CONSOLIDATED AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

ROSWELL PARK CANCER INSTITUTE CORPORATION

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

MARCH 31, 2016

ROSWELL PARK CANCER INSTITUTE CORPORATION
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

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, 2016 and 2015, 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 consolidated 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, 2016 and 2015, 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 Matters

As disclosed in Note 9 of the financial statements, the Corporation adopted the reporting and disclosure requirements of GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions – an Amendment of* GASB *Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of* GASB *Statement No. 68.* The implementation of those statements resulted in a restatement of opening net position, as required by U.S. GAAP.

As further discussed in Note 14, RPCIC had significant transactions with related parties. Our opinion is not modified with respect to either of these matters.

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 16 be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the consolidated 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 23, 2016 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 23, 2016

Our discussion and analysis of Roswell Park Cancer Institute Corporation's ("RPCIC") financial performance provides an overview of RPCIC's financial activities for the fiscal year that ended on March 31, 2016. 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 comprehensive cancer center in Upstate New York, consistently ranks among the NCI's top recipients of research funding. In 2014, the Institute's NCI Cancer Center Support Grant ("CCSG", also known as the "core" grant) was reviewed and renewed without a site visit (the first time ever) for another 5 years. This grant, which forms the foundation for Roswell's designation as an NCI comprehensive cancer center, is in its 39th year of continuous funding by the NCI. Only two other cancer centers in the U.S. have held the designation, an important benchmark of excellence, for this length of time. Additionally, RPCI is a member of the prestigious National Comprehensive Cancer Network (NCCN) a not-for-profit alliance of 27 of the world's leading cancer centers devoted to patient care, research, and education. The NCCN is dedicated to improving the quality, effectiveness, and efficiency of cancer care so that patients can live better lives.

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 – for Medical and Surgical Oncology Training Programs, 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), American Society of Clinical Oncology (ASCO) Certification for Quality Oncology Practice Initiatives (QOPI) for Medical Oncology Programs, Association for the Accreditation of Human Research Protection Programs, Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC International), National Marrow Donor Program and the Joint Commission Certification for Palliative Care.

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

- US News & World Report – Best Hospitals for Cancer (Top 50 in 2015, 2014, 2013, 2012, 2011 & 2010)

- NCI - Cancer Immunotherapy Trials Network (1 of 27 in North America)

1. Introduction (Continued)

- 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 over 300 clinicians, scientists, and shared research resources professional staff. The interdisciplinary research programs – basic science, translational, and clinical – focus on six primary areas of investigation: Tumor Immunology and Immunotherapy, Cell Stress and Biophysical Therapies, Genetics, Genitourinary Cancers, Experimental Therapeutics, and Population Sciences.

In calendar year 2015, approximately 700 clinicians, 450 researchers, and 650 interns received training experiences at Roswell Park. Clinicians included oncology fellows, resident physicians, medical students, physician assistants, nurses, pharmacists, and other healthcare professionals. Most are enrolled at the University at Buffalo's School of Medicine and Graduate Medical Education programs, but also represent training programs at twenty regional colleges and universities. Researchers include over 120 masters' and doctoral students enrolled in the Roswell Park Graduate Division of the University at Buffalo's Graduate School, along with postdoctoral fellows and visiting scholars.

Patient activity continued to grow with over 34,000 active patients diagnosed, treated, and/or seen in follow-up clinics and 215,424 outpatient visits in fiscal year 2016.

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 over 2 million square feet of space of which more than 600,000 gross 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 22 multidisciplinary specialty clinics. Clinical services include a 14-bed Blood and Marrow Transplant Center and satellite ambulatory facilities in Amherst, NY and Niagara Falls, 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 and UBMD pediatric practice delivering 90% of all hematology/oncology services for children in the 8-county WNY region for more than 40 years.

Community oncology care is delivered through both our RPCI Regional Affiliate Network and our Community Cancer Practice. Members include Bradford Regional Medical Center in Bradford, PA; Breast Care of Western New York, Amherst, NY; Cayuga Medical Center in Ithaca, NY; Hematology Oncology Associates of CNY in East Syracuse, NY; Jamestown Medical Oncology and Hematology in Jamestown, NY; Lakeshore Cancer Center in Lagos, Nigeria; Olean General Hospital, Olean, NY; Rochester General Hospital, Rochester, NY; Roswell Park Hematology Oncology Southtowns, West Seneca, NY; Roswell Park Hematology Oncology of Niagara, Niagara Falls, NY; and Soniwala Hematology Oncology Associates, Amherst, NY. In addition, Roswell Park runs the New York State Smoker's Quitline and the HIV/AIDS Hotline, which provide a wide variety of counseling and support services to individuals and public health professionals statewide.

