

Consolidated Financial Statements and
Report of Independent Certified Public Accountants

COLD SPRING HARBOR LABORATORY

For the years ended December 31, 2020 and 2019

COLD SPRING HARBOR LABORATORY

TABLE OF CONTENTS

| | Page(s) |
|--|----------------|
| Report of Independent Certified Public Accountants | 1 - 2 |
| Consolidated Financial Statements | |
| Consolidated Balance Sheets | 3 |
| Consolidated Statements of Activities | 4 |
| Consolidated Statements of Cash Flows | 5 |
| Notes to Consolidated Financial Statements | 6 - 31 |



To the Board of Trustees of
Cold Spring Harbor Laboratory

We have audited the accompanying consolidated financial statements of Cold Spring Harbor Laboratory (the "Laboratory"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements



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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Melville, New York
April 30, 2021

COLD SPRING HARBOR LABORATORY
Consolidated Balance Sheets
As of December 31, 2020 and 2019

COLD SPRING HARBOR LABORATORY
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|----------------------|
| Cash flows from operating activities | | |
| Increase in net assets | \$ 61,493,844 | \$ 189,760,456 |
| Adjustments to reconcile increase in net assets to net cash used in operating activities: | | |
| Change in fair value of interest rate swap | 8,128,837 | 7,786,417 |
| Depreciation and amortization | 14,740,266 | 12,983,279 |
| Donated equipment | - | (39,000) |
| Amortization of deferred bond costs | 66,268 | 66,268 |
| Net appreciation in fair value of investments | (75,871,001) | (89,294,070) |
| Contributions restricted for long-term investment | (3,911,559) | (15,008,418) |
| Changes in assets and liabilities: | | |
| Grants receivable | (298,771) | (869,255) |
| Contributions receivable, net | 20,319,211 | (89,218,475) |
| Restricted use assets | (1,274,339) | (459,955) |
| Other assets | (971,593) | 325,793 |
| Accounts payable and accrued expenses | 5,129,727 | (340,996) |
| Deferred revenue | <u>(13,170,825)</u> | <u>(13,254,474)</u> |
| Net cash provided by operating activities | <u>14,380,065</u> | <u>2,437,570</u> |
| Cash flows from investing activities | | |
| Capital expenditures | (25,994,841) | (18,569,632) |
| Proceeds from sales and maturities of investments | 256,049,061 | 141,495,081 |
| Purchases of investments | (236,146,835) | (192,007,335) |
| Net change in investment in employee residences | <u>546,411</u> | <u>(155,399)</u> |
| Net cash used in investing activities | <u>(5,546,204)</u> | <u>(69,237,285)</u> |
| Cash flows from financing activities | | |
| Contributions restricted for long-term investment | 154,116 | 249,663 |
| Contributions restricted for investment in capital | 3,757,443 | 14,758,755 |
| Decrease in contributions receivable | <u>3,632,367</u> | <u>23,325,281</u> |
| Net cash provided by financing activities | <u>7,543,926</u> | <u>38,333,699</u> |
| Net increase (decrease) in cash and cash equivalents | 16,377,787 | (28,466,016) |
| Cash and cash equivalents at beginning of year | <u>92,612,941</u> | <u>121,078,957</u> |
| Cash and cash equivalents at end of year | <u>\$ 108,990,728</u> | <u>\$ 92,612,941</u> |
| Supplemental disclosure: | | |
| Interest paid | <u>\$ 3,860,777</u> | \$ 3,680,812 |
| Purchases of capital expenditures in accounts payable | <u>\$ 1,974,654</u> | \$ 772,157 |
| Lease liability of right of use asset | <u>\$ 944,193</u> | \$ - |

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

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

1. DESCRIPTION OF BUSINESS (CONTINUED)

successfully pivot to virtual programs. Efforts put in place to reduce expenses and preserve capital in response

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements, and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include the valuation of alternative investments, collectability of receivables, the interest rate swap liability, amortization of deferred revenue, the determination of medical and prescription benefit costs and the related liability, and the allocation of expenses to their functional classification.

