



# **COLD SPRING HARBOR LABORATORY**

## **Consolidated Financial Statements**

**December 31, 2002 and 2001**



1305 Walt Whitman Road  
Suite 200  
Melville, NY 11747-4302

## Independent Auditors' Report

The Board of Trustees  
Cold Spring Harbor Laboratory:

We have audited the accompanying consolidated balance sheet of Cold Spring Harbor Laboratory (the Laboratory) as of December 31, 2002, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Laboratory's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Laboratory's 2001 consolidated financial statements and, in our report dated April 25, 2002, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information included in the accompanying schedule is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

KPMG LLP

April 24, 2003



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# COLD SPRING HARBOR LABORATORY

## Consolidated Balance Sheet

December 31, 2002

(with comparative financial information as of December 31, 2001)

Assets:	2002	2001
Cash and cash equivalents	\$ 15,998,950	25,917,330
Accounts receivable:		
Publications	1,507,910	2,070,714
Other	621,788	1,396,569
Grants receivable	5,155,499	5,194,624
Contributions receivable, net (Note 4)	4,485,178	6,681,094
Publications inventory	2,214,499	2,027,130
Prepaid expenses and other assets	1,630,366	2,436,437
Investments (Note 2)	174,146,179	185,947,777
Investment in employee residences (Note 5)	4,347,627	4,495,774
Restricted use asset (Note 6)	2,240,000	1,400,000
Land, buildings and equipment, net (Note 7)	<u>108,416,078</u>	<u>108,104,940</u>
Total assets	<u>\$ 320,764,074</u>	<u>345,672,389</u>
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,347,089	5,928,294
Notes payable	170,119	202,154
Bonds payable (Note 9)	45,200,000	45,200,000
Deferred revenue	<u>3,648,453</u>	<u>2,615,372</u>
Total liabilities	<u>53,365,661</u>	<u>53,945,820</u>
Net assets:		
Unrestricted (Note 10)	154,939,682	170,584,179
Temporarily restricted (Note 11)	10,132,940	13,179,303
Permanently restricted (Note 12)	<u>102,325,791</u>	<u>107,963,087</u>
Total net assets	<u>267,398,413</u>	<u>291,726,569</u>
Total liabilities and net assets	<u>\$ 320,764,074</u>	<u>345,672,389</u>

*See accompanying notes to consolidated financial statements.*

# COLD SPRING HARBOR LABORATORY

## Consolidated Statement of Activities

Year ended December 31, 2002

(with summarized financial information for the year ended December 31, 2001)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2002 Total</u>	<u>2001 Total</u>
Revenue and other support:					
Public support - contributions and non-government grant awards	\$ 11,374,015	10,077,203	3,605,790	25,057,008	22,251,408
Government grant awards	22,680,109	-	-	22,680,109	20,728,880
Indirect cost allowances (Note 13)	15,073,780	-	-	15,073,780	14,274,887
Program fees	2,910,787	-	-	2,910,787	2,677,232
Publications sales	9,050,738	-	-	9,050,738	9,940,567
Dining services	2,850,201	-	-	2,850,201	2,628,965
Rooms and apartments	2,222,483	-	-	2,222,483	1,890,226
Royalty and licensing fees	1,173,659	-	-	1,173,659	2,234,554
Investment income - interest and dividends	5,515,942	-	-	5,515,942	8,285,120
Miscellaneous	583,033	-	-	583,033	541,080
Total revenue	73,434,747	10,077,203	3,605,790	87,117,740	85,452,919
Net assets released from restrictions	13,123,566	(13,123,566)	-	-	-
Total revenue and other support	86,558,313	(3,046,363)	3,605,790	87,117,740	85,452,919
Expenses (Note 16):					
Research	42,240,020	-	-	42,240,020	39,464,156
Educational programs	12,105,086	-	-	12,105,086	11,490,571
Publications	9,345,581	-	-	9,345,581	9,800,811
Banbury Center conferences	1,141,308	-	-	1,141,308	1,026,037
Dolan DNA Learning Center programs	2,368,850	-	-	2,368,850	1,468,244
Watson School of Biological Sciences programs	1,648,168	-	-	1,648,168	1,104,729
General and administrative	10,562,264	-	-	10,562,264	9,739,917
Dining services	4,146,716	-	-	4,146,716	3,551,730
Total expenses	83,557,993	-	-	83,557,993	77,646,195
Excess (deficiency) of revenue and other support over expenses	3,000,320	(3,046,363)	3,605,790	3,559,747	7,806,724
Other changes in net assets:					
Net depreciation in fair value of investments	(18,644,817)	-	(9,243,086)	(27,887,903)	(16,949,723)
Decrease in net assets	(15,644,497)	(3,046,363)	(5,637,296)	(24,328,156)	(9,142,999)
Net assets at beginning of year	170,584,179	13,179,303	107,963,087	291,726,569	300,869,568
Net assets at end of year	\$ 154,939,682	10,132,940	102,325,791	267,398,413	291,726,569

