THE ROCKEFELLER UNIVERSITY

Financial Statements

June 30, 2017
(with comparative financial information as of and
for the year ended June 30, 2016)

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
The Rockefeller University:

We have audited the accompanying financial statements of The Rockefeller University (the University), which comprise the balance sheet as of June 30, 2017, and 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 auditor considers internal control relevant to the organization'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 organization'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 Rockefeller University as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG

Report on Summarized Comparative Information

We have previously audited the University's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 4, 2017

THE ROCKEFELLER UNIVERSITY

Balance Sheet

June 30, 2017
(with comparative financial information as of June 30, 2016)

Assets		2017	2016
Cash and cash equivalents	$	77,711,517	76,199,589
Accounts and accrued interest receivable		10,350,060	7,491,675
Contributions receivable (note 8)		431,504,979	447,378,816
Loans receivable – faculty and staff		31,484,987	32,637,561
Deposits held by trustees (note 13)		—	13,248,845
Other assets		34,984,789	31,326,790
Investments (notes 2 and 13)		2,077,568,535	2,058,252,999
Plant assets, net (note 6)		1,006,297,055	867,009,304
Total assets	$	3,669,901,922	3,533,545,579
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	63,537,783	56,915,348
Deferred revenues		4,696,696	5,002,769
Obligation under derivative instruments (notes 5 and 13)		147,057,123	192,893,305
Long-term debt (note 5)		734,263,325	734,669,717
Conditional asset retirement obligation		8,886,088	8,648,635
Postretirement benefit obligation (note 7)		65,800,000	68,590,000
Amounts held for others (notes 12 and 13)		110,754,459	103,987,647
Total liabilities		1,134,995,474	1,170,707,421
Commitments and contingencies (notes 2 and 11)			
Net assets (note 3):			
Unrestricted		465,356,884	401,031,126
Temporarily restricted (note 9)		1,744,249,177	1,642,742,214
Permanently restricted (note 9)		325,300,387	319,064,818
Total net assets		2,534,906,448	2,362,838,158
Total liabilities and net assets	$	3,669,901,922	3,533,545,579

See accompanying notes to financial statements.

THE ROCKEFELLER UNIVERSITY

Statement of Activities

Year ended June 30, 2017
(with comparative financial information for the year ended June 30, 2016)

	2017				2016
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total**
Revenues:					
Government grants and contracts	$ 87,076,735	—	—	87,076,735	81,278,136
Private gifts and grants	12,546,573	101,564,173	5,810,891	119,921,637	146,321,256
Investment income (loss) (note 2)	46,315,646	179,224,891	424,678	225,965,215	(6,051,754)
Net appreciation (depreciation) in fair value of derivative instruments (note 5)	45,836,182	—	—	45,836,182	(51,768,003)
Sales and services of auxiliary enterprises	33,535,170	—	—	33,535,170	31,904,203
Rent, royalty, and other income	26,229,271	—	—	26,229,271	17,341,621
Net assets released from restrictions (note 9)	179,282,101	(179,282,101)	—	—	—
Total revenues	430,821,678	101,506,963	6,235,569	538,564,210	219,025,459
Expenses and other changes:					
Expenses (note 10):					
Research	246,425,041	—	—	246,425,041	234,989,126
Graduate education	13,598,096	—	—	13,598,096	12,940,413
Research support	36,220,077	—	—	36,220,077	33,570,816
Institutional support	41,698,885	—	—	41,698,885	40,664,902
Auxiliary enterprises	35,101,821	—	—	35,101,821	34,634,261
Total expenses	373,043,920	—	—	373,043,920	356,799,518
Other changes:					
Postretirement related changes other than net periodic postretirement benefit cost (note 7)	(6,548,000)	—	—	(6,548,000)	2,919,000
Forgiveness of loan receivable	—	—	—	—	2,735,174
Net expenses and other changes	366,495,920	—	—	366,495,920	362,453,692
Change in net assets	64,325,758	101,506,963	6,235,569	172,068,290	(143,428,233)
Net assets at beginning of year	401,031,126	1,642,742,214	319,064,818	2,362,838,158	2,506,266,391
Net assets at end of year	$ 465,356,884	1,744,249,177	325,300,387	2,534,906,448	2,362,838,158

See accompanying notes to financial statements.

