

COLD SPRING HARBOR LABORATORY

Consolidated Financial Statements

December 31, 2013

(With Independent Auditors' Report Thereon)

Independent



Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Cold Spring Harbor Laboratory as of December 31, 2013, and the changes in their net assets and their 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 Cold Spring Harbor Laboratory's 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 12, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

April 28, 2014

(with comparative financial information as of December 31, 2012)

Assets:	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 65,258,594	75,471,404
Grants receivable	8,506,168	10,012,401
Contributions receivable, net (note 5)	110,387,860	145,289,626
Publications inventory	2,187,157	2,767,427
Investments (notes 3 and 4)	384,070,487	296,611,329
Restricted use assets (note 6)	4,504,767	3,597,846
Other assets (notes 4,7, and 9)	16,226,007	15,891,942
Land, buildings, and equipment, net (note 8)	<u>231,988,575</u>	<u>240,625,332</u>
Total assets	<u>\$ 823,129,615</u>	<u>790,267,307</u>
Liabilities and net assets:		
Liabilities:		
Accounts payable and accrued expenses (notes 4 and 16)	\$ 10,437,314	10,456,412
Deferred revenue	5,209,891	5,258,525
Interest rate swap (note 9)	18,613,481	35,556,347
Bonds payable (notes 4 and 9)	<u>97,200,000</u>	<u>97,200,000</u>
Total liabilities	<u>131,460,686</u>	<u>148,471,284</u>
Commitments and contingencies (note 16)		
Net assets:		
Unrestricted (note 12)	294,223,173	243,281,390
Temporarily restricted (notes 10 and 12)	290,273,304	293,464,158
Permanently restricted (notes 11 and 12)	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

See accompanying notes to consolidated financial statements.

COLD SPRING HARBOR LABORATORY

Consolidated Statement of Activities

Year ended December 31, 2013

(with summarized financial information for the year ended December 31, 2012)

	Unrestricted	Temporarily restricted	Permanently restricted	2013 Total	2012 Total
Revenue and other support:					
Public support - contributions and nonfederal grant awards	\$ 19,110,366	23,863,425	2,121,977	45,095,768	60,846,197
Federal grant awards	26,766,266	-	-	26,766,266	28,711,510
Indirect cost allowances (note 2)	23,228,697	-	-	23,228,697	24,445,726
Investment return utilized (notes 12 and 13)	14,837,880	-	-	14,837,880	23,396,825
Program fees	7,752,249	-	-	7,752,249	8,049,856
Publications sales	10,174,394	-	-	10,174,394	10,957,863
Dining services	4,715,566	-	-	4,715,566	4,614,691
Rooms and apartments	3,859,785	-	-	3,859,785	3,770,473
Miscellaneous	2,579,049	-	-	2,579,049	2,527,870
Net assets released from restrictions	50,653,554	(50,653,554)	-	-	-
Total revenue and other support	163,677,806	(26,790,129)	2,121,977	139,009,654	167,321,011
Expenses: (note 14)					
Research	85,776,617	-	-	85,776,617	88,821,283
Educational programs	17,388,667	-	-	17,388,667	17,815,388
Publications	9,412,728	-	-	9,412,728	10,092,372
Banbury Center conferences	1,571,105	-	-	1,571,105	1,389,048
DNA Learning Center programs	1,623,885	-	-	1,623,885	1,578,211
Watson School of Biological Sciences programs	3,370,964	-	-	3,370,964	3,356,033
General and administrative	18,110,232	-	-	18,110,232	16,860,891
Dining services	5,591,701	-	-	5,591,701	5,642,788
Total expenses	142,845,899	-	-	142,845,899	145,556,014
Excess (deficiency) of revenue and other support over (under) expenses	20,831,907	(26,790,129)	2,121,977	(3,836,245)	21,764,997
Other changes in net assets:					
Investment return excluding amount utilized (notes 12 and 13)	13,167,010	23,599,275	-	36,766,285	9,639,048
Change in fair value of interest rate swap (note 9)	16,942,866	-	-	16,942,866	2,170,350
Increase (decrease) in net assets	50,941,783	(3,190,854)	2,121,977	49,872,906	33,574,395
Net assets at beginning of year	243,281,390	293,464,158	105,050,475	641,796,023	608,221,628
Net assets at end of year	\$ 294,223,173	290,273,304	107,172,452	691,668,929	641,796,023

See accompanying notes to consolidated financial statements.

