CONSOLIDATING AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

ROSWELL PARK CANCER INSTITUTE CORPORATION

MARCH 31, 2012

ROSWELL PARK CANCER INSTITUTE CORPORATION

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FreedMaxick™ CPAs, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Roswell Park Cancer Institute Corporation

We have audited the accompanying consolidating balance sheet and the related consolidating statements of revenues, expenses and changes in net assets and cash flows of Roswell Park Cancer Institute Corporation (RPCIC), a component unit of New York State, as of March 31, 2012 and for the year then ended. We previously audited the consolidating financial statements of RPCIC for the year ended March 31, 2011 and expressed an unqualified opinion dated June 23, 2011. The consolidated balance sheet and related consolidated statements of revenues, expenses and changes in net assets and cash flows as of and for the year then ended March 31, 2011 are presented for comparative purposes only. These financial statements are the responsibility of RPCIC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits issued by the Comptroller General of the United States. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of RPCIC as of March 31, 2012, and the results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As further discussed in Note 14, RPCIC had significant transactions with related parties.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 28, 2012 on our consideration of Roswell Park Cancer Institute Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages 2 through 14 is not a required part of the basic consolidating financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). This supplementary information is the responsibility of management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Freed Maxick CPAs, P.C.

(Formerly known as Freed Maxick & Battaglia, CPAs, PC)
Buffalo, New York
June 28, 2012

Our discussion and analysis of Roswell Park Cancer Institute Corporation's ("RPCIC") financial performance provides an overview of the financial activities for the fiscal year that ended on March 31, 2012. The consolidated financial statements of RPCIC include the accounts of the Roswell Park Cancer Institute Corporation, the Roswell Park Cancer Institute Clinical Practice Plan (collectively referred to as the "Institute" and/or "RPCI") and the Roswell Park Alliance Foundation, Inc. Please read this management's discussion and analysis in conjunction with RPCIC's consolidated financial statements. Unless otherwise indicated, all dollar amounts are in thousands.

1. Introduction

Roswell Park Cancer Institute ("RPCI") was established in 1898 on the principle of integrating clinical care, research and education focused solely on cancer. Dr. Roswell Park, a nationally prominent Buffalo surgeon, was perhaps the first to describe the importance of translational research in a cancer center when he wrote in 1904 that *"Only* [through] a *deliberate, well-planned, combined attack from various directions by means fitted for such work could real advances be made and* [further] *the relationship of laboratory work, clinical study and education must be closely associated'.* Dr. Park's commitment to patient care and the scientific study of cancer led to the establishment of a research facility and hospital unit which were recognized and partially funded by the State of New York in 1904; this was the first example of government support for cancer research in the world.

RPCI, the only National Cancer Institute ("NCI") designated cancer center in Upstate New York, consistently ranks among the NCI's top recipients of funding. In 2008, the Institute's NCI Cancer Center Support Grant ("CCSG", also known as the "core" grant) was reviewed and renewed by a site visit team of 22 nationally recognized experts in cancer research and treatment for another 5 years. This grant, which forms the foundation for Roswell's designation as an NCI comprehensive cancer center is now beginning its 36th year of continuous funding by the NCI – only two other centers in the US have held this designation, an important benchmark of excellence, for this length of time.

The Institute holds full accreditation from the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"), and it's programs and services are also reviewed and accredited by numerous national bodies, including the Accreditation Council for Continuing Medical Education, Accreditation Council for Graduate Medical Education, American Dental Association – Dentistry and Maxillofacial Prosthetics, American Society of Histocompatibility and Immunogenetics, Association of American Blood Banks, the Commission on Cancer of the American College of Surgeons (with commendation) and FACT (Foundation for the Accreditation of Cellular Therapy) which has awarded a 3-year accreditation for RPCI's Blood and Marrow Transplantation Program (autologous & allogeneic bone marrow; peripheral blood progenitor cell transplantation, collection & processing).

RPCI has been recognized by various prestigious national organizations for its clinical care and research programs:

- Leapfrog Top Hospital For Patient Safety and Quality Care (2010, 2011)
  - 1 of 65 from a field of nearly 1,200 nationwide
- US News & World Report – Best Hospitals for Cancer (#27 in 2011, up from #33 in 2010)
- AARP – Best Hospital for Cancer (1 of 8 named nationally)
- Nursing Magnet Designation (2010 - 5 year term)
  - Fewer than 6% of all hospitals nationally- 1st in WNY
- Buffalo Business First (2009, 2010, 2011) – Best Places to Work finalist
- Recognized as one of the "Best Places to Work in Academia" by *The Scientist* magazine (2010, 2011)

1. Introduction (Continued)

- NCI- Cancer Immunotherapy Trials Network (one of 27 in North America)
- First institution in the United States to be accredited as a Training Institute in Robot-Assisted Surgery by the Société Internationale d'Urologie (SIU)
- BlueCross BlueShield Association- Blue Distinction Center for Complex and Rare Cancers & Center for Transplants

RPCI's more than 3,200 employees include nearly 325 clinicians, scientists, and shared research resources professional staff. The interdisciplinary research programs – basic science, translational, and clinical – focus on six primary areas of investigation: Tumor Immunology, Experimental Therapeutics, Cell Stress Biology and Biophysical Therapies, Genetics, Cancer Control, Prevention and Disparities, and GU Cancers. Approximately 600 doctoral and post-doctoral trainees, including graduate students, post-doctoral research fellows, medical students, residents, and clinical fellows, are trained at Roswell Park annually, many enrolled with either the RPCI Graduate Division of the University at Buffalo Graduate School or the UB Graduate School of Medical Education.

Patient activity continued to grow with over 33,500 patients diagnosed, treated, and/or seen in follow-up clinics and 201,554 outpatient visits. Inpatient cases increased 4.6% from the prior year. In April 2008, the Institute opened the Center for Clinical Research ("CCR"), which allows for specialized treatment and monitoring, providing state-of-the-art care and reducing the need for inpatient admission for patients participating in phase I and phase II studies. This is an important tool supporting the development of Roswell Park's innovative investigator-initiated clinical trials. Roswell Park's CCR is one of only a handful in the United States dedicated to oncology clinical trials.

The Office of Cancer Health Disparities Research, unique among cancer centers nationally is dedicated to research that advances the understanding of health disparities and to developing and offering integrated community-based services and educational programs tailored to meet the needs of these populations.

The RPCI campus is 29 acres located in the heart of the 110 acre Buffalo Niagara Medical Campus (BNMC) near downtown Buffalo. The Facilities are comprised of 16 major buildings totaling nearly 2 million square feet of space of which more than 990,000 square feet is dedicated to research in the form of laboratory, laboratory support, office and Shared Resource space. Six of the buildings are utilized for wet/dry research and have new or renovated laboratory space. The RPCI clinical facilities (600,000 square feet) include a dedicated 133-bed cancer hospital and an ambulatory center with 12 multidisciplinary specialty clinics. Clinical services include a 14-bed Blood and Marrow Transplant Center and a satellite ambulatory facility in Amherst, NY. The Pediatric Oncology/Hematology program, which includes a 9-bed inpatient/outpatient unit at RPCI, is a joint initiative with the Women and Children's Hospital of Buffalo delivering 90% of all hematology/oncology services for children in the 8-county WNY region for more than 30 years.

Community oncology care is delivered through the RPCI Regional Network. Members include Cayuga Medical Center in Ithaca, NY; Bradford Regional Medical Center in Bradford, PA; Rochester General Hospital, Rochester, NY; Olean General Hospital, Olean, NY. In addition, Roswell Park runs the New York State Smoker's Quitline and the HIV/AIDS Hotline, which provide a wide variety of counseling and support services to individuals and public health professionals statewide.

2. Mission

To understand, prevent and cure cancer.

Vision

To position Roswell Park among the top 10 of the Nation's leading cancer centers.

Values

Core values reflect what is most true and important to us as an organization. These are values that have shaped us and will continue to – they do not change given circumstances or time but rather are consistent throughout our mission areas. Roswell Park is a special place to work and the staff and faculty who live these values have made it so. These values will guide and power our personal and collective actions and enable future successes on behalf of individuals and the world.

- **Innovation**: We are driven to provide care that cures and comforts, research that informs the world, and education that enlightens and enables future generations. We proudly stand on our rich history and use it as a platform from which to embrace discovery and change.
- **Integrity**: We are committed to making each decision, whether related to patient care, research, education or administration, based on standards that are thoughtful, informed, honest, transparent when appropriate and always respectful of privacy.
- **Teamwork**: We value and encourage the viewpoints and constructive opinions of all people and disciplines and recognize that all contributions strengthen the results we achieve, the value we provide, the actions we take and the team we strive to be.
- **Commitment**: We are devoted to achieving extraordinary progress on behalf of those we serve; patients and families who come to us during times of great need, scientists and clinicians who wish to collaborate, students seeking education, the science of cancer that awaits our contributions, and the community that deserves strong stewardship and economic leadership.
- **Compassion and Respect**: We are enriched by the diverse cultures, needs, and expectations of our coworkers and of the communities we serve. It is our privilege and responsibility to appreciate these differences as we establish research goals, develop care plans, and interact with one another.

3. Governance

Effective January 1, 1999, the Institute became a public benefit corporation of the State of New York ("NYS" or the "State"), operating under enabling legislation enacted under Title 4 of the Public Authorities Law. The Institute is owned by NYS and operated as a public benefit corporation and as such, is a component unit of NYS. Prior to January 1, 1999 the Institute was a division of New York State Health Department. As a public benefit corporation, the Institute continues to adhere to the NYS public employees' collective bargaining agreements and is required to provide employee benefits consistent with the NYS Executive Branch.

4. Component Unit

Pursuant to GASB No. 39, RPCIC has consolidated, for financial statement purposes, the Roswell Park Alliance Foundation, Inc. (the "Foundation") effective April 1, 2003. The Foundation was established in March 1991 to solicit, receive and administer funds to support scientific and clinical research, delivery of state-of-the-art medical care and treatment, and patient-related activities at Roswell Park Cancer Institute. The Foundation is tax exempt under Section 501(C)(3) of the Internal Revenue Code and is managed by a Board of Trustees of community leaders. This Board is independent of the RPCI Board of Directors and as such, RPCI's Board has no jurisdiction over the Board of the Foundation or the Foundation's assets. Periodically, the Foundation makes grants to RPCIC for various purposes. These grant funds are typically administered by Health Research, Incorporated.

5. Financial Highlights

- Net assets decreased $24,747 (10.0%) from 2011 to 2012 and increased $3,333 (1.4%) from 2010 to 2011.
- Total assets increased $6,322 (0.8%) and $51,377 (7.2%) from 2011 to 2012 and 2010 to 2011, respectively.
- Operating revenues excluding New York State (NYS) support increased by $21,685 (5.7%) from 2011 to 2012 and $29,523 (8.4%) from 2010 to 2011.
- NYS support revenue was increased to $77,600 from $76,960 from 2011 to 2012 and decreased to $76,960 from $85,219 from 2010 to 2011.
- Operating expenses increased by $20,232 (4.2%) from 2011 to 2012 and $23,916 (5.2%) from 2010 to 2011. Post retirement health costs increased $3,336 from 2011 to 2012 and decreased $809 from 2010 to 2011. RPCIC adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* in fiscal 2007.

