



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

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

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

June 30, 2021 and 2020

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KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

## 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, 2021, 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, 2021, 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.



*Report on Summarized Comparative Information*

We have previously audited The Research Foundation for The State University of New York's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*KPMG LLP*

October 27, 2021

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Balance Sheets

June 30, 2021 and 2020

<b>Assets</b>	<b>2021</b>	<b>2020</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 12,181,167	8,398,499
Accounts receivable, net	187,743,273	195,719,057
Advances to others	16,337,522	15,066,455
Investments	545,686,607	485,317,318
Due from broker for securities sold	3,016,832	851,146
Other current assets	598,158	677,163
Total current assets	765,563,559	706,029,638
<b>Noncurrent assets:</b>		
Investments	123,324,357	81,584,822
Fixed assets, net	537,917,784	543,634,950
Intangible assets, net	8,626,250	7,373,546
Other noncurrent assets	9,169,734	7,593,827
Total noncurrent assets	679,038,125	640,187,145
Total assets	\$ 1,444,601,684	1,346,216,783
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 84,639,520	93,004,992
Accrued compensation	44,332,655	27,819,784
Accrued leave	35,431,273	30,074,808
Deferred revenue	276,814,405	320,585,898
Deposits held for others	32,161,818	22,201,737
Due to broker for securities purchased	9,320,381	—
Current portion of capital lease obligations	20,088,570	18,508,646
Current portion of long-term debt	1,020,714	1,015,714
Line of credit	14,860,000	4,000,000
Total current liabilities	518,669,336	517,211,579
<b>Noncurrent liabilities:</b>		
Postretirement benefit obligation	65,887,443	162,763,722
Capital lease obligations, net of current portion	179,581,916	199,670,486
Long-term debt, net of current portion	5,325,715	6,346,429
Other liabilities	9,733,401	8,364,237
Total noncurrent liabilities	260,528,475	377,144,874
Total liabilities	779,197,811	894,356,453
<b>Net assets:</b>		
Without donor restrictions	641,512,444	431,663,574
With donor restrictions	23,891,429	20,196,756
Total net assets	665,403,873	451,860,330
Total liabilities and net assets	\$ 1,444,601,684	1,346,216,783

See accompanying notes to financial statements.

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Statement of Activities

Year ended June 30, 2021 (with summarized comparative information for the year ended June 30, 2020)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Revenue:				
Grants for research and other sponsored activities:				
Federal	\$ 318,815,284	—	318,815,284	316,001,723
Federal flow through	90,214,119	—	90,214,119	90,835,576
New York State	253,510,452	—	253,510,452	234,415,453
Private and other	248,507,873	—	248,507,873	229,188,474
Total grants for research and other sponsored activities	<u>911,047,728</u>	<u>—</u>	<u>911,047,728</u>	<u>870,441,226</u>
Indirect cost recoveries:				
Federal	100,164,922	—	100,164,922	96,753,951
Federal flow through	25,283,605	—	25,283,605	26,078,596
New York State	7,144,161	—	7,144,161	8,079,997
Private and other	18,966,546	—	18,966,546	16,756,591
Total indirect cost recoveries	<u>151,559,234</u>	<u>—</u>	<u>151,559,234</u>	<u>147,669,135</u>
Other research-related income:				
Inventions and licenses income	6,461,192	—	6,461,192	6,571,085
Third party service center	4,860,528	—	4,860,528	3,840,254
Agency fees	6,652,471	—	6,652,471	7,146,522
Fixed price awards	4,626,599	—	4,626,599	4,712,716
Institutional support funding	23,623,118	—	23,623,118	47,127,960
Other	1,311,885	—	1,311,885	833,880
Total other research-related income	<u>47,535,793</u>	<u>—</u>	<u>47,535,793</u>	<u>70,232,417</u>
Investment income, net	87,683,181	4,594,336	92,277,517	21,045,861
Net assets released from restrictions	899,663	(899,663)	—	—
Previously deferred economic development program revenue (see note 2e)	—	—	—	290,421,189
Total revenue	<u>1,198,725,599</u>	<u>3,694,673</u>	<u>1,202,420,272</u>	<u>1,399,809,828</u>
Expenses:				
Sponsored programs and other activities	885,750,872	—	885,750,872	793,834,679
Indirect administrative and support expenses	153,253,163	—	153,253,163	138,430,751
Other research-related expenses	32,588,491	—	32,588,491	36,816,667
Total expenses	<u>1,071,592,526</u>	<u>—</u>	<u>1,071,592,526</u>	<u>969,082,097</u>
Change in net assets from revenue and expenses	127,133,073	3,694,673	130,827,746	430,727,731
Changes in net assets related to postretirement benefit obligation	82,715,797	—	82,715,797	(44,694,326)
Change in net assets	209,848,870	3,694,673	213,543,543	386,033,405
Net assets at beginning of year	431,663,574	20,196,756	451,860,330	65,826,925
Net assets at end of year	<u>\$ 641,512,444</u>	<u>23,891,429</u>	<u>665,403,873</u>	<u>451,860,330</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2021 and 2020

