COLD SPRING HARBOR LABORATORY

Consolidated Financial Statements

December 31, 2015

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Trustees
Cold Spring Harbor Laboratory:

We have audited the accompanying consolidated financial statements of Cold Spring Harbor Laboratory (the Laboratory), which comprise the consolidated balance sheet as of December 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly in all material respects, the financial position of Cold Spring Harbor Laboratory as of December 31, 2015, 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 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our reported dated May 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

May 27, 2016

COLD SPRING HARBOR LABORATORY

Consolidated Balance Sheet

December 31, 2015

(with comparative financial information as of December 31, 2014)

		2015	2014
Assets:			
Cash and cash equivalents	$	54,209,176	56,309,959
Grants receivable		9,545,355	10,551,528
Contributions receivable, net (note 5)		30,100,043	58,786,259
Investments (notes 3 and 4)		449,931,993	442,830,529
Investment in employee residences (note 7)		6,161,403	5,159,378
Restricted use assets (note 6)		5,412,103	5,127,815
Other assets (notes 4 and 9)		10,270,883	9,983,360
Land, buildings, and equipment, net (note 8)		230,619,980	231,650,890
Total assets	$	796,250,936	820,399,718
Liabilities and net assets:			
Liabilities:			
Accounts payable and accrued expenses (notes 4, 6 and 16)	$	10,048,146	12,510,995
Deferred revenue		8,004,642	5,509,689
Interest rate swap (notes 4 and 9)		34,052,132	33,623,553
Bonds payable (notes 4 and 9)		95,608,887	95,542,618
Total liabilities		147,713,807	147,186,855
Commitments and contingencies (note 16)			
Net assets:			
Unrestricted (note 13)		342,262,835	325,723,978
Temporarily restricted (notes 10 and 13)		192,160,567	236,314,595
Permanently restricted (notes 11 and 13)		114,113,727	111,174,290
Total net assets		648,537,129	673,212,863
Total liabilities and net assets	$	796,250,936	820,399,718

See accompanying notes to consolidated financial statements.

COLD SPRING HARBOR LABORATORY

Consolidated Statement of Activities

Year ended December 31, 2015

(with summarized financial information for the year ended December 31, 2014)

		Unrestricted	Temporarily restricted	Permanently restricted	2015 Total	2014 Total
Revenue and other support:						
Public support - contributions and nonfederal grant awards	$	16,581,343	11,563,092	2,939,437	31,083,872	39,283,518
Federal grant awards		31,750,274	-	-	31,750,274	27,176,257
Indirect cost allowances		27,286,692	-	-	27,286,692	23,710,599
Investment return utilized (notes 12 and 13)		17,887,633	-	-	17,887,633	16,497,482
Program fees		8,681,384	-	-	8,681,384	6,896,378
Publications sales		9,737,489	-	-	9,737,489	10,030,061
Dining services		4,819,543	-	-	4,819,543	4,322,717
Rooms and apartments		3,880,805	-	-	3,880,805	3,638,654
Miscellaneous		5,183,130	-	-	5,183,130	6,632,532
Net assets released from restrictions		43,903,946	(43,903,946)	-	-	-
Total revenue and other support		169,712,239	(32,340,854)	2,939,437	140,310,822	138,188,198
Expenses: (note 14)						
Research		86,078,788	-	-	86,078,788	85,732,121
Educational programs		19,849,038	-	-	19,849,038	17,213,213
Publications		9,152,372	-	-	9,152,372	9,466,527
Banbury Center conferences		1,591,739	-	-	1,591,739	1,486,354
DNA Learning Center programs		2,001,720	-	-	2,001,720	1,973,519
Watson School of Biological Sciences programs		3,246,931	-	-	3,246,931	3,422,312
General and administrative		17,204,666	-	-	17,204,666	16,603,749
Dining services		5,924,858	-	-	5,924,858	5,704,911
Total expenses		145,050,112	-	-	145,050,112	141,602,706
Excess (deficiency) of revenue and other support over (under) expenses		24,662,127	(32,340,854)	2,939,437	(4,739,290)	(3,414,508)
Other changes in net assets:						
Investment return excluding amount utilized (notes 12 and 13)		(7,694,691)	(11,813,174)	-	(19,507,865)	(31,486)
Change in fair value of interest rate swap (note 9)		(428,579)	-	-	(428,579)	(15,010,072)
Increase (decrease) in net assets		16,538,857	(44,154,028)	2,939,437	(24,675,734)	(18,456,066)
Net assets at beginning of year		325,723,978	236,314,595	111,174,290	673,212,863	691,668,929
Net assets at end of year	$	342,262,835	192,160,567	114,113,727	648,537,129	673,212,863

See accompanying notes to consolidated financial statements.