Fair Value Measurements

The Laboratory classifies its assets and liabilities measured at fair value into three levels based on the inputs used to measure them (see Note 5):

Level 1 - Quoted prices in active markets for identical

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair value. Contributions of investment securities are recorded at their fair value at the date of the gift and are sold as soon as practicable following receipt. Publicly traded investments are valued at the last reported sales price on the date of valuation, as quoted on major securities exchanges. Securities that are not traded on major securities exchanges are valued based on quotations received from leading vendors.

Pooled investments are funds that are not held at the Laboratory's or Robertson's custodian bank. These funds are part of multiple investors' commingled funds that are invested in one or more asset classes by a fund manager. The Laboratory and Robertson invest in limited partnerships, limited liability corporations, and offshore investment funds for the purpose of earning returns from alternative investment strategies. These investments are presented, under procedures established by the fund management, at net asset value or its equivalent, which generally represents the Laboratory's or Robertson's proportionate share of the net assets of the investment managers, as reported by them and re

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beginning in 2019, with the adoption of ASU 2018-08, the Laboratory recognizes government and private contracts and grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or nonreciprocal. For contributions, revenue is recognized when a contribution becomes unconditional, that is, when the conditions on which they depend are substantially met. Grants are evaluated as to whether they qualify as exchange transactions or contributions. Grants that are treated as exchange transactions are reported as revenue without donor restrictions when expenses are incurred in accordance with the terms of the agreement. The excess of amounts received in exchange transactions over the amount of expenditures incurred are classified as deferred revenue on the consolidated balance sheets.

If a contract or grant agreement contains a right of return or right of release from the respective obligation provision on the part of the grantor and the agreement also contains a barrier to be overcome, the Laboratory recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome. The Laboratory's conditional contributions, representing cost reimbursable federal contracts, totaled approximately \$954,500 and \$2,791,000 at December 31, 2020 and 2019, respectively, which will be recognized as revenues as conditions are met. Funds received in advance of conditions being met are reported as deferred revenue within the accompanying consolidated balance sheets.

In addition, the Laboratory receives payments from customers for goods or services associated with the educational programs offered by the Laboratory. Educational programs include programs through the Banbury Conference Center, DNA Learning Center, and the Meetings and Courses program. These programs generate revenues through program fees, dining services, and rooms and apartment fees. In accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Laboratory recognizes revenue when control of promised goods or services are transferred to outside parties in an amount that reflects the consideration the Laboratory expects to be entitled to in exchange for those goods or services.

Indirect Cost Allowances

Indirect cost allowances recovered under certain government and other grants are accrued in the period the research is performed. For federal grants, these accruals are based on an approved indirect cost rate negotiated with the cognizant government granting agency. In 2016, the Laboratory negotiated a new agreement establishing predetermined rates for the years 2017 through 2019 and a provisional rate beginning in 2020 until amended. As required under the agreement a proposal was submitted to set a rate for periods beginning in 2020. A new rate determination has yet to be finalized. The Laboratory believes that, except for unforeseen changes in the federal regulations, the Laboratory should not be subject to a revision of its indirect cost rate through the end of 2021. For nongovernment grants, indirect cost recoveries are accrued at various rates as allowed by the grantor.

Royalty and License Revenue

Royalty and license revenues result from the transfer of intellectual property rights developed by Laboratory employees. In accordance with the Laboratory's policy, royalty and license revenues are distributed to the inventor, author or collaborator, and the Laboratory using an income sharing formula. The portion retained and recognized by the Laboratory is recorded on the consolidated statement of activities as royalty and license revenue.