	<b>2021</b>	<b>2020</b>
Cash flows from operating activities:		
Federal grants and contracts	\$ 533,594,200	567,502,199
State and local grants and contracts	233,681,911	333,473,779
Private gifts and grants	277,588,417	264,707,456
Other receipts	233,246,235	224,342,831
Salaries and wages payments	(394,326,005)	(414,353,191)
Employee benefits payments	(144,361,345)	(137,508,858)
Payments to suppliers and vendors	(513,148,132)	(470,471,847)
Operating interest and dividends	2,480,027	7,897,570
Distribution from BSA partnership	2,720,142	2,502,891
Interest payments on capital debt and notes	(17,747,547)	(19,307,392)
Other payments	(97,826,725)	(92,278,346)
Net cash provided by operating activities	115,901,178	266,507,092
Cash flows from investing activities:		
Proceeds from sales of investments	37,192,912	63,851,820
Purchases of investments	(100,483,346)	(118,380,042)
Proceeds from sales of fixed assets	208,519	952,000
Cash paid for purchases of fixed and intangible assets	(92,290,047)	(95,892,777)
Net cash used in investing activities	(155,371,962)	(149,468,999)
Cash flows from financing activities:		
Principal payments on long-term debt and capital lease obligations	(19,524,360)	(18,058,695)
Proceeds from line of credit	51,217,835	11,050,000
Payments on line of credit	(40,357,835)	(24,850,000)
Net cash used in financing activities	(8,664,360)	(31,858,695)
Net change in cash and cash equivalents	(48,135,144)	85,179,398
Cash and cash equivalents, beginning of year	207,245,363	122,065,965
Cash and cash equivalents, end of year	\$ 159,110,219	207,245,363

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2021 and 2020

**(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 provides essential administrative services that enable State University of New York (SUNY) faculty to focus their efforts on educating students and performing life-changing research across a wide range of disciplines including Artificial Intelligence, Clean Energy, Biotechnology, Longevity, Substance Addiction, Nextgen Quantum Computing, Environmental Health, and Resiliency. The RF works with the academic and business leadership of SUNY campuses to facilitate research and discovery by administering sponsored projects and delivering intellectual property and technology transfer services that fuel innovation and move ideas and inventions to the marketplace.

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, 2020, 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 pandemic, including moving to online work environments and costs associated with protocols put in place to return to campus laboratories and offices.

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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, 2021 and 2020, the net asset balance of the funds were \$23.9 million and \$20.2 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) 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, 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 \$1,062.6 million and \$1,010.1 million for the years ended June 30, 2021 and 2020, respectively.

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Payments received from sponsors in advance of conditions being met are reported as deferred revenue, which totaled \$243.6 million and \$292.2 million as of June 30, 2021 and 2020, respectively.

The RF adopted ASU 2018-08 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, on a modified prospective basis as of July 1, 2019. In accordance with this adoption, during the year ended June 30, 2020, the RF 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 had been overcome and there were no further rights of return for the assets contributed to the RF.

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.

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.

