CONSOLIDATED AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

ROSWELL PARK CANCER INSTITUTE CORPORATION

MARCH 31, 2013

ROSWELL PARK CANCER INSTITUTE CORPORATION

CONTENTS

FreedMaxick CPAs, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Roswell Park Cancer Institute Corporation
Buffalo, New York

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Roswell Park Cancer Institute Corporation ("RPCIC" or "Corporation"), a component unit of New York State, which comprise the consolidated statements of net position as of March 31, 2013 and 2012, and the related consolidated statements of revenues, expenses, and changes in net position, cash flows and discretely presented component unit for the years then ended, and the related notes to the financial statements, which collectively comprise the Corporation's consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective net position of the Corporation and the aggregate discretely presented component unit as of March 31, 2013 and 2012, and the respective results of its operations and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As further discussed in Note 13, RPCIC had significant transactions with related parties. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis on pages 3 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
June 20, 2013

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, 2013. The consolidated financial statements of RPCIC include the accounts of the Roswell Park Cancer Institute Corporation and the Roswell Park Cancer Institute Clinical Practice Plan (also collectively referred to as the "Institute" and/or "RPCI"). 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 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 37th year of continuous funding by the NCI on May 1, 2013 – only two other centers in the US have held this designation, an important benchmark of excellence, for this length of time. A competitive renewal for this grant has been submitted. If funded, the renewal is expected to start May 1, 2014 and run for five additional years.

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, 2012)
    - 1 of 65 from a field of nearly 1,200 nationwide
- US News & World Report – Best Hospitals for Cancer (Top 50 in 2012, 2011 & 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

1. Introduction (Continued)

- NCI - Cancer Immunotherapy Trials Network (1 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 seven 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 31,115 active patients diagnosed, treated, and/or seen in follow-up clinics and 204,450 outpatient visits in fiscal year 2013.

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; and Jamestown Medical Oncology and Hematology. 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 Cancer Institute 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. RPCI 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 the 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

For purposes of the financial statements, the Roswell Park Alliance Foundation, Inc. (the "Foundation") is considered a "component unit" of RPCIC. 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 RPCIC Board of Directors and as such, RPCIC'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.

4. Component Unit (Continued)

In November 2010, GASB issued *Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.* Statement 61 modifies certain requirements relating to the inclusion of component units within the financial reporting entity. GASB Statement No. 61 is effective for financial statement periods beginning after June 15, 2012. RPCIC adopted the provisions of the statement in 2013 on a retroactive basis. The adoption of GASB Statement No. 61 requires that the component unit's financial statements be presented discretely from the financial statements of the Corporation. The Corporation has elected to present the component unit's financial statements immediately after the Corporation's consolidated financial statements, included in the basic financial statements.

5. Financial Highlights

- Net position decreased $8,654 (5.9%) from 2012 to 2013 and $36,873 (20.1%) from 2011 to 2012.
- Total assets increased $42,780 (6.2%) from 2012 to 2013 and decreased $4,263 (0.6%) from 2011 to 2012.
- Operating revenues excluding NYS support increased by $50,184 (13.1%) from 2012 to 2013 and $22,230 (6.2%) from 2011 to 2012.
- NYS support revenue was increased to $77,600 from $76,960 from 2011 to 2012 and remained constant at $77,600 in 2013.
- Operating expenses increased by $49,379 (10.1%) from 2012 to 2013 and $22,515 (4.8%) from 2011 to 2012. Post retirement health costs increased $1,763 from 2012 to 2013 and $3,336 from 2011 to 2012. 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 position; 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 Position

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

Net position is the difference between assets and liabilities. Over time, increases or decreases in RPCIC's net position is 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 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 Position

RPCIC's net position is the difference between the assets and liabilities reported in the statement of net position. RPCIC's net position decreased by $8,654 in 2013 and decreased by $36,873 in 2012 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

	2013	2012	2011
Assets:			
Current and other assets	$ 444,521	$ 404,186	$ 388,656
Capital assets, net	291,627	289,182	308,975
Total assets	$ 736,148	$ 693,368	$ 697,631
Liabilities:			
Long-term debt outstanding	$ 220,762	$ 229,473	$ 241,168
Other liabilities	377,156	317,011	272,706
Total liabilities	597,918	546,484	513,874
Net Position:			
Net investment in capital assets	92,997	81,919	90,237
Restricted expendable	67,303	51,677	51,786
Unrestricted	(22,070)	13,288	41,734
Total net position	138,230	146,884	183,757
Total liabilities and net position	$ 736,148	$ 693,368	$ 697,631

8. RPCIC's Net Position (Continued)

Overall, total assets increased $42,780 from 2012 to 2013 and decreased $4,263 from 2011 to 2012.

- Current and other assets increased 10.0% in 2013, and 4.0% in 2012 as compared to 2011. This is due to an increase in limited use assets and an improvement in cash position.

- Capital assets increased 0.8% from 2012 to 2013 and decreased 6.4% from 2011 to 2012 driven by the timing of capital additions, net of depreciation. Specifically, the timing of capital additions is driven by funding constraints and the availability of Heal NY grants of $25,000 for capital purchases in 2011 and 2013. This funding was unavailable in 2012.

Overall, total liabilities increased 9.4% from 2012 to 2013 and 6.3% from 2011 to 2012.

- Other liabilities increased 19.0% in 2013 primarily due to a 19.3% increase in the post retirement health liability, a 65.7% increase in liabilities to third party payors, and a 39.7% increase in accounts payable and other current liabilities due to the timing of payments to vendors.

- Other liabilities increased 16.2% 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 partially offset by an 18.9% decrease in accounts payable due to the timing of payments to vendors.

- Long-term debt outstanding decreased 3.8% in 2013 and 4.8% in 2012, driven by the scheduled debt service payment on the outstanding DASNY issued debt and the amortization of bond premium. In 2013, debt was increased by $4,523 due to a capital lease for the rental of employee parking spaces in the MiGo parking ramp. Additionally, in 2012, $2,375 in debt was extinguished in conjunction with the 2011A debt refinancing.

Overall, total net position decreased 5.9% from 2012 to 2013 and 20.1% from 2011 to 2012.

9. Changes in RPCIC's Net Position

The following summarizes RPCIC's statement of revenue, expenses and changes in net position between 2013, 2012 and 2011.

Patient volumes at RPCIC are measured on both the inpatient and outpatient basis. Inpatient admissions decreased 2.0% from 2012 to 2013 but increased 4.6% in 2012 over 2011. Inpatient days increased to 39,005 (7.8%) in 2013 but decreased to 36,186 (1.1%) in 2012 from 36,587 in 2011. Outpatient visits increased to 204,450 (1.4%) in 2013 but decreased to 201,554 (0.5%) in 2012 from 202,575 in 2011.