2. Mission

To understand, prevent and cure cancer.

Vision

To position Roswell Park 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 ("PBC") 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 Units

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 Units (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 was 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 required that the component unit's financial statements be presented discretely from the financial statements of the Corporation. The Corporation has elected to present the Foundation component unit's financial statements immediately after the Corporation's consolidated financial statements, included in the basic financial statements.

In addition, the consolidated financial statements of the Institute also include financial results of the Institute's blended component units, RPCI Oncology, P.C., OmniSeq LLC, and Carlton & Michigan, LLC ("C&M").

5. Financial Highlights

- Net position increased $24,356 (16.5%) from 2015 to 2016 and $15,318 (11.4%) from 2014 to 2015.
- Total Assets and deferred outflows increased $70,712 (8.2%) from 2015 to 2016 and $60,371 (7.6%) from 2014 to 2015.
- Operating revenues, excluding NYS support, increased by $56,436 (11.3%) from 2015 to 2016 and $47,645 (10.6%) from 2014 to 2015.
- NYS support revenue, including funds restricted for capital purchases ($0 in 2015, $15,500 in 2016) remained constant from 2015 to 2016 and from 2014 to 2015.
- Operating expenses increased by $39,526 (6.6%) from 2015 to 2016 and $41,225 (7.4%) from 2014 to 2015.

6. Using This Annual Report

RPCIC's consolidated financial statements consist of three statements – a consolidated statement of net position; 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 Statement of Net Position 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.

In fiscal year 2016, RPCIC adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27 ("GASB No. 68"). The financial statement impact of this adoption is discussed within Note 2 and Note 9.

(in thousands of dollars, except as otherwise noted)

6. Using This Annual Report (Continued)

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.

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, however is considered a related party for financial reporting purposes.

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 increased by $24,356 (after consideration of adoption of GASB 68 – see Note 9) in 2016 and $15,318 in 2015 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 Statement of Net Position

	2016	2015	2014
Assets			
Current and other assets	$ 589,830	$ 552,781	$ 500,804
Capital assets, net	315,241	305,931	297,537
Total assets	905,071	858,712	798,341
Deferred outflow of resources	24,353	-	-
Total Assets and deferred outflows	$ 929,424	$ 858,712	$ 798,341
Liabilities			
Long-term debt outstanding	$ 208,358	$ 222,765	$ 236,894
Other liabilities	545,464	485,925	426,743
Total liabilities	753,822	708,690	663,637
Deferred inflow of resources	3,369	-	-
Net Position			
Net investment in capital assets	124,632	101,017	93,515
Restricted expendable	67,636	54,721	56,795
Unrestricted	(21,630)	(6,213)	(15,604)
Non-controlling interest	1,595	497	(2)
Total net position	172,233	150,022	134,704
Total liabilities, deferred inflows, and net position	$ 929,424	$ 858,712	$ 798,341

8. RPCIC's Net Position (Continued)

Overall, total assets and deferred outflow of resources increased $70,712 from 2015 to 2016 and $60,371 from 2014 to 2015.

- Current and other assets increased 6.7% in 2016, and 10.4% in 2015 as compared to 2014. For 2016, this is primarily due to an increase in limited use assets, patient accounts receivable, an improvement in cash position, and deferred outflows of resources as a result of the adoption of GASB 68. For 2015, this is primarily due to an increase in limited use assets, patient accounts receivable, intangibles, and an improvement in cash position.

- Deferred outflow of resources related to the Pension increased 100% in 2016 as compared to 2015. This is due to the adoption of GASB 68 in 2016.

- Capital assets, net increased 3.0% from 2015 to 2016 and 2.8% from 2014 to 2015. The increase in 2016 is driven primarily by the continued construction of the new Clinical Sciences Center (offset by depreciation expense). For 2015, the increase is primarily due to the construction-in-progress of the CSC building.