COLD SPRING HARBOR LABORATORY

Consolidated Statement of Cash Flows

Year ended December 31, 2015

(with comparative financial information for the year ended December 31, 2014)

		2015	2014
Cash flows from operating activities:			
Decrease in net assets	$	(24,675,734)	(18,456,066)
Adjustments to reconcile change in net assets			
to net cash provided by operating activities:			
Change in fair value of interest rate swap		428,579	15,010,072
Depreciation and amortization		13,808,887	13,942,830
Donated equipment		(1,880,032)	-
Amortization of deferred bond costs		66,269	66,269
Net depreciation (appreciation) in fair value of investments		4,238,813	(12,908,048)
Contributions restricted for long-term investment		(3,057,415)	(5,020,506)
Changes in assets and liabilities:			
Grants receivable		1,006,173	(2,045,360)
Contributions receivable, net		25,537,066	48,392,029
Restricted use assets		(284,288)	(623,048)
Other assets		(287,523)	2,357,289
Accounts payable and accrued expenses, net of financing activities		(1,848,350)	959,182
Deferred revenue		2,494,953	299,798
Net cash provided by operating activities		15,547,399	41,974,441
Cash flows from investing activities:			
Capital expenditures		(10,897,945)	(13,605,145)
Proceeds from sales and maturities of investments		44,262,648	75,649,786
Purchases of investments		(55,602,925)	(121,501,780)
Net change in investment in employee residences		(1,002,025)	(810,514)
Net cash used in investing activities		(23,240,247)	(60,267,653)
Cash flows from financing activities:			
Contributions restricted for long-term investment		2,939,438	4,001,838
Contributions restricted for investment in capital		117,977	1,018,668
Decrease in contributions receivable		3,149,150	3,209,572
(Decrease) increase in accounts payable relating to capital expenditures		(614,499)	1,114,499
Net cash provided by financing activities		5,592,066	9,344,577
Net decrease in cash and cash equivalents		(2,100,783)	(8,948,635)
Cash and cash equivalents at beginning of year		56,309,959	65,258,594
Cash and cash equivalents at end of year	$	54,209,176	56,309,959
Supplemental disclosure:			
Interest paid	$	3,978,881	4,013,111

See accompanying notes to consolidated financial statements.

(1) Description of Business

(a) Discussion of Operations

Cold Spring Harbor Laboratory (the 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, genomics, 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 revenue is 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.

The Laboratory operates a graduate education program and confers the degrees of Doctor of Philosophy, Master of Science, and Doctor of Science, Honorary. The program was approved by the Board of Regents of the State of New York and operates under the name "Cold Spring Harbor Laboratory, Watson School of Biological Sciences" (WSBS). Funding has been provided through the establishment of an endowment dedicated to the graduate school.

The consolidated financial statements of the Laboratory include two wholly owned subsidiaries. The first, the Robertson Research Fund, Inc. (Robertson), is a not-for-profit organization incorporated in Delaware 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. Robertson is administered by a nine-member board of trustees, five of whom represent the Laboratory. The Laboratory is entitled to receive all of the income of Robertson. In years when the distribution has been less than the total annual income of the fund, the difference has been reinvested along with the principal of the fund to offset the effects of inflation and to provide for future programs at the Laboratory.

The second, Cold Spring Harbor Asia (SIP) Ltd. (CSH Asia), is a wholly owned for-profit subsidiary established in Suzhou, People's Republic of China, in 2008. CSH Asia was created to expand the educational outreach of the Laboratory with the creation of a meetings and conferences program at a state-of-the-art conference center, owned by a private company, located in Suzhou. CSH Asia has an exclusive license to conduct scientific conferences and training courses in academic life sciences and applied biological sciences at the conference center for a term of ten years beginning with the opening of the conference center, which occurred in 2010. The license is renewable for an additional five-year term.

All intercompany accounts and transactions have been eliminated in consolidation.