THE ROCKEFELLER UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2017
(with comparative financial information for the year ended June 30, 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 172,068,290	(143,428,233)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net (appreciation) depreciation in fair value of investments	(225,514,758)	9,196,658
Net (appreciation) depreciation in fair value of derivative instruments	(45,836,182)	51,768,003
Net appreciation in fair value of deposits held by trustees	(2,565)	(311,030)
Gain on sale of equipment	—	(4,195)
Donated equipment	(469,991)	(1,113,939)
Depreciation and amortization	42,563,898	42,480,342
Private gifts and grants restricted for long-term investment	(5,810,891)	(50,077,768)
Contributions for capital	(33,220,391)	(19,830,143)
Changes in operating assets and liabilities:		
Accounts and accrued interest receivable	(2,858,385)	2,035,378
Contributions receivable, excluding amounts in financing activities	17,926,107	60,892,777
Other assets	(3,657,999)	503,894
Accounts payable and accrued expenses	3,314,492	(1,680,290)
Deferred revenues	(306,073)	(52,054)
Conditional asset retirement obligation	237,453	94,581
Postretirement benefit obligation	(2,790,000)	8,744,000
Amounts held for others	(6,355,606)	(5,637,618)
Net cash used in operating activities	(90,712,601)	(46,419,637)
Cash flows from investing activities:		
Proceeds from sale of investments	751,773,109	407,878,025
Purchase of investments	(532,451,469)	(350,190,155)
Additions to plant assets	(181,788,050)	(145,784,624)
Proceeds from sale of equipment	—	39,500
Change in accounts payable for capital expenditures	3,307,943	12,549,613
Principal collections on loans receivable – faculty and staff	4,000,791	3,629,969
Issuance of loans – faculty and staff	(2,848,217)	(1,429,827)
Change in deposits held by bond trustees, net	13,251,410	87,064,636
Net cash provided by investing activities	55,245,517	13,757,137
Cash flows from financing activities:		
Proceeds from private gifts and grants restricted for long-term investment	6,779,012	12,189,791
Proceeds from private gifts restricted for capital	30,200,000	15,200,000
Net cash provided by financing activities	36,979,012	27,389,791
Net increase (decrease) in cash and cash equivalents	1,511,928	(5,272,709)
Cash and cash equivalents at beginning of year	76,199,589	81,472,298
Cash and cash equivalents at end of year	$ 77,711,517	76,199,589
Supplemental disclosures:		
Interest paid	$ 31,789,346	30,939,975
Net appreciation (depreciation) in amounts held for others	13,122,418	(995,521)

See accompanying notes to financial statements.

(1) Discussion of Operations and Summary of Significant Accounting Policies

The Rockefeller University (the University) is a world-renowned center for research and graduate education in the biomedical sciences, chemistry, bioinformatics, and physics. The University's 82 laboratories conduct both clinical and basic research and study a diverse range of biological and biomedical problems with the mission of improving the understanding of life for the benefit of humanity. Laboratories are loosely clustered in nine research areas covering a wide spectrum of disciplines in the life sciences, including neuroscience, immunology, genetics, structural biology, and bioinformatics. The University does not charge tuition. Its revenues are derived primarily from investment income, government grants and contracts, and private gifts and grants.

The significant accounting policies followed by the University are described below:

(a) Basis of Presentation

The University prepares its financial statements on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board for external reporting by not-for-profit organizations. Those standards require the classification of net assets and changes therein in one of three classes of net assets as follows:

Unrestricted net assets are not subject to donor-imposed restrictions, but may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets are subject to donor-imposed restrictions that will be met by actions of the University or the passage of time and includes unexpended gains on endowment funds that have not been appropriated for expenditure.

Permanently restricted net assets are subject to donor-imposed restrictions that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income and gains on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. As discussed further in note 3, the University follows the provisions of Accounting Standards Codification (ASC) 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to the Uniform Prudent Management of Institutional Funds Act*, which impacts the reporting of investment return on endowment funds. Accordingly, dividends, interest, and net gains and losses on endowment funds are reported as follows (i) as increases or decreases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund; or (ii) as increases or decreases in temporarily restricted net assets until appropriated for expenditure by the University.

Expirations of temporary restrictions on net assets, that is, the donor-imposed restricted purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

(b) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted or published prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted or published prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted or published prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(c) Cash Equivalents

All highly liquid debt instruments with an original maturity of three months or less are considered to be cash equivalents, except for such assets that are part of the University's investment portfolio managed by external investment managers for long-term purposes.

(d) Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Contributions to be received after one year are discounted to reflect the present value of future cash flows at a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

Contributions of property, plant, and equipment without donor stipulation concerning the use of such long-lived assets are reported as revenues of the unrestricted net assets class. Contributions of cash or other assets to be used to acquire property, plant, and equipment are reported as revenues of the temporarily restricted net assets class; the restrictions are considered to be released at the time such long-lived assets are placed into service.

(e) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted or published market values. Investments in partnerships, as a practical expedient, are reflected at net asset value as reported by the general partners, and may differ from the values that would have been reported had a ready market for these securities existed. The University reviews and evaluates the values provided by the general partners and agrees with the valuation methods and assumptions used in determining the fair value of the limited partnerships.

(f) Plant Assets

Plant assets are stated at cost or at fair value at date of donation in the case of gifts. Depreciation of buildings and building improvements is recorded over estimated useful lives ranging from 15 to 50 years. Equipment is depreciated over estimated useful lives ranging from 5 to 10 years. Leasehold improvements are amortized over the life of the asset or term of the lease, whichever is shorter. Library books are depreciated over estimated useful lives of 15 years.

(g) Government Grants and Contracts

Revenue from government grants and contracts is generally recognized as earned, that is, as the related costs are incurred under the grant or contract agreements. Amounts expended in excess of reimbursements are reported as accounts receivable.