6. Using This Annual Report

RPCIC's consolidated financial statements consist of three statements – a consolidated balance sheet; a consolidated statement of revenues, expenses and changes in net assets; and a consolidated statement of cash flows. These statements provide information about RPCIC's activities including resources held by RPCIC but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets

Both statements report information about RPCIC's resources and its activities that describe the financial results of the fiscal year and RPCIC's financial position as of the end of the year. They also report RPCIC's net assets and changes in them.

Net assets is the difference between assets and liabilities. Over time, increases or decreases in RPCIC's net assets are one indicator of whether RPCIC's financial health is improving, or deteriorating. Other non-financial factors such as changes in RPCIC's patient base, measure of the quality of services provided, local, state and federal economic factors should also be considered.

The Statement of Cash Flows

The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities. It describes sources of cash, uses of cash and the change in cash balance during the fiscal year.

(in thousands of dollars, except as otherwise noted)

7. Related Parties

Health Research, Incorporated

Health Research, Inc. (HRI) is a not-for-profit corporation chartered under the laws of NYS in 1953 primarily to administer gifts or grants in keeping with the research, prevention, and treatment purposes of the New York State Department of Health (NYSDOH). HRI has divisions in Buffalo and Albany, New York which administer projects conducted at the NYSDOH and the Roswell Park Cancer Institute (RPCIC) primarily financed by private and governmental contracts, grants and donations. HRI is tax exempt under Section 501(C)(3) of the Internal Revenue Code. HRI is not included in the RPCIC consolidated financial statements.

8. RPCIC's Net Assets

RPCIC's net assets are the difference between the assets and liabilities reported in the statement of net assets. RPCIC's net assets decreased by $24,747 in 2012 and increased by $3,333 in 2011 as shown in Table 1. The reasons for these changes are discussed below. Changes in capital assets and long-term debt are also discussed under the heading *Capital Asset and Debt Administration.*

Table 1: Summary of Balance Sheet

	2012	2011	2010
Assets:			
Current and other assets	$ 485,081	$ 458,966	$ 392,848
Capital assets, net	289,182	308,975	323,716
Total assets	$ 774,263	$ 767,941	$ 716,564
Liabilities:			
Long-term debt outstanding	$ 229,473	$ 241,168	$ 253,584
Other liabilities	321,879	279,115	218,656
Total liabilities	551,352	520,283	472,240
Net Assets:			
Invested in capital assets, net of related debt	81,919	90,237	91,138
Restricted expendable	85,268	76,383	61,804
Restricted non-expendable	30,591	29,891	29,211
Unrestricted	25,133	51,147	62,171
Total net assets	222,911	247,658	244,324
Total liabilities and net assets	$ 774,263	$ 767,941	$ 716,564

8. RPCIC's Net Assets (Continued)

Overall, total assets increased $6,322 from 2011 to 2012 and $51,377 from 2010 to 2011.

- Current and other assets increased 5.7% in 2012, and 16.8% in 2011 as compared to 2010.

- Capital assets decreased 6.4% from 2011 to 2012 and 4.6% from 2010 to 2011 driven by the timing of capital projects net of depreciation. Specifically, construction commenced in 2004 on the Life Sciences Building project which amounted to $7,930 in 2010, $49 in 2011 and $853 in 2012. The expenditures in 2010 included construction costs to prepare the 4th and the 5th floors of the Life Sciences Building for occupancy. The Dormitory Authority of the State of New York ("DASNY") completed the final close out of the LSB project in 2012.

Overall, total liabilities increased 6.0% from 2011 to 2012 and 10.2% from 2010 to 2011.

- Other liabilities increased 15.3% in 2012 primarily due to a 23.1% increase in the post retirement health liability and a 60.2% increase in liabilities to third party payors. This increase is somewhat offset by a 21.2% decrease in accounts payable due to the timing of payments to vendors.

- Other liabilities increased 27.7% in 2011 primarily due to a 27.7% increase in the post retirement health liability and a 51.5% increase in accounts payable due to the timing of payments to vendors. Additionally in 2011, there is a $9,200 deferred revenue item received from a third party payor to be utilized over three years.

- Long-term debt outstanding decreased 4.8% in 2012 and 4.9% in 2011, driven by the scheduled debt service payment on the outstanding DASNY issued debt and the amortization of bond premium. Additionally, in 2012, $2,375 in debt was extinguished in conjunction with the 2011A debt refinancing.

Overall, total net assets decreased 10.0% from 2011 to 2012 and increased 1.4% from 2010 to 2011.

9. Changes in RPCIC's Net Assets

The following summarizes RPCIC's statement of revenue, expenses and changes in net assets between 2012, 2011 and 2010.

Patient volumes at RPCIC are measured on both the inpatient and outpatient basis. Inpatient admissions increased 4.6% in 2012 over 2011. While inpatient admissions increased in 2012 over 2011, Inpatient days decreased to 36,186 in 2012 from 36,587 (1.1%) in 2011 and 35,764 (2.3% increase) in 2010. The slight decline in inpatient days in 2012 was primarily due to changes in the mix of services provided on an inpatient basis. Outpatient visits decreased to 201,554 in 2012 from 202,575 (0.5%) in 2011 and 196,694 (3.0% increase) in 2010.

In 2012 RPCIC's net assets decreased by $24,747 (10.0%) as shown in Table 2. While operating revenues excluding NYS support were up 5.7% and NYS Support increased to $77,600 from $76,960, operating expenses increased 4.2%. Total support from NYS declined $24,360. Detail is provided below.

In 2011 RPCIC's net assets increased by $3,333 (1.4%) as shown in Table 2. While operating revenues excluding NYS support were up 8.4%, operating expenses increased 5.2% and NYS Support was reduced to $76,960 from $85,219. Detail is provided below.

(in thousands of dollars, except as otherwise noted)

9. Changes in RPCIC's Net Assets (Continued)

Table 2: Summary of Revenues, Expenses and Changes in Net Assets

	2012	2011	2010
Operating revenues:			
Net patient service revenue and net settlement and appeals	$ 370,172	$ 347,942	$ 326,239
Contributions from NYS	77,600	76,960	85,219
Other contributions	22,584	23,115	15,931
Grants and contracts	2,075	2,259	2,129
Other operating revenue	10,114	9,943	9,437
Total operating revenues	482,545	460,219	438,955
Operating expenses:			
Salaries, wages and benefits	282,356	266,912	251,967
Purchased services and supplies	170,111	161,419	157,309
Grants to HRI, to benefit RPCIC	6,767	8,991	7,253
Fundraising	3,402	3,403	2,617
Provision for malpractice	1,840	4,128	5,094
Depreciation and amortization	35,372	34,763	31,460
Total operating expenses	499,848	479,616	455,700
Operating loss	(17,303)	(19,397)	(16,745)
Non-operating revenues and expenses and changes in net assets	(7,444)	22,730	33,438
(Decrease) increase in net assets	$ (24,747)	$ 3,333	$ 16,693

Overall, operating revenues excluding NYS support increased 5.7% from 2011 to 2012 and 8.4% from 2010 to 2011.

- Net patient service revenue including settlements and appeals increased 6.4% in 2012 and 6.7% in 2011 as a result of the following: RPCIC hospital technical revenue increased 9.2% and 4.8% and professional revenues increased 9.1% and 6.5% in 2012 and 2011, respectively. Government appeals and settlement revenue decreased 47.8% in 2012 but increased 53.7% in 2011. The increases in hospital technical revenue and professional revenue were attributable to the mix of services provided including increases in the volume of services (gross charges) which was driven by drugs and other services, as well as third party payor rate increases. The decreases/increases in the government appeals and settlements revenue were due to fluctuations in revenue from DSH cap adjustments and Medicare settlements and appeals.

- Other contributions represent donations, including unconditional promises to give, received in support of RPCIC's mission. Contributions had a 2.3% decrease from 2011 to 2012 and a 45.1% increase from 2010 to 2011. Other contributions include $10.4 and $9.3 million in 2012 and 2011, respectively, in contributions toward the clinical sciences center building campaign.

- Other operating revenue increased 1.7% and 5.4% in 2012 and 2011, respectively. Fiscal 2012 includes the addition of two new Clinical Practice Plan contracts for physician services at outside medical facilities. Fiscal 2011 includes an additional incentive on the hospital group purchasing contract.

9. Changes in RPCIC's Net Assets (Continued)

Overall, operating expenses increased 4.2% from 2011 to 2012 and 5.2% from 2010 to 2011.

- Salary, wages, and benefits costs increased 5.8% and 5.9%**,** respectively, due to:
  - Growth in employee and retiree health expense including increases in retirement costs, health insurance costs, worker's compensation, and other employee benefits. Benefits were 57.0%, 53.6% and 52.1%, of salary costs in 2012, 2011 and 2010, respectively.
  - Step and cost of living increases required by union contracts.
  - Recruitment of scientific and clinical faculty as well as staffing increases related to increases in patient volume.
- Purchased services and supplies increased 5.4% and 2.6%, respectively, due to:
  - Variable cost increases related to inflation and patient volume/mix affecting pharmaceuticals, blood and blood products, medical supplies, and certain purchased services.
  - Increases in certain overhead expenses and restricted spending for the Clinical Practice Plan.
- Grants to HRI to benefit RPCIC consist of contributions committed or expended for use in specific scientific and clinical research projects, patient care programs and other Institute priorities. Grants decreased 24.7% from 2011 to 2012 and increased 24.0% from 2010 to 2011. All grants were administered through Health Research, Inc. (HRI). The decrease in grants in 2012 was due to an alternative direct $5 million commitment to RPCI to fund the CSC building construction. The increase from 2010 to 2011 was due to a $400 increase in grants awarded for scientific and clinical research projects, a $753 increase in building grant expense, and a $632 increase in department distributions and donor restricted gifts
- Fundraising as a percentage of other contributions increased 0.3% in 2012 and decreased 1.7% in 2011. Fundraising expenses consist of direct and indirect costs incurred in the solicitation of contributions.

Nonoperating revenues (expenses) and changes in net assets decreased 100.0+% from 2011 to 2012 due to the following factors:

- Realized and unrealized gains on investments, included in investment income (loss), decreased 100.0+% in 2012 driven by market conditions.
- Contributions for purchases of capital assets include $25,000 from HEAL NY in 2011. This funding source was eliminated in the 2012 NYS budget. Total contributions for the life sciences building total $853 and $49 in 2012 and 2011, respectively.
- Interest and other income decreased 35.3% due to a onetime $2,116 net legal settlement from a vendor in 2011. Interest income increased 16.3% in 2012.
- Interest expense has declined 9.8% from 2011 to 2012. This is due to the 2011A debt refinancing by DASNY as well as the effect of the scheduled debt payments and amortization of bond premium.
- In 2012, a loss of $1,308 was incurred on the 2011A debt refinancing. Refer to Note 8.

(in thousands of dollars, except as otherwise noted)

9. Changes in RPCIC's Net Assets (Continued)

Nonoperating revenues (expenses) and changes in net assets decreased 32.0% from 2010 to 2011 due to the following factors:

- Realized and unrealized gains on investments, included in investment income (loss), decreased 62.6% in 2011 driven by market conditions.

- Contributions for purchase of capital assets include $25,000 from HEAL NY in 2011 and 2010. Total contributions for the life sciences building total $49 and $7,930 in 2011 and 2010, respectively. The contributions for 2011 and 2010 include $0 and $7,195 in revenues related to the additional ESDC grant for construction of the fourth and fifth floors of the life sciences building.