In 2013 RPCIC's net position decreased by $8,654 (5.9%) as shown in Table 2. While operating revenues excluding NYS support grew a healthy 13.1%, this was not sufficient to cover a 10.1% growth in operating expenses. The operating expense base of $537,718 includes annual OPEB cost of $48,763 and an annual pension cost of $20,344 in 2013. Both of these employee fringe benefits are required to be provided by the PBC. See "Matters Involving New York State" in Note 8 and the "New York State" section in Note 13. Total support from NYS returned to the level of support provided in 2011. Detail is provided below.

(in thousands of dollars, except as otherwise noted)

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

In 2012 RPCIC's net position decreased by $36,873 (20.1%) as shown in Table 2. While operating revenues excluding NYS support were up 6.2% and NYS Support increased to $77,600 from $76,960, operating expenses increased 4.8%. Total support from NYS including the Heal NY grant for capital declined $24,360. Detail is provided below.

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

	2013	2012	2011
Operating revenues:			
Net patient service revenue and net settlement and appeals	$ 420,822	$ 370,172	$ 347,942
Contributions from NYS	77,600	77,600	76,960
Grants and contracts	1,762	2,075	2,259
Other operating revenue	9,446	9,599	9,415
Total operating revenues	509,630	459,446	436,576
Operating expenses:			
Salaries, wages and benefits	300,038	282,356	266,912
Purchased services and supplies	196,246	168,770	160,021
Provision for malpractice	5,656	1,840	4,128
Depreciation and amortization	35,778	35,373	34,763
Total operating expenses	537,718	488,339	465,824
Operating loss	(28,088)	(28,893)	(29,248)
Non-operating revenues and expenses and changes in net position	19,434	(7,980)	19,901
Decrease in net position	$ (8,654)	$ (36,873)	$ (9,347)

Overall, operating revenues excluding NYS support increased 13.1% from 2012 to 2013 and 6.2% from 2011 to 2012.

- Net patient service revenue including settlements and appeals increased 13.7% in 2013 and 6.4% in 2012 as a result of the following: RPCIC hospital revenue increased 11.3% and 9.2% and professional revenues increased 1.6% and 9.1% in 2013 and 2012, respectively. Government appeals and settlement revenue increased 141.0% in 2013 but decreased 47.8% in 2012. The increases in hospital and professional revenues were attributable to increases in volume and changes in mix of services provided 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. Fiscal 2013 also includes $1,325 in revenues related to RPCI Oncology, PC.

- Grant and contract revenues include salary recovery on grants administered through HRI for work by the medical staff whose salaries are paid by the Institute. 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 $3,994 and $3,548 in 2013 and 2012.

- Other operating revenue decreased 1.6% from 2012 to 2013 and increased 1.7% from 2011 to 2012. Other operating revenues include revenues received from the operation of the cafeteria, parking garage, and other ancillary activities. See "Other operating revenue" section in Note 2.

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

Overall, operating expenses increased 10.1% from 2012 to 2013 and 4.8% from 2011 to 2012.

- Salary, wages, and benefits costs increased 6.3% and 5.8%**,** 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 57.5%, 57.0% and 53.6%, of salary costs in 2013, 2012 and 2011, 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 16.3% and 5.5%, 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.
  - Consulting costs related to the Strategic Transformation project.
  - Recording of a reserve in 2013 for a receivable from NYS.
  - Increased cost of equipment repairs and minor equipment.
  - Increased cost of clinical temporary services.
  - Increases in certain overhead expenses and restricted spending for the Clinical Practice Plan.

Nonoperating revenues (expenses) and changes in net position increased 100.0+% from 2012 to 2013 due to the following factors:

- The $25,000 funding from HEAL NY was restored in 2013. This funding was not provided by NYS in 2012. Contributions for purchases of capital assets in 2013 also include grant income administered through HRI in the amount of $2,014 for renovation of the Grace Cancer Drug Center ("GCDC").
- Interest and other income decreased 18.8% due to lower available interest rates.
- Interest expense has declined 4.7% from 2013 to 2012. This is due primarily to 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 7.

(in thousands of dollars, except as otherwise noted)

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

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

- Contributions for purchases of capital assets include $25,000 from HEAL NY in 2011. This funding source was not provided by NYS in 2012.
- Interest and other income decreased 50.6% due to a onetime $2,116 net legal settlement from a vendor in 2011. Interest income increased 16.5% 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 7.

10. Capital Asset and Debt Administration

At the end of fiscal 2013, 2012 and 2011, RPCIC had $291,627, $289,182 and $308,975, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the consolidated financial statements. The components of RPCIC's capital assets are as follows:

Capital Assets

	2013	2012	2011
Land	$ 4,292	$ 4,292	$ 4,151
Building	499,741	492,488	476,550
Equipment/other	189,072	170,021	158,157
Construction in progress	16,083	7,046	21,193
	709,188	673,848	660,051
Less: Accumulated depreciation	(417,561)	(384,665)	(351,076)
Net capital assets	$ 291,627	$ 289,182	$ 308,975

(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 $208,514, $217,771 and $229,270 as of March 31, 2013, 2012, and 2011, respectively. This represents the Institute's allocated portions of certain New York State Department of Health outstanding bonds payable to DASNY. All bonds are collateralized by a first lien on the revenues of the Institute.

	2013	2012	2011
Series 1998 Bonds, net of discount	$ -	$ -	$ 39,826
Series 2003 Bonds, net of premium	25,461	27,488	29,465
Series 2004 Bonds, net of premium	104,487	113,600	122,411
Series 2005 Bonds, net of premium	49,141	49,303	49,466
Series 2011A Bonds, net of premium	37,150	39,082	-
Capital leases	4,523	-	-
Total long-term debt and capital lease obligations, net	220,762	229,473	241,168
Less: Current portion	(12,248)	(11,702)	(11,898)
Non-current portion	$ 208,514	$ 217,771	$ 229,270

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 original bond issue costs. Refer to Note 7.

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), RPCIC 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. RPCIC'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 has capitalized $4,513 related to this lease in fiscal 2013.

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 GCDC 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, 2013, RPCIC has committed approximately $10,000 of Board Designated Funds towards the construction of the project. In addition, the Foundation has met their goal and secured all of the $25,000 in pledges 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 2013.

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, 2012. As of March 31, 2013 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 $485,125 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $485,125. The covered payroll (annual payroll of active employees covered by the plan) was $186,690, and the ratio of the UAAL to the covered payroll was 259.86 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 2013 and 2012, 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 8.5 percent reduced by decrements to an ultimate rate of 5.0 percent in 2021. 2013 and 2012 included a 2.5 percent and 3.0 percent inflation assumption respectively. The assumed rate of annual salary increase is 5.0 percent in 2013 and 2012, respectively. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at March 31, 2013, was twenty-three years.