(h) Derivative Instruments

The University accounts for derivative instruments at fair value. The fair value of the derivatives held is based upon values provided by third-party financial institutions and is assessed by management for reasonableness. The fair values of the University's interest rate swaps were calculated as of June 30, 2017, using industry-recognized methodologies. The valuations are based on the present value of the difference between the fixed rate paid by the University and the mid-market fixed rate the University would pay on a similar transaction if it were entered into on June 30, 2017.

(i) Conditional Asset Retirement Obligation

Upon acquisition, and when reasonably estimable, the University recognizes the fair value of the liability related to the legal obligation to perform asset retirement activity on tangible long-lived assets.

(j) Income Taxes

The University is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The University follows the guidance of ASC 740-10*, Income Taxes – Overall*, which addresses accounting for uncertainties in income taxes recognized in an enterprise's financial statements. The University utilizes a threshold of more-likely than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return.

(k) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of these financial statements include the valuation of investments, estimated net realizable value of receivables, the obligation under derivative instruments, and the postretirement benefit obligation. Actual results could differ from those estimates.

(l) Comparative Financial Information

The statement of activities is presented with prior year financial information in total, which does not include net asset class detail. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's 2016 financial statements, from which the summarized information was derived.

(2) Investments

The fair value of the University's investments consists of the following at June 30, 2017 and 2016:

	2017	**2016**
Cash equivalents	$ 67,717,051	31,531,506
Investment receivable	44,553,602	—
U.S. government and agency obligations	55,063,803	197,589,539
U.S. long equities	220,091,466	227,496,598
International/global equities	327,866,236	299,232,252
Real assets	18,487,711	9,790,863
Alternative investments – public:		
Long/short equities	238,226,619	196,945,611
Absolute return	337,889,267	337,396,021
Real assets	53,522,434	73,676,735
Alternative investments – private:		
Buyout funds	211,450,039	179,146,859
Venture capital funds	213,312,473	199,399,495
Real estate funds	69,202,835	137,472,961
Natural resources and other	220,184,999	168,574,559
	$ 2,077,568,535	2,058,252,999

Investments include limited partnerships totaling approximately $1.827 billion and $1.699 billion at June 30, 2017 and 2016, respectively, which are presented above by the underlying investment classification.

Alternative investments – public investments include interests in limited partnerships that invest principally in public equities and corporate bonds and may employ both long and short strategies.

Alternative investments – private investments include interests in limited partnerships that invest principally in buyout funds, venture capital, real estate funds, and natural resources. These interests generally have very limited liquidity.

A description of the various categories follows:

Long/short equities represent investments in funds that invest predominantly in liquid publicly traded marketable securities, primarily equities. These funds are able to hold both long and short positions and utilize leverage. These funds attempt to generate higher returns with lower volatility than their long-only counterparts and demonstrate moderate equity market correlation.

Absolute return represents investments in funds that pursue strategies that do not demonstrate a sustained correlation to public equity markets such as distressed debt and credit strategies, market neutral strategies, macro strategies, event driven and merger arbitrage strategies, and deep value investing.

Real assets represent investments in funds whose assets attempt to retain their value in inflationary environments and include investments in real estate, commodities and natural resources, and inflation-linked bonds.

Buyout funds represent investments in funds that take negotiated, frequently controlling ownership stakes in companies in the United States and internationally.

Venture capital funds represent investments in companies that are newly formed and which require substantial initial capital.

Real estate funds represent investments in a broad range of commercial and residential real estate properties.

Natural resources and other represent investments in partnerships that invest in a broad range of natural resources including oil and gas, timber, metals and mining, and power. The other category generally represents private partnerships in credit, royalty, or other nonequity investments.

At June 30, 2017, the University had approximately $320 million for which capital calls had not been exercised pertaining to alternative investments – private. Such commitments generally have fixed expiration dates or other termination clauses. The University maintains sufficient liquidity to cover such calls. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Investment income (loss) consists of the following as of June 30:

	2017				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2016 Total**
Interest and dividends	$ 761,552	(313,660)	—	447,892	2,833,874
Net appreciation (depreciation) in fair value of investments	45,554,094	179,538,551	424,678	225,517,323	(8,885,628)
Total	$ 46,315,646	179,224,891	424,678	225,965,215	(6,051,754)

(3) Endowment Funds

The primary role of the endowment is to advance the research mission of the University through support of the annual operating budget. The University's endowment consists of both donor-restricted endowment funds and funds designated by the University for long-term purposes and is subject to the provision of the *New York Prudent Management of Institutional Funds Act* (NYPMIFA). The University has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary.

The endowment's assets are invested in marketable securities, including U.S. and global equities and fixed income securities, and partnerships, including long/short equities, absolute return, venture capital, buyout funds, and real assets. The assets are primarily invested by external investment managers through separate accounts or through commingled vehicles, including funds, trusts, and limited partnerships.

The Investment Committee of the University's Board of Trustees (the Committee) is responsible for overseeing the endowment. With the support of the Office of Investments, the Committee establishes the endowment's investment policy and asset allocation, retains and oversees external investment managers, and monitors the implementation and performance of the investment program. The Committee has established a long-term asset allocation policy, which is designed to earn superior investment returns while reducing the risk of permanent impairment of capital. The policy emphasizes (1) a substantial allocation to equity investments; (2) broad diversification of asset class, style, and manager; (3) low correlation to traditional equity market indices; (4) low volatility strategies; and (5) less efficient asset classes. The asset allocation policy is reviewed annually by the Committee. Actual asset allocation is reviewed quarterly by the Committee, which may tactically overweight or underweight a particular asset class.