- Interest and other income increased 32.9% due to a $2,116 net legal settlement from a vendor. Interest income decreased 28.0% in 2011.

- Interest expense has declined 4.2% from 2010 to 2011. This is due primarily to the effect of the scheduled debt payments and amortization of bond premium.

10. Capital Asset and Debt Administration

At the end of fiscal 2012, 2011 and 2010, RPCIC had $289,182, $308,975 and $323,716, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the consolidated financial statements. The components of RPCIC's capital assets are as follows:

Capital Assets

	2012	2011	2010
Land	$ 4,292	$ 4,151	$ 3,845
Building	492,489	476,550	467,973
Equipment/other	170,021	158,157	143,615
Construction in progress	7,046	21,193	27,422
	673,848	660,051	642,855
Less: Accumulated depreciation	(384,666)	(351,076)	(319,139)
Net capital assets	$ 289,182	$ 308,975	$ 323,716

(in thousands of dollars, except as otherwise noted)

10. Capital Asset and Debt Administration (Continued)

Long Term Debt and Capital Leases

RPCIC's outstanding long term bonds payable (net of applicable discounts and premiums) was $217,771, $229,270 and $242,348 as of March 31, 2012, 2011, and 2010, respectively. This represents the Institute's allocated portions of certain New York State Department of Health (NYSDOH) outstanding bonds payable to DASNY. All bonds are collateralized by a first lien on the revenues of the Institute.

	2012	2011	2010
Series 1998 Bonds, net of discount	$ -	$ 39,826	$ 40,788
Series 2003 Bonds, net of premium	27,488	29,465	32,238
Series 2004 Bonds, net of premium	113,600	122,411	130,935
Series 2005 Bonds, net of premium	49,303	49,466	49,623
Series 2011A Bonds, net of premium	39,082		
Capital leases	-	-	-
Total long-term debt and capital lease obligations, net	229,473	241,168	253,584
Less: Current portion	(11,702)	(11,898)	(11,236)
Non current portion	$ 217,771	$ 229,270	$ 242,348

During July 2011, DASNY refinanced certain long-term obligations in which RPCIC was a partial beneficiary on the original issue (Series 1998 Bonds). The refinancing resulted in the lowering of interest rates on RPCIC's long term obligation as well as the reduction of the long term debt balance by $2,375. The net present value of savings on the refinancing is approximately $3,551. In connection with the refinancing, a loss of $1,308 was recognized in fiscal 2012. Included in this loss is $707 of unamortized bond discount and $213 of accelerated amortization of previously deferred original bond issue costs. Refer to Note 8.

11. Capital Commitments

From time to time, RPCIC enters into certain agreements committing it to specific capital projects or expenditures. On December 10th, 2010 (amended January 9th, 2011), RPCI entered into an agreement with 134 High Street, LLC , owner and operator of the MiGo parking ramp on High Street, for the purchase of 226 parking permits in said ramp commencing upon issuance of the Certificate of Occupancy ("C of O") by the City of Buffalo. The term of the lease is for 35 years with the ability to renew for 2 additional 7 year terms on the same terms and conditions. RPCI's future obligations related to these permits include monthly lease payments to be applied to certain costs of the ramp including debt payments and operating expenses. The C of O was obtained and the lease commenced in June 2012.

RPCIC plans to construct a Clinical Science Center ("CSC" or the "Project"), on the grounds of the Institute at the corner of Carlton and Michigan Streets in the City of Buffalo, NY. The CSC building will connect to the Main Hospital and the Grace Cancer Drug Center which is being transformed into the Translational Research Center to house researchers converting basic research into clinical applications. RPCIC will be the sponsor and developer of the Project. As of March 31, 2012, RPCIC has committed approximately $10,000 of Board Designated Funds towards the construction of the project. In addition, the Foundation has secured approximately $24,000 of the $25,000 goal for the CSC capital campaign, as well as committed approximately $5,000 in the form of a bridge loan for the project. Construction is expected to start in the fall of 2012.

12. Postemployment Benefits

Effective April 1, 2006, RPCIC early adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* Statement 45 establishes standards for the measurement, recognition, and display of Other Postemployment Benefits ("OPEB") expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

Funded Status and Funding Progress

The most recent actuarial valuation for the OPEB plan was April 1, 2011. As of March 31, 2012 the OPEB plan was unfunded. As discussed below in the section titled "Matters Involving New York State", RPCIC is seeking relief from NYS for all or a significant portion of the unfunded OPEB liability. RPCIC believes it will need some form of assistance from NYS in order to meet future OPEB obligations resulting from the benefits that have, and will continue to, accrue under the OPEB plan. The actuarial accrued liability ("AAL") for benefits was $525,426 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $525,426. The covered payroll (annual payroll of active employees covered by the plan) was $174,527, and the ratio of the UAAL to the covered payroll was 301.06 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Method and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In 2012 and 2011, the actuarial valuations utilized the entry age normal cost method. The actuarial assumptions included a 3.0 percent investment rate of return, which is the expected long-term investment return on the employer's investments, and an annual healthcare cost trend rate of 10.0 reduced by decrements to an ultimate rate of 5.0 percent after ten years. Both years included a 3.0 percent inflation assumption. The assumed rate of annual salary increase is 5.0 percent in 2012 and 2011, respectively. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at March 31, 2012, was twenty-four years.

Matters Involving New York State

RPCIC has recognized in its consolidating balance sheet and consolidating statement of revenues, expenses and changes in net assets the amounts described above. In so doing, RPCIC has assumed that it will be liable for the portion of benefits attributable to services provided by its employees for the period prior to January 1, 1999, the date at which RPCIC became a public benefit corporation of the State of New York. As discussed, RPCIC is seeking relief from NYS for all or a significant portion of the unfunded OPEB liability. RPCIC believes it will need some form of assistance from NYS in order to meet future OPEB obligations resulting from the benefits that have, and will continue to, accrue under the plan.

(in thousands of dollars, except as otherwise noted)

12. Postemployment Benefits (Continued)

If NYS were to agree to assume all of the benefits for the time period it operated Roswell Park (e.g. prior to 1/1/99), RPCIC would have the potential to recognize the reduction in its accrued liability for any amounts of that liability to which the State would agree to accept.

The following table illustrates the actuarially-derived estimates of the postemployment benefit liability and associated cost for March 31, 2012, utilizing a cutoff date of January 1, 1999:

	Prior to January 1, 1999	Post January 1, 1999	Total
Actuarial accrued liability (AAL)	$ 147,869	$ 377,557	$ 525,426
Annual required contribution (ARC)	7,367	43,246	50,883
Annual OPEB cost	7,074	39,946	47,020
Net OPEB obligation:			
Net OPEB obligation – beginning of year	26,782	156,992	183,774
Annual OPEB cost	7,074	39,946	47,020
Employer contributions	(2,957)	(1,700)	(4,657)
Net OPEB obligation – end of year	$ 30,889	$ 195,238	$ 226,137

13. Financial Condition

The Corporation is reliant upon the on-going financial support of the State in the furtherance of its mission, particularly in support of the Institute's research operations. In 2012, total support received from the State amounted to approximately $77,600, as compared to approximately $102,000 in 2011 and $110,000 in 2010. In fiscal 2011 and 2010, $25,000 of this support was funded through the HEAL NY program. The HEAL NY monies were required to be used for capital expenditures for each year. Effective for fiscal year 2013, the State budget includes up to approximately $102,600 in total support for Roswell. In addition, the NYS budget includes the following language: (Roswell is directed) "to take all necessary and appropriate steps and arrangements to develop a plan and, on or before January first, two thousand fourteen, seek the necessary approvals to execute such plan which may include but are not limited to entering into arrangements, mergers or other affiliations with one or more healthcare, academic or other entities for the purpose of protecting and promoting the health of the patients served by its health facilities, advancing the corporation's mission of conducting innovative research into the causes and treatment of cancer, securing its financial viability and achieving operational and fiscal independence from the state, and to the extent possible, contributing to the economic revitalization of the region; provided that the commissioner of health shall monitor such steps and arrangements and participate with the corporation in establishment of goals and benchmarks for the achievement of such independence, and the corporation shall make requests for assistance and approvals needed to execute such steps and arrangements."

13. Financial Condition (Continued)

The continued challenges faced by the State in its fiscal and budgetary matters present increased uncertainty with respect to whether the State will continue to provide support to the Corporation at a level consistent with 2011 and prior. Without the continued support under the HEAL NY program or some alternative program, the Corporation will need to continue to invest in its property and equipment through operating cash flow, new indebtedness or other means. An additional risk to the financial condition is the anticipated increasing future cash outlay for payment of post-employment health benefits.

ROSWELL PARK CANCER INSTITUTE CORPORATION

CONSOLIDATING BALANCE SHEETS
March 31, 2012 (With Comparative Consolidated Totals for March 31, 2011)

ASSETS	Roswell Park Cancer Institute Corporation and Affiliate	Roswell Park Alliance Foundation	Eliminations	2012 Consolidated	2011 Consolidated
Current assets:					
Cash and cash equivalents	$ 131,965,203	$ 17,193,306	$ -	$ 149,158,509	$ 123,578,171
Investments held by Foundation, at fair value	-	4,255,625	-	4,255,625	5,497,355
Current portion of assets limited as to use	38,651,401	-	-	38,651,401	33,402,354
Patient accounts receivable, net of estimated uncollectibles of approximately $21,768,000 in 2012 and $20,775,000 in 2011	52,077,492	-	-	52,077,492	49,440,286
Gifts and pledges receivable, current	-	6,009,767	-	6,009,767	4,728,456
Inventories	4,067,707	64,521	-	4,132,228	5,086,184
Due from New York State and other affiliates	3,862,764	1,480,392	(922,139)	4,421,017	10,843,961
Prepaid expenses and other assets	5,087,237	74,333	-	5,161,570	4,809,176
Total current assets	235,711,804	29,077,944	(922,139)	263,867,609	237,385,943
Non current assets:					
Due from affiliates	537,383	-	(537,383)	-	-
Assets limited as to use, net	162,931,750	40,889,164	-	203,820,914	206,896,550
Gifts and pledges receivable, net	-	12,386,908	-	12,386,908	9,713,000
Capital assets, net	289,181,920	-	-	289,181,920	308,974,752
Deferred financing costs, net	5,005,635	-	-	5,005,635	4,970,524
Total non-current assets	457,656,688	53,276,072	(537,383)	510,395,377	530,554,826
Total assets	$ 693,368,492	$ 82,354,016	$ (1,459,522)	$ 774,262,986	$ 767,940,769

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

CONSOLIDATING BALANCE SHEETS (CONTINUED)
March 31, 2012 (With Comparative Consolidated Totals for March 31, 2011)