Matters Involving New York State

RPCIC has recognized in its consolidating balance sheet and consolidating statement of revenues, expenses and changes in net position 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, 2013, utilizing a cutoff date of January 1, 1999:

	Prior to January 1, 1999	Post January 1, 1999	Total
Actuarial accrued liability (AAL)	$ 128,243	$ 356,882	$ 485,125
Annual required contribution (ARC)	7,700	45,816	53,516
Annual OPEB cost	7,051	41,712	48,763
Net OPEB obligation:			
Net OPEB obligation – beginning of year	30,899	195,238	226,137
Annual OPEB cost	7,051	41,712	48,763
Employer contributions	(3,084)	(1,922)	(5,006)
Net OPEB obligation – end of year	$ 34,866	$ 235,028	$ 269,894

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 2013, total support received from the State amounted to approximately $102,600, as compared to approximately $77,600 in 2012 and $102,000 in 2011. In fiscal 2013 and 2011, $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 2014, the State budget includes up to approximately $102,600 in total support for RPCIC.

In fiscal 2013, the NYS budget included 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." In fiscal 2013, RPCIC began a Strategic Transformation project with the goal of meeting the requirements of the above mentioned legislation.

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 2013, 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 significant risk to the financial condition is the anticipated increasing future cash outlay for payment of post-employment health benefits.

ROSWELL PARK CANCER INSTITUTE CORPORATION

CONSOLIDATED BALANCE SHEETS
March 31,

ASSETS	2013	2012
Current assets:		
Cash and cash equivalents	$ 151,344,143	$ 131,965,203
Current portion of assets limited as to use	38,557,307	38,651,401
Patient accounts receivable, net of estimated uncollectibles of approximately $22,460,000 in 2013 and $21,768,000 in 2012	54,971,263	52,077,492
Inventories	5,000,044	4,067,707
Due from New York State and other affiliates	1,779,846	3,862,764
Prepaid expenses and other assets	5,291,374	5,087,237
Total current assets	256,943,977	235,711,804
Non-current assets:		
Due from affiliates	505,099	537,383
Assets limited as to use, net	181,333,623	162,931,750
Intangible assets	1,161,806	-
Capital assets, net	291,626,981	289,181,920
Debt issuance costs, net	4,576,294	5,005,635
Total non-current assets	479,203,803	457,656,688
Total assets	$ 736,147,780	$ 693,368,492
LIABILITIES AND NET POSITION		
Current liabilities:		
Current portion of long-term obligations	$ 12,248,532	$ 11,701,955
Accounts payable and other current liabilities	21,006,715	15,036,594
Accrued expenses	77,102,211	71,803,201
Due to third-party payors	15,163,175	9,149,455
Total current liabilities	125,520,633	107,691,205
Long-term obligations, net of current portion	208,513,713	217,771,469
Post-employment benefits, net of current portion	263,883,933	221,021,850
Total liabilities	597,918,279	546,484,524
Net position:		
Net investment in capital assets	92,997,172	81,919,327
Restricted expendable	67,302,596	51,676,483
Unrestricted	(22,070,267)	13,288,158
Total net position	138,229,501	146,883,968
Total liabilities and net position	$ 736,147,780	$ 693,368,492

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended March 31,

	2013	2012
Operating revenues:		
Net patient service revenue	$ 399,157,736	$ 361,182,230
Net settlements and appeals	21,663,774	8,990,211
Contributions from the State of New York	77,600,000	77,600,000
Grants and contracts	1,762,031	2,074,592
Other operating revenue	9,446,360	9,598,669
Total operating revenues	509,629,901	459,445,702
Operating expenses:		
Salaries and wages	190,519,215	179,826,177
Employee benefits	109,518,784	102,529,641
Supplies and other services	196,245,671	168,770,463
Depreciation and amortization	35,778,053	35,372,469
Provision for malpractice	5,656,581	1,840,000
Total operating expenses	537,718,304	488,338,750
Loss from operations	(28,088,403)	(28,893,048)
Nonoperating revenues (expenses):		
Interest and other income	1,472,140	1,812,497
Interest expense	(9,127,676)	(9,574,425)
Gain (loss) on disposal of capital assets	20,234	(40,114)
Investment (loss) income	(44,596)	72,215
Loss on extinguishment of debt	-	(1,308,029)
Net nonoperating expenses	(7,679,898)	(9,037,856)
Deficiency of revenues over expenses	(35,768,301)	(37,930,904)
Contributions for purchase of capital assets	27,113,834	1,057,613
Decrease in net position	(8,654,467)	(36,873,291)
Net position, beginning of year	146,883,968	183,757,259
Net position, end of year	$ 138,229,501	$ 146,883,968

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended March 31,

	2013	2012
Cash flows from operating activities:		
Net patient service revenue	$ 423,941,459	$ 370,974,229
Contributions from New York State	77,600,000	77,600,000
Grants and contracts	1,762,031	2,074,592
Other operating revenue	11,561,562	17,244,209
Payments to employees	(255,314,964)	(236,823,355)
Payments to vendors	(191,561,193)	(171,910,763)
Payments for malpractice	(2,089,588)	(2,738,710)
Net cash provided by operating activities	65,899,307	56,420,202
Capital and related financing activities:		
Purchase of capital assets	(33,222,387)	(15,178,266)
Acquisition of intangible assets	(1,190,000)	-
Contributions for purchase of capital assets	27,113,834	856,458
Proceeds from bond issuance	-	39,416,926
Repayment of long-term obligations	(11,701,955)	(51,042,650)
Payments of interest	(9,167,484)	(11,266,862)
Net cash used in capital and related financing activities	(28,167,992)	(37,214,394)
Investing activities:		
Assets limited as to use, net	(19,779,919)	(226,883)
Interest and investment income	1,427,544	1,812,497
Net cash (used in) provided by investing activities	(18,352,375)	1,585,614
Net increase in cash and cash equivalents	19,378,940	20,791,422
Cash and cash equivalents - beginning of year	131,965,203	111,173,781
Cash and cash equivalents - end of year	$ 151,344,143	$ 131,965,203

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the Year Ended March 31,

	2013	2012
Reconciliation of loss from operations to net cash provided by operating activities:		
Loss from operations	$ (28,088,403)	$ (28,893,048)
Adjustments to loss from operations to net cash provided by operating activities:		
Depreciation and amortization	35,778,053	35,372,469
Provision for bad debts	5,793,408	4,494,391
(Gain) loss on disposal of capital assets	(20,234)	40,114
Changes in assets and liabilities:		
Patients accounts receivable	(8,687,179)	(7,131,597)
Inventories	(932,337)	938,241
Due from New York State and other affiliates	2,115,202	7,645,540
Prepaid expenses and other assets	(204,137)	(351,364)
Accounts payable	5,970,121	(3,510,357)
Accrued expenses and postemployment benefits	48,161,093	44,376,819
Due to third party payors	6,013,720	3,438,994
Net cash provided by operating activities	$ 65,899,307	$ 56,420,202