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standards Update

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)

As of December 31, 2020, financial assets and liquidity resources available within one year for general expenditure were as follows:

| | <u>2020</u> |
|---|--------------------|
| Financial assets due within one year: | |
| Cash and cash equivalents | \$ 108,990,728 |
| Grants receivable, net | 8,898,818 |
| Contributions receivable due within one year | 34,633,833 |
| Investments | <u>730,782,048</u> |
| | <u>883,305,427</u> |
| Less: | |
| Amounts unavailable for general expenditures within one year due to: | |
| Donor-restricted gifts for research programs | 24,419,988 |
| Donor-restricted gifts for capital projects | 11,786,205 |
| Donor-restricted gifts for educational programs | 1,882,873 |
| Restricted by donor in perpetuity | 119,366,467 |
| Unappropriated accumulated endowment gains | <u>183,694,533</u> |
| Total amounts unavailable due to donor restrictions or law | <u>341,150,066</u> |
| Total financial assets available to management for general expenditure before amounts subject to the Trustees' approval | |

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)

As of December 31, 2019, financial assets and liquidity resources available within one year for general expenditure were as follows:

| | <u>2019</u> |
|---|----------------------|
| Financial assets due within one year: | |
| Cash and cash equivalents | \$ 92,612,941 |
| Grants receivable, net | 8,600,047 |
| Contributions receivable due within one year | 38,296,052 |
| Investments | <u>674,813,273</u> |
| | <u>814,322,313</u> |
| Less: | |
| Amounts unavailable for general expenditures within one year due to: | |
| Donor restricted gifts for research programs | 25,040,639 |
| Donor restricted gifts for capital projects | 8,126,479 |
| Donor restricted gifts for educational programs | 1,728,701 |
| Restricted by donor in perpetuity | 119,212,352 |
| Unappropriated accumulated endowment gains | <u>165,556,759</u> |
| Total amounts unavailable due to donor restrictions or law | <u>319,664,930</u> |
| Total financial assets available to management for general expenditure before amounts subject to the Trustee's approval | <u>494,657,383</u> |
| Less board designated funds: | |
| Quasi-endowment | 385,625,718 |
| Reserve for recruiting | 8,720,757 |
| Reserve for capital expansion | <u>40,000,000</u> |
| | <u>434,346,475</u> |
| Total financial assets available for general expenditure before endowment draw | 60,310,908 |
| Plus: | |
| Amounts authorized for appropriation within one year | <u>26,523,220</u> |
| Total financial assets available for general expenditure within one year | <u>\$ 86,834,128</u> |

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

4. INVESTMENTS

Fair value of investments at December 31 is as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------|-----------------------|
| Mutual funds: | | |
| Money market | \$ 57,785,135 | \$ 73,133,365 |
| Large/mid cap growth | 95,687,938 | 103,711,819 |
| Diversified fixed income | 29,502,240 | 22,279,740 |
| Stocks - domestic | 3,749,469 | 4,122,161 |
| Alternative investments: | | |
| Multi-strategy, fund of funds, and absolute return | 132,976,272 | 142,967,824 |
| Long/short equity | 283,855,142 | 196,830,898 |
| Global/international equity | 96,199,814 | 119,539,801 |
| Emerging markets | 21,232,539 | 5,058,968 |
| Private investments | 9,793,499 | 7,168,697 |
| | <u>\$ 730,782,048</u> | <u>\$ 674,813,273</u> |

Money market mutual funds represent cash held for investment on a short-term basis as part of the investment portfolio, which will be invested upon the direction of the Investment Committees of the Laboratory or of Robertson, as applicable.

Stocks principally include publicly traded common stock holdings in domestic organizations. Also included are the Laboratory's investments in common and preferred stock holdings in biotechnology companies principally received for Laboratory-developed intellectual property, as discussed in Note 2. The biotechnology companies have a fair value of approximately \$532,000 and \$624,000 for the years ended December 31, 2020 and 2019, respectively, net of a valuation allowance of approximately \$2,093,000 on the shares that do not have a readily determinable fair value.

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

4. INVESTMENTS (CONTINUED)

The alternative investment portfolio includes limited partnerships, limited liability corporations, and offshore investment funds. The underlying investments include, among other financial instruments, futures and forward contracts, options, and securities sold but not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments involve varying degrees of off-balance sheet risk. All investments are exposed to various risks, such as interest rate, market, and credit risks.

Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and such changes could materially affect the consolidated balance sheet.

Alternative investments are diversified across five basic investment strategies as follows (amounts included are as of December 31, 2020):

Multi-strategy, fund of funds, and absolute return (\$132,976,272) - represent investments in a broad range of investment strategies that seek to exploit opportunities as they occur in the markets due to temporary dislocations or structural inefficiencies. This category includes managers that utilize a fund of funds philosophy.

Long/short equity (\$283,855,142) - primarily investments in funds that, in turn, invest in liquid marketable securities, attempting to realize gains through the identification of mispriced securities, involving buying long equities that are expected to increase in value and selling short equities that are expected to decrease in value.

Global/international equity (\$96,199,814) - consists of investments in both growth and value oriented equity securities of companies located outside the United States. Investment instruments include convertible investment grade securities, options, warrants, physical currencies, spot and forward currency contracts.

Emerging markets (\$21,232,539) - an absolute return focused investment in debt and equity securities in emerging markets. Debt securities include both dollar-denominated and local currency sovereign debt, corporate debt, and inflation-protected securities.

Private investments (\$9,793,499) - consists of investments in private funds, including buyouts and growth capital, international private equity, and other stressed and distressed opportunities. At December 31, 2020, the Laboratory had outstanding commitments of \$19,016,278.

Alternative investments contain various redemption restrictions with required written notice ranging from five to seventy-five days. In addition, certain of these investments are restricted by initial lockup periods.

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

4. INVESTMENTS (CONTINUED)

As of December 31, 2020, the following table summarizes the composition of the alternative investments at fair value of such investments by the various redemption provisions and lockup periods:

| <u>Redemption Period</u> | <u>Amount</u> |
|--------------------------|-----------------------|
| Weekly-Monthly | \$ 230,580,409 |
| Two to three months | 119,731,970 |
| Semiannual | 34,168,583 |
| Annual | 106,472,689 |
| Lockups expiring 2022 | 43,258,315 |
| No redemptions | 9,845,300 |
| | <u>\$ 544,057,266</u> |

5. FAIR VALUE OF FINANCIAL ASSETS

The following tables present the Laboratory's fair value hierarchy for those assets measured at fair value on an annual basis as of December 31:

| <u>Financial Assets</u> | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-----------------------------------|--------------------|--------------------|----------------|----------------|
| Investment in employee residences | \$ 6,420,336 | \$ - | \$ - | \$ 6,420,336 |
| Limited liability partnership (1) | 246,000 | - | - | 246,000 |
| Investments: | | | | |
| Mutual funds: | | | | |
| Money market | 57,785,135 | 57,785,135 | - | - |
| Large/mid cap growth | 95,687,938 | 95,687,938 | - | - |
| Diversified fixed income | 29,502,240 | 29,502,240 | - | - |
| Stocks - domestic | 3,749,469 | 3,216,954 | - | 532,515 |
| Subtotal | <u>186,724,782</u> | <u>186,192,267</u> | <u>-</u> | <u>532,515</u> |

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

6. CONTRIBUTIONS RECEIVABLE, NET (CONTINUED)

Contributions receivable are expected to be collected as follows:

| | <u>2020</u> | <u>2019</u> |
|----------------------|-----------------------|-----------------------|
| Within one year | \$ 34,633,833 | \$ 38,296,052 |
| One to five years | 57,579,384 | 81,839,384 |
| More than five years | <u>41,919,267</u> | <u>39,839,243</u> |
| | <u>\$ 134,132,484</u> | <u>\$ 159,974,679</u> |

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor’s payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue. Contributions receivable at December 31, 2020 included twenty-six individual pledges, three of which represent approximately 77% of the amount due, with a total of \$72 million due from a single donor, and \$77 million due from Trustees.

Also included in contributions receivable is the Laboratory’s interest in charitable remainder unitrusts. In accordance with the terms of the trusts, the Laboratory will receive a defined interest upon the death of the designated beneficiaries. The Laboratory’s interest, net of the present value discount, approximated \$9,695,000 and \$6,498,000 at December 31, 2020 and 2019, respectively.