**(f) 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 4.

In accordance with ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, 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

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equivalents as reported in the balance sheets to cash and cash equivalents reported in the statements of cash flows:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 12,181,167	8,398,499
Current investments (see note 4)	146,929,052	198,846,864
Total cash and cash equivalents shown in the statements of cash flows:	\$ 159,110,219	207,245,363

**(g) 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, 2021 and 2020 was \$27.7 million and \$25.6 million, respectively.

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

	<b>2021</b>	<b>2020</b>
Accounts receivable:		
Federal	\$ 52,539,588	39,993,963
Federal flow through	47,657,930	43,217,515
New York State	64,573,061	92,242,983
Private and other	22,972,694	20,264,596
	\$ 187,743,273	195,719,057

**(h) 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.

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**(i) 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, 2021 and 2020 was \$72.3 million and \$65.1 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.

**(j) 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
- (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.

**(k) 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, 2021 and 2020.

**(l) 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

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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.

**(m) 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 4 and 5 for additional information regarding fair value considerations with respect to investments, deferred compensation assets and interest rate swap on outstanding bonds.

**(n) 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.

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, 2021 and 2020. 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.

**(o) 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, 2021 and 2020 is approximately \$11.6 million and \$8.3 million, respectively.

**(p) Reclassifications**

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

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**(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:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 12,181,167	8,398,499
Accounts receivable, net	187,743,273	193,719,057
Investments	545,686,607	485,317,318
Due from broker for securities sold	3,016,832	851,146
Total financial assets available within one year	\$ 748,627,879	688,286,020

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 \$943.8 million and \$906.0 million during the years ended June 30, 2021 and 2020, 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 4). Additionally, the RF maintains lines of credit of \$65.0 million, of which \$50.1 million is available to draw as of June 30, 2020, (see note 10) that are drawn upon as needed during the year to manage cash flow.

**(4) 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

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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.

The following tables summarize, as of June 30, 2021 and 2020, the RF's investments as well as the liquidity redemption and notification provisions:

	2021				Redemption frequency	Days notice
	Total	Level 1	Level 2	Level 3		
Investments:						
Cash equivalents	\$ 146,929,052	146,929,052	—	—	Daily	1
Mutual and exchange traded funds:						
U.S. government fixed income	55,531,675	55,531,675	—	—	Daily	1
U.S. equities	60,580,968	60,580,968	—	—	Daily	1
Foreign equities	32,239,309	32,239,309	—	—	Daily/Monthly	1 to 15
Real estate	36,555,471	36,555,471	—	—	Daily	1
U.S. equities	90,729	90,729	—	—	Daily	4
Investments measured at NAV or its equivalent:						
Absolute multistrategy return	72,529,046	—	—	—	Monthly/Quarterly	45 to 95
Credit securities	8,558,921	—	—	—	Monthly/Quarterly	30 to 45
Global equities	95,440,994	—	—	—	Mthly/Qtrly/Annly	30 to 90
Hedged equities	92,810,990	—	—	—	Quarterly	90
Private equity	42,569,496	—	—	—	See (a) below	N/A
Pooled endowments	21,891,429	—	—	—	See (b) below	N/A
Total investments at fair value	665,728,080	331,927,204	—	—		
Investment in BSA partnership	3,282,884	—	—	—	N/A	N/A
Total investments	\$ 669,010,964	331,927,204	—	—		

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	2020				Redemption frequency	Days notice
	Total	Level 1	Level 2	Level 3		
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 to 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	NA
Pooled endowments	16,196,756	—	—	—	See (b) below	NA
Total investments at fair value	563,517,176	327,984,128	—	—		
Investment in BSA partnership	3,384,964	—	—	—	See (c) below	NA
Total investments	\$ 566,902,140	327,984,128	—	—		

- (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(d). 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.
- (c) 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, 2020 and 2019. The RF records distributions received as a reduction of the investment balance.

The RF has unfunded commitments to private equity investments as of June 30, 2021 of approximately \$49.4 million.