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

BALANCE SHEETS - COMPONENT UNIT
March 31,

	Roswell Park Alliance Foundation, Inc.	
ASSETS	**2013**	**2012**
Current assets:		
Cash and cash equivalents	$ 24,574,987	$ 17,193,306
Investments, at fair value	4,696,839	4,255,625
Gifts and pledges receivable, current	5,805,993	5,997,140
Inventories	59,386	64,521
Due from affiliates	476,014	446,128
Total current assets	35,613,219	27,956,720
Non-current assets:		
Assets limited as to use, net	44,209,239	40,889,164
Gifts and pledges receivable, net	11,604,982	12,399,535
Prepaid expenses and other assets	220,911	74,333
Due from affiliates	1,061,563	1,034,264
Total non-current assets	57,096,695	54,397,296
Total assets	$ 92,709,914	$ 82,354,016
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses	$ 428,377	$ 285,960
Due to affiliate	10,788,987	9,644,963
Total current liabilities	11,217,364	9,930,923
Annuities payable	1,395,360	1,395,989
Total liabilities	12,612,724	11,326,912
Net position:		
Restricted expendable	40,136,216	33,591,524
Restricted non-expendable	31,148,388	30,591,056
Unrestricted	8,812,586	6,844,524
Total net position	80,097,190	71,027,104
Total liabilities and net position	$ 92,709,914	$ 82,354,016

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - COMPONENT UNIT
For the Year Ended March 31,

	Roswell Park Alliance Foundation, Inc.	
	2013	**2012**
Operating revenues:		
Contributions	$ 18,904,251	$ 22,583,877
Other operating revenue	455,990	515,568
Total operating revenues	19,360,241	23,099,445
Operating expenses:		
Supplies and other services	1,485,527	1,340,490
Grants	8,888,300	11,967,978
Fundraising	3,702,759	3,402,113
Total operating expenses	14,076,586	16,710,581
Income from operations	5,283,655	6,388,864
Nonoperating revenues (expenses):		
Interest and other income	1,088,577	1,172,062
Investment income (loss)	2,697,854	(434,270)
Net nonoperating revenues (expenses)	3,786,431	737,792
Excess of revenues over expenses	9,070,086	7,126,656
Increase in net position	9,070,086	7,126,656
Net position, beginning of year	71,027,104	63,900,448
Net position, end of year	$ 80,097,190	$ 71,027,104

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.

RPCI Oncology, PC (“RPCIO”) was established in July 2012 to provide medical oncology and hematology outpatient services. In December 2012, RPCIO acquired Jamestown Medical Oncology Hematology, LLC through an asset purchase agreement for total consideration of approximately $1,400,000. RPCIO retained control of the operations and assets of the physician practice. The transaction was recorded on RPCIC’s consolidated financial statements using the acquisition method of accounting. The acquired assets included working capital, goodwill, a non-compete agreement, and patient medical records.

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.

Discretely Presented Component Unit: U.S. GAAP (as defined in Note 2) requires the inclusion within the Institute’s financial statements of Roswell Park Alliance Foundation, Inc. (the "Foundation") as a component unit based on the nature and significance of the Institute’s relationship with the Foundation. The component unit information in the accompanying consolidated financial statements includes the financial data of the Institute’s discretely presented component unit. The Foundation is reported separately to emphasize that they are legally separate from the Institute.

Roswell Park Alliance Foundation, Inc. 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 13 for further information. The financial statements of the Foundation have been prepared on an accrual basis. The annual financial report can be obtained by writing to: Roswell Park Alliance Foundation, Inc. Elm and Carlton Streets, Buffalo, New York 14263.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity: RPCIC, the Plan and RPCI Oncology, PC (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. Collectively, the Institute and the Plan are referred to as the “Public Benefit Corporation” or the “PBC”.

Consolidating and combining financial information related to the Institute, the Plan, and RPCIO is included within the supplementary financial information on pages 43 through 46. All significant intercompany balances and transactions have been eliminated in consolidation.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Principles: RPCIC uses the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis.

Government Accounting Standards Board ("GASB") *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement, which is effective for financial statements for periods beginning after December 15, 2011, supersedes GASB Statement No. 20. The Corporation adopted GASB Statement No. 62 during 2013, and its provisions were applied retroactively for all periods presented. Adoption of GASB Statement No. 62 did not materially affect the Corporation's financial statements.

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 position balances into more specifically defined categories, presentation of the statement of cash flows on the direct method and enhancing the financial statement disclosures.

In November 2010, GASB issued *Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.* Statement 61 modifies certain requirements relating to the inclusion of component units within the financial reporting entity. GASB Statement No. 61 is effective for financial statement periods beginning after June 15, 2012. The Corporation adopted the provisions of the statement in 2013 on a retroactive basis. The adoption of GASB Statement No. 61 requires that the component unit's financial statements be presented discretely from the financial statements of the Corporation. The Corporation has elected to present the component unit's financial statements immediately after the Corporation's financial statements, included in the basic financial statements.

In June, 2011, the GASB issued *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, which establishes standards for reporting deferred outflows and deferred inflows of resources and net position. The statement requires reporting of deferred outflows of resources (consumption of net assets applicable to future periods) and deferred inflows of resources (acquisition of net assets applicable to future periods) in separate sections of the balance sheet following assets and liabilities. The difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources equals net position which should be displayed in three components as: net investment in capital assets, restricted and unrestricted. GASB Statement No. 63 is effective for financial statement periods beginning after December 15, 2011. The Corporation adopted the provisions of the statement in 2013 on a retroactive basis by renaming certain balance sheet elements for all periods presented. The adoption of GASB Statement No. 63 did not materially affect the Corporation's consolidated financial statements.

GASB Concepts *Statement No. 4, Elements of Financial Statements*, specifies that recognition of deferred outflows of resources and deferred inflows of resources should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in GASB Concepts Statement No. 4. Based on those definitions, GASB *Statement No. 65, Items Previously Reported as Assets and Liabilities*, reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. This statement also provides financial reporting guidance related to the impact of the financial statement elements' deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 65 is effective for periods beginning after December 15, 2012. Adoption of GASB 65 will result in the Corporation writing off $4,576,294 of debt issuance costs retroactively as an adjustment to beginning net position.

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 Financial Accounting Standards Board ("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 either the GASB or the FASB in which the RPCIC must comply are hereinafter referred to generally as "U.S. GAAP".

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 position 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 consolidated 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 consolidated statement of revenues, expenses and changes in net position as increases or decreases in unrestricted net position 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).

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated 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 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 *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 2013 and 2012 as a result of performing these evaluations.

Net Position: Net position is classified into three categories according to external donor restrictions or availability of assets to satisfy RPCIC’s obligations. RPCIC’s net position is classified into several categories as discussed below.