At June 30, 2017, the fair values of 3 endowment accounts were less than their original fair value (underwater) by a total of approximately $522,000. At June 30, 2016, the fair values of 8 endowment accounts were less than their original fair value (underwater) by a total of approximately $1,240,000.

The University operates under a modified inflation-based spending formula for operations. This formula consists of 70% of the allowable spending in the prior fiscal year, increased by the rate of inflation (Higher Education Price Index (HEPI)) and 30% of the current year spend rate applied to a 12 quarter average market value. The applied spending rate was 5.6% and 5.7% as of June 30, 2017 and 2016, respectively. The spending rate appropriation from the temporarily restricted portion of the endowment for the year ended June 30, 2017 was $75,027,995.

At June 30, 2017 and 2016, net assets associated with endowment funds consisted of the following:

	2017			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor restricted	$ (522,097)	1,224,558,516	287,132,474	1,511,168,893
Designated for long-term purposes	401,836,570	—	—	401,836,570
Total	$ 401,314,473	1,224,558,516	287,132,474	1,913,005,463

	2016			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor restricted	$ (1,239,674)	1,125,310,566	266,814,979	1,390,885,871
Designated for long-term purposes	375,589,124	—	—	375,589,124
Total	$ 374,349,450	1,125,310,566	266,814,979	1,766,474,995

Changes in net assets associated with endowment funds, exclusive of pledges and nonpooled endowments principally in trusts, for the years ended June 30, 2017 and 2016 were as follows:

		2017			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2016	$	374,349,450	1,125,310,566	266,814,979	1,766,474,995
Contributions		—	—	6,779,012	6,779,012
Interest and dividends		(157,533)	(317,824)	—	(475,357)
Realized gains		9,550,517	37,593,451	—	47,143,968
Unrealized gains		36,763,847	141,975,341	424,678	179,163,866
Transfers, net		—	499,230	13,113,805	13,613,035
Total before spending rate		420,506,281	1,305,060,764	287,132,474	2,012,699,519
Endowment spending rate:					
Unrestricted		(19,191,808)	(75,027,995)	—	(94,219,803)
Restricted		—	(5,474,253)	—	(5,474,253)
Total endowment spending rate		(19,191,808)	(80,502,248)	—	(99,694,056)
Net assets at June 30, 2017	$	401,314,473	1,224,558,516	287,132,474	1,913,005,463

		2016			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2015	$	349,563,134	1,207,722,521	244,644,888	1,801,930,543
Contributions		—	—	12,189,791	12,189,791
Interest and dividends		(40,982)	188,140	—	147,158
Realized gains		10,792,108	65,453,238	—	76,245,346
Unrealized losses		(18,853,876)	(70,628,025)	(19,700)	(89,501,601)
Transfers, net		52,234,727	1,363,266	10,000,000	63,597,993
Total before spending rate		393,695,111	1,204,099,140	266,814,979	1,864,609,230
Endowment spending rate:					
Unrestricted		(19,345,661)	(73,122,003)	—	(92,467,664)
Restricted		—	(5,666,571)	—	(5,666,571)
Total endowment spending rate		(19,345,661)	(78,788,574)	—	(98,134,235)
Net assets at June 30, 2016	$	374,349,450	1,125,310,566	266,814,979	1,766,474,995

(4) Obligation under Line of Credit

On October 1, 2013, the University entered into a revolving credit agreement with a financial institution. This agreement consists of a $150 million committed facility, expiring on February 28, 2019, to be used for general institutional purposes. The facility borrowings may occur at the London Interbank Offered Rate (LIBOR) plus 0.50%, money market rate plus 0.50%, or a Corporate Base Rate. The commitment fee on the facility is 0.10% of the undrawn balance. There was no outstanding balance as of June 30, 2017 or 2016.

On December 23, 2016, the University entered into a revolving credit agreement with a financial institution. This agreement consists of a $100 million committed facility, expiring on December 23, 2019, to be used for general institutional purposes. The facility borrowings may occur at LIBOR plus 0.45% or a prime based rate. The commitment fee on the facility is 0.10% of the undrawn balance. There was no outstanding balance as of June 30, 2017.

Fees relating to the obligation under the line of credit for the years ended June 30, 2017 and 2016 were approximately $206,000 and $152,000, respectively.