See accompanying notes to consolidated financial statements.

# COLD SPRING HARBOR LABORATORY

## Consolidated Statement of Cash Flows

Year ended December 31, 2002

(with comparative financial information for the year ended December 31, 2001)

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (24,328,156)	(9,142,999)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,165,482	4,620,198
Net depreciation in fair value of investments	27,594,426	16,949,723
Contributions restricted for long-term investment	(5,020,793)	(7,504,820)
Restricted use asset	(840,000)	(1,400,000)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	1,337,585	(341,935)
Decrease (increase) in grants receivable	39,125	(1,542,261)
Decrease in contributions receivable	1,754,273	1,425,568
(Increase) decrease in publications inventory	(187,369)	300,183
Decrease (increase) in prepaid expenses and other assets	806,071	(744,895)
Decrease in accounts payable and accrued expenses	(1,581,205)	(2,000,575)
Increase (decrease) in deferred revenue	1,033,081	(79,689)
Net cash provided by operating activities	<u>5,772,520</u>	<u>538,498</u>
Cash flows from investing activities:		
Capital expenditures	(5,476,620)	(13,401,394)
Proceeds from sales and maturities of investments	185,039,464	58,387,861
Purchases of investments	(200,832,292)	(53,119,270)
Net change in investment in employee residences	148,147	(1,448,345)
Net cash used in investing activities	<u>(21,121,301)</u>	<u>(9,581,148)</u>
Cash flows from financing activities:		
Permanently restricted contributions	3,605,790	1,421,839
Contributions restricted for investment in land, buildings and equipment	1,415,003	6,082,981
Decrease in contributions receivable	441,643	23,948
Repayment of notes payable	(32,035)	(25,778)
Net cash provided by financing activities	<u>5,430,401</u>	<u>7,502,990</u>
Net decrease in cash and cash equivalents	(9,918,380)	(1,539,660)
Cash and cash equivalents at beginning of year	25,917,330	27,456,990
Cash and cash equivalents at end of year	\$ <u><u>15,998,950</u></u>	<u><u>25,917,330</u></u>
Supplemental disclosures:		
Interest paid	\$ <u><u>1,132,279</u></u>	<u><u>1,447,427</u></u>
Noncash investing and financing activities:		
Contributed property	\$ <u><u>840,000</u></u>	<u><u>1,400,000</u></u>

*See accompanying notes to consolidated financial statements.*

# COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statement

December 31, 2002

(with comparative financial information as of and for the year ended December 31, 2001)

## (1) Summary of Significant Accounting Policies and Practices

### (a) Description of Business

Cold Spring Harbor Laboratory ("Laboratory") is organized as an educational corporation under the laws of New York State. The Laboratory's primary objectives are to conduct research in cancer, neurobiology, bioinformatics, plants, and related subjects, to disseminate information, and to provide instruction and training through courses, meetings, publications, and a wide range of other educational activities. A substantial portion of the Laboratory's revenues are derived from Federal Government grants, which are awarded on a competitive basis. If there were a significant cutback in Federal Government research funding, it could have a material impact on the operations and cash flows of the Laboratory.