Net investment in capital 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 expendable net position represents the net position 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 position consists of net position that does not meet the definition of any of the other two 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 consolidated 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 $21,663,774 and $8,990,211, in 2013 and 2012, respectively.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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% of net patient service revenue was generated from the combined services rendered to patients under Medicare and Medicaid programs in 2013 and 2012. Approximately 64% and 63% of net patient service revenue was generated from the combined services rendered to patients under managed care programs in 2013 and 2012, respectively.

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

	2013	2012
Gross charges	$ 987,551,995	$ 874,451,104
Less:		
Discounts and allowances	(582,600,851)	(508,774,483)
Provision for bad debts	(5,793,408)	(4,494,391)
	$ 399,157,736	$ 361,182,230

Other Operating Revenue: 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:

	2013	2012
Cafeteria	$ 1,723,452	$ 1,690,969
Parking garage	2,074,437	1,877,021
Rebates	827,662	973,083
Rental income	1,172,107	1,663,338
Other	3,648,702	3,394,258
	$ 9,446,360	$ 9,598,669

Grants and Contracts: As more fully described in Note 13, 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.

Non-operating Revenues (Expenses): Interest and other income and investment income (loss), consist primarily of interest income and earnings (losses) on 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 7.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Contributions for Purchase of Capital Assets: Contributions for purchase of capital assets consist principally of amounts received under the HEAL NY program, as well as 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, were $0 and $852,691 in 2013 and 2012, respectively, and were for the purchase of capital assets. The Foundation also contributed $0 and $201,155 for other capital assets in 2013 and 2012, respectively. Contributions from HRI approximated $2,113,834 and $3,767 in 2013 and 2012, respectively, and were for the purchase of other capital assets.

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.

Taxes: As a public benefit corporation the Institute and the Plan are 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 either the Institute or the Plan.

RPCIO was formed as a taxable corporation under the laws of NYS and an application to the IRS for tax exempt status is pending approval as of the date these financial statements were available to be released. Accordingly, management has analyzed and prepared a calculation for income tax purposes to assess the income tax liability or benefit resulting from RPCIO’s activities for the year ended March 31, 2013. For the year ending March 31, 2013, RPCIO’s activities resulted in a net operating loss and the recognition of a deferred tax asset (DTA) relating thereto. In addition, RPCIC recorded a full valuation allowance against the DTA as Management does not believe they will be able to realize the DTA in the future.

Subsequent Events: These consolidated financial statements have not been updated for subsequent events occurring after June 20, 2013 which is the date these consolidated financial statements were available to be issued.

Reclassifications: Certain prior year amounts were reclassified to conform to the 2013 consolidated financial statement presentation due to the adoption of GASB *Statement No. 61*.

NOTE 3. ASSETS LIMITED AS TO USE

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

	2013	2012
Board Designated (a)		
Board designated funds for recruitment, capital and accruals	$ 97,845,080	$ 91,430,936
Board designated funds for strategic investment	10,000,000	10,000,000
Reserve for overpayments	-	2,053,868
Workers compensation	7,513,678	6,585,314
Employee benefits	2,274,746	2,159,756
Estimated third party settlements/unearned revenue	2,652,000	6,032,746
Technology transfer	1,000,000	1,000,000
TIAA/CREF escrow	299,931	211,696
	121,585,435	119,474,316
Held by Trustee Under Malpractice and General Liability Trust Agreement		
Malpractice reserve:		
Cash and cash equivalents	600,496	241,068
U.S. Government obligations	12,797,653	12,986,088
	13,398,149	13,227,156
Held by Trustee Under Indenture Agreement (b)		
Debt service reserve	37,980,318	25,017,850
Major modernization project	17,594,750	17,205,196
Other	10,000	-
	55,585,068	42,223,046
Held under Clinical Practice Plan Enabling Legislation (c)		
Chief Executive Officer fund	8,922,999	7,824,661
Academic development fund - Chief Executive Officer	13,104,798	11,576,379
Academic development fund – Department Chairperson	7,294,481	7,257,593
	29,322,278	26,658,633
	219,890,930	201,583,151
Less: Current portion	(38,557,307)	(38,651,401)
	$ 181,333,623	$ 162,931,750

(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 4. CAPITAL ASSETS

	March 31, 2012	Additions	Deductions	March 31, 2013
Non-depreciable assets:				
Land	$ 4,291,887	$ -	$ -	$ 4,291,887
Construction in progress	7,046,309	18,713,720	(9,677,470)	16,082,559
	11,338,196	18,713,720	(9,677,470)	20,374,446
Depreciable assets:				
Buildings and improvements	492,488,325	7,252,826	-	499,741,151
Equipment	170,020,812	21,511,061	(2,459,478)	189,072,395
	662,509,137	28,763,887	(2,459,478)	688,813,546
Less: Accumulated depreciation:				
Buildings and improvements	259,316,625	20,371,598	-	279,688,223
Equipment	125,348,788	14,949,328	(2,425,328)	137,872,788
	384,665,413	35,320,926	(2,425,328)	417,561,011
Capital assets, net	$ 289,181,920	$ 12,156,681	$ (9,711,620)	$ 291,626,981

	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	15,937,928	-	492,488,325
Equipment	158,575,119	13,260,368	(1,814,675)	170,020,812
	635,125,516	29,198,296	(1,814,675)	662,509,137
Less: Accumulated depreciation:				
Buildings and improvements	239,263,023	20,053,602	-	259,316,625
Equipment	112,231,089	14,877,382	(1,759,683)	125,348,788
	351,494,112	34,930,984	(1,759,683)	384,665,413
Capital assets, net	$ 308,974,752	$ 5,785,429	$ (25,578,261)	$ 289,181,920

Depreciation expense amounted to approximately $35,321,000 and $34,931,000 in 2013 and 2012, respectively.

NOTE 5. ACCRUED EXPENSES

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

	2013	2012
Salaries and benefits	$ 34,833,669	$ 32,161,650
Payroll withholdings	4,494,958	3,833,174
Current portion of retirement and post-retirement benefits	6,010,224	5,115,225
Workers compensation	7,513,678	6,585,314
Professional and general liability	18,631,628	15,064,635
Accrued interest	2,599,216	2,728,151
Other	3,018,838	6,315,052
	$ 77,102,211	$ 71,803,201

NOTE 6. SHORT-TERM BORROWINGS

On November 29, 2012, RPCIC signed an agreement with M&T Bank, which allows for borrowings up to $25,000,000. Borrowings bear interest at one month LIBOR, adjusted daily, plus 140 basis points (1.60% as of March 31, 2013). There was no balance outstanding under this agreement as of March 31, 2013. This agreement was entered into primarily to provide borrowing authority in the event NYS support payments are delayed on a short-term basis. The agreement substitutes a previous agreement with HSBC Bank, USA, which has been terminated upon on the establishment of the M&T Bank agreement.