COLD SPRING HARBOR LABORATORY

Consolidated Statement of Cash Flows

Year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 49,872,906	33,574,395
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		

See accompanying notes to consolidated financial statements.

COLD SPRING HARBOR LABORATORY

COLD SPRING HARBOR LABORATORY

COLD SPRING HARBOR LABORATORY

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements

December 31, 2013

(with comparative financial information as of and for the year ended December 31, 2012)

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements

December 31, 2013

(with comparative financial information as of and for the year ended December 31, 2012)

(2) Summary of Significant Accounting Policies (Continued)

for nonpublic entities to provide quantitative information about significant unobservable inputs used for all Level 3 measurements and a description of the valuation process used. The provisions of the ASU are effective for annual or interim reporting periods beginning after December 15, 2011. The Laboratory adopted the provisions of the ASU in 2012. The adoption of ASU 2011-04 did not have a material effect on the Laboratory's consolidated financial statements.

(n) Comparative Financial Statements

The accompanying consolidated statement of activities is presented with certain 2012 summarized comparative information in the aggregate and not displayed by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Laboratory's 2012 consolidated financial statements from which the summarized comparative information was derived.

(3) Investments

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements

December 31, 2013

(with comparative financial information as of and for the year ended December 31, 2012)

(3) Investments (Continued)

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements

December 31, 2013

(with comparative financial information as of and for the year ended December 31, 2012)

(4) Fair Value of Financial Assets and Liabilities (Continued)

Financial assets	2012			
	Fair Value	Level 1	Level 2	Level 3
Investment in employee residences	\$ 4,298,157	-	-	4,298,157
Limited liability partnership	246,000	-	-	246,000
Mutual funds:				
Large/mid cap growth	38,080,445	38,080,445	-	-
Diversified fixed income	69,585,085	69,585,085	-	-
Stocks-domestic	12,428,494	12,250,086	-	178,408
Alternative investments:				
Multi-strategy, fund of funds, and absolute return	80,771,847	-	72,414,675	8,357,172
Long/short equity	34,110,210	-	34,110,210	-
International equity	41,237,285	-	41,237,285	-
Emerging markets	13,970,443	-	13,970,443	-
Aggressive fixed income	6,047,116	-	6,047,116	-
Private equity	380,404	-	-	380,404
	<u>\$ 301,155,486</u>	<u>119,915,616</u>	<u>167,779,729</u>	<u>13,460,141</u>

The following tables present the changes in Level 3 investments as of December 31, 2013 and 2012:

Financial assets	2013					
	Level 3 beginning of year	Transfers out of Level 3	Net appreciation/ (depreciation) in fair value	Purchases	Sales	Level 3 end of year
Investment in employee residences	\$ 4,298,157	-	-	97,559	(46,852)	4,348,864
Limited liability partnership	246,000	-	-	-	-	246,000
Biotech stocks	178,408	-	-	625,000	-	803,408
Alternative investments:						
Multi-strategy and absolute return	7,531,250	(7,531,250)	4,382,953	26,136,000	-	30,518,953
Fund of funds	825,922	-	(110,344)	-	(247,153)	468,425
Long/short equity	-	-	389,068	10,000,000	-	10,389,068
Private equity	380,404	-	(62,967)	-	(43,242)	274,195
	<u>\$ 13,460,141</u>	<u>(7,531,250)</u>	<u>4,598,710</u>	<u>36,858,559</u>	<u>(337,247)</u>	<u>47,048,913</u>

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements

December 31, 2013

(with comparative financial information as of and for the year ended December 31, 2012)

(5) Contributions Receivable, net

Contributions receivable, net, consist of the following at December 31:

	2013	2012
Contributions receivable	\$ 112,800,999	152,159,929
Less: Discount to present value at rates ranging from 0.17% to 4.93%	(2,092,139)	(6,522,303)
Reserve for bad debts		

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements

December 31, 2013

(with comparative financial information as of and for the year ended December 31, 2012)

(7) Investment in Employee Residences

Included in other assets are investments in employee residences, which consist of (a) notes receivable collateralized by mortgages on residential properties owned by several senior employees and (b) the Laboratory's percentage ownership in residences inhabited by employees. Upon sale of these residences, the Laboratory will either share in market value fluctuations of the real estate in proportion to its ownership in the residence, or receive reimbursement of the outstanding mortgage balance. These investments were authorized by the Trustees to enable such employees to purchase local residences. All costs of property ownership, including real estate taxes, are borne by the employees.

(8) Land, Buildings, and Equipment

Land, buildings, and equipment at December 31 consist of the following:

	2013	2012
Land and land improvements	\$ 16,469,417	16,458,289
Buildings	264,157,771	263,084,672
Furniture, fixtures, and equipment	23,615,408	24,195,150
Laboratory equipment	58,766,471	58,527,844
Library books and periodicals	365,630	365,630
Construction in progress	2,928,966	1,139,750
	366,303,663	363,771,335
Less accumulated depreciation and amortization	(134,315,088)	(123,146,003)
Land, buildings, and equipment, net	\$ 231,988,575	240,625,332

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements

December 31, 2013

(with comparative financial information as of and for the year ended December 31, 2012)

(10) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes:

	<u>2013</u>	2012
Capital projects	\$ 14,724,337	18,388,226
Research programs	42,567,872	46,678,658
Research start-up	800,000	1,716,256
Educational programs	1,021,535	603,072
Time restricted	81,569,884	100,157,545
Unappropriated income on endowment funds:		
Primary program services	119,725,230	103,030,542
Watson School of Biological Sciences programs	14,553,042	9,209,130
Operation and improvement of Banbury Center facilities	15,311,404	13,680,729
	<u>\$ 290,273,304</u>	293,464,158

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements

December 31, 2013

(with comparative financial information as of and for the year ended December 31, 2012)

(12) Endowment Funds (Continued)

The following table presents endowment net asset composition by type of fund as of December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	Total
Donor-restricted	\$ (2,388,049)	125,920,401	105,050,475	228,582,827
Board-designated	<u>94,098,346</u>	<u>-</u>	<u>-</u>	94,098,346
Total endowment funds	\$ <u><u>91,710,297</u></u>	125,920,401	105,050,475	322,681,173

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements

December 31, 2013

(with

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements

December 31, 2013

(with comparative financial information as of and for the year ended December 31, 2012)

(14) Expenses (Continued)

The Laboratory allocates certain types of expenses that relate to more than one program or supporting activity. Expenses of this nature include, but are not limited to, depreciation, interest, operations and maintenance of plant, library, direct research support, and information technology. Amounts have been allocated to the programs and services using methods such as square footage, usage, and other financial methods.

	Direct			Direct		
	functional	Allocated		functional	Allocated	
	expenses	expenses	Total	expenses	expenses	Total
Research	50,996,844	34,779,773	85,776,617	54,202,479	34,618,804	88,821,283
Educational programs	14,000,572	3,388,095	17,388,667	14,471,271	3,344,117	17,815,388
Publications	8,641,631	771,097	9,412,728	9,579,115	513,257	10,092,372
Banbury Center conferences	731,978	839,127	1,571,105	588,942	800,106	1,389,048
DNA Learning Center programs	1,055,301	568,584	1,623,885	1,158,930	419,281	1,578,211
WSBS programs	2,755,421	615,543	3,370,964	2,946,631	409,402	3,356,033
General and administrative	14,090,696	4,019,536	18,110,232	13,746,298	3,114,593	16,860,891
Dining services	4,061,986	1,529,715	5,591,701	4,121,093	1,521,695	5,642,78,4(T