(b) Tax Status

The Laboratory and Robertson are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, they are not subject to income taxes except to the extent there is taxable income from activities that are not related to the exempt purposes. The Laboratory recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. CSH Asia was established as a taxable organization in China. Provisions for both local and unrelated business income taxes are included in accounts payable and accrued expenses in the 2015 and 2014 consolidated balance sheets.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Laboratory prepares its financial statements on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board (FASB) for external financial reporting by not-for-profit organizations. Those standards require the classification of activities and net assets into one of the three classes of net assets 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 by either 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 investment-related income from which is available to support research, education, and training. Realized and unrealized gains (losses) are added to (subtracted from) permanently restricted net assets if so required by the donor. Absent specific donor requirements, gains are available to support research and educational activities.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist principally of short-term money market funds earmarked for operations and other uses, except cash and cash equivalents held for investment (see note 3). Cash equivalents approximated $37,933,000 and $43,625,000 at December 31, 2015 and 2014, respectively.

(c) 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 revenues and expenses recognized during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include the valuation of alternative investments, collectibility of receivables, the interest rate swap liability, the determination of medical and prescription benefit costs and the related liability, and the allocation of expenses to their functional classification.

(2) Summary of Significant Accounting Policies (Continued)

(d) 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:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the asset or liability, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset or the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

(e) Investments

Investments are stated at fair value. Contributions of investment securities are recorded at their fair value at the date of the gift. 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 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 invests 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 proportionate share of the net assets of the investment managers, as reported by them and reviewed by Laboratory management for reasonableness.

(2) Summary of Significant Accounting Policies (Continued)

The Laboratory's proportionate share of net assets subject to the investment manager's estimates of fair value may differ significantly, due to the inherent uncertainty of the valuations, from the values that would have been used had a ready market existed. The Laboratory's proportionate share of the change in fair values of the investment managers is recorded as an increase or a decrease in unrealized appreciation (depreciation) of investments in the consolidated statement of activities.

Included in investments are common and preferred stocks that do not have a readily determinable fair value, which 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 start-up 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.

(f) Contributions Receivable

Contributions receivable are recorded at their estimated net realizable value (discounted to present value at a risk-adjusted rate), less a reserve for bad debts.

(g) 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 three to forty years) of all buildings and equipment. 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 permanently impaired are written down to fair value.

(h) Derivative Instrument

The Laboratory measures its derivative instrument (interest rate swap) at fair value. The fair value of the derivative held is based upon values provided by third-party financial institutions. It is not held for speculation purposes.

(i) Deferred Revenue

Deferred revenue represents advances received on grants deemed to be exchange transactions, and 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.

(2) Summary of Significant Accounting Policies (Continued)

(j) Revenue

The Laboratory receives grants and contributions from a number of sources including the federal government, foreign governments, private foundations, and other donors. Grants are evaluated as to whether they qualify as exchange transactions or contributions as defined by U.S. GAAP. Grants that are treated as exchange transactions are reported as unrestricted revenue 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 sheet.

Contributions that are considered non-exchange transactions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

(k) 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 2014, the Laboratory negotiated a new agreement establishing predetermined rates for the years 2014 through 2016 and a provisional rate for 2017 until amended. As a result, the Laboratory should not, except for unforeseen changes in federal regulations, be subject to revisions of its predetermined indirect cost rate through the end of 2017. For nongovernment grants, indirect cost recoveries are accrued at various rates as allowed by the grantor.

(l) Recently Adopted Accounting Standard

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)* (ASU 2015-07). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Reporting entities are required to disclose the amount of investments measured at net asset value (or its equivalent) using the practical expedient to reconcile total investments in the fair value hierarchy to total investments measured at fair value. ASU 2015-07 should be applied retrospectively to all periods presented and early adoption is permitted. ASU 2015-07 is effective for the Laboratory for fiscal years beginning after December 15, 2016. The Laboratory adopted the provisions of the ASU in 2015 and has retroactively applied the ASU to 2014.

In April 2015, FASB issued ASU 2015-03, *Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 requires debt issuance costs related to a recognized debt liability to be presented on the consolidated balance sheet as a direct deduction from the debt liability. The Laboratory adopted the provisions of the ASU in 2015 and has retroactively applied the ASU to 2014.

(2) Summary of Significant Accounting Policies (Continued)

(m) Comparative Financial Statements

The accompanying consolidated statement of activities is presented with certain 2014 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 2014 consolidated financial statements from which the summarized comparative information was derived.