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. There was no balance outstanding under this agreement as of March 31, 2013. 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.

NOTE 7. 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 is subject to periodic change based on actual cost incurred. All bonds are collateralized by a first lien on the revenues of RPCIC.

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

	2013	2012
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.	$ 24,871,000	$ 26,728,250
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.	36,004,760	44,192,418
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.	64,378,516	64,502,678

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

	2013	2012
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.	48,017,652	48,079,734
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.	34,591,927	36,062,730
On June 1, 2012, RPCIC entered into a capital lease obligation to rent 226 parking spaces for a 35 year period. Under terms of the agreement, the cost of capital is estimated at 3.4% per annum with interest and principal payments due through 2047.	4,522,957	-
	212,386,812	219,565,810
Plus: Unamortized bond premium	8,375,433	9,907,614
Total long-term obligations	220,762,245	229,473,424
Less: Current portion	(12,248,532)	(11,701,955)
Long-term obligations, net	$ 208,513,713	$ 217,771,469

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

Obligation Type	March 31, 2012	Additions	Deductions	March 31, 2013
Bond Series 2003	$ 26,728,250	$ -	$ 1,857,250	$ 24,871,000
Bond Series 2004	44,192,417	-	8,187,657	36,004,760
Bond Series 2004	64,502,679	-	124,163	64,378,516
Bond Series 2005	48,079,734	-	62,082	48,017,652
Bond Series 2011	36,062,730	-	1,470,803	34,591,927
Capital Lease	-	4,522,957	-	4,522,957
	219,565,810	4,522,957	11,701,955	212,386,812
Plus: Unamortized bond premium	9,907,614	-	1,532,181	8,375,433
Total long-term obligations	229,473,424	$ 4,522,957	$ 13,234,136	220,762,245
Less: Current portion	(11,701,955)			(12,248,532)
Long-term obligations, net	$ 217,771,469			$ 208,513,713

Obligation Type	March 31, 2011	Additions	Deductions	March 31, 2012
Bond Series 1998	$ 40,554,570	$ -	$ 40,554,570	$ -
Bond Series 2003	28,526,000	-	1,797,750	26,728,250
Bond Series 2004	51,994,717	-	7,802,300	44,192,417
Bond Series 2004	64,622,066	-	119,387	64,502,679
Bond Series 2005	48,141,815	-	62,081	48,079,734
Bond Series 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 obligations	241,168,001	$ 39,416,926	$ 51,111,503	229,473,424
Less: Current portion	(11,898,235)			(11,701,955)
Long-term obligations, net	$ 229,269,766			$ 217,771,469

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

In connection with these financing arrangements, RPCIC previously recognized its portion of the premiums, discount, and debt issuance costs related to each issue. RPCIC uses the effective interest method for amortizing these amounts. Amortization of issuance costs was $429,341 in 2013 and $633,297 in 2012, and is included in amortization. Accumulated amortization amounts to approximately $17,185,000 and $16,756,000 at 2013 and 2012, respectively. Included as an offset to interest expense is $1,532,181 and $1,503,275 in 2013 and 2012, 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 original bond issue costs.

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

	Bonds		Capital lease	
	Principal	Interest	Principal	Interest
Year ending March 31,				
2014	$ 12,248,532	$ 10,089,200	$ (9,359)	$ 153,939
2015	12,858,331	9,458,527	(5,276)	154,194
2016	13,278,850	8,805,890	(921)	154,307
2017	13,055,128	8,139,243	3,721	154,267
2018	13,726,109	7,447,844	8,663	154,064
2019 – 2023	87,500,976	25,067,893	129,024	760,835
2024 – 2029	55,195,929	3,948,800	306,826	724,764
Thereafter	-	-	4,090,279	1,663,929
	207,863,855	72,957,397	4,522,957	3,920,299
Plus: Unamortized bond premium	8,375,433	-	-	-
	$ 216,239,288	$ 72,957,397	$ 4,522,957	$ 3,920,299

NOTE 8. 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.

NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

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 2013 and 2012.

Plan	Tier	Participant Contribution 2013	2012
Empire Plan	Single	56.30	69.72
	Family	251.87	278.26
Community Blue	Single	62.10	66.11
	Family	342.94	395.64
Independent Health	Single	92.56	63.96
	Family	339.89	274.89

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 2013 and 2012:

	2013	2012
Annual OPEB Cost		
Annual Required Contribution (ARC)	$ 53,516,149	$ 50,883,085
Interest on Net OPEB Obligation	6,784,113	5,513,224
Adjustment to Annual Required Contribution	(11,537,346)	(9,376,019)
Annual OPEB Cost	$ 48,762,916	$ 47,020,290
Net OPEB Obligation		
Net OPEB Obligation – beginning of year	$ 226,137,075	$ 183,774,118
Annual OPEB Cost	48,762,916	47,020,290
Employer Contributions	(5,005,834)	(4,657,333)
Net OPEB Obligation – end of year	269,894,157	226,137,075
Less: Current portion	(6,010,224)	(5,115,225)
Long-term OPEB obligation	$ 263,883,933	$ 221,021,850

NOTE 8. 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 2013, 2012 and 2011.

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
3/31/2011	$ 43,684,541	8.73%	$ 183,774,118
3/31/2012	$ 47,020,290	9.90%	$ 226,137,075
3/31/2013	$ 48,762,916	10.27%	$ 269,894,157

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 $485,125,275 and $525,425,918 in 2013 and 2012, respectively, and the actuarial value of assets was $0 in 2013 and 2012, resulting in an unfunded actuarial accrued liability (“UAAL”) of $485,125,275 and $525,425,918 in 2013 and 2012, respectively. The covered payroll (annual payroll of active employees covered by the plan) was $186,690,252 and $174,526,976 in 2013 and 2012, respectively, and the ratio of the UAAL to the covered payroll was 259.86% and 301.06% in 2013 and 2012, 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 2013 and 2012 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 8.5, reduced by decrements of 0.5 percent to an ultimate rate of 5.0 percent in 2021. An inflation assumption of 2.5 and 3.0 percent was used in 2013 and 2012, respectively. The assumed rate of annual salary increase is 5.0 percent in 2013 and 2012, respectively. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at March 31, 2013, was thirty years.

NOTE 8. 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 position 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, 2013, utilizing a cut-off date of January 1, 1999:

	Prior to January 1, 1999	Post January 1, 1999	Total
Actuarial accrued liability (AAL)	$ 128,243,490	$ 356,881,785	$ 485,125,275
Annual required contribution (ARC)	7,700,018	45,816,131	53,516,149
Annual OPEB cost	7,050,538	41,712,378	48,762,916
Net OPEB obligation:			
Net OPEB obligation – beginning of year	30,899,285	195,237,790	226,137,075
Annual OPEB cost	7,050,538	41,712,378	48,762,916
Employer contributions	(3,083,732)	(1,922,102)	(5,005,834)
Net OPEB obligation – end of year	$ 34,866,091	$ 235,028,068	$ 269,894,157

NOTE 9. 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, 2013, for which reserves have been estimated. Claim reserves were discounted using a rate of 3% in 2013 and 2012, respectively.