On September 18, 1998, the Laboratory received approval from the Board of Regents of the State of New York to operate a graduate education program and confer the degrees of Doctor of Philosophy, Master of Science, and Doctor of Science, Honorary. The program operates under the name, "Cold Spring Harbor Laboratory, Watson School of Biological Sciences." The first-year class began in September 1999. Funding has been provided through the establishment of an endowment dedicated to the graduate school.

### (b) Basis of Presentation

The Laboratory's net assets and its revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

#### Unrestricted net assets:

Net assets that are not subject to donor imposed restrictions including the carrying value of all land, buildings and equipment. Items that affect this net asset category include revenue and expenses associated with the primary objectives of the Laboratory, as well as unrestricted gifts, including those designated by the Board of Trustees of the Laboratory ("Trustees") to function as endowments. In addition, changes to this category of net assets include restricted gifts whose donor-imposed restrictions were met in the year received, through the passage of time, or through fulfillment of the restricted purpose.

#### Temporarily restricted net assets:

Net assets subject to donor-imposed restrictions that will be met either by the actions of the Laboratory or the passage of time. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions in the accompanying consolidated statement of activities.

#### Permanently restricted net assets:

Net assets subject to donor-imposed restrictions to be maintained permanently by the Laboratory, the income from which investments is expendable to support research, education and training. Realized and unrealized gains (losses) are added (subtracted) to permanently restricted net assets if so restricted by the donor. Otherwise, gains are expendable to support research and educational activities.

# COLD SPRING HARBOR LABORATORY

## Notes to Consolidated Financial Statement December 31, 2002

(with comparative financial information as of and for the year ended December 31, 2001)

(c) Principles of Consolidation

The consolidated financial statements include the accounts of the Laboratory and the Robertson Research Fund, Inc. ("Corporation"), a not-for-profit organization incorporated in 1972 to provide funds for the benefit of the Laboratory on a continuing basis, unless the Laboratory ceases to be exempt from taxation under the Internal Revenue Code. The Corporation is further described in Note 14. All intercompany accounts and transactions have been eliminated in consolidation.

(d) Cash Equivalents

Cash equivalents consist principally of money market funds and short-term notes maturing within three months of the date of purchase. Cash equivalents approximated \$15,655,000 and \$25,877,000 at December 31, 2002 and 2001, respectively.

(e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) Publications Inventory

The publications inventory represents works in progress and published and offered for sale by the Laboratory. Amounts are stated at the lower of cost or estimated realizable value.

(g) Investments

Investments are recorded at fair value. Contributions of investment securities are recorded at their fair value at the date of the gift.

Included in investments are stocks which do not have a readily determinable fair value that were received by the Laboratory from biotechnology companies in return for various rights to Laboratory-developed intellectual property. Upon the receipt of founders stock from a newly formed company, the value of each share of stock is based on the amount paid per share by the outside investor(s). The amount is reduced by an appropriate valuation allowance, reflecting the high risk associated with startup companies and limitations on the transferability of such stock, to arrive at the initial cost basis of the stock. The values of the stocks are not adjusted until either a) the company is determined to have no value at which time the value of the stock is written off; b) the company is sold at which time a gain or loss is recognized; or c) the company completes an initial public offering (IPO) and its stock becomes publicly traded on a securities exchange. At the time of the IPO, the value of the stock is increased to fair value based on the quoted price of the stock. The fair value is reduced by an appropriate valuation allowance if the stock is restricted by governmental or contractual requirements, or the Laboratory owns a large block of stock that could not be sold without potentially affecting the market price.

# COLD SPRING HARBOR LABORATORY

## Notes to Consolidated Financial Statement December 31, 2002

(with comparative financial information as of and for the year ended December 31, 2001)

(h) Contributions Receivable

Contributions receivable are recorded at their estimated net realizable value (discounted to present value at a risk-free rate).