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**(5) Other Assets and Other Liabilities**

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

	<b>2021</b>	<b>2020</b>
Other assets:		
Current:		
Royalties receivable	\$ 540,000	560,000
Miscellaneous	58,158	117,163
Total other current assets	598,158	677,163
Noncurrent:		
Deferred compensation assets	9,169,734	7,593,827
Total other noncurrent assets	9,169,734	7,593,827
Total other assets	\$ 9,767,892	8,270,990
Other liabilities – noncurrent:		
Deferred compensation obligation	\$ 9,169,734	7,593,827
Interest rate swap agreement	563,667	770,410
Total other liabilities	\$ 9,733,401	8,364,237

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, 2021 and 2020, respectively, the assets consist of mutual funds of approximately \$4.2 million and \$3.5 million, which involve Level 1 inputs under the fair value hierarchy, variable annuities of approximately \$3.2 million and \$2.5 million, which are recorded at NAV, and fully benefit-responsive annuity contracts of approximately \$1.8 million and \$1.6 million, which are recorded at contract value.

As indicated in note 10(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.

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**(6) Fixed Assets**

<u>Fixed asset classification</u>	<u>2020</u>	<u>Additions</u>	<u>Dispositions/ retirements</u>	<u>Placed in service</u>	<u>2021</u>
Building	\$ 6,500,000	—	—	—	6,500,000
Building – capital lease	317,704,048	—	—	—	317,704,048
Research and office equipment	456,610,779	24,672,905	(55,376,021)	93,282,165	519,189,828
Information systems	25,462,324	—	—	—	25,462,324
Construction in progress	62,780,918	66,678,486	—	(93,282,165)	36,177,239
Total fixed assets	<u>869,058,069</u>	<u>91,351,391</u>	<u>(55,376,021)</u>	<u>—</u>	<u>905,033,439</u>
Less accumulated depreciation:					
Building	2,340,000	130,000	—	—	2,470,000
Building – capital lease	148,923,773	19,856,504	—	—	168,780,277
Research and office equipment	148,697,022	50,755,072	(29,049,040)	—	170,403,054
Information systems	25,462,324	—	—	—	25,462,324
Total accumulated depreciation	<u>325,423,119</u>	<u>70,741,576</u>	<u>(29,049,040)</u>	<u>—</u>	<u>367,115,655</u>
Fixed assets, net	<u>\$ 543,634,950</u>	<u>20,609,815</u>	<u>(26,326,981)</u>	<u>—</u>	<u>537,917,784</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.

As noted in the table above, the RF incurred a loss on disposal of fixed assets of \$26.3 million during the year ended June 30, 2021. This disposal relates to research equipment assets previously located at SUNY Poly that were sold in conjunction with economic development activities in central New York. Consistent with prior year reporting of these assets, the loss is reflected in the statement of activities within “Grants for research and other sponsored activities: New York State.”

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**(7) Intangible Assets**

<u>Intangible asset classification</u>	<u>2020</u>	<u>Additions</u>	<u>Dispositions/ retirements</u>	<u>2021</u>
Technology licenses	\$ 24,200,000	—	—	24,200,000
Capitalized software	19,060,773	3,486,835	—	22,547,608
Total intangible assets	43,260,773	3,486,835	—	46,747,608
Less accumulated amortization:				
Technology licenses	24,200,000	—	—	24,200,000
Capitalized software	11,687,227	2,234,131	—	13,921,358
Total accumulated amortization	35,887,227	2,234,131	—	38,121,358
Intangible assets, net	\$ <u>7,373,546</u>	<u>1,252,704</u>	<u>—</u>	<u>8,626,250</u>

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

Fiscal year ending:	
2022	\$ 2,417,000
2023	2,332,000
2024	1,618,000
2025	904,000
2026	904,000

**(8) 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 \$313.3 million and \$254.2 million as of June 30, 2021 and 2020, 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 6,500 and 6,400 participants in the plan as of July 1, 2020 and 2019, respectively.