NOTE 9. INSURANCE ARRANGEMENTS (CONTINUED)

The charges to expenses for medical malpractice costs approximated $5,656,581 and $1,840,000 in 2013 and 2012, 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, 2013, for which reserves have been estimated.

The charges to expense for workers compensation related costs approximated $3,044,000 and $2,805,000 in 2013 and 2012, respectively, and are included as a component of employee benefits expense in the consolidated statement of revenues, expenses and changes in net position.

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 is 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, 2013 and 2012, no payments of final settlement of malpractice cases were made.

NOTE 10. 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, 2013, 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 18% and 2% in 2013 and 17% and 3% in 2012, 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 11. 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:

	2013	2012
Medicare	18%	18%
Medicaid	4	7
Blue Cross	26	26
Other third-party payors	46	43
Patients	6	6
	100%	100%

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

NOTE 12. 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 affecting 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 position 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 12. 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, 2013 and March 31, 2012, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

At March 31, 2013	Prices in Active Market Level I	Other Observable Inputs Level II	Significant Unobservable Inputs Level III	Total
Cash and cash equivalents	$ 151,344,143	$ -	$ -	$ 151,344,143
Assets whose use is limited:				
Cash and cash equivalents	207,093,277	-	-	207,093,277
U.S. Government and Agency Obligations	12,797,653	-	-	12,797,653
Total assets whose use is limited	219,890,930	-	-	219,890,930
Total	$ 371,235,073	$ -	$ -	$ 371,235,073

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	$ 131,965,203	$ -	$ -	$ 131,965,203
Assets whose use is limited:				
Cash and cash equivalents	188,597,063	-	-	188,597,063
U.S. Government and Agency Obligations	12,986,088	-	-	12,986,088
Total assets whose use is limited	201,583,151	-	-	201,583,151
Total	$ 333,548,354	$ -	$ -	$ 333,548,354

NOTE 13. 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, 2013 and 2012, operating support received from NYS amounted to approximately $77,600,000 and $77,600,000, 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, 2013 and 2012, RPCIC received from NYS approximately $25,000,000 and $0, 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 position. 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 7, 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.

Health Research, Inc.:

Health Research, Inc. 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, 2013 and 2012, RPCIC paid approximately $6,111,000 and $4,994,000, respectively, of expenses incurred by HRI on RPCIC's behalf. These payments relate primarily to expenses relating to the recruitment and retention of certain principal investigators (PI's). Additionally, approximately $1,762,000 and $2,075,000 of grant revenue was remitted by HRI to RPCIC in the years ended 2013 and 2012, 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 $3,994,000 and $3,548,000 in 2013 and 2012, respectively. Grant revenues are included in other operating revenues. Furthermore, certain expenses are incurred by HRI on behalf of RPCIC, and by RPCIC on behalf of HRI, and reimbursement for these expenses are not sought by either organization in the ordinary course of business. These expenses include certain items such as rent and maintenance, administrative support and other related services.

NOTE 14. COMMITMENTS AND CONTINGENCIES

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

2014	$ 1,082,376
2015	560,294
2016	369,116
2017	314,904
Thereafter	4,631,673
	$ 6,958,363

Total expenses for rents and operating type leases were approximately $1,744,000 and $1,595,000 for 2013 and 2012, respectively.

FreedMaxick CPAs, P.C.

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Roswell Park Cancer Institute Corporation as of and for the years ended March 31, 2013 and 2012, and have issued our report thereon, dated June 20, 2013, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying combining information on pages 43 through 46 is presented for purposes of additional analysis rather than to present the financial position and results of operations for the individual entities, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, 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 20, 2013

ROSWELL PARK CANCER INSTITUTE CORPORATION

CONSOLIDATING BALANCE SHEET
March 31, 2013

ASSETS	Public Benefit Corporation	RPCI Oncology, PC	Eliminations	Consolidated Total
Current assets:				
Cash and cash equivalents	$ 151,191,392	$ 152,751	$ -	$ 151,344,143
Current portion of assets, limited as to use	38,557,307	-	-	38,557,307
Patient accounts receivable, net	54,173,011	798,252	-	54,971,263
Inventories	4,864,525	135,519	-	5,000,044
Due from New York State and affiliates	1,779,846	-	-	1,779,846
Prepaid expenses and other assets	5,288,849	2,525	-	5,291,374
Total current assets	255,854,930	1,089,047	-	256,943,977
Noncurrent assets:				
Due from affiliates	505,099	-	-	505,099
Assets limited as to use, net	181,323,623	10,000	-	181,333,623
Intangible assets	-	1,161,806	-	1,161,806
Capital assets, net	291,588,373	38,608	-	291,626,981
Debt issuance costs, net	4,576,294	-	-	4,576,294
Investment in subsidiary	2,204,955	-	(2,204,955)	-
Total noncurrent assets	480,198,344	1,210,414	(2,204,955)	479,203,803
Total assets	$ 736,053,274	$ 2,299,461	$ (2,204,955)	$ 736,147,780
LIABILITIES AND NET POSITION				
Current liabilities:				
Current portion of long-term obligations	$ 12,248,532	$ -	$ -	$ 12,248,532
Accounts payable	20,952,138	54,577	-	21,006,715
Accrued expenses	77,062,282	39,929	-	77,102,211
Due to third-party payors	15,163,175	-	-	15,163,175
Total current liabilities	125,426,127	94,506	-	125,520,633
Long-term obligations, net	208,513,713	-	-	208,513,713
Post-employment benefits, net of		-		
current portion	263,883,933	-	-	263,883,933
Total liabilities	597,823,773	94,506	-	597,918,279
Net position:				
Net investment in capital assets	92,997,172	-	-	92,997,172
Restricted expendable	67,302,596	-	-	67,302,596
Unrestricted	(22,070,267)	2,204,955	(2,204,955)	(22,070,267)
Total net position	138,229,501	2,204,955	(2,204,955)	138,229,501
Total liabilities and net position	$ 736,053,274	$ 2,299,461	$ (2,204,955)	$ 736,147,780