(i) Land, Buildings and Equipment

Land, buildings and equipment are reported at cost. Donated books and periodicals and other assets are recorded at appraised value as of the date of gift. Depreciation is computed on the straight-line basis over the estimated useful lives (ranging from four to forty years) of all buildings and equipment acquired with non-Federal funds. Equipment acquired with Federal funds is charged against the applicable grant in the year acquired. Land, buildings and equipment, and other long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Long lived assets deemed to be impaired are written down to fair value.

(j) Deferred Revenue

Deferred revenue represents advances received on grants deemed to be exchange transactions, amounts received for publication subscriptions and fees received, but not yet earned. Revenue is recognized in future periods as expenses are incurred or publications are shipped.

(k) Federal Income Tax Status

The Laboratory and the Corporation are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

(l) Excess of Revenue over Expenses

The consolidated statement of activities presents the excess (deficiency) of revenue over expenses, exclusive of the net appreciation or depreciation in fair value of investments. Net appreciation or depreciation in fair value of investments includes realized gains or losses on sales of investments as well as unrealized gains or losses in fair value of investments.

(m) Comparative Financial Statements

The accompanying consolidated statement of activities includes certain 2001 summarized comparative information presented in the aggregate and not displayed by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Laboratory's 2001 financial statements from which the summarized comparative information was derived.



# COLD SPRING HARBOR LABORATORY

## Notes to Consolidated Financial Statement December 31, 2002

(with comparative financial information as of and for the year ended December 31, 2001)

### (2) Investments

Investments at December 31, 2002 and 2001 were as follows:

	2002		2001	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Bonds	\$ 21,038,558	21,103,900	11,440,106	11,739,160
Mutual Funds				
Equity	36,797,930	36,874,463	36,239,725	48,726,056
Fixed Income	77,950,737	79,353,934	75,496,060	73,925,448
Stocks	33,644,584	36,813,882	37,813,673	51,557,113
	<u>\$ 169,431,809</u>	<u>174,146,179</u>	<u>160,989,564</u>	<u>185,947,777</u>

Included in the stocks above are the Laboratory's investment in biotechnology companies, which have a fair value (net of a valuation allowance) of approximately \$4,135,000 and \$11,200,000 and a cost of \$656,000 at December 31, 2002 and 2001, respectively. A valuation allowance of approximately \$1,341,000 and \$1,440,000 at December 31, 2002 and 2001, respectively, has been applied to these investments in light of (i) regulatory or contractual restrictions on the Laboratory's ability to sell the investments, (ii) the significance of the Laboratory's ownership to the stock's trading volume, and (iii) the volatility of the stocks.

Through 2002, the Laboratory has invested \$325,000 in a limited partnership, which is included in stocks above. Under the terms of the limited partnership agreement, the Laboratory is obligated to advance up to \$675,000 in additional funding for investment.

### (3) Fair Value of Financial Instruments

The fair value of all financial instruments, other than bonds payable, approximates carrying value because of the short-term maturity of the instruments. The fair value of bonds payable approximates carrying value as these financial instruments bear interest at rates which reflect current market rates for loans with similar characteristics, maturities and credit quality.

# COLD SPRING HARBOR LABORATORY

## Notes to Consolidated Financial Statement December 31, 2002

(with comparative financial information as of and for the year ended December 31, 2001)

### (4) Contributions Receivable

Contributions receivable consist of the following at December 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Contributions receivable	\$ 5,400,626	7,620,944
Less: discount to present value of 6.1% at 2002 and 6.5% at 2001	(915,448)	(939,850)
	<u>\$ 4,485,178</u>	<u>6,681,094</u>

Contributions receivable are expected to be collected as follows:

	<u>2002</u>	<u>2001</u>
Within one year	\$ 1,729,599	2,506,349
One to five years	1,858,750	5,114,595
More than five years	1,812,277	-
	<u>\$ 5,400,626</u>	<u>7,620,944</u>

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 \$1,160,348 and \$1,237,000 at December 31, 2002 and 2001, respectively.

### (5) Investment in Employee Residences

Investment in employee residences consists of (a) notes receivable collateralized by mortgages on residential properties owned by several key employees, and (b) the Laboratory's percentage ownership in residences inhabited by employees. Upon sale of these residences, the Laboratory will share in market value fluctuations of the real estate in proportion to its ownership in the residence. These investments were authorized by the Board of Trustees to enable such employees to purchase local residences. All costs of property ownership, including real estate taxes, are borne by the employees.