(5) Long-Term Debt

The University has financed certain plant asset acquisition and construction costs through revenue obligations of the Dormitory Authority of the State of New York (the Authority) and other sources. The following obligations were outstanding at June 30, 2017 and 2016:

	2017	2016
Note Payable, direct placement 3.77%, due serially to 2045	$ 25,000,000	25,000,000
The Rockefeller University Revenue Bonds, Series 2015A, variable rate, partially hedged by interest rate swap, due 2045 (effective rate 4.59% and 4.72% as of June 30, 2017 and 2016, respectively)	119,190,000	119,190,000
The Rockefeller University Revenue Bonds, Series 2015B, variable rate, partially hedged by interest rate swap, due 2025 (effective rate 1.45% and 1.10% as of June 30, 2017 and 2016, respectively)	44,000,000	44,000,000
The Rockefeller University Revenue Bonds, Series 2012B, 4.00% to 5.00%, due serially to 2038	51,390,000	51,390,000
The Rockefeller University Revenue Bonds, Series 2012A, 4.00% to 5.00%, due serially to 2037	26,465,000	26,465,000
The Rockefeller University Revenue Bonds, Series 2010A, 5.00%, due serially to 2041	50,000,000	50,000,000
The Rockefeller University Revenue Bonds, Series 2009C, 5.00%, due serially to 2040	100,000,000	100,000,000
The Rockefeller University Revenue Bonds, Series 2009B, variable rate, hedged by interest rate swap, due 2040 (effective rate 3.59% and 3.80% as of June 30, 2017 and 2016, respectively)	100,000,000	100,000,000
The Rockefeller University Revenue Bonds, Series 2009A, 4.50% to 5.00%, due serially to 2028	59,295,000	59,295,000
The Rockefeller University Revenue Bonds, Series 2008A, variable rate, partially hedged by interest rate swap, due 2039 (effective rate 3.92% and 3.91% as of June 30, 2017 and 2016, respectively)	103,215,000	103,215,000
The Rockefeller University Revenue Bonds, Series 2002A2, variable rate, hedged by interest rate swap, due 2032 (effective rate 4.53% and 4.72% as of June 30, 2017 and 2016, respectively)	50,000,000	50,000,000
	728,555,000	728,555,000
Unamortized bond premium	12,010,917	12,752,267
Unamortized bond issuance costs	(6,302,592)	(6,637,550)
	$ 734,263,325	734,669,717

The Series 2012A, 2012B, 2010A, 2009A, and 2009C bonds were issued at a premium, which are being amortized over the lives of the bonds.

As of June 30, 2017, the University's projected debt service payments on its long-term debt are as follows:

	Principal	Interest	Total debt service
Year ending June 30:			
2018	$ —	31,040,649	31,040,649
2019	5,115,000	31,151,400	36,266,400
2020	5,375,000	30,975,849	36,350,849
2021	5,645,000	30,775,841	36,420,841
2022	5,305,000	30,539,419	35,844,419
Thereafter	707,115,000	494,174,979	1,201,289,979
	$ 728,555,000	648,658,137	1,377,213,137

Interest expense on long-term debt for the years ended June 30, 2017 and 2016 was approximately $26,406,000 and $24,720,800, respectively; approximately $5,383,000 and $6,219,000 was capitalized for the years ended June 30, 2017 and 2016, respectively.

On April 10, 2015, the University entered into a note purchase agreement with a major insurance company for $25 million, with principal due April 10, 2045.

The Series 2015A bonds bear interest at a variable rate and were directly placed with a financial institution for an initial 10 year period through a bond purchase and placement agreement. The 2015B bonds bear interest at a variable rate and were directly placed with a financial institution through a bond purchase and placement agreement.

The Series 2002A2 bonds, the Series 2008A bonds, and the Series 2009B bonds bear interest at variable rates and are subject to optional and mandatory tender. The University has entered into agreements with remarketing agents pursuant to which the remarketing agents are obligated to use their best efforts to remarket any bonds so tendered. The University is obligated to purchase any bonds that are tendered but not remarketed. In connection with the Series 2002A2, 2008A, and 2009B bonds, the University arranged for a standby purchase agreement to be provided by a bank, pursuant to which the bank will purchase any bonds that are tendered and not remarketed.

Interest Rate Swap Agreements

The University has entered into five interest rate swap agreements. The following schedule presents the notional principal amounts of the swaps and other related information as of June 30, 2017:

Effective date		Notional amount	Termination date
January 31, 2002	$	50,000,000	2032
May 2, 2005		50,000,000	2032
July 1, 2008		100,000,000	2039
July 1, 2009		100,000,000	2040
July 1, 2010		75,000,000	2040

The swaps are a partial hedge of the Series 2002A2, 2008A, 2009B, 2015A and 2015B bond issues. Under the terms of the agreements, the University pays interest at predetermined fixed rates and receives variable rates. Included in obligation under derivative instruments in the balance sheet is the net cumulative loss on these derivative transactions in the amounts of $147,057,123 and $192,893,305 at June 30, 2017 and 2016, respectively. Additionally, the change in the cumulative loss is included in net appreciation (depreciation) in fair value of derivative instruments in the accompanying statement of activities, and amounted to $45,836,182 and $(51,768,003) for the years ended June 30, 2017 and 2016, respectively.

On August 3, 2017, the Series 2009B bonds were refunded through proceeds from the 2017A bonds. The 2017A bonds were issued in the amount of $100,445,000 subsequent to June 30, 2017. The 2017A bonds bear interest at a variable rate and were directly placed with a financial institution for an initial 10 year period through a bond purchase and placement agreement.