On October 1, 2019, the Laboratory entered into a lease agreement with a third-party to open the DNA Learning Center at City Tech in Brooklyn, New York. The agreement provides for the Laboratory to make below market rental payments through September 30, 2049. The Laboratory is recording this lease as an in-kind pledge receivable. For the years ended December 31, 2020, and 2019, the net fair market value of the in-kind lease pledge is valued at \$12,642,224 and \$12,881,870, respectively.

7. RESTRICTED USE ASSETS

Restricted use assets principally include a supplemental executive retirement plan (“SERP”) established by the Laboratory for certain members of its management and scientific staff. The Laboratory has established a grantor trust, whereby the assets and income of the trust are assets and income of the Laboratory. At December 31, 2020 and 2019, the fair value of the assets in the trust was \$2,411,965 and \$2,034,419, respectively.

8. INVESTMENT IN EMPLOYEE RESIDENCES

Investment in employee residences consists of (a) notes receivable collateralized by mortgages on residential

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

8. INVESTMENT IN EMPLOYEE RESIDENCES (CONTINUED)

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.

9. LAND, BUILDINGS, AND EQUIPMENT

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

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------|-----------------------|
| Land and land improvements | \$ 18,710,029 | \$ 18,568,793 |
| Buildings | 330,334,516 | 318,074,306 |
| Furniture, fixtures, and equipment | 29,995,174 | 29,008,093 |
| Laboratory equipment | 81,036,935 | 75,258,106 |
| Library books and periodicals | 365,630 | 365,630 |
| Construction in progress | <u>14,235,111</u> | <u>8,784,367</u> |
| | 474,677,395 | 450,059,295 |
| Less accumulated depreciation and amortization | <u>(208,376,831)</u> | <u>(195,013,306)</u> |
| Land, buildings, and equipment, net | <u>\$ 266,300,564</u> | <u>\$ 255,045,989</u> |

Construction in progress at December 31, 2020 represents the cost of various campus renovations ongoing at the Laboratory. In 2019, the Laboratory began a renovation of the DNA Learning Center at City Tech with accumulated costs of approximately \$10.8 million and \$1.9 million reported at December 31, 2020 and 2019, respectively. Anticipated completion of the project is scheduled for May 2021.

10.

COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

10. BONDS PAYABLE (CONTINUED)

On June 27, 2006, the Laboratory executed an agreement to obtain \$55 million of bond financing through the NCIDA for the purpose of paying a portion of the cost of construction, installation, and equipping of six research buildings and a chiller building, consisting of approximately 120,000 square feet of space, on the Laboratory's main campus in Laurel Hollow. The bonds, originally issued as auction rate securities, bore interest at a seven-day auction rate. On June 25, 2008, the interest rate mode on the bonds was converted to a variable daily rate. On June 19, 2012, the interest rate mode on the bonds was converted to a bank purchase rate consisting of a fixed percent of the sum of LIBOR, the rate equal to the British Bankers Association 30-day LIBOR Rate (one-month LIBOR), plus a spread. On April 2, 2020, the bank purchase rate was converted to a fixed percent of the sum of the federal funds rate (reported daily as H.15), plus a spread. The entire outstanding principal amount was purchased by a single financial institution under an agreement that terminates on June 19, 2025, unless extended. The agreement contains certain covenants, including those relating to net worth as defined, capital expenditures, restrictions of additional liens on certain Laboratory property, and assumption of additional debt. The Laboratory was in compliance with the required covenants as of December 31, 2020 and 2019. Upon termination of the agreement, the bonds may thereafter be converted in whole or in part to bear interest at any of the acceptable rates of interest under the bond documents until maturity on January 1, 2042. The bonds require annual principal payments beginning January 1, 2035. Interest is payable the first business day of each month, and the interest rate resets at the end of each month (0.66% as of December 31, 2020).