### (6) Restricted Use Assets

In 2002, the Laboratory recorded a gift of a residence in Oyster Bay, New York valued at \$840,000. Under the terms of the contribution, the donor and current occupant will continue to reside at the residence. Upon the death of the life tenant, the Laboratory will enter into a lease with occupant for up to twelve months. At the end of the lease term the Laboratory will be entitled to occupancy of residence.

In 2001, the Laboratory received a gift of a residence in Mill Neck, New York valued at \$1,400,000. Under the terms of the contribution, the donor will continue to reside at the residence. The Laboratory will be entitled to occupancy upon the death of the donor.

# COLD SPRING HARBOR LABORATORY

## Notes to Consolidated Financial Statement December 31, 2002

(with comparative financial information as of and for the year ended December 31, 2001)

### (7) Land, Buildings and Equipment

Land, buildings and equipment at December 31, 2002 and 2001 consists of:

	<u>2002</u>	<u>2001</u>
Land and land improvements	\$ 14,689,254	14,263,454
Buildings	111,128,228	109,133,365
Furniture, fixtures and equipment	9,958,354	8,905,265
Laboratory equipment	18,047,051	16,846,665
Library books and periodicals	365,630	365,630
Construction in progress	1,093,652	910,347
	<hr/> 155,282,169	<hr/> 150,424,726
Less accumulated depreciation and amortization	<hr/> (46,866,091)	<hr/> (42,319,786)
Land, buildings and equipment, net	<hr/> <u>\$ 108,416,078</u>	<hr/> <u>108,104,940</u>

### (8) Other Financing Arrangements

The Laboratory has a \$1,000,000 discretionary line of credit with JP Morgan Chase, which expires June 30, 2004. The facility bears interest at prime plus .5%. At December 31, 2002 and 2001, there were no borrowings outstanding.

### (9) Bonds Payable

During 1993, the Laboratory executed an agreement to obtain \$10 million of bond financing for the construction, purchase, renovation and equipping of Laboratory facilities of which \$7 million was obtained through the Nassau County Industrial Development Agency (NCIDA), and \$3 million was obtained through the Suffolk County Industrial Development Agency (SCIDA). The \$7 million NCIDA bonds were refunded during 1999, as described below. The \$3 million SCIDA bonds mature and are payable in full on July 1, 2023, bear interest at a variable daily rate which is payable on a monthly basis, and are guaranteed by a letter of credit issued by a financial institution.

On April 1, 1999, the Laboratory executed an agreement to obtain \$42.2 million of bond financing through the NCIDA. Approximately \$5 million of the proceeds were used to reimburse the Laboratory for the purchase of property and a building located in Woodbury, New York. Approximately \$10 million of the proceeds were used, together with other available funds, to finance renovation, equipping and furnishing of the building. The property, purchased on June 1, 1998, houses additional research facilities and the editorial offices of the Cold Spring Harbor Laboratory Press. The remaining \$27 million of the proceeds were used to refund \$20 million 1989 Series bonds and \$7 million 1993 Series bonds issued through the NCIDA. The bonds, which mature on January 1, 2034, bear interest at a variable daily rate which is payable on a monthly basis, and are secured by a revolving line of credit agreement issued by a financial institution. In addition, the Laboratory entered into an interest rate swap transaction with a financial institution which fixes the interest rate on \$15 million of the new issue at 4% for a period of five years through April 1, 2004. The effect of the interest rate swap transaction is not material to the statement of activities.

# COLD SPRING HARBOR LABORATORY

## Notes to Consolidated Financial Statement

December 31, 2002

(with comparative financial information as of and for the year ended December 31, 2001)

The effective average interest rate on all of the bonds outstanding during 2002 and 2001 approximated 2.2% and 2.9%, respectively. The rate is negotiated with the bondholders by the remarketing agent. The agreements contain certain covenants including those relating to liquidity, net worth as defined, capital expenditures, restrictions of additional liens on certain Laboratory property and assumption of additional debt.