(6) Plant Assets

Plant assets at June 30, 2017 and 2016 comprise the following:

		2017	2016
Land and land improvements	$	22,991,999	22,448,136
Buildings and building improvements		1,140,081,915	1,117,102,802
Equipment		97,374,669	89,577,603
Leasehold improvements		424,726	424,726
Library books		755,237	755,237
Works of art		877,839	817,839
Total		1,262,506,385	1,231,126,343
Less accumulated depreciation and amortization		(571,640,727)	(529,141,259)
Construction in progress		315,431,397	165,024,220
	$	1,006,297,055	867,009,304

The University commenced a construction project to build a two story research tower over the FDR Drive in New York City. The estimated cost of the River Campus project is $500 million. The University has commitments in the amount of $177 million as of June 30, 2017 related to its capital expansion project.

(7) Retirement Benefits

The University has defined contribution retirement plans covering substantially all academic and nonacademic personnel. The plans are fully funded by the purchase of annuity contracts. Pension costs amounted to approximately $10,559,000 and $10,395,000 for the years ended June 30, 2017 and 2016, respectively.

In addition to providing pension benefits, the University provides certain healthcare and life insurance benefits for retired faculty and administrative employees who meet certain age and length-of-service requirements upon retirement. The University recognizes the funded status (i.e., the difference between the fair value of plan assets and projected benefit obligations) of its benefit plan as an asset or liability in its balance sheet and recognizes changes in that funded status in the year in which the changes occur through changes in unrestricted net assets.

The following table sets forth the postretirement benefit plan's funded status and amounts recognized in the University's financial statements as of and for the years ended June 30, 2017 and 2016:

		2017	2016
Change in benefit obligation:			
Benefit obligation at beginning of year	$	90,956,000	82,991,000
Service cost		3,667,000	2,933,000
Interest cost		3,614,000	3,637,000
Plan participants' contributions		403,000	371,000
Retiree drug subsidy receipts		156,000	175,000
Actuarial loss		(4,369,000)	3,453,000
Benefits paid		(3,184,000)	(2,604,000)
Benefit obligation at end of year		91,243,000	90,956,000
Change in plan assets:			
Fair value of plan assets at beginning of year		22,366,000	23,145,000
Actual return on plan assets		3,077,000	(778,000)
Employer contribution		2,625,000	2,057,000
Plan participants' contributions		403,000	371,000
Retiree drug subsidy receipts		156,000	175,000
Benefits paid		(3,184,000)	(2,604,000)
Fair value of plan assets at end of year (Level 1 inputs)		25,443,000	22,366,000
Accrued postretirement benefit obligation (APBO)	$	65,800,000	68,590,000

The components of net periodic postretirement benefit cost for the years ended June 30 are as follows:

		2017	2016
Service cost	$	3,667,000	2,933,000
Interest cost		3,614,000	3,637,000
Expected return on plan assets		(1,568,000)	(1,545,000)
Amortization:			
Prior service cost		644,000	2,858,000
Net gains		26,000	—
Net periodic postretirement benefit cost	$	6,383,000	7,883,000

No amounts will be amortized into net periodic postretirement benefit cost in 2018.

As of June 30, 2017, the postretirement benefit obligation includes net actuarial losses of $5,681,000. As of June 30, 2016, the postretirement benefit obligation includes unrecognized prior service costs and net actuarial losses of $644,000 and $11,585,000, respectively.

Weighted average assumptions used to calculate the benefits obligation and to determine net periodic pension cost as of and for the years ended June 30 are as follows:

	2017	2016
Discount rate for benefit obligation	4.285 %	4.135 %
Discount rate for net periodic postretirement cost	4.135	4.909
Expected return on plan assets	7.01	7.01

For measurement purposes, an annual rate of 6.4% of increase in the per capita cost of covered healthcare and prescription drug benefits was assumed as of June 30, 2017. The rate was assumed to decrease to an ultimate rate of 4.5% in 2037 and remain at that level thereafter. Assumed healthcare cost trends 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:

		1-percentage-point increase	1-percentage-point decrease
Effect on total of service and interest cost components	$	1,895,000	(1,418,000)
Effect on year-end APBO		18,665,000	(14,468,000)

The asset allocation of the postretirement benefit plan as of June 30 was:

	2017	2017 Target	2016	2016 Target
Asset category:				
Equities	77 %	75 %	75 %	70 %
Fixed income	23	25	25	30
	100 %	100 %	100 %	100 %

The fair value of plan assets as of June 30, 2017 and 2016 includes equity mutual funds of approximately $19.7 million and $16.7 million, respectively, and fixed income mutual funds of approximately $5.7 million.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 is reflected assuming that the University will continue to provide a prescription drug benefit to plan participants that is at least actuarially equivalent to Medicare Part D. The University received the federal subsidy until 2017. The amounts do not reflect the effects, if any, of the Patient Protection and Affordable Care Act and Health Care and Reconciliation Act that were enacted in March 2010.