LIABILITIES AND NET ASSETS	Roswell Park Cancer Institute Corporation and Affiliate	Roswell Park Alliance Foundation	Eliminations	2012 Consolidated	2011 Consolidated
Current liabilities:					
Current portion of long-term obligations	$ 11,701,955	$ -	$ -	$ 11,701,955	$ 11,898,235
Accounts payable and other current liabilities	15,036,594	9,841,974	(5,922,139)	18,956,429	24,061,832
Accrued expenses	71,803,201	947,555	-	72,750,756	69,745,607
Due to third-party payors	9,149,455	-	-	9,149,455	5,710,461
Due to affiliates	-	537,383	(537,383)	-	-
Total current liabilities	107,691,205	11,326,912	(6,459,522)	112,558,595	111,416,135
Long-term obligations, net of current portion	217,771,469	-	-	217,771,469	229,269,766
Post-employment benefits, net of current portion	221,021,850	-	-	221,021,850	179,597,161
Total liabilities	546,484,524	11,326,912	(6,459,522)	551,351,914	520,283,062
Net assets:					
Invested in capital, net of related debt	81,919,327	-	-	81,919,327	90,236,666
Restricted expendable	51,676,483	33,591,524	-	85,268,007	76,382,846
Restricted non-expendable - Foundation	-	30,591,056	-	30,591,056	29,891,001
Unrestricted	13,288,158	6,844,524	5,000,000	25,132,682	51,147,194
Total net assets	146,883,968	71,027,104	5,000,000	222,911,072	247,657,707
Total liabilities and net assets	$ 693,368,492	$ 82,354,016	$ (1,459,522)	$ 774,262,986	$ 767,940,769

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended March 31, 2012 (With Comparative Consolidated Totals for March 31, 2011)

	Roswell Park Cancer Institute Corporation and Affiliate	Roswell Park Alliance Foundation	Eliminations	2012 Consolidated	2011 Consolidated
Operating revenues:					
Net patient service revenue	$ 361,182,230	$ -	$ -	$ 361,182,230	$ 330,734,547
Net settlements and appeals	8,990,211	-	-	8,990,211	17,207,711
Contributions from the State of New York	77,600,000	-	-	77,600,000	76,959,800
Other contributions	-	22,583,877	-	22,583,877	23,115,137
Grants and contracts	2,074,592	-	-	2,074,592	2,259,374
Other operating revenue	9,598,669	515,568	-	10,114,237	9,942,943
Total operating revenues	459,445,702	23,099,445	-	482,545,147	460,219,512
Operating expenses:					
Salaries and wages	179,826,177	-	-	179,826,177	173,825,861
Employee benefits	102,529,641	-	-	102,529,641	93,086,597
Supplies and other services	168,770,463	1,340,490	-	170,110,953	161,419,388
Depreciation and amortization	35,372,469	-	-	35,372,469	34,762,541
Grants	-	11,766,823	(5,000,000)	6,766,823	8,990,902
Fundraising	-	3,402,113	-	3,402,113	3,402,892
Provision for malpractice	1,840,000	-	-	1,840,000	4,128,000
Contributions to Roswell Park Cancer Institute Corporation	-	201,155	(201,155)	-	-
Total operating expenses	488,338,750	16,710,581	(5,201,155)	499,848,176	479,616,181
(Loss) income from operations	(28,893,048)	6,388,864	5,201,155	(17,303,029)	(19,396,669)

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)
For the Year Ended March 31, 2012 (With Comparative Consolidated Totals for March 31, 2011)

	Roswell Park Cancer Institute Corporation and Affiliate	Roswell Park Alliance Foundation	Eliminations	2012 Consolidated	2011 Consolidated
(Loss) income from operations (continued)	(28,893,048)	6,388,864	5,201,155	(17,303,029)	(19,396,669)
Nonoperating revenues (expenses):					
Interest and other income	1,812,497	1,172,062	-	2,984,559	4,615,668
Interest expense	(9,574,425)	-	-	(9,574,425)	(10,618,491)
Loss on disposal of capital assets	(40,114)	-	-	(40,114)	(86,201)
Investment (loss) income	72,215	(434,270)	-	(362,055)	3,243,997
Loss on extinguishment of debt	(1,308,029)	-	-	(1,308,029)	-
Net nonoperating revenues (expenses)	(9,037,856)	737,792	-	(8,300,064)	(2,845,027)
(Deficiency) excess of revenues over expenses	(37,930,904)	7,126,656	5,201,155	(25,603,093)	(22,241,696)
Contributions for purchase of capital assets	1,057,613	-	(201,155)	856,458	25,575,148
(Decrease) increase in net assets	(36,873,291)	7,126,656	5,000,000	(24,746,635)	3,333,452
Net assets, beginning of year	183,757,259	63,900,448	-	247,657,707	244,324,255
Net assets, end of year	$ 146,883,968	$ 71,027,104	$ 5,000,000	$ 222,911,072	$ 247,657,707

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Year Ended March 31, 2012 (With Comparative Consolidated Totals for March 31, 2011)

	Roswell Park Cancer Institute Corporation and Affiliate	Roswell Park Alliance Foundation	Eliminations	2012 Consolidated	2011 Consolidated
Cash flows from operating activities:					
Net patient service revenue	$ 370,974,229	$ -	$ -	$ 370,974,229	$ 344,055,055
Contributions from New York State	77,600,000	-	-	77,600,000	76,959,800
Other contributions	-	18,628,658	-	18,628,658	19,536,780
Grants and contracts	2,074,592	-	-	2,074,592	2,259,374
Other operating revenue	17,244,209	45,981	-	17,290,190	6,505,147
Payments to employees	(236,823,355)	-	-	(236,823,355)	(214,620,669)
Payments to vendors	(171,910,763)	2,608,182	-	(169,302,581)	(151,217,688)
Payments for malpractice	(2,738,710)	-	-	(2,738,710)	(1,512,949)
Payments of grants	-	(13,197,001)	-	(13,197,001)	(8,990,902)
Payments for fundraising	-	(3,402,113)	-	(3,402,113)	(3,402,892)
Net cash provided by operating activities	56,420,202	4,683,707	-	61,103,909	69,571,056
Capital and related financing activities:					
Purchase of capital assets	(15,178,266)	-	-	(15,178,266)	(19,626,751)
Contributions for purchase of capital assets	856,458	-	-	856,458	25,550,498
Proceeds from bond issuance	39,416,926	-	-	39,416,926	-
Repayment of long-term obligations	(51,042,650)	-	-	(51,042,650)	(11,236,011)
Payments of interest	(11,266,862)	-	-	(11,266,862)	(12,022,925)
Net cash used in capital and related financing activities	(37,214,394)	-	-	(37,214,394)	(17,335,189)
Investing activities:					
Investments and assets limited as to use, net	(226,883)	(1,066,853)	-	(1,293,736)	(30,735,555)
Interest and investment income	1,812,497	1,172,062	-	2,984,559	4,615,668
Net cash provided (used) in investing activities	1,585,614	105,209	-	1,690,823	(26,119,887)
Net increase in cash and cash equivalents	20,791,422	4,788,916	-	25,580,338	26,115,980
Cash and cash equivalents - beginning of year	111,173,781	12,404,390	-	123,578,171	97,462,191
Cash and cash equivalents - end of year	$ 131,965,203	$ 17,193,306	$ -	$ 149,158,509	$ 123,578,171

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

CONSOLIDATING STATEMENTS OF CASH FLOWS (CONTINUED)
For the Year Ended March 31, 2012 (With Comparative Consolidated Totals for March 31, 2011)

	Roswell Park Cancer Institute Corporation and Affiliate	Roswell Park Alliance Foundation	Eliminations	2012 Consolidated	2011 Consolidated
Reconciliation of income (loss) from operations to net cash provided by operating activities:					
Income (loss) from operations	$ (28,893,048)	$ 6,388,864	$ 5,201,155	$ (17,303,029)	$ (19,396,669)
Adjustments to income (loss) from operations to net cash provided by operating activities:					
Depreciation and amortization	35,372,469	-	-	35,372,469	34,281,962
Provision for bad debts	4,494,391	-	-	4,494,391	5,122,269
Loss on disposal of capital assets	40,114	-	-	40,114	-
Changes in assets and liabilities:					
Patients accounts receivable	(7,131,597)	-	-	(7,131,597)	(8,928,701)
Pledges, gifts and bequests receivable, net	-	(3,955,219)	-	(3,955,219)	(3,578,357)
Inventories	938,241	15,715	-	953,956	(1,580,539)
Due from New York State and other affiliates	7,645,540	(1,698,610)	(5,201,155)	745,775	(1,931,799)
Prepaid expenses and other assets	(351,364)	(1,030)	-	(352,394)	4,881,139
Accounts payable	(3,510,357)	3,880,968	-	370,611	7,204,875
Accrued expenses and postemployment benefits	44,376,819	53,019	-	44,429,838	53,577,647
Due to third party payors	3,438,994	-	-	3,438,994	(80,771)
Net cash provided by operating activities	$ 56,420,202	$ 4,683,707	$ -	$ 61,103,909	$ 69,571,056

See accompanying notes.

NOTE 1. ORGANIZATION

Roswell Park Cancer Institute Corporation (the "Institute" or "RPCIC") is a public hospital and medical research center located in Buffalo, New York. The Institute is one of only 41 National Cancer Institute-designated comprehensive cancer centers nationwide, providing total care to cancer patients, conducting research into the causes, treatment and prevention of cancer, and educating those who treat and study cancer. The Institute has 133 certified beds.

The Roswell Park Cancer Institute Clinical Practice Plan (the "Plan") was established for the management, including collection and disbursement, of clinical practice income resulting from the clinical practice of licensed health professionals employed by the Institute.

The Roswell Park Alliance Foundation, Inc. (the "Foundation") is a not-for-profit corporation organized to receive and administer gifts and bequests made on behalf of the Institute. The Institute utilizes these gifts and bequests in scientific and medical research, for the delivery of medical care to individuals suffering from cancer, and related charitable activities. Scientific and research grants made by the Foundation for use by the Institute are typically paid to and administered by Health Research, Inc. See Note 14 for further information.

Effective January 1, 1999, the Institute became a public benefit corporation of the State of New York (NYS), operating under enabling legislation enacted under Title 4 of the Public Authorities Law. The Institute is owned by the State of New York and operated as a public benefit corporation and as such, is a component unit of NYS. Prior to January 1, 1999, the Institute was a division of the New York State Department of Health (NYSDOH). As a public benefit corporation, the Institute continues to adhere to the NYS public employees' collective bargaining agreements and is required to provide employee benefits consistent with the NYS Executive Branch.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in preparing the accompanying consolidating financial statements are summarized below:

Principles of Consolidation: RPCIC, the Plan, and the Foundation (collectively referred to hereinafter as "RPCIC" or the "Corporation") are consolidated for financial statement purposes in accordance with the principles of consolidation in which it is appropriate to consolidate the financial statements of entities under common management and/or control. All significant intercompany balances and transactions have been eliminated in consolidation. For purposes of the basic consolidated financial statements displayed on pages 15 through 20, the accounts of the Institute and the Plan have been combined in a single column entitled "Roswell Park Cancer Institute Corporation and Affiliate" and the accounts of the Foundation are discretely presented.

Combined financial information related to the Institute and the Plan is included within the supplementary financial information on pages 41 through 42. All significant intercompany balances and transactions have been eliminated in the combined accounts.

Accounting Principles: RPCIC uses the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Pursuant to Government Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* RPCIC has elected to apply the provisions of relevant pronouncements of the Financial Accounting Standards Board ("FASB"), including those issued after November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. RPCIC has implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* as its financial reporting model. The more significant aspects of this standard require the inclusion of management's discussion and analysis ("MD&A") as part of the basic financial statements. Further, the standard requires segregation of net asset balances into more specifically defined categories, presentation of the statement of cash flows on the direct method and enhancing the financial statement disclosures. RPCIC has also implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14.* In accordance with the adoption of this standard, RPCIC has concluded that the Foundation would constitute a component unit of RPCIC as defined by Statement No. 39.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As of June 30, 2009, the GASB has codified all sources of authoritative accounting literature pertaining to state and local government entities into a single set of authoritative literature, known as the GASB Codification. The GASB Codification includes all authoritative GASB pronouncements issued and effective as of June 30, 2009. Updates to the GASB Codification will be made from time to time as determined by the GASB pursuant to the GASB's rule-making protocols and procedures. These updates may alter, amend, supplement, revoke or supersede the guidance contained in the GASB Codification as of the date of this report.