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

	<b>2021</b>	<b>2020</b>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 416,933,312	385,576,711
Service cost	11,152,025	9,586,322
Interest cost	10,735,221	12,047,756
Plan participants' contributions	1,383,150	1,324,747
Actuarial (gain) loss	(47,795,454)	20,591,552
Benefits paid	(13,203,493)	(12,193,776)
Benefit obligation at end of year	379,204,761	416,933,312
Change in plan assets:		
Fair value of plan assets at beginning of year	254,169,590	248,254,160
Return on plan assets	64,984,971	10,800,655
Employer contributions	5,983,100	5,983,804
Plan participants' contributions	1,383,150	1,324,747
Benefits paid	(13,203,493)	(12,193,776)
Fair value of plan assets at end of year	313,317,318	254,169,590
Funded status and amount recognized in balance sheet	\$ (65,887,443)	(162,763,722)
Amounts not yet reflected in net periodic benefit cost and included in the balance sheet:		
Prior service credit	\$ 108,779,568	140,867,936
Net actuarial loss	(81,341,144)	(196,145,309)
Total	\$ 27,438,424	(55,277,373)
Weighted average assumptions used to determine benefit obligation:		
Discount rate at end of year	2.63 %	2.48 %

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	<b>2021</b>	<b>2020</b>
Components of net periodic benefit cost:		
Service cost	\$ 11,152,025	9,586,322
Interest cost	10,735,221	12,047,756
Expected return on plan assets	(16,238,750)	(16,903,654)
Amortization of:		
Prior service credit	(32,088,368)	(32,088,368)
Actuarial loss	18,262,490	14,088,593
Net periodic benefit gain	\$ (8,177,382)	(13,269,351)
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate for the year	2.48 %	3.35 %
Expected long-term rate of return	6.50	7.00
Other changes in plan assets and benefit obligations recognized in net assets without donor restriction:		
Net actuarial gain (loss)	\$ 96,541,675	(26,694,551)
Amortization of:		
Prior service credit	(32,088,368)	(32,088,368)
Actuarial loss	18,262,490	14,088,593
Total recognized as decrease in net assets without donor restriction	\$ 82,715,797	(44,694,326)

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 \$4.9 million.

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Estimated net benefit payments over future years are as follows:

Fiscal year ending:		
2022	\$	15,477,000
2023		16,320,000
2024		17,041,000
2025		17,649,000
2026		18,169,000
2027–2031		96,532,000

For measurement purposes, the initial trend rates vary by coverage. The health maintenance organization rate is 6.00%, the preferred provider organization (PPO) rate is 6.00%, the PPO prescription rate is 8.00%, 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	\$ 4,997,622	(3,822,295)
Effect on postretirement benefit obligation	61,421,091	(49,790,700)



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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, 2021, as shown in the table below, is expected to meet the plan's expected return:

<u>Asset class</u>	<u>Long-term target</u>	<u>Short-term target</u>	<u>Ranges</u>	<u>Actual</u>
Cash	1.0 %	1.0 %	0%-10%	2.5 %
Fixed income:				
Government bonds	8.0 %	3.0 %	0%-30%	2.1 %
Credit	4.0 %	2.0 %	0%-20%	1.7 %
Private debt	9.0 %	7.0 %	0%-20%	6.8 %
Equities:				
Global equities	28.0 %	35.0 %	20%-50%	34.6 %
Hedged equities	15.0 %	19.0 %	0%-25%	18.4 %
Private equity	17.0 %	8.0 %	0%-25%	9.2 %
Absolute return	5.0 %	9.0 %	0%-20%	8.8 %
Real assets:				
Inflation-protected	3.0 %	6.0 %	0%-10%	5.1 %
Global real estate	10.0 %	10.0 %	5%-20%	10.8 %

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**(9) 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, 2021 and 2020 was approximately \$361.2 million and \$361.4 million, respectively. The RF retirement plan contributions were approximately \$29.8 million and \$29.0 million for the years ended June 30, 2021 and 2020, respectively. These contributions are equal to 100% of the required contributions for the year.

**(10) Long-Term Obligations**

	<b>2021</b>	<b>2020</b>
Long-term obligations:		
Capital lease obligation; see note (a) below	\$ 199,670,486	218,179,132
Bonds payable to Albany Industrial Development agency (AIDA); see note (b) below	3,400,000	3,630,000
Note payable to Citizens Bank, see note (c) below	2,946,429	3,732,143
Total long-term obligations	\$ 206,016,915	225,541,275

- (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 2032.
- (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 investments.