The benefits expected to be paid in each fiscal year from 2018 to 2022 and the five subsequent years thereafter are as follows:

	Payments not reflecting medicare subsidy	Medicare subsidy	Benefits reflecting medicare subsidy
2018	$ 2,771,000	214,000	2,557,000
2019	2,982,000	220,000	2,762,000
2020	3,188,000	227,000	2,961,000
2021	3,411,000	232,000	3,179,000
2022	3,642,000	235,000	3,407,000
2023–2027	21,344,000	1,235,000	20,109,000

The expected benefits to be paid are based on the same assumptions used to measure the University’s benefit obligation at June 30, 2017.

Employer contributions of approximately $2.6 million are expected to be made in 2018.

(8) Contributions Receivable

Contributions receivable consist of the following at June 30, 2017 and 2016:

		2017	2016
Amounts expected to be collected in:			
Less than one year	$	137,440,756	74,862,837
One year to five years		229,314,537	308,185,022
Thereafter		110,630,000	127,338,000
		477,385,293	510,385,859
Less allowance		(2,500,000)	(2,500,000)
Less discount to present value at a 5% rate at June 30, 2017 and 2016		(43,380,314)	(60,507,043)
	$	431,504,979	447,378,816

Included in gross contributions receivable at June 30, 2017 and 2016 is approximately $278 million and $287 million, respectively, due from three donors.

(9) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30, 2017 and 2016:

		2017	2016
Restricted as to purpose:			
Research	$	324,222,523	179,866,659
Research support		26,664,776	8,859,215
Renovation of facilities		284,703,798	252,242,597
Graduate education		3,015,736	1,938,739
Restricted as to time:			
For subsequent years		1,105,572,344	1,199,765,004
Annuity trust agreements		70,000	70,000
	$	1,744,249,177	1,642,742,214

Permanently restricted net assets at June 30, 2017 and 2016 are restricted to investments in perpetuity, with investment return available to support the following activities:

		2017	2016
Research	$	94,525,724	88,007,855
Research support		24,703,306	25,022,964
Unrestricted activities		206,071,357	206,033,999
	$	325,300,387	319,064,818

Net assets released from restrictions as of June 30, 2017 consisted of the following:

Spending on restricted funds	$	98,779,853
Endowment spending rate:		
Unrestricted appropriation		75,027,995
Restricted spending		5,474,253
Total	$	179,282,101

(10) Expenses

Expenses are reported in the statement of activities in categories recommended by the National Association of College and University Business Officers. The University's primary program services are research and graduate education. Expenses reported as research support and auxiliary enterprises are incurred in support of these primary program services. Accordingly, total program services expenses approximated $331,345,000 and $316,135,000 in 2017 and 2016, respectively. Institutional support includes approximately $7,987,000 and $7,613,000 of fund-raising expenses in 2017 and 2016, respectively.

(11) Contingent Liabilities

The University is a defendant in various lawsuits. Management of the University does not expect the ultimate resolution of these actions to have a significant effect on the University's financial position.

Amounts expended by the University under various government grants and contracts are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the University's financial position.

(12) Affiliated Entities

The Rockefeller Archive Center

The Rockefeller Archive Center (RAC) was a division of the University. On June 20, 2006, RAC was formed as a separate legal entity with a board of trustees separate and distinct from the University's board of trustees. The University's President participates in RAC's board of trustees.

The University has entered into an agreement whereby it is providing investment services to RAC. Amounts held for others represent the fair value of RAC's units in the University's endowment pool. RAC, upon written notice to the University, may submit a request to redeem all or a portion of the units held by RAC. Each redemption request shall be no less than $2 million. After receiving the redemption request, the University shall notify RAC of the portion, if any, of the redemption request that is accepted and the manner and timing of payment of the redemption amounts. Pursuant to the terms of the investment services agreement, RAC has no beneficial interest or rights with respect to the University's underlying investments.

Tri-Institutional Therapeutics Discovery Institute

Tri-Institutional Therapeutics Discovery Institute (TDI) is a nonprofit corporation formed in 2013 to further and improve health and the diagnosis, prevention and treatment of disease through furthering and improving translational research. TDI is controlled and governed by the University and two other leading not-for-profit academic, medical and research institutions. The University's president and one additional University faculty member participate on TDI's board of directors. The University provides accounting and tax services to TDI on a pro-bono basis.

The collaboration agreement among TDI and the Tri-Institutional members states that each Tri-Institutional member will contribute at least $1.3 million annually (calendar year basis) in support of TDI's activity. In 2017 and 2016, the University provided funding of $3,167,000 and $1,562,500, respectively, to TDI.

(13) Fair Value

The University's assets and liabilities at June 30, 2017 that are reported at fair value are summarized within the fair value hierarchy as follows:

	Fair value	Level 1	Level 2	Level 3
Assets:				
Investments reported at fair value:				
Cash equivalents	$ 67,717,051	67,717,051	—	—
Investment receivable	44,553,602	44,553,602	—	—
U.S. government and agency obligations	55,063,803	—	55,063,803	—
U.S. long equities	58,094,782	58,094,782	—	—
International/global equities	6,980,165	6,980,165	—	—
Real assets	18,487,711	18,487,711	—	—
	250,897,114	$ 195,833,311	55,063,803	—
Investments reported at net asset value:				
Public:				
U.S. long equities	161,996,684			
International/global equities	320,886,071			
Long/short equities	238,226,619			
Absolute return	337,889,267			
Real assets	53,522,434			
Total public at net asset value	1,112,521,075			
Private:				
Buyout funds	211,450,039			
Venture capital funds	213,312,473			
Real estate funds	69,202,835			
Natural resources and other	220,184,999			
Total private at net asset value	714,150,346			
Total investments	$ 2,077,568,535			
Liabilities:				
Interest rate swap agreements	$ 147,057,123	—	147,057,123	—
Amounts held for others	110,754,459	—	—	110,754,459