In connection with the 1999 bond issue, financing costs of approximately \$577,000 were capitalized and are being amortized over the life of the bond issue. The financing costs are included in prepaid expenses and other assets in the accompanying consolidated balance sheet.

### (10) Unrestricted Net Assets

Unrestricted net assets at December 31, 2002 and 2001 consists of:

	<u>2002</u>	<u>2001</u>
General operating	\$ 10,675,633	15,559,599
Designated by Board for:		
Research programs	-	1,848,000
Endowment	81,218,090	90,473,794
Net investment in plant	63,045,959	62,702,786
	<u>\$ 154,939,682</u>	<u>170,584,179</u>

In previous years, the Trustees designated a total of \$1,848,000, net of releases, of unrestricted net assets to underwrite direct and indirect start-up expenses of new research programs, and to cover possible research funding shortfalls which could arise primarily because of research grant cutbacks. In 2002, the Trustees approved the release of \$1,848,000 in reserves for new research programs.

### (11) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2002 and 2001 consist of gifts restricted by the donors as follows:

	<u>2002</u>	<u>2001</u>
Capital projects	\$ 1,415,003	6,082,981
Research programs	6,422,200	5,580,317
Restricted use assets (Note 6)	2,240,000	1,400,000
Educational programs	55,737	116,005
	<u>\$ 10,132,940</u>	<u>13,179,303</u>

## COLD SPRING HARBOR LABORATORY

Notes to Consolidated Financial Statement  
December 31, 2002

(with comparative financial information as of and for the year ended December 31, 2001)

### (12) Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2002 and 2001 are restricted in perpetuity with investment return available to support the following activities:

	<u>2002</u>	<u>2001</u>
Primary program services	\$ 67,927,626	75,793,636
Watson School of Biological Sciences		
Programs	25,582,409	22,212,189
Operation and improvement of		
Banbury Center facilities	<u>8,815,756</u>	<u>9,957,262</u>
	<u>\$ 102,325,791</u>	<u>107,963,087</u>

### (13) 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. The Laboratory had a negotiation agreement providing for predetermined rates for each of the years 2000 through 2002. In 2002, the Laboratory negotiated a new agreement establishing predetermined rates for each of the years 2003 through 2005. As a result, the Laboratory should not, except for unforeseen changes in Federal regulations, be subject to revisions of its predetermined indirect cost rates through the end of 2005. For non-government grants, indirect cost recoveries are accrued at various rates as allowed by the grantor.

### (14) Robertson Research Fund, Inc.

The Corporation is administered by a nine member board of trustees, five of whom represent the Laboratory. The Corporation is composed of two funds; the Robertson Research Fund ("Research Fund") and the Robertson Maintenance Fund ("Maintenance Fund").

The Research Fund was established in 1972 to provide income to the Laboratory in support of educational facilities, basic scientific research and public dissemination of the results thereof, scholarship and fellowship awards, and auxiliary services, among other purposes.

The Maintenance Fund was established in 1976 to provide income exclusively for the improvement and operation of the Robertson house and appurtenant buildings and grounds at the Banbury Center of the Laboratory.

The Laboratory is entitled to receive all of the income of the Research and Maintenance Funds. In years when the distribution has been less than the total annual income of each fund, the difference has been reinvested along with the principal of the funds to offset the effects of inflation and to provide for future programs at the Laboratory.

# COLD SPRING HARBOR LABORATORY

## Notes to Consolidated Financial Statement

December 31, 2002

(with comparative financial information as of and for the year ended December 31, 2001)

### (15) Retirement Plan

The Laboratory's employees are covered under a defined-contribution retirement plan by the Teachers Insurance and Annuity Association/College Retirement Equities Fund Plan. The Laboratory remits contributions to the Plan based on a predetermined percentage of the participants' salaries. Total expenditures under the plan approximated \$2,164,200 and \$1,987,700 for the years ended December 31, 2002 and 2001, respectively.