(n) Reclassifications

Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

(3) Investments

Fair value of investments at December 31 is as follows:

		2015	2014
Cash and cash equivalents			
held for investment	$	41,396,431	39,396,301
Mutual funds:			
Large/mid cap growth		57,640,700	56,156,496
Diversified fixed income		23,983,713	31,084,959
Stocks-domestic		15,995,905	18,989,645
Alternative investments:			
Multi-strategy, fund of funds,			
and absolute return		152,162,421	153,926,247
Long/short equity		87,515,262	70,075,776
International equity		60,220,066	59,302,569
Emerging markets		7,097,307	7,990,018
Aggressive fixed income		3,781,612	5,700,054
Private equity		138,576	208,464
	$	449,931,993	442,830,529

Cash and cash equivalents held for investment are held on a short-term basis as part of the investment portfolio, which will be invested upon direction of the Investment Committee of the Board of Trustees of the Laboratory.

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(e). The biotechnology companies have a fair value of approximately $508,000 and $903,000 for the years ended

(3) Investments (Continued)

December 31, 2015 and 2014, respectively, net of a valuation allowance of approximately $2,637,000 and $2,500,000, respectively, on the shares that do not have a readily determinable fair value.

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 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.

The Laboratory's alternative investments are diversified across six basic investment strategies as follows (amounts included are as of December 31, 2015):

Multi-strategy, fund of funds, and absolute return ($152,162,421) – 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 ($87,515,262) – 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.

International equity ($60,220,066) – 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 ($7,097,307) – 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.

Aggressive fixed income ($3,781,612) – an investment in global fixed income arbitrage strategies exploiting opportunities within specific sub-strategies, with tight risk controls, seeking to add excess return over a specified client-designated benchmark.

Private equity ($138,576) – consists of a limited partnership that was formed for the purpose of investing in private equity funds including venture capital, buyouts and growth capital, international private equity, and other private equity investments.

Alternative investments contain various redemption restrictions with required written notice ranging from 45 to 95 days. In addition, certain of these investments are restricted by initial lockup periods.

(3) Investments (Continued)

As of December 31, 2015, the following table summarizes the composition of the alternative investments at fair value of such investments by the various redemption provisions and lockup periods:

Redemption period		Amount
0-3 months	$	182,309,168
Semiannual		12,011,057
Annual		91,249,428
No redemptions		430,995
Lockup expiring 2016		4,932,505
Lockup expiring 2017		19,982,091
	$	310,915,244

(4) Fair Value of Financial Assets and Liabilities

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:

		2015			
Financial assets		Fair value	Level 1	Level 2	Level 3
Investment in employee residences	$	6,161,403	-	-	6,161,403
Limited liability partnership (1)		246,000	-	-	246,000
Investments:					
Cash held for investment		41,396,431	41,396,431	-	-
Mutual funds:					
Large/mid cap growth		57,640,700	57,640,700	-	-
Diversified fixed income		23,983,713	23,983,713	-	-
Stocks-domestic		15,995,905	15,488,310	-	507,595
Subtotal		139,016,749	138,509,154	-	507,595
Investments at NAV:					
Alternative investments:					
Multi-strategy, fund of funds, and absolute return		152,162,421	-	-	-
Long/short equity		87,515,262	-	-	-
International equity		60,220,066	-	-	-
Emerging markets		7,097,307	-	-	-
Aggressive fixed income		3,781,612	-	-	-
Private equity		138,576	-	-	-
Subtotal		310,915,244	-	-	-
Total Investments		449,931,993	138,509,154	-	507,595
Total assets at fair value	$	456,339,396	138,509,154	-	6,914,998

(1) Included in other assets on the consolidated balance sheet

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

	2014			
Financial assets	Fair value	Level 1	Level 2	Level 3
Investment in employee residences	$ 5,159,378	-	-	5,159,378
Limited liability partnership (1)	246,000	-	-	246,000
Investments:				
Cash held for investment	39,396,301	39,396,301	-	-
Mutual funds:				
Large/mid cap growth	56,156,496	56,156,496	-	-
Diversified fixed income	31,084,959	31,084,959	-	-
Stocks-domestic	18,989,645	18,086,977	-	902,668
Subtotal	145,627,401	144,724,733	-	902,668
Investments at NAV:				
Alternative investments:				
Multi-strategy, fund of funds, and absolute return	153,926,247	-	-	-
Long/short equity	70,075,776	-	-	-
International equity	59,302,569	-	-	-
Emerging markets	7,990,018	-	-	-
Aggressive fixed income	5,700,054	-	-	-
Private equity	208,464	-	-	-
Subtotal	297,203,128	-	-	-
Total Investments	442,830,529	144,724,733	-	902,668
Total assets at fair value	$ 448,235,907	144,724,733	-	6,308,046