Similarly, effective for interim and annual periods ending after September 15, 2009, the FASB has codified all sources of authoritative accounting literature pertaining to all non-governmental entities into a single set of authoritative literature, known as the FASB Accounting Standards Codification ("FASC"). The FASC includes all authoritative literature previously issued by recognized standard-setting bodies pertaining to accounting principles generally accepted in the United States, thereby superseding all previously issued authoritative pronouncements relating to non-governmental entities.

All references to relevant authoritative literature issued by both the GASB or the FASB with which the RPCIC must comply are hereinafter referred to generally as "U.S. GAAP".

Presentation of Prior Year Balances: The financial statements include certain prior years summarized consolidated comparative information in total. 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 prior year summarized information should be read in conjunction with the RPCIC's audited financial statements for the year ended March 31, 2011, from which the summarized information was derived.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant estimates made by RPCIC include, but are not limited to, reserves for bad debts and third-party payor contractual adjustments and allowances, workers compensation and malpractice reserves, post employment benefit accruals and the fair value of investments. Actual results could differ from those estimates.

Risks and Uncertainties: Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least possible that changes in risks in the near term could materially affect the net assets of RPCIC.

Cash and Cash Equivalents: RPCIC considers all highly liquid investments, with original maturities of three months or less, and short term investments (certificates of deposit), excluding amounts limited as to use, to be cash equivalents. RPCIC maintains funds on deposit in excess of amounts insured by the Federal Depository Insurance limits. In accordance with its investment policies and the NYS Comptroller's Investment Guidelines for Public Authorities, RPCIC maintains collateral accounts with certain financial institutions to limit RPCIC's exposure associated with Federal Depository Insurance limits.

Investments: Investments are primarily in debt and equity securities with readily determinable fair values and other investments for which fair values are estimated. All investments are reported at fair value in the consolidating balance sheet. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses on investments are reported in the consolidating statement of revenues, expenses and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulation or by law. These gains and losses are included as a component of investment income (loss).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gift and Pledges Receivable: Gifts and pledges receivable include pledges receivable, bequests receivable and split-interest agreements (also known as charitable remainder trusts).

Pledges receivable represent unconditional promises to give. Those pledges that are expected to be collected within one year are recorded at their net realizable value. Estimates for pledges deemed to be uncollectible in future periods are made and recorded in the period the pledge revenue is recognized. Unconditional promises to give that are to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a discount rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

Bequests receivable represent amounts due to the Foundation as the result of the Foundation being named in a will or estate. The receivable and corresponding revenue are recorded upon the death of the individual, when the amount due to the Foundation is determinable and if it is legally enforceable.

The Foundation is a beneficiary of various trust agreements. The Foundation's beneficial interest is measured at the present value of the expected future cash flows and is reported as an increase to temporarily restricted net assets. The following assumptions were utilized in the present value calculations: Mortality Table – RP - 2000 Mortality Table for Males and Females; discount rate - 5.0% (5.0% in 2011); long-term rate of return on assets – 6.5% - 7.0% (6.5% - 7.0% - 2011). Actuarial losses and changes in the value of the split-interest agreements totaled $10,023 for the year ended March 31, 2012 ($67,922 – 2011)

Inventory Valuation: Inventories are stated at the lower of average cost or market on a first-in, first-out basis.

Assets Limited as to Use: Assets limited as to use include assets set aside for debt service as required by trustee or indenture agreements, assets held under Clinical Practice Plan enabling legislation, assets set aside pursuant to donor stipulations, and assets set aside by the Board of Directors for specific future purposes. If donated or contributed, assets limited as to use are reported at fair value as of the date of receipt, which is then treated as cost. Interest income on proceeds of borrowings that are held by a Trustee, and principally all other general fund investments, are reported as interest income. Classification in the consolidating balance sheet between current and non-current is generally determined by the purpose for which the assets are set aside.

Capital Assets: Capital assets are stated at historical cost. Depreciation is provided on the straight-line method over the useful lives of the assets ranging from 5 to 40 years, which are primarily determined based on the American Hospital Association's Guidelines. For certain buildings and equipment previously acquired or constructed, RPCIC assigned composite lives which it believes will more appropriately reflect its financial results by better allocating costs relating to the major modernization project over the useful lives of the related assets. Amortization of equipment under capital leases is provided on the straight-line method over the shorter of the term of the lease or the useful lives of the assets.

Impairment of Long-Lived Assets: Under the provisions of Statement of Governmental Accounting Standards Board (“GASB”) No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, RPCIC evaluates its capital assets for financial impairment as prominent events or changes in circumstances affecting capital assets occur to determine whatever impairment of a capital asset has occurred. No adjustments were made in 2012 and 2011 as a result of performing these evaluations.

Net Assets: Net assets are classified into four categories according to external donor restrictions or availability of assets to satisfy RPCIC’s obligations. RPCIC’s net assets are classified into several categories as discussed below.

Invested in capital, net of related debt consists of capital assets, including restricted capital assets, reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets.

Restricted nonexpendable net assets are those that are required to be retained in perpetuity.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted expendable net assets represents those net assets with limits on their use that are externally imposed (by creditors, grantors, contributors, or laws and regulations) or that are imposed by RPCIC's Board of Directors which are not required to be retained in perpetuity.

Unrestricted net assets consist of all net assets that do not meet the definition of any of the other three components.

Social Accountability: RPCIC has a policy to provide financial assistance in the form of discounts from medical charges for patients who have been determined by RPCIC to need treatment at RPCIC and who do not have the ability to pay full charges, as determined under the qualifications criteria set forth in the aforementioned policy.

The allowances for estimated uncollectibles for patient accounts receivable include accounts referred to the NYS Attorney General for collection.

Net Patient Service Revenue: Net patient service revenue and patient accounts receivable are recorded at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated adjustments under various reimbursement agreements with third-party payors. Third-party payors retain the right to review and propose adjustments to amounts recorded by RPCIC. Such adjustments are accrued, when deemed probable and estimable; in the period the related services are rendered and adjusted in future periods as final settlements are determined. Management believes that adequate provision has been made in the financial statements for any adjustments that may result from final settlements. The impact of recording final settlements, pool payments and other third party payor adjustments resulted in the recognition of additional net operating revenues of approximately $8,990,211 and $17,207,711, in 2012 and 2011, respectively.

Inpatient services rendered to Medicare program beneficiaries are based on a cost reimbursement methodology subject to certain ceilings for inpatient services. RPCIC is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by RPCIC and audits thereof by the Medicare fiscal intermediary.

Under the New York Health Care Reform Act (NYHCRA), hospitals are authorized to negotiate reimbursement rates with certain non-Medicare payors except for Medicaid, Workers' Compensation and No-fault, which are regulated by NYS. These negotiated rates may take the form of rates per discharge, reimbursed costs, and discounted charges or as per diem payments. Reimbursement rates for non-Medicare payors regulated by NYS are determined on a prospective basis. These rates also vary according to a patient classification system defined by NYHCRA that is based on clinical, diagnostic and other factors.

Outpatient services are paid under various reimbursement methodologies, including prospectively determined rates, cost reimbursement, fee schedules, and charges.

Approximately 20% and 18% of net patient service revenue was generated from the combined services rendered to patients under Medicare and Medicaid programs in 2012 and 2011, respectively. Approximately 63% and 64% of net patient service revenue was generated from the combined services rendered to patients under managed care programs in 2012 and 2011, respectively.

Net patient service revenue, as reported on the consolidated statement of revenues, expenses and changes in net assets is comprised of the following for the years ended March 31:

	2012	2011
Gross charges	$ 874,451,104	$ 806,095,678
Less:		
Discounts and allowances	(508,774,483)	(470,248,862)
Provision for bad debts	(4,494,391)	(5,112,269)
	$ 361,182,230	$ 330,734,547

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Contributions and Other Operating Revenue: Other contributions consist primarily of contributions received by or pledged to the Foundation including unconditional promises to give, and are recognized at their fair values in the period received or pledged.

RPCIC considers revenues received from the operation of the cafeteria, the parking garage and other ancillary activities as operating revenue.

The composition of other operating revenue is as follows for the years ended March 31:

	2012	2011
Cafeteria	$ 1,690,969	$ 1,722,819
Parking garage	1,877,021	1,444,348
Rebates	973,083	1,370,191
Rental income	1,663,338	1,735,836
Other	3,909,826	3,669,749
	$ 10,114,237	$ 9,942,943

Non-operating Revenues (Expenses): Interest and other income and investment income (loss), consist primarily of interest income and earnings (losses) on investments and assets limited as to use, less amounts charged by the Dormitory Authority of the State of New York ("DASNY") for administrative services associated with RPCIC's indebtedness, see Note 8.

Contributions for Purchase of Capital Assets: Contributions for purchase of capital assets consist principally of amounts transferred between RPCIC, Health Research, Inc. (HRI), the Foundation and the Empire State Development Corporation (ESD), all of which are related parties. Contributions from the Foundation and ESD for the Buffalo Life Sciences Complex, discussed below, approximated $852,691 and $49,304 in 2012 and 2011, respectively, and were for the purchase of capital assets. In 2012 the Foundation also contributed $201,155 for other capital assets ($1,500,000 – 2011). Contributions from HRI approximated $3,767 and $87,000 in 2012 and 2011, respectively, and were for the purchase of other capital assets. All intercompany contributions, amounting to approximately $201,155 and $1,511,735 in 2012 and 2011, respectively, have been eliminated in consolidation.

The contributions from the Foundation and ESD consist principally of the recognition of pledged support from the Foundation and ESD related to the construction of the Buffalo Life Sciences Complex. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions,* RPCIC is recognizing such pledged support as a voluntary non-exchange transaction. As such, contribution revenue from the Foundation and ESD is recognized concurrently, in timing and amount, with the progress of the construction of the Life Sciences Complex, to the extent donor resources are deemed available as defined by GASB No. 33.

Grants and Contracts: As more fully described in Note 14, grants and contracts consist of amounts paid to RPCIC by a related party, primarily for the recruitment and retention of certain medical and research staff.

Excess (Deficiency) of Revenues Over Expenses: The consolidated statement of revenues, expenses and changes in net assets includes "excess (deficiency) of revenues over expenses." Changes in unrestricted net assets which are excluded from excess (deficiency) of revenues over expenses include grants and contributions for the purchase of capital assets.

Taxes: As a public benefit corporation, RPCIC, including the Plan and the Foundation, is exempt from federal and state income taxes, as well as state and local property and sales taxes. As such, no provision for income taxes is made by RPCIC.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events: These consolidating financial statements have not been updated for subsequent events occurring after June 28, 2012 which is the date these consolidating financial statements were available to be issued.

On April 25, 2012, RPCIC entered into a Delayed Draw Term Loan for $15,000,000 with M&T Bank in connection with the construction of the Clinical Science Center. This Term Loan was entered into to provide a short-term bridge funding source that is intended to fund the timing difference between donor pledge payments and Clinical Science Center construction costs.