Equities and alternative investments – public contain various monthly, quarterly, semi-annual, and annual redemption restrictions with required written notice ranging up to 180 days. In addition, certain of these investments are restricted by initial lock-up periods. As of June 30, 2017, the following table summarizes at fair value the composition of various redemption provisions and lock-up periods in the investment portfolio:

	Public investments reported at net asset value				
Redemption period	**Long equities**	**Long/short equities**	**Absolute return**	**Real assets**	**Total**
Monthly	$ 104,007,950	—	—	—	104,007,950
Quarterly	198,982,791	53,500,181	116,584,882	53,522,434	422,590,288
Semiannual	—	—	170,340,178	—	170,340,178
Annual	—	46,347,140	45,117,833	—	91,464,973
In liquidation	8,236,601	2,679,036	5,846,374	—	16,762,011
Lock-up (a)	171,655,413	135,700,262	—	—	307,355,675
Total	$ 482,882,755	238,226,619	337,889,267	53,522,434	1,112,521,075

(a) The amount subject to redemption lock-up is set to expire as follows:

	Amount
Fiscal year:	
2018	$ 110,680,469
2019	6,208,476
Thereafter	190,466,730
	$ 307,355,675

Private partnerships are invested through drawdown vehicles such that capital is drawn and repaid over time. On average, private partnerships have a cash flow weighted duration that ranges from 3 to 5 years.

The University's assets and liabilities at June 30, 2016 that are reported at fair value are summarized within the fair value hierarchy as follows:

	Fair value	Level 1	Level 2	Level 3
Assets:				
Investments reported at fair value:				
Cash equivalents	$ 31,531,506	31,531,506	—	—
U.S. government and agency obligations	197,589,539	—	197,589,539	—
U.S. long equities	95,459,372	95,459,372	—	—
International/global equities	25,206,791	25,206,791	—	—
Real assets	9,790,863	9,790,863	—	—
	359,578,071	$ 161,988,532	197,589,539	—
Investments reported at net asset value:				
Public:				
U.S. long equities	132,037,226			
International/global equities	274,025,461			
Long/short equities	196,945,611			
Absolute return	337,396,021			
Real assets	73,676,735			
Total public at net asset value	1,014,081,054			
Private:				
Buyout funds	179,146,859			
Venture capital funds	199,399,495			
Real estate funds	137,472,961			
Natural resources and other	168,574,559			
Total private at net asset value	684,593,874			
Total investments	$ 2,058,252,999			
Deposits held by trustees – government securities	$ 13,248,845	—	13,248,845	—
Liabilities:				
Interest rate swap agreements	$ 192,893,305	—	192,893,305	—
Amounts held for others	103,987,647	—	—	103,987,647

As of June 30, 2016, the following table summarizes at fair value the composition of various redemption provisions and lock-up periods in the investment portfolio:

		Public investments reported at net asset value				
Redemption period	**Long equities**	**Long/short equities**	**Absolute return**	**Real assets**	**Total**
Monthly	$ 79,463,174	—	—	—	79,463,174
Quarterly	177,775,404	20,848,299	204,242,952	73,676,735	476,543,390
Semiannual	—	—	84,577,181	—	84,577,181
Annual	—	54,458,549	42,747,344	—	97,205,893
In liquidation	9,702,946	3,674,165	5,828,544	—	19,205,655
Lock-up (a)	139,121,163	117,964,598	—	—	257,085,761
Total	$ 406,062,687	196,945,611	337,396,021	73,676,735	1,014,081,054

(a) The amount subject to redemption lock-up is set to expire as follows:

	Amount
Fiscal year:	
2017	$ 84,464,651
2018	63,979,809
Thereafter	108,641,301
	$ 257,085,761

On average in 2016, private partnerships had a cash flow weighted duration that ranged from 3 to 5 years.

The following table presents the University's activity for the fiscal years ended June 30, 2017 and 2016 for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair value at June 30, 2016	**Acquisitions**	**Dispositions**	**Realized gains**	**Unrealized gains**	**Fair value at June 30, 2017**
Amounts held for others	$ 103,987,647	614,892	(6,970,498)	2,725,826	10,396,592	110,754,459

	Fair value at June 30, 2015	**Acquisitions**	**Dispositions**	**Realized gains**	**Unrealized losses**	**Fair value at June 30, 2016**
Amounts held for others	$ 110,620,786	1,135,867	(6,773,485)	4,570,477	(5,565,998)	103,987,647

(14) Subsequent Events

The University evaluated events subsequent to June 30, 2017 through October 4, 2017, the date on which the financial statements were issued and concluded that no additional disclosures are required.