(1) Included in other assets on the consolidated balance sheet

The fair value of all other financial instruments including all receivables and payables, other than contributions receivable, interest rate swap, and bonds payable, approximates carrying value because of the short-term maturity of the instruments. The estimated fair values of these financial instruments involve unobservable inputs considered to be Level 3 in the fair value hierarchy. The fair value of bonds payable approximates carrying value as these financial instruments bear interest at rates that reflect approximate market rates for loans with similar characteristics, maturities, and credit quality. Bonds payable fall within Level 2 of the fair value input hierarchy.

(5) Contributions Receivable, net

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

		2015	2014
Contributions receivable	$	38,960,022	60,617,781
Less: Discount to present value at			
rates ranging from 0.08% to 4.93%		(8,082,979)	(1,563,522)
Reserve for bad debts		(777,000)	(268,000)
Contributions receivable, net	$	30,100,043	58,786,259

Contributions receivable are expected to be collected as follows:

		2015	2014
Within one year	$	19,519,370	35,161,797
One to five years		5,414,358	21,342,331
More than five years		14,026,294	4,113,653
	$	38,960,022	60,617,781

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, 2015 included twenty-seven individual pledges, six of which represent approximately 71% of the amount due, with a total of $19 million due from two donors.

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 $3,164,000 and $2,898,000 at December 31, 2015 and 2014, respectively.

(6) Restricted Use Assets

Restricted use assets principally include two supplemental executive retirement plans (SERP) established by the Laboratory for certain members of its management and scientific staff. The Laboratory has established two grantor trusts, whereby the assets and income of the trusts are assets and income of the Laboratory. At December 31, 2015 and 2014, the fair value of the assets in the trusts was $5,097,135 and $4,821,159, respectively.

(7) Investment in Employee Residences

Investments in employee residences 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:

	2015	2014
Land and land improvements	$ 16,807,353	16,754,064
Buildings	280,842,589	266,765,541
Furniture, fixtures, and equipment	25,128,660	24,621,194
Laboratory equipment	63,729,667	59,109,462
Library books and periodicals	365,630	365,630
Construction in progress	366,713	10,138,375
	387,240,612	377,754,266
Less accumulated depreciation and amortization	(156,620,632)	(146,103,376)
Land, buildings, and equipment, net	$ 230,619,980	231,650,890

Construction in progress represents the cost of various campus renovations ongoing at the Laboratory. In 2014, the Laboratory began a renovation of the Woodbury Genome Center with accumulated costs of approximately $11.2 million through December 31, 2015 which have now been capitalized with the completion of the project.

(9) Bonds Payable

On April 1, 1999, the Laboratory executed an agreement to obtain $42.2 million of bond financing through the Nassau County Industrial Development Agency (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 (0.01% as of December 31, 2015), and are secured by a revolving letter-of-credit agreement issued by a financial institution scheduled to expire on June 24, 2018. The interest rate is negotiated with the bondholders by the remarketing agent. The agreements contain 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 believes it is in compliance with the required covenants as of December 31, 2015 and expects to renew the agreement upon expiration.

(9) 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, which was payable on a weekly basis, and was insured by an insurance policy issued by the Financial Guarantee Insurance Company. On June 25, 2008, the interest rate mode on the bonds was converted to a variable daily rate. The insurance policy, originally used as credit support for the bonds, was terminated. 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 the LIBOR Rate, the rate equal to the British Bankers Association thirty day LIBOR Rate (1-month LIBOR), plus a spread. The entire outstanding principal amount was purchased by a single financial institution under an agreement which 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 believes it is in compliance with the required covenants as of December 31, 2015. 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 (0.69314% as of December 31, 2015).

In April 2006, the Laboratory entered into an interest rate swap agreement with a notional principal amount of $97,200,000 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 3.805% and received 68% of 1-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 now pays interest at a predetermined fixed rate of 3.802% and receives 68% of 3-month LIBOR on the notional principal amount.