ROSWELL PARK CANCER INSTITUTE CORPORATION

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended March 31, 2013

	Public Benefit Corporation	RPCI Oncology, PC	Eliminations	Consolidated Total
Operating revenues:				
Net patient service revenue	$ 397,832,581	$ 1,325,155	$ -	$ 399,157,736
Contributions of CPP/net settlements and appeals	21,663,774	-	-	21,663,774
Contributions from the State of New York	77,600,000	-	-	77,600,000
Grants and contracts	1,762,031	-	-	1,762,031
Other operating revenue	9,446,360	-	-	9,446,360
Total operating revenues	508,304,746	1,325,155	-	509,629,901
Operating expenses:				
Salaries	190,228,438	290,777	-	190,519,215
Employee benefits	109,485,188	33,596	-	109,518,784
Supplies and other services	195,080,430	1,165,241	-	196,245,671
Depreciation and amortization	35,747,467	30,586	-	35,778,053
Provision for malpractice	5,656,581	-	-	5,656,581
Total operating expenses	536,198,104	1,520,200	-	537,718,304
Loss from operations	(27,893,358)	(195,045)	-	(28,088,403)
Nonoperating revenues (expenses):				
Interest and other income	1,472,140	-	-	1,472,140
Interest expense	(9,127,676)	-	-	(9,127,676)
Gain on disposal of capital assets	20,234	-	-	20,234
Investment loss	(44,596)	-	-	(44,596)
Net nonoperating expenses	(7,679,898)	-	-	(7,679,898)
Deficiency of revenues over expenses	(35,573,256)	(195,045)	-	(35,768,301)
Contributions for purchase of capital assets	27,113,834	-	-	27,113,834
Contributions from (to) related party	-	2,400,000	(2,400,000)	-
Change in interest in net position of subsidiary	(195,045)	-	195,045	-
(Decrease) increase in net position	(8,654,467)	2,204,955	(2,204,955)	(8,654,467)
Net position, beginning of year	146,883,968	-	-	146,883,968
Net position, end of year	$ 138,229,501	$ 2,204,955	$ (2,204,955)	$ 138,229,501

ROSWELL PARK CANCER INSTITUTE CORPORATION

COMBINING BALANCE SHEET FOR THE PUBLIC BENEFIT CORPORATION
March 31, 2013

ASSETS	Roswell Park Cancer Institute	Roswell Park Cancer Institute Clinical Practice Plan	Eliminations	Public Benefit Corporation Combined Total
Current assets:				
Cash and cash equivalents	$ 146,885,643	$ 4,305,749	$ -	$ 151,191,392
Current portion of assets, limited as to use	35,043,462	3,513,845	-	38,557,307
Patient accounts receivable, net	49,211,827	4,961,184	-	54,173,011
Inventories	4,864,525	-	-	4,864,525
Due from (to) New York State and affiliates	4,765,751	(631,997)	(2,353,908)	1,779,846
Prepaid expenses and other assets	4,795,320	493,529	-	5,288,849
Total current assets	245,566,528	12,642,310	(2,353,908)	255,854,930
Noncurrent assets:				
Due from affiliates	-	505,099	-	505,099
Assets limited as to use, net	155,515,190	25,808,433	-	181,323,623
Capital assets, net	291,539,651	48,722	-	291,588,373
Debt issuance costs, net	4,576,294	-	-	4,576,294
Investment in subsidiary	2,204,955	-	-	2,204,955
Total noncurrent assets	453,836,090	26,362,254	-	480,198,344
Total assets	$ 699,402,618	$ 39,004,564	$ (2,353,908)	$ 736,053,274
LIABILITIES AND NET POSITION				
Current liabilities:				
Current portion of long-term obligations	$ 12,248,532	$ -	$ -	$ 12,248,532
Accounts payable	18,868,737	2,083,401	-	20,952,138
Accrued expenses	72,371,127	4,691,155	-	77,062,282
Due to third-party payors	15,163,175	-	-	15,163,175
Due to affiliates	-	2,353,908	(2,353,908)	-
Total current liabilities	118,651,571	9,128,464	(2,353,908)	125,426,127
Long-term obligations, net	208,513,713	-	-	208,513,713
Post-employment benefits, net of current portion	263,883,933	-	-	263,883,933
Total liabilities	591,049,217	9,128,464	(2,353,908)	597,823,773
Net position:				
Net investment in capital assets	92,948,450	48,722	-	92,997,172
Restricted expendable	37,980,318	29,322,278	-	67,302,596
Unrestricted	(22,575,367)	505,100	-	(22,070,267)
Total net position	108,353,401	29,876,100	-	138,229,501
Total liabilities and net position	$ 699,402,618	$ 39,004,564	$ (2,353,908)	$ 736,053,274

ROSWELL PARK CANCER INSTITUTE CORPORATION

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE PUBLIC BENEFIT CORPORATION
For the Year Ended March 31, 2013

	Roswell Park Cancer Institute	Roswell Park Cancer Institute Clinical Practice Plan	Eliminations	Public Benefit Corporation Combined Total
Operating revenues:				
Net patient service revenue	$ 353,642,060	$ 44,190,521	$ -	$ 397,832,581
Contributions of CPP/net settlements and appeals	21,749,778	1,250,961	(1,336,965)	21,663,774
Contributions from the State of New York	77,600,000	21,716,786	(21,716,786)	77,600,000
Grants and contracts	-	1,762,031	-	1,762,031
Other operating revenue	8,180,220	1,266,140	-	9,446,360
Total operating revenues	461,172,058	70,186,439	(23,053,751)	508,304,746
Operating expenses:				
Salaries	152,841,176	59,104,048	(21,716,786)	190,228,438
Employee benefits	107,193,969	2,291,219	-	109,485,188
Supplies and other services	184,692,403	10,388,027	-	195,080,430
Depreciation and amortization	35,717,256	30,211	-	35,747,467
Provision for malpractice	5,656,581	-	-	5,656,581
Contributions to Roswell Park Cancer Institute Corporation	-	1,336,965	(1,336,965)	-
Total operating expenses	486,101,385	73,150,470	(23,053,751)	536,198,104
Loss from operations	(24,929,327)	(2,964,031)	-	(27,893,358)
Nonoperating revenues (expenses):				
Interest and other income	1,388,008	84,132	-	1,472,140
Interest expense	(9,127,676)	-	-	(9,127,676)
Gain on disposal of capital assets	20,234	-	-	20,234
Investment loss	(44,596)	-	-	(44,596)
Net nonoperating (expenses) revenues	(7,764,030)	84,132	-	(7,679,898)
Deficiency of revenues over expenses	(32,693,357)	(2,879,899)	-	(35,573,256)
Contributions for purchase of capital assets	27,113,834	-	-	27,113,834
Contributions (to) from related party	(1,581,903)	1,581,903	-	-
Change in interest in net position of Subsidiary	(195,045)	-	-	(195,045)
Decrease in net position	(7,356,471)	(1,297,996)	-	(8,654,467)
Net position, beginning of year	115,709,872	31,174,096	-	146,883,968
Net position, end of year	$ 108,353,401	$ 29,876,100	$ -	$ 138,229,501