### (16) Expenses

Expenses are reported in the statement of activities by their functional classifications as required by Statement of Financial Accounting Standards (SFAS) No. 117. The Laboratory's primary program services are research, education and instructional training through courses, meetings, publications and educational activities. Expenses reported as general and administrative, and dining services are incurred in support of these primary program services. General and administrative expenses include approximately \$386,700 and \$425,000 of fund raising expenses in 2002 and 2001, respectively.

SFAS No. 117 also requires allocation of expenses which relate to more than one program or supporting activity. Expenses of the Laboratory in this category include, but are not limited to, depreciation, interest, operating and maintenance of plant, library and direct research support. Amounts have been allocated to the programs and services using methods such as square footage, usage, and other financial and non-financial methods.

	2002			2001		
	Direct Functional Expenses	Allocated Expenses	Total	Direct Functional Expenses	Allocated Expenses	Total
Research	\$ 29,659,238	12,580,782	42,240,020	26,919,676	12,544,480	39,464,156
Educational programs	10,206,462	1,898,624	12,105,086	9,619,590	1,870,981	11,490,571
Publications	8,962,021	383,560	9,345,581	9,622,622	178,189	9,800,811
Banbury Center conferences	585,145	556,163	1,141,308	544,928	481,109	1,026,037
Dolan DNALC programs	1,870,221	498,629	2,368,850	1,004,954	463,290	1,468,244
WSBS programs	1,494,744	153,424	1,648,168	926,540	178,189	1,104,729
General and administrative	8,471,859	2,090,405	10,562,264	8,474,778	1,265,139	9,739,917
Dining services	3,130,281	1,016,435	4,146,716	2,714,243	837,487	3,551,730
	<u>\$ 64,379,971</u>	<u>19,178,022</u>	<u>83,557,993</u>	<u>59,827,331</u>	<u>17,818,864</u>	<u>77,646,195</u>

# COLD SPRING HARBOR LABORATORY

## Comparative Operating History

1998 - 2002  
(Dollars in Thousands)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenue:					
Main Lab:					
Grants and contracts	\$ 24,025	27,179	30,345	34,716	37,872
Indirect cost allowances	11,054	11,207	12,718	14,134	14,987
Other	9,441	9,426	10,618	12,528	10,918
CSHL Press	6,341	6,400	8,684	9,941	9,051
Banbury Center	1,444	1,848	1,856	1,666	1,763
Dolan DNA Learning Center	1,334	1,392	1,471	1,878	2,978
Watson School of Biological Sciences	-	218	682	927	1,496
Total revenue	<u>53,639</u>	<u>57,670</u>	<u>66,374</u>	<u>75,790</u>	<u>79,065</u>
Expenses:					
Main Lab:					
Research and training	24,025	27,179	30,345	34,716	37,872
Operation and maintenance of plant	5,549	5,765	6,589	7,027	8,661
General and administrative	3,378	3,844	6,162	6,492	6,395
Other	7,328	7,863	7,075	9,505	8,550
CSHL Press	6,141	6,077	8,186	9,515	8,962
Banbury Center	1,321	1,614	1,702	1,536	1,597
Dolan DNA Learning Center	1,228	1,280	1,362	1,801	2,780
Watson School of Biological Sciences	-	218	682	927	1,496
Total expenses, excluding depreciation and amortization	<u>48,970</u>	<u>53,840</u>	<u>62,103</u>	<u>71,519</u>	<u>76,313</u>
Excess before depreciation, amortization and designation of funds	4,669	3,830	4,271	4,271	2,752
Depreciation and amortization	(3,443)	(3,526)	(3,974)	(4,620)	(5,165)
(Designation) release of funds (2)	<u>(750)</u>	<u>-</u>	<u>(297)</u>	<u>349</u>	<u>1,848</u>
Net operating excess (deficit)	\$ <u>476</u>	<u>304</u>	<u>-</u>	<u>-</u>	<u>(565)</u>

(1) The above amounts are presented on a combined basis for all funds for which Cold Spring Harbor Laboratory prepares operating budgets.

(2) Funds designated to underwrite future direct and indirect expenses of new research programs.