In April 2006, the Laboratory entered into an interest rate swap agreement with a notional principal amount of \$97.2 million to mitigate the risk of interest rates associated with the Series 1999 and Series 2006 bond issues. Under the terms of the original agreement, the Laboratory paid interest at a predetermined fixed rate of 3.81% and received 68% of one-month LIBOR on the notional principal amount. The swap agreement had an effective date of October 1, 2006 and a termination date of January 1, 2042. On December 10, 2008, the swap agreement was amended and the Laboratory paid interest at a predetermined fixed rate of 3.80% and received 68% of 3-month LIBOR on the notional principal amount. On October 18, 2018, the swap agreement was amended, and the Laboratory now pays interest at a predetermined fixed rate of 3.80% and receives 68% of the federal funds rate (reported daily as H.15), plus a spread on the notional principal amount.

The fair value of the interest rate swap was a liability of \$41,196,290 and \$33,067,453 at December 31, 2020 and 2019, respectively. The fair value of the interest rate swap was determined using pricing models developed based on the federal funds rate and other observable market data (Level 2 inputs). The change in fair value is reported as other changes in net assets in the accompanying consolidated statement of activities. According to the agreement with JPMorgan Chase Bank, N.A., when the fair value of the liability exceeds \$40 million, the Laboratory is required to post collateral equal to the amount in excess. At December 31, 2020 the Laboratory had posted collateral in the amount of \$860,104.

In connection with the bond issues, financing costs of approximately \$2,357,000 were capitalized and are being amortized over the life of the bond issues. The financing costs are included in bonds payable as a direct deduction to the outstanding balance of \$97.2 million at December 31, 2020 and 2019. Financing costs, net of amortization, were \$1,259,767 and \$1,326,035 at December 31, 2020 and 2019, respectively.

Interest expense on bonds outstanding during 2020 and 2019 was approximately \$3,882,800 and \$3,698,700, respectively. The effective average interest rate on all of the bonds outstanding during 2020 and 2019 approximated 3.99% and 3.81%, respectively.

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

12. INVESTMENT RETURN UTILIZED

Investment return utilized includes amounts appropriated from donor-restricted endowment funds, as reported in Note 13, and investment return on working capital funds. The following tables summarize the Laboratory's total investment return for the years ended December 31:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|---------------------|
| Interest and dividends on investments | \$ 1,407,164 | \$ 598,200 | \$ 2,005,364 |
| Net appreciation of investments | <u>61,700,242</u> | <u>17,456,270</u> | <u>79,156,512</u> |
| Total investment gain | 63,107,406 | 18,054,470 | 81,161,876 |
| Investment return utilized | <u>(35,260,137)</u> | <u>-</u> | <u>(35,260,137)</u> |
| Investment return excluding amount utilized | <u>\$ 27,847,269</u> | 18,054,470 | |

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

13. ENDOWMENT FUNDS

The Laboratory's endowment, including Robertson, consists of approximately 160 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net assets associated with the endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Laboratory's management and investment of donor-restricted endowment funds are subject to the provisions of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Laboratory adopted NYPMIFA as of December 31, 2010 for all institutional endowment assets. The Laboratory and Robertson have interpreted the law as not requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Laboratory classifies as endowment funds within net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the explicit direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the net assets with donor restrictions within the endowment fund are those net assets that have not yet been appropriated for expenditure by the Laboratory in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The Laboratory's investment policy for its endowment and similar funds emphasizes long-term capital

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

13. ENDOWMENT FUNDS (CONTINUED)

In accordance with the above spending, \$26,389,108 and \$25,641,340 were made available to support operations of the Laboratory for the years ended December 31, 2020 and 2019, respectively. The total planned appropriation for expenditure for the year ending December 31, 2021 is \$28,439,346.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Laboratory to maintain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions and totaled \$1,359,965 and \$1,769,409 at December 31, 2020 and 2019, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted contributions and continued appropriation for certain programs that was deemed prudent by the Trustees. Amounts included in reported deficiencies, which resulted from specific language of the gift instrument requiring appropriation regardless of fund balance were \$1,041,943 and \$1,438,645 at December 31, 2020 and 2019, respectively.