In June 2012, RPCI has entered into a capital lease agreement with 134 High Street, LLC, for the purchase of 226 parking permits in the MiGo parking ramp on High street. RPCI covered a portion of the ramp's debt financing as well as certain operating costs.

NOTE 3. PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises at March 31:

	2012	2011
Amounts due:		
In less than one year	$ 6,009,767	$ 4,728,456
One to five years	10,858,336	7,885,590
Six to ten years	1,202,756	805,788
Greater than ten years	450,000	450,000
	18,520,859	13,869,834
Bequests	238,498	686,673
Split interest agreements	1,438,357	1,448,380
Less: Unamortized discount	(1,777,787)	(1,512,966)
Allowance for doubtful pledges	(23,252)	(50,465)
Present value of pledges receivable	$ 18,396,675	$ 14,441,456

Long-term pledges receivable are discounted at a rate of 5.0% at March 31, 2012 and 2011.

NOTE 4. ASSETS LIMITED AS TO USE

Assets limited as to use consisted of the following at March 31:

	2012	2011
Board Designated (a)		
Board designated funds for recruitment, capital and accruals	$ 91,430,936	$ 88,301,982
Board designated funds for strategic investment	10,000,000	10,000,000
Reserve for overpayments	2,053,868	2,430,686
Workers compensation	6,585,314	5,802,242
Employee benefits	2,159,756	2,171,799
Estimated third party settlements/deferred revenue	6,032,746	9,216,250
Technology transfer	1,000,000	1,000,000
TIAA/CREF escrow	211,696	247,619
	119,474,316	119,170,578

NOTE 4. ASSETS LIMITED AS TO USE (CONTINUED)

	2012	2011
Held by Roswell Park Alliance Foundation		
Investments, at fair value	40,889,164	39,014,851
Held by Trustee Under Malpractice and General Liability Trust Agreement		
Malpractice reserve:		
Cash and cash equivalents	241,068	154,424
U.S. Government obligations	12,986,088	12,713,400
	13,227,156	12,867,824
Held by Trustee Under Indenture Agreement (b)		
Debt service reserve	25,017,850	28,145,194
Major modernization project	17,205,196	17,459,391
	42,223,046	45,604,585
Held under Clinical Practice Plan Enabling Legislation (c)		
Chief Executive Officer fund	7,824,661	6,508,669
Academic development fund - Chief Executive Officer	11,576,379	10,063,814
Academic development fund – Department Chairperson	7,257,593	7,068,583
	26,658,633	23,641,066
	242,472,315	240,298,904
Less: Current portion	(38,651,401)	(33,402,354)
	$ 203,820,914	$ 206,896,550

(a) the Board Designated funds are all invested in cash and cash equivalents.
(b) the assets held by Trustee under Indenture agreement are all invested in cash and cash equivalents.
(c) the Clinical Practice Plan funds that are held under enabling legislation are all invested in cash and cash equivalents.

The current portion of assets limited as to use is determined based on the anticipated timing of use of the funds.

NOTE 5. CAPITAL ASSETS

	March 31, 2011	Additions	Deductions	March 31, 2012
Non-depreciable assets:				
Land	$ 4,150,740	$ 141,147	$ -	$ 4,291,887
Construction in progress	21,192,608	11,376,970	(25,523,269)	7,046,309
	25,343,348	11,518,117	(25,523,269)	11,338,196
Depreciable assets:				
Buildings and improvements	476,550,397	15,938,369	-	492,488,766
Equipment	158,575,119	13,260,368	(1,814,675)	170,020,812
	635,125,516	29,198,737	(1,814,675)	662,509,578
Less: Accumulated depreciation:				
Buildings and improvements	239,263,023	20,054,043	-	259,317,066
Equipment	112,231,089	14,877,382	(1,759,683)	125,348,788
	351,494,112	34,931,425	(1,759,683)	384,665,854
Capital assets, net	$ 308,974,752	$ 5,785,429	$(25,578,261)	$ 289,181,920

NOTE 5. CAPITAL ASSETS (CONTINUED)

	March 31, 2010	Additions	Deductions	March 31, 2011
Non-depreciable assets:				
Land	$ 3,844,831	$ 305,909	$ -	$ 4,150,740
Construction in progress	27,421,779	20,579,719	(26,808,890)	21,192,608
	31,266,610	20,885,628	(26,808,890)	25,343,348
Depreciable assets:				
Buildings and improvements	467,973,685	16,559,903	(7,983,191)	476,550,397
Equipment	144,033,244	16,973,168	(2,431,293)	158,575,119
	612,006,929	33,533,071	(10,414,484)	635,125,516
Less: Accumulated depreciation:				
Buildings and improvements	219,053,228	20,209,795	-	239,263,023
Equipment	100,504,147	14,072,167	(2,345,225)	112,231,089
	319,557,375	34,281,962	(2,345,225)	351,494,112
Capital assets, net	$ 323,716,164	$ 20,136,737	$(34,878,149)	$ 308,974,752

Depreciation expense amounted to $34,930,984 and $34,281,834 in 2012 and 2011, respectively.

NOTE 6. ACCRUED EXPENSES

The disaggregated components of accrued expenses are as follows at March 31:

	2012	2011
Salaries and benefits	$ 32,161,650	$ 26,610,507
Payroll withholdings	3,833,174	3,875,166
Current portion of retirement and post-retirement benefits	5,115,225	4,176,957
Workers compensation	6,585,314	5,802,242
Professional and general liability	15,064,635	15,963,345
Accrued interest	2,728,151	2,932,066
Other	7,262,607	10,385,324
	$ 72,750,756	$ 69,745,607

NOTE 7. SHORT-TERM BORROWINGS

On September 30, 2010, RPCIC signed an agreement with HSBC Bank USA, which allows for borrowings up to $25,000,000. Borrowings bear interest at the banks prime rate less 1 percent (2.25% as of March 31, 2012). There was no balance outstanding under this agreement as of March 31, 2012. This agreement was entered into primarily to provide borrowing authority in the event NYS support payments are delayed on a short-term basis.

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

The long-term debt obligations of RPCIC consist primarily of allocated portions of DASNY bonds issued on behalf of RPCIC and certain other NYSDOH facilities. The portion of these obligations allocated to RPCIC was derived from budgeted construction costs and are subject to periodic change based on actual cost incurred. All bonds are collateralized by a first lien on the revenues of RPCIC.

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

As of March 31, long-term debt consists of the following:

	2012	2011
On April 1, 1998, DASNY issued debt in the amount of $50,510,000 (RPCIC allocated 94.92%). Under the terms of the issuance, interest ranges from 4.5% to 5.125% per annum with interest and principal payments due through 2025. The bond proceeds were used solely to defease a portion of the outstanding 1992, 1994 and 1995 bond series. These bonds have been defeased by the 2011A bond series on July 13, 2011.	$ -	$ 40,554,570
On December 4, 2003, DASNY issued debt in the amount of $41,910,000 (RPCIC allocated 85.00%). Under the terms of issuance, interest ranges from 2.0% to 5.25% per annum with interest and principal payments due through 2024. The bond proceeds were used solely to defease a portion of the outstanding 1994, 1995 and 1996 bond series.	26,728,250	28,526,000
On April 7, 2004, DASNY issued debt in the amount of $77,245,000 (RPCIC allocated 95.15%). Under the terms of issuance, interest ranges from 2.0% to 5.0% per annum with interest and principal payments due through 2024. The bond proceeds were used solely to defease a portion of the outstanding 1994, 1995 and 1996 bond series.	44,192,418	51,994,717
On April 7, 2004, DASNY issued debt in the amount of $78,870,000 (RPCIC allocated 95.51%). Under the terms of issuance, interest ranges from 2.0% to 5.0% per annum with interest and principal payments due through 2023. The bond proceeds were used solely to defease a portion of the outstanding 1994, 1995 and 1996 bond series.	64,502,678	64,622,066
On May 24, 2005, DASNY issued debt in the amount of $51,465,000 (RPCIC allocated 95.51%). Under the terms of issuance, interest ranges from 3.0% to 5.25% per annum with interest and principal payments due through 2026. The bond proceeds were used solely to defease a portion of the outstanding 1996 bond series.	48,079,734	48,141,815

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

	2012	2011
On July 13, 2011, DASNY issued debt in the amount of $48,180,000 (RPCIC allocated 74.85%). Under the terms of issuance, interest ranges from 2.0% to 5.0% per annum with interest and principal payments due through 2024. The bond proceeds were used solely to defease a portion of the outstanding 1998 bond series.	36,062,730	-
	219,565,810	233,839,168
Plus: Unamortized bond premium	9,907,614	8,056,693
Less: Unamortized bond discount	-	(727,860)
Total long-term debt	229,473,424	241,168,001
Less: Current portion	(11,701,955)	(11,898,235)
Long-term debt, net	$ 217,771,469	$ 229,269,766

Bond Series	March 31, 2011	Additions	Deductions	March 31, 2012
1998	$ 40,554,570	$ -	$ 40,554,570	$ -
2003	28,526,000	-	1,797,750	26,728,250
2004	51,994,717	-	7,802,300	44,192,417
2004	64,622,066	-	119,387	64,502,679
2005	48,141,815	-	62,081	48,079,734
2011	-	36,062,730	-	36,062,730
	233,839,168	36,062,730	50,336,088	219,565,810
Plus: Unamortized bond Premium	8,056,693	3,354,196	1,503,275	9,907,614
Less: Unamortized bond Discount	(727,860)	-	(727,860)	-
Total long-term debt	241,168,001	$ 39,416,926	$ 51,111,503	229,473,424
Less: Current portion	(11,898,235)			(11,701,955)
Long-term, net	$ 229,269,766			$ 217,771,469

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

Bond Series	March 31, 2010	Additions	Deductions	March 31, 2011
1998	$ 41,598,690	$ -	$ 1,044,120	$ 40,554,570
2003	31,110,000	-	2,584,000	28,526,000
2004	59,430,690	-	7,435,973	51,994,717
2004	64,736,678	-	114,612	64,622,066
2005	48,199,121	-	57,306	48,141,815
	245,075,179	-	11,236,011	233,839,168
Plus: Unamortized bond Premium	9,319,849	-	1,263,156	8,056,693
Less: Unamortized bond Discount	(811,152)	-	(83,292)	(727,860)
Total long-term debt	253,583,876	$ -	$ 12,415,875	241,168,001
Less: Current portion	(11,236,011)			(11,898,235)
Long-term, net	$ 242,347,865			$ 229,269,766

In connection with these financing arrangements, RPCIC previously recognized its portion of the premiums, discount, and deferred financing costs related to each issue. RPCIC uses the effective interest method for amortizing these amounts. Amortization of deferred costs was $633,297 in 2012 and $397,415 in 2011, and is included in amortization. Accumulated amortization amounts to approximately $16,756,000 and $16,123,000 at 2012 and 2011, respectively. Included as an offset to interest expense is $1,503,276 and $1,263,156 in 2012 and 2011, respectively, related to the amortization of bond premium.

In July 2011, DASNY refinanced Series 1998 Bonds in which RPCIC was a partial beneficiary on the original issue. In connection with the refinancing, a loss of $1,308,029 was recognized in fiscal 2012. Included in the loss is approximately $707,000 of unamortized bond discount and approximately $213,000 of accelerated amortization of previously deferred original bond issue costs.