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Future scheduled payments as of June 30, 2021 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:				
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
2026	27,877,027	8,122,973	270,000	8,560
Thereafter	<u>80,552,452</u>	<u>9,447,548</u>	<u>2,140,000</u>	<u>26,860</u>
Total	<u>\$ 199,670,486</u>	<u>70,329,514</u>	<u>6,346,429</u>	<u>288,164</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 \$14.9 million and \$4.0 million were outstanding as of June 30, 2021 and 2020, respectively. During the year ended June 30, 2021, the borrowing rates ranged between 1.13 – 2.75%. 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.

**(11) 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, 2021, for lease terms in excess of one year are as follows:

<u>Fiscal year</u>	<u>FRMC</u>	<u>Other</u>	<u>Total</u>
2022	\$ 7,014,458	2,537,823	9,552,281
2023	7,014,458	2,362,513	9,376,971
2024	7,014,458	2,269,297	9,283,755
2025	7,014,458	792,687	7,807,145
2026	7,014,458	745,090	7,759,548
Thereafter	<u>64,883,736</u>	<u>6,610,235</u>	<u>71,493,971</u>
Total	<u>\$ 99,956,026</u>	<u>15,317,645</u>	<u>115,273,671</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, 2021 and 2020 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.

**(12) 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. Expenses, categorized based on functional and natural classifications for the years ended June 30, 2021 and 2020, are as follows (in thousands):

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	2021						Total
	Research	Institutional support	Public service	Instruction	Academic support	Other	
Salaries	\$ 201,346	61,373	54,885	34,716	8,800	2,191	363,311
Employee benefits	59,430	23,551	21,477	12,627	3,067	806	120,958
Subcontracts	79,044	45	11,984	6,038	225	—	97,336
Office expense	54,765	18,535	8,008	3,941	2,127	556	87,932
Fees for services	55,265	5,584	14,826	2,847	1,906	1,103	81,531
Depreciation and amortization	67,698	3,963	7	332	6	275	72,281
Rental Equipment	43,329	300	46	113	10	—	43,798
Equipment	27,496	2,765	1,803	1,027	513	1,167	34,771
Occupancy	4,085	8,211	7,786	1,412	644	7,376	29,514
Tuition and fees	8,126	151	218	9,125	380	212	18,212
Fellow ship stipends	2,997	678	741	11,182	126	2,206	17,930
Interest	17,491	197	—	—	—	—	17,688
Renovations	16,850	1	1	52	66	365	17,335
Information technology	1,551	5,821	452	419	274	329	8,846
Other expenses	10,503	41,157	2,266	3,127	1,775	1,322	60,150
Total expenses	<u>\$ 649,976</u>	<u>172,332</u>	<u>124,500</u>	<u>86,958</u>	<u>19,919</u>	<u>17,908</u>	<u>1,071,593</u>

  

	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
Employee benefits	53,953	21,342	21,345	12,522	2,822	609	112,593
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
Rental Equipment	19,827	469	53	59	12	41	20,461
Equipment	24,970	2,123	513	689	436	100	28,831
Occupancy	2,950	13,311	6,814	6,205	425	1,011	30,716
Tuition and fees	7,607	246	176	9,582	128	257	17,996
Fellow ship stipends	2,912	521	760	10,645	519	1,939	17,296
Interest	18,947	2,020	—	—	—	—	20,967
Renovations	336	102	—	223	39	659	1,359
Information technology	2,725	4,954	399	433	597	377	9,485
Other expenses	16,042	22,277	6,869	4,262	3,128	564	53,142
Total expenses	<u>\$ 557,942</u>	<u>155,144</u>	<u>124,710</u>	<u>100,300</u>	<u>21,972</u>	<u>9,014</u>	<u>969,082</u>

**(13) 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, 2021 were available to be issued on October 27, 2021 and subsequent events have been evaluated through that date.