The fair value of the interest rate swap was a liability of $34,052,132 and $33,623,553 at December 31, 2015 and 2014, respectively. The fair value of the interest rate swap was determined using pricing models developed based on the LIBOR swap 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.

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 $97,200,000 at December 31, 2015 and 2014. Financing costs, net of amortization, were $1,591,113 and $1,657,382 at December 31, 2015 and 2014, respectively.

Interest expense on bonds outstanding during 2015 and 2014 was $3,904,553 and $3,941,598, respectively. The effective average interest rate on all of the bonds outstanding approximated 4.02% for both the years ended December 31, 2015 and 2014.

(10) Temporarily Restricted Net Assets

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

		2015	2014
Capital projects	$	3,248,650	13,178,959
Research programs		29,704,037	39,654,161
Educational programs		1,569,845	1,337,818
Time restricted		17,697,085	33,330,717
Unappropriated income on endowment funds:			
Primary program services		113,827,276	119,202,955
Watson School of Biological Sciences programs		11,492,698	14,290,481
Operation and improvement of Banbury Center facilities		14,620,976	15,319,504
	$	192,160,567	236,314,595

(11) Permanently Restricted Net Assets

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

		2015	2014
Primary program services	$	71,420,952	68,587,515
Watson School of Biological Sciences programs		41,180,971	41,074,971
Operation and improvement of Banbury Center facilities		1,511,804	1,511,804
	$	114,113,727	111,174,290

(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:

		2015		
		Unrestricted	Temporarily restricted	Total
Interest and dividends on investments	$	2,443,774	-	2,443,774
Net depreciation of investments		(4,064,006)	-	(4,064,006)
Total investment loss		(1,620,232)	-	(1,620,232)
Investment return utilized		(6,074,459)	(11,813,174)	(17,887,633)
Investment loss including amount utilized	$	(7,694,691)	(11,813,174)	(19,507,865)

		2014		
		Unrestricted	Temporarily restricted	Total
Interest and dividends on investments	$	3,297,111	-	3,297,111
Net appreciation of investments		13,168,885	-	13,168,885
Total investment return		16,465,996	-	16,465,996
Investment return utilized		(15,695,747)	(801,735)	(16,497,482)
Investment return (loss) excluding/including amount utilized	$	770,249	(801,735)	(31,486)

(13) Endowment Funds

The Laboratory's endowment consists of approximately 150 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 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 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the explicit direction of the

(13) Endowment Funds (Continued)

applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are 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 appreciation as a primary source of return while balancing the dual objectives of growth in capital and principal preservation. Investments are expected to earn long-term returns sufficient to maintain or grow the purchasing power of assets, net of spending and investment expenses, within acceptable risk parameters. The portfolio is invested in domestic and international equities, private equity, and other nontraditional investments, broadly diversified fixed income and cash equivalents. The portfolio is expected to earn returns higher than the "market" as represented by a benchmark constructed as a blended rate of indices. The portfolio oversight rests with the Investment Committee of the Board of Trustees, including the selection of external managers, the allocation of investments, and the type of investments.

The Laboratory considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Laboratory and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation or deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Laboratory
(7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure
(8) The investment policies of the Laboratory

In accordance with the Laboratory's spending rate policy, the Trustees authorized a 5% spend-down on endowment funds based on a 12-quarter moving average of the market value of endowment investments. If interest, dividends, and gains are not sufficient to support the current year drawdown, the balance is provided from prior year earnings. If investment return is in excess of the authorized spending level, the balance is reinvested.

In accordance with the above spending policies, $18,607,305 and $16,379,553 were made available to support operations of the Laboratory for the years ended December 31, 2015 and 2014, respectively. The total planned appropriation for expenditure for the year ending December 31, 2016 is approximately $21,070,000.

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 that are reported in unrestricted net assets were $2,187,909 and $1,755,835 at December 31, 2015 and 2014, respectively.

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Trustees. Amounts included in reported deficiencies, $2,087,105 in 2015 and $1,752,051 in 2014, resulted from specific language of the gift instrument requiring appropriation regardless of fund balance. Funds with deficiencies are included in the unrestricted portion of donor-restricted endowment funds, in the following tables.