Future principal and interest payments on long-term debt are summarized as follows:

	Bonds	
	Principal	Interest
Year ending March 31,		
2013	$ 11,701,955	$ 10,654,732
2014	12,248,531	10,089,200
2015	12,858,331	9,458,527
2016	13,278,850	8,805,890
2017	13,055,128	8,139,243
2018 – 2022	81,743,662	29,274,491
2023 – 2026	74,679,353	7,190,047
	219,565,810	83,612,130
Plus: Unamortized bond premium	9,907,614	-
Less: Unamortized bond discount	-	-
	$ 229,473,424	$ 83,612,130

NOTE 9. POSTEMPLOYMENT BENEFITS

Benefit Plan Description: Employees of RPCIC participate in the New York State Health Insurance Plan (the "Benefit Plan"), a defined benefit, agent multiple employer-type plan administered by the NYS Department of Civil Service Employee Benefits Division. The Benefit Plan offers a range of benefits to its participants, including inpatient, outpatient and emergency services, as well as mental health coverage and prescription drug benefits. The Benefit Plan offers benefits through the New York State Health Insurance Empire Plan and three Health Maintenance Organizations ("HMO's"), each of which contain varying levels of coverage and cost. The Benefit Plan does not issue a stand-alone report.

Funding Policy: RPCIC has the authority to establish its own funding policy. Under its current policy, RPCIC is not required to fund the Benefit Plan or the Annual Required Contribution ("ARC", as defined by U.S. GAAP). RPCIC is seeking relief from NYS for all or a significant portion of the unfunded OPEB liability. To date, NYS has not agreed to this relief.

The Benefit Plan requires participants to contribute a portion of the monthly premiums via payroll deduction. The following table illustrates the participant contribution rates per plan for 2012 and 2011.

		Participant Contribution	
Plan	**Tier**	**2012**	**2011**
Empire Plan	Single	69.72	49.91
	Family	278.26	216.41
Community Blue	Single	66.11	93.65
	Family	395.64	470.48
Independent Health	Single	63.96	82.13
	Family	274.89	359.39

Annual Other Postemployment Benefit Cost and Net Other Postemployment Benefit Obligation (OPEB): RPCIC's annual OPEB cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with U.S. GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of RPCIC's annual OPEB cost, the amount actually contributed to the plan, and changes in the net OPEB obligation for 2012 and 2011:

	2012	**2011**
Annual OPEB Cost		
Annual Required Contribution (ARC)	$ 50,883,085	$ 46,709,271
Interest on Net OPEB Obligation	5,513,224	4,317,082
Adjustment to Annual Required Contribution	(9,376,019)	(7,341,812)
Annual OPEB Cost	$ 47,020,290	$ 43,684,541
Net OPEB Obligation		
Net OPEB Obligation – beginning of year	$ 183,774,118	$ 143,902,748
Annual OPEB Cost	47,020,290	43,684,541
Employer Contributions	(4,657,333)	(3,813,171)
Net OPEB Obligation – end of year	226,137,075	183,774,118
Less: Current portion	(5,115,225)	(4,176,957)
Long-term OPEB obligation	$ 221,021,850	$ 179,597,161

NOTE 9. POSTEMPLOYMENT BENEFITS (CONTINUED)

The following table illustrates RPCIC's annual OPEB cost, percentage of annual OPEB cost contributed by RPCIC, and the net OPEB obligation for 2012, 2011 and 2010.

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
3/31/2010	44,493,228	7.23%	143,902,748
3/31/2011	43,684,541	8.73%	183,774,118
3/31/2012	47,020,290	9.90%	226,137,075

Funded Status and Funding Progress: The most recent actuarial valuation for the OPEB plan was as of April 1, 2011. As of March 31, 2012, the plan was unfunded. As discussed on the following page under “Matters Involving New York State”, RPCIC is seeking support from NYS to fund all or a significant portion of the unfunded OPEB liability. RPCIC believes it will need some form of assistance from NYS in order to meet future OPEB obligations resulting from the benefits that have, and will continue to, accrue under the Plan. The actuarial accrued liability ("AAL") for benefits was $525,425,918 and $496,611,930 in 2012 and 2011, respectively, and the actuarial value of assets was $0 in 2012 and 2011, resulting in an unfunded actuarial accrued liability (“UAAL”) of $525,425,918 and $496,611,930 in 2012 and 2011, respectively. The covered payroll (annual payroll of active employees covered by the plan) was $174,526,976 and $171,440,452 in 2012 and 2011, respectively, and the ratio of the UAAL to the covered payroll was 301.06% and 289.67% in 2012 and 2011, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in management’s discussion and analysis preceding the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Method and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In 2012 and 2011 the entry age normal cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return, which is the expected long-term investment returns on the employer's own investments, and an annual healthcare cost trend rate of 9.5 and 10.0 percent, respectively, reduced by decrements to an ultimate rate of 5.0 percent after ten years. Both years included a 3.0 percent inflation assumption. The assumed rate of annual salary increase is 5.0 percent in 2012 and 2011, respectively. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at March 31, 2012, was thirty years.

NOTE 9. POSTEMPLOYMENT BENEFITS (CONTINUED)

Matters involving New York State: RPCIC has recognized in its consolidated balance sheet and consolidated statement of revenues, expenses and changes in net assets the amounts described above. In so doing, RPCIC has assumed that it will be liable for the portion of benefits attributable to services provided by its employees for the period subsequent to January 1, 1999, the date at which RPCIC became a public benefit corporation of the State of New York. As discussed previously, RPCIC is seeking some form of financial assistance from NYS to fund all or a significant portion of the unfunded OPEB liability. RPCIC believes it will need some form of assistance from NYS in order to meet the future OPEB plan obligations resulting from the benefits that have, and will continue to, accrue under the OPEB plan.

If the State of New York were to agree to assume all of the benefits for the time period it operated Roswell Park (e.g. prior to 1/1/99), RPCIC would have the potential to recognize the reduction in its accrued liability for any amounts of that liability to which the State would agree to accept.

The following table illustrates the actuarially-derived estimates of the postemployment benefit liability and associated costs as of March 31, 2012, utilizing a cut-off date of January 1, 1999:

	Prior to January 1, 1999	Post January 1, 1999	Total
Actuarial accrued liability (AAL)	$ 147,868,779	$ 377,557,139	$ 525,425,918
Annual required contribution (ARC)	7,637,059	43,246,026	50,883,085
Annual OPEB cost	7,074,124	39,946,166	47,020,290
Net OPEB obligation:			
Net OPEB obligation – beginning of year	26,781,869	156,992,249	183,774,118
Annual OPEB cost	7,074,124	39,946,166	47,020,290
Employer contributions	(2,956,708)	(1,700,625)	(4,657,333)
Net OPEB obligation – end of year	$ 30,899,285	$ 195,237,790	$ 226,137,075

NOTE 10. INSURANCE ARRANGEMENTS

RPCIC is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, and employee health, dental and accident benefits. RPCIC's insurance arrangements are as follows:

Professional and General Liability: RPCIC maintains a partially self-insured program covering general and professional liability claims against RPCIC and its employees. Under this program, RPCIC maintains a trust fund which is funded annually to cover the first $2 million per incident and $4 million in aggregate per year in claims made, including defense costs. In addition, RPCIC purchased excess general and professional liability coverage covering the next $10 million per claim and $10 million in the aggregate per year, over and above RPCIC's retained exposure. Professional liability coverage is on a claims made basis, while general liability coverage is occurrence based. Claims alleging malpractice have been asserted against RPCIC and are currently in various stages of litigation. It is the opinion of management that the existing reserves and policies are adequate to provide for potential losses resulting from pending or threatened litigation of which management is currently aware. Additional claims may have been asserted against RPCIC through March 31, 2012, for which reserves have been estimated. Claim reserves were discounted using a rate of 3% in 2012 and 2011, respectively.

NOTE 10. INSURANCE ARRANGEMENTS (CONTINUED)

The charges to expenses for medical malpractice costs approximated $1,840,000 and $4,128,000 in 2012 and 2011, respectively.

Workers Compensation: RPCIC is partially self-insured for workers compensation risks. RPCIC maintains an excess workers compensation insurance contract which limited the self-insured retention per occurrence to $450,000. It is the opinion of management that the existing reserves and policies are adequate to provide for potential losses resulting from incidents of which management is currently aware. Additional incidents may have occurred through March 31, 2012, for which reserves have been estimated.

The charges to expense for workers compensation related costs approximated $2,805,000 and $2,476,000 in 2012 and 2011, respectively, and are included as a component of employee benefits expense in the consolidating statement of revenues, expenses and changes in net assets.

Matters Involving New York State: Prior to January 1, 1999, in the normal course of business, professional liability claims have been asserted against RPCIC by various claimants, and other claims may be asserted arising from services provided to patients in the past. These claims are, in substance, against the NYSDOH and are therefore, actions brought against NYS. NYS does not maintain insurance with respect to professional liability claims and is self-insured relative to medical professional liability.

Records related to professional liability claims and litigation are maintained centrally by NYS. RPCIC records the costs related to professional liability losses prior to January 1, 1999, based upon information provided by NYS Attorney General's Office. For the years ended March 31, 2012 and 2011, no payments of final settlement of malpractice cases were made.

NOTE 11. LEGAL MATTERS

Regulatory Compliance: The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed under Medicare and Medicaid programs in the current and preceding years. While certain regulatory inquiries have been made at March 31, 2012, compliance with such laws and regulations is currently subject to review and interpretation as well as regulatory actions unknown and/or unasserted at this time.

Medicare and Medicaid programs accounted for approximately 17% and 3% in 2012 and 15% and 3% in 2011, respectively, of RPCIC's net patient service revenues for the years then ended.

Litigation: RPCIC is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse affect on RPCIC's future financial position, results from operations and cash flows.

NOTE 12. CONCENTRATION AND CREDIT RISK

RPCIC grants credit without collateral to its patients, most of whom are residents of Western New York and are insured under third-party agreements. The mix of receivables from patients and third-party payors at March 31 is as follows:

	2012	2011
Medicare	18%	16%
Medicaid	7	9
Blue Cross	26	28
Other third-party payors	43	42
Patients	6	5
	100%	100%

See Note 2 regarding maintenance of collateral accounts to limit exposure associated with Federal Deposit Insurance limits.

NOTE 13. FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair value amounts of RPCIC's financial instruments have been determined by using available market information and valuation methodologies. Considerable judgment is required to develop the estimates of fair value, thus, the estimates provided herein are not necessarily indicative of the amounts that could be realized in a current market exchange.

The carrying value of cash and cash equivalents, patient's accounts receivable, accounts payable, estimated third party payor settlements accrued expenses, and all other current liabilities approximates their fair value. Investments are carried at fair value using quoted market prices or estimated fair values.

RPCIC is operated as a component unit of the State of New York. DASNY issues bonds on behalf of RPCIC. DASNY has numerous separate maturities of bonds which would have to be separately valued, and, secondly, the unique circumstances effecting the State make it impractical to estimate the fair value of bonds. Additionally, considering the restrictive nature of the bond issuer, it is management's opinion that such disclosure would not enhance the usefulness of the financial statements.

Assets and liabilities recorded at fair value in the statement of net assets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. An asset or a liability's categorization within the fair value hierarchy is based on the lowest level of judgment input to its valuation Hierarchal levels, defined by U.S. GAAP, are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities as follows:

Level I: Valuations based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Level I assets include cash and cash equivalents, debt and equity securities that are traded in active exchange markets, as well as certain U.S. Treasury and other U.S. Governments and agencies that are highly liquid and are actively traded in over-the counter markets.

