,396	4,654	3,643	3,835	10,179	61,359
Total expenses	\$ 512,190	162,243	130,753	101,331	30,559	25,328	962,404

**(14) Subsequent Events**

The RF considers events or transactions that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements covering the year ended June 30, 2020 were available to be issued on October 26, 2020 and subsequent events have been evaluated through that date.