(13) Endowment Funds (Continued)

The following table presents endowment net asset composition by type of fund as of December 31, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$ (2,187,909)	139,940,950	114,113,727	251,866,768
Board-designated	205,986,197	-	-	205,986,197
Total endowment funds	$ 203,798,288	139,940,950	114,113,727	457,852,965

The following table presents the changes in endowment net assets for the year ended December 31, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at beginning of year	$ 188,487,473	148,812,941	111,174,290	448,474,704
Investment income	2,429,976	-	-	2,429,976
Net (depreciation) (realized and unrealized)	(3,330,536)	-	-	(3,330,536)
Total investment loss	(900,560)	-	-	(900,560)
Contributions	3,595	2,941,183	2,939,437	5,884,215
Appropriation of endowment assets for expenditure	(6,794,131)	(11,813,174)	-	(18,607,305)
Transfer to board-designated endowment	23,001,911	-	-	23,001,911
Endowment net assets at end of year	$ 203,798,288	139,940,950	114,113,727	457,852,965

Included in amounts above is approximately $6.8 million in pledges receivable.

(13) Endowment Funds (Continued)

The following table presents endowment net asset composition by type of fund as of December 31, 2014:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$ (1,755,835)	148,812,941	111,174,290	258,231,396
Board-designated	190,243,308	-	-	190,243,308
Total endowment funds	$ 188,487,473	148,812,941	111,174,290	448,474,704

The following table presents the changes in endowment net assets for the year ended December 31, 2014:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at beginning of year	$ 131,767,865	149,589,676	107,172,452	388,529,993
Investment income	3,228,469	-	-	3,228,469
Net appreciation (realized and unrealized)	13,119,597	-	-	13,119,597
Total investment return	16,348,066	-	-	16,348,066
Contributions	3,500	25,000	4,001,838	4,030,338
Appropriation of endowment assets for expenditure	(15,577,818)	(801,735)	-	(16,379,553)
Transfer to board-designated endowment	55,945,860	-	-	55,945,860
Endowment net assets at end of year	$ 188,487,473	148,812,941	111,174,290	448,474,704

Included in amounts above is approximately $4.8 million in pledges receivable.

(14) Expenses

Expenses are reported in the accompanying consolidated statement of activities by their functional classifications. The Laboratory’s primary program services are research, education, and instructional training through courses, meetings, and publications. Expenses reported as general and administrative, and dining services, are incurred in support of these primary program services. General and administrative expenses include approximately $1,631,000 and $1,404,000 of fund-raising expenses in 2015 and 2014, respectively.

(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.

		2015			2014		
		Direct functional expenses	Allocated expenses	Total	Direct functional expenses	Allocated expenses	Total
Research	$	52,582,093	33,496,695	86,078,788	52,337,628	33,394,493	85,732,121
Educational programs		16,188,256	3,660,782	19,849,038	13,946,129	3,267,084	17,213,213
Publications		8,498,299	654,073	9,152,372	8,804,267	662,260	9,466,527
Banbury Center conferences		728,922	862,817	1,591,739	571,410	914,944	1,486,354
DNA Learning Center programs		1,492,134	509,586	2,001,720	1,405,784	567,735	1,973,519
WSBS programs		2,872,763	374,168	3,246,931	2,943,539	478,773	3,422,312
General and administrative		14,346,419	2,858,247	17,204,666	13,037,394	3,566,355	16,603,749
Dining services		4,392,472	1,532,386	5,924,858	4,191,354	1,513,557	5,704,911
	$	101,101,358	43,948,754	145,050,112	97,237,505	44,365,201	141,602,706

(15) Retirement Plan

The Laboratory's employees are covered under a 401(a) defined-contribution retirement plan (the Plan). The Laboratory remits contributions to the Plan at Fidelity Investments based on a predetermined percentage of the participants' salaries. Total contributions under the Plan approximated $4,135,000 and $3,956,000 for the years ended December 31, 2015 and 2014, respectively.

(16) Commitments and Contingencies

On November 21, 2008, the Laboratory entered into a ten-year noncancelable operating lease beginning on January 1, 2009 for property located at 50 Gordon Drive, Syosset, New York. On June 27, 2014 the Laboratory extended the lease through December 31, 2023. The average monthly rental is $24,508, or approximately $2,438,073, over the remaining lease term.

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, 2015. The expense for the program was approximately $9,100,000 and $10,500,000 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014.

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.

(17) Subsequent Events

The Laboratory evaluated events subsequent to December 31, 2015 through May 27, 2016, the date on which the consolidated financial statements were issued and determined there were no subsequent events to disclose.