NOTE 13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Level II: Valuations based on quoted prices in active markets for similar assets or liabilities quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Level II assets include equity and fixed income managed funds with quoted prices that are traded less frequently than exchange-traded instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level III: Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market based inputs. Level III assets would 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 investment management judgment or estimation.

The following table's present information about assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2012 and March 31, 2011, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

At March 31, 2012	Prices in Active Market Level I	Other Observable Inputs Level II	Significant Unobservable Inputs Level III	Total
Cash and cash equivalents	$ 144,652,903	$ 4,505,606	$ -	$ 149,158,509
Investments and assets whose use is limited:				
Cash and cash equivalents	188,887,283	-	-	188,887,283
Marketable equity securities and mutual funds	16,932,650	15,790	-	16,948,440
U.S. Government and Agency Obligations	12,986,088	-	-	12,986,088
Fixed Income	-	1,804,645	-	1,804,645
Real Estate	-	-	553,096	553,096
Index fund investments	-	18,689,767	6,858,621	25,548,388
Total investments	218,806,021	20,510,202	7,411,717	246,727,940
Total	$ 363,458,924	$ 25,015,808	$ 7,411,717	$ 395,886,449

At March 31, 2011	Prices in Active Market Level I	Other Observable Inputs Level II	Significant Unobservable Inputs Level III	Total
Cash and cash equivalents	$ 123,578,171	$ -	$ -	$ 123,578,171
Investments and assets whose use is limited:				
Cash and cash equivalents	189,389,861	-	-	189,389,861
Marketable equity securities and mutual funds	21,474,419	-	-	21,474,419
U.S. Government and Agency Obligations	12,713,400	-	-	12,713,400
Fixed Income	-	1,674,730	-	1,674,730
Real Estate	-	-	304,991	304,991
Index fund investments	-	13,957,331	6,281,527	20,238,858
Total investments	223,577,680	15,632,061	6,586,518	245,796,259
Total	$ 347,155,851	$ 15,632,061	$ 6,586,518	$ 369,374,430

NOTE 3. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The table below sets forth a summary of changes in the fair value of the Foundation's Level III investments for the year ended March 31, 2012 and 2011:

	Level III Index fund Investment	Level III Real Estate
March 31, 2012		
Balance as of April 1, 2011	$ 6,281,527	$ 304,991
Unrealized gain (loss)	93,054	(51,895)
Purchases	550,000	300,000
Sales	(65,960)	-
Balance as of March 31, 2012	$ 6,858,621	$ 553,096
March 31, 2011		
Balance as of April 1, 2010	$ 5,859,127	$ -
Unrealized gain	382,400	-
Purchases	40,000	304,991
Sales	-	-
Balance as of March 31, 2011	$ 6,281,527	$ 304,991

NOTE 14. RELATED PARTIES

New York State:

Operating Support: As discussed in Note 1, RPCIC is related to NYS by virtue of ownership and control. Annually, RPCIC receives a significant portion of its operating revenue from NYS. This support is a fundamental component of RPCIC's annual operating budget. During the years ended March 31, 2012 and 2011, operating support received from NYS amounted to approximately $77,600,000 and $76,960,000, respectively. RPCIC is dependent on the continuation of this financial support and forbearance of NYS to continue its operations as a National Cancer Institute designated comprehensive cancer research and treatment center.

HEAL NY: The Health Care Efficiency and Affordability Law of New Yorkers ("HEAL NY") is a program legislated by NYS to provide a mechanism to award grants for capital expenditures to healthcare providers operating within NYS. HEAL NY is promulgated under section 2818 of the New York Health Law.

For the fiscal years ended March 31, 2012 and 2011, RPCIC received from NYS approximately $0 and $25,000,000, respectively, under the HEAL NY program. These funds were recognized by RPCIC concurrent with the related expenditures as contributions for the purchase of property, plant and equipment in the consolidated statement of revenues, expenses and changes in net assets. RPCIC is dependent on the continuation of this financial support and forbearance by NYS to continue its operations as a National Cancer Institute designated comprehensive cancer research and treatment center.

Long-Term Obligations: As further discussed in Note 8, RPCIC recognizes in its consolidated balance sheet allocated portions of DASNY bonds issued on behalf of RPCIC and other NYSDOH facilities. In this regard, scheduled debt service payments and certain other related transactions are consummated by NYSDOH on RPCIC's behalf, using RPCIC funds. In addition, from time to time, DASNY elects to extinguish or otherwise defease certain debt issuances, and in so doing, RPCIC recognizes its proportionate share of each particular transaction, including the extinguishment, as well as recognizing its portion of any gain or loss on extinguishment. In general, these transactions are outside the control of RPCIC. In 2012, a loss on extinguishment of debt was recognized in the amount of $1,308,029.

NOTE 14. RELATED PARTIES (CONTINUED)

Health Research, Inc.:

Health Research, Inc. (HRI) is a not-for-profit corporation chartered under the laws of NYS primarily to administer gifts and/or grants which assist in funding the various healthcare research, prevention and treatment initiatives of NYSDOH. HRI is owned and operated by NYS and as such is related to RPCIC. During the year ended March 31, 2012 and 2011, RPCIC paid approximately $4,994,000 and $4,006,000, respectively, of expenses incurred by HRI on RPCIC's behalf. These payments relate primarily to employee salaries and benefits. Additionally, approximately $2,075,000 and $2,245,000 of grant revenue was remitted by HRI to RPCIC in the years ended 2012 and 2011, respectively. This revenue was generated by salary recovery on medical staff paid by RPCIC. In 2010, RPCIC changed its policy and allowed salary recovery on research staff to be retained by HRI as part of the overall contribution to HRI. This amounted to approximately $3,548,000 and $4,227,000 in 2012 and 2011, respectively. Grant revenues are included in other operating revenues.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Operating Leases: Future minimum lease payments under noncancellable operating leases (net of sublease rentals) are as follows:

2013	$ 1,003,831
2014	634,804
2015	251,647
2016	57,432
Thereafter	4,975
	$ 1,952,689

Total expenses for rents and operating type leases were approximately $1,595,000 and $1,594,000 for 2012 and 2011, respectively.

FreedMaxick CPAs, P.C.

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors of the
Roswell Park Cancer Institute Corporation

Our report on the audit of the consolidating balance sheets of Roswell Park Cancer Institute Corporation as of March 31, 2012, and the related consolidating statements of revenues, expenses and changes in net assets and cash flows for the year ended March 31, 2012 appears on page 1. This audit was conducted for the purpose of forming an opinion on the consolidating financial statements taken as a whole. The combining information on pages 41 through 42 is presented for purposes of additional analysis rather than to present the financial position and results of operations for the individual companies. The supplementary combining information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Freed Maxick CPAs, P.C.

Buffalo, New York
June 28, 2012

ROSWELL PARK CANCER INSTITUTE CORPORATION

COMBINING BALANCE SHEET
March 31, 2012

ASSETS	Roswell Park Cancer Institute	Roswell Park Cancer Institute Clinical Practice Plan	Eliminations	Combined Total
Current assets:				
Cash and cash equivalents	$ 125,224,525	$ 6,740,678	$ -	$ 131,965,203
Current portion of assets, limited as to use	34,737,401	3,914,000	-	38,651,401
Patient accounts receivable, net	46,374,137	5,703,355	-	52,077,492
Inventories	4,067,707	-	-	4,067,707
Due from (to) New York State and affiliates	7,189,231	(406,640)	(2,919,827)	3,862,764
Prepaid expenses and other assets	4,679,109	408,128	-	5,087,237
Total current assets	222,272,110	16,359,521	(2,919,827)	235,711,804
Noncurrent assets:				
Due from affiliates	-	537,383	-	537,383
Assets limited as to use, net	140,187,117	22,744,633	-	162,931,750
Capital assets, net	289,102,987	78,933	-	289,181,920
Deferred financing costs, net	5,005,635	-	-	5,005,635
Total noncurrent assets	434,295,739	23,360,949	-	457,656,688
Total assets	$ 656,567,849	$ 39,720,470	$ (2,919,827)	$ 693,368,492
LIABILITIES AND NET ASSETS				
Current liabilities:				
Current portion of long-term obligations	$ 11,701,955	$ -	$ -	$ 11,701,955
Accounts payable	13,464,869	1,571,725	-	15,036,594
Accrued expenses	67,748,379	4,054,822	-	71,803,201
Due to third-party payors	9,149,455	-	-	9,149,455
Due to affiliates	-	2,919,827	(2,919,827)	-
Total current liabilities	102,064,658	8,546,374	(2,919,827)	107,691,205
Long-term obligations, net	217,771,469	-	-	217,771,469
Post-employment benefits, net of current portion	221,021,850	-	-	221,021,850
Total liabilities	540,857,977	8,546,374	(2,919,827)	546,484,524
Net assets:				
Invested in capital, net of related debt	81,840,394	78,933	-	81,919,327
Restricted expendable	25,017,850	26,658,633	-	51,676,483
Unrestricted	8,851,628	4,436,530	-	13,288,158
Total net assets	115,709,872	31,174,096	-	146,883,968
Total liabilities and net assets	$ 656,567,849	$ 39,720,470	$ (2,919,827)	$ 693,368,492

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended March 31, 2012

	Roswell Park Cancer Institute	Roswell Park Cancer Institute Clinical Practice Plan	Eliminations	Combined Total
Operating revenues:				
Net patient service revenue	$ 317,684,532	$ 43,497,698	$ -	$ 361,182,230
Contributions of CPP/net settlements and appeals	8,974,716	1,210,035	(1,194,540)	8,990,211
Contributions from the State of New York	77,600,000	20,318,528	(20,318,528)	77,600,000
Grants and contracts	-	2,074,592	-	2,074,592
Other operating revenue	8,459,371	1,139,298	-	9,598,669
Total operating revenues	412,718,619	68,240,151	(21,513,068)	459,445,702
Operating expenses:				
Salaries	147,292,964	52,851,741	(20,318,528)	179,826,177
Employee benefits	100,470,168	2,059,473	-	102,529,641
Supplies and other services	159,502,819	9,267,644	-	168,770,463
Depreciation and amortization	35,315,613	56,856	-	35,372,469
Provision for malpractice	1,840,000	-	-	1,840,000
Contributions to Roswell Park Cancer Institute Corporation	-	1,194,540	(1,194,540)	-
Total operating expenses	444,421,564	65,430,254	(21,513,068)	488,338,750
(Loss) income from operations	(31,702,945)	2,809,897	-	(28,893,048)
Nonoperating revenues (expenses):				
Interest and other income	1,684,899	127,598	-	1,812,497
Interest expense	(9,574,425)	-	-	(9,574,425)
Loss on disposal of capital assets	(39,046)	(1,068)	-	(40,114)
Investment income	72,215	-	-	72,215
Loss on extinguishment of debt	(1,308,029)	-	-	(1,308,029)
Net nonoperating revenues (expenses)	(9,164,386)	126,530	-	(9,037,856)
(Deficiency) excess of revenues over expenses	(40,867,331)	2,936,427	-	(37,930,904)
Contributions for purchase of capital assets	1,057,613	-	-	1,057,613
(Decrease) increase in net assets	(39,809,718)	2,936,427	-	(36,873,291)
Net assets, beginning of year	155,519,590	28,237,669	-	183,757,259
Net assets, end of year	$ 115,709,872	$ 31,174,096	$ -	$ 146,883,968

See accompanying notes.