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

| <u>Without</u> <u>Donor Restrictions</u> | <u>Original</u> <u>Gift</u> | <u>Accumulated</u> <u>Gains (Losses)</u> | <u>Total</u> | Total |
|---|--------------------------------|---|--------------|-------|
|---|--------------------------------|---|--------------|-------|

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

13. ENDOWMENT FUNDS (CONTINUED)

The following table presents the changes in endowment net assets for the year ended December 31:

| | 2020 | | |
|--|---------------------------------------|------------------------------------|-----------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Endowment net assets at beginning of year | \$ 385,625,719 | \$ 284,769,109 | \$ 670,394,828 |
| Investment income | 850,523 | 598,200 | 1,448,723 |
| Net appreciation (realized and unrealized) | <u>53,385,853</u> | <u>17,456,271</u> | <u>70,842,124</u> |
| Total investment return | 54,236,376 | 18,054,471 | 72,290,847 |
| Contributions | - | 237,420 | 237,420 |
| Appropriation of endowment assets for expenditure | (26,389,108) | - | (26,389,108) |
| Transfer to board-designated endowment | <u>5,464,416</u> | <u>-</u> | <u>5,464,416</u> |
| Endowment net assets at end of year | <u>\$ 418,937,403</u> | <u>\$ 303,061,000</u> | <u>\$ 721,998,403</u> |

Included in amounts above is approximately \$4.3 million in pledges receivable.

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

| | 2019 | | | | |
|-----------------------|---------------------------------------|--------------------------|---------------------------------------|-----------------------|----------------------------------|
| | <u>Without Donor Restrictions</u> | <u>Original Gift</u> | <u>Accumulated Gains (Losses)</u> | <u>Total</u> | <u>Total Endowment Funds</u> |
| Donor-restricted: | | | | | |
| Underwater | \$ - | \$ 8,407,732 | \$ (1,769,409) | \$ 6,638,323 | \$ 6,638,323 |
| Other | - | 110,804,619 | 167,326,167 | 278,130,786 | 278,130,786 |
| Board-designated | <u>385,625,719</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>385,625,719</u> |
| Total endowment funds | <u>\$ 385,625,719</u> | <u>\$ 119,212,351</u> | <u>\$ 165,556,758</u> | <u>\$ 284,769,109</u> | <u>\$ 670,394,828</u> |

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

13. ENDOWMENT FUNDS (CONTINUED)

The following table presents the changes in endowment net assets for the year ended December 31:

| | <u>Without</u> <u>Donor Restrictions</u> | <u>With</u> <u>Donor Restrictions</u> | <u>Total</u> |
|--|---|--|----------------|
| Endowment net assets at beginning of year | \$ 284,223,891 | \$ 256,843,486 | \$ 541,067,377 |

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

15. FUNCTIONAL EXPENSES (CONTINUED)

The following table presents the functional expenses for the year ended December 31, 2020:

| | Educational | | Publications | General and | | Fundraising | Total |
|-------------------------------|-----------------------|--------------------------|---------------------|----------------------|---------------------|-----------------------|-------|
| | Research | Programs/ Conferences | | Administrative | | | |
| Salaries, benefits and taxes | \$ 50,276,505 | \$ 13,133,754 | \$ 4,929,901 | \$ 15,913,583 | \$ 1,554,834 | \$ 85,808,577 | |
| Supplies and office expense | 18,131,895 | 2,962,057 | 122,851 | 733,971 | 43,737 | 21,994,511 | |
| Third party costs | 13,177,001 | - | - | - | - | 13,177,001 | |
| Service contracts and repairs | 2,667,816 | 76,012 | 47,300 | 281,521 | 190 | 3,072,839 | |
| Professional services | 836,048 | 550,432 | 560,941 | 1,525,078 | 97,131 | 3,569,630 | |
| Printing and publications | 1,455,809 | 69,113 | 2,452,443 | 292,713 | 18,469 | 4,288,547 | |
| Software licensing | 1,236,711 | 444,601 | 102,122 | 282,313 | 5,000 | 2,070,747 | |
| Travel | 270,336 | 234,429 | 40,393 | 23,239 | 2,566 | 570,963 | |
| Conferences | 104,917 | 1,429,728 | 349 | 13,948 | - | 1,548,942 | |
| Occupancy | 4,250,617 | 1,690,980 | 239,493 | 750,137 | - | 6,931,227 | |
| Interest | 3,084,846 | 257,857 | 112,158 | 711,456 | - | 4,166,317 | |
| Depreciation | 11,272,115 | 1,486,556 | 178,469 | 1,803,126 | - | 14,740,266 | |
| Miscellaneous | 297,132 | 431,303 | 824,956 | 1,244,357 | 12,297 | 2,810,045 | |
| | <u>\$ 107,061,748</u> | <u>\$ 22,766,822</u> | <u>\$ 9,611,376</u> | <u>\$ 23,575,442</u> | <u>\$ 1,734,224</u> | <u>\$ 164,749,612</u> | |

The following table presents the functional expenses for the year ended December 31, 2019: **1,734,226(7158.1129 164**

COLD SPRING HARBOR LABORATORY
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

17. COMMITMENTS AND CONTINGENCIES

The Laboratory has an operating lease for office space at 50 Gordon Drive, Syosset, New York. The lease does not contain any material residual value guarantees or material restrictive covenants and has a remaining lease term of three years. The right-of-use asset and lease liability were recognized at the lease commencement date based on the present value of the lease payments over the lease term. A risk adjusted rate of 2.69% was used to determine the present value of the lease payments, which are recognized on a straight-line basis over the lease term. The operating lease cost was approximately \$308,600 and \$299,700 for the years ended December 31, 2020 and 2019, respectively. Additionally, the lease arrangement requires the Laboratory to make variable payments outside of the regular rent payment, to cover such things as property taxes, utilities and property maintenance. Included in the consolidated balance sheet at December 31, 2020 are a right-of-use asset of approximately \$791,200, reported in other assets, and the related lease liability, reported in accounts payable and accrued expenses, of approximately \$944,200. The future minimum rental payments required under the lease as of December 31, 2020 are approximately \$318,000, \$327,000 and \$337,000 for the remaining three years through December 31, 2023.

The Laboratory is self-insured for employee medical and prescription benefits beginning January 1, 2008. Under the provisions of this plan, an insurance carrier provided claims processing and administration functions, as well as stop-loss coverage over a stipulated level of claims for the twelve-month period ended December 31, 2020. The expense for the program was approximately \$10,753,000 and \$11,170,000 for the years ended December 31, 2020 and 2019, respectively. The Laboratory accrued approximately \$1.2 million for liabilities relating to claims incurred but not reported which are included in accounts payable and accrued expenses for both the years ended December 31, 2020 and 2019.

The Laboratory is currently, and has in the past been, a party to routine litigation incidental to its business. The impact of the final resolution of these matters on the Laboratory's change in net assets or liquidity in a particular reporting period is not known. Management is of the opinion, however, that the ultimate outcome of such matters will not have a materially adverse effect upon the Laboratory's financial condition or liquidity.

18. SUBSEQUENT EVENTS

The Laboratory evaluated events subsequent to December 31, 2020 through April 30, 2021, the date on which the consolidated financial statements were issued and noted the following.

The COVID-19 pandemic continues to disrupt commerce and financial markets around the world. The extent of the impact of COVID-19 on the future operational and financial performance of the Laboratory will depend on certain developments, including the continued duration and spread of the virus, the pace of vaccinations, and the economic outlook for recovery. There may still be short- and longer-term implications for the operations of the Laboratory. The Laboratory will continue to make every effort to mitigate the current and future impacts of COVID-19. Accordingly, the extent to which COVID-19 may impact the consolidated financial position and changes in net assets and cash