Overall, total liabilities and deferred inflow of resources increased 6.8% from 2015 to 2016 and 6.8% from 2014 to 2015.

- Other liabilities increased 12.3% in 2016 primarily due to a 12.9% increase in the post-retirement health liability, 25.9% increase in accounts payable and other current liabilities due largely to the timing of payments to vendors, and the recognition of a net pension liability as a result of the adoption of GASB 68. This increase is partially offset by a 61.4% decrease in liabilities to third party payors.

- Other liabilities increased 13.9% in 2015 primarily due to a 16.3% increase in the post-retirement health liability, 22.1% increase in liabilities to third party payors and a 37.8% increase in accounts payable other current liabilities due largely to the timing of payments to vendors. The increase is partially offset by the recognition of $6,027 of revenue from funding received from the Foundation to fund the CSC building in 2014.

- Long-term debt outstanding decreased 6.5% in 2016 and 6.0% in 2015. In 2016 and 2015, the decreases were a result of scheduled debt service payments on the outstanding Dormitory Authority of the State of New York ("DASNY") issued debt and the amortization of bond premium.

- Deferred inflow of resources related to the Pension increased 100% in 2016 as compared to 2015. This is due to the adoption of GASB 68 in 2016.

Overall, total net position increased 16.5% from 2015 to 2016 and 11.4% from 2014 to 2015.

9. Changes in RPCIC's Net Position

The following summarizes RPCIC's statement of revenue, expenses and changes in net position between 2016, 2015 and 2014.

Patient volumes at RPCIC are measured on both the inpatient and outpatient basis. Inpatient admissions increased 7.8% from 2015 to 2016 and decreased 5.2% from 2014 to 2015. Inpatient days increased to 39,084 (2.7%) in 2016 but decreased to 38,069 (0.5%) in 2015 from 38,243 in 2014. Outpatient visits increased to 215,424 (6.9%) in 2016 and increased to 201,490 (0.8%) in 2015 from 199,960 in 2014.

(in thousands of dollars, except as otherwise noted)

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

In 2016 RPCIC's net position increased by $24,356 (16.5%) as shown in Table 2. Operating revenues excluding NYS support increased 11.3% and operating expenses grew 6.6%. The operating expense base of $637,525 includes annual OPEB cost of $53,879 and an annual pension cost of $16,046 in 2016. Both of these employee fringe benefits are provided to PBC employees as required by NYS. See "Matters Involving New York State" in Note 8 and the "New York State" section in Note 14. Total support from NYS increased by $8 to $102,608, which included funds received for the purchase of capital assets of $15,500 and which is treated as contributions for capital assets, remained unchanged from 2015. In 2015, none of the NYS support was restricted for capital purchases.

In 2015 RPCIC's net position increased by $15,318 (11.4%) as shown in Table 2. Operating revenues excluding NYS support increased 10.6% and operating expenses grew 7.4%. The operating expense base of $597,999 includes annual OPEB cost of $56,898 and an annual pension cost of $22,814 in 2015. 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 14. Total support from NYS remained unchanged from 2014 including funds received through the HEAL NY program ($25,000 in 2014 and 2013).

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

	2016	2015	2014
Operating revenues:			
Net patient service revenue and net settlement and appeals	$ 542,305	$ 486,052	$ 439,231
NYS operating support	87,108	102,600	77,600
Grants and contracts	1,484	1,496	1,554
Other operating revenue	11,317	11,122	10,240
Total operating revenues	642,214	601,270	528,625
Operating expenses:			
Salaries, wages and benefits	335,091	326,706	309,654
Purchased services and supplies	263,410	231,423	202,317
Provision for malpractice	3,064	4,508	9,870
Depreciation and amortization	35,960	35,362	34,933
Total operating expenses	637,525	597,999	556,774
Operating income (loss)	4,689	3,271	(28,149)
Non-operating revenues and expenses and other changes in net position, including funds received from NYS for capital purchases	19,667	12,047	29,200
Increase in net position	$ 24,356	$ 15,318	$ 1,051

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

Overall, operating revenues excluding NYS support increased 11.3% from 2015 to 2016 and 10.6% from 2014 to 2015.

- Net patient service revenue including settlements and appeals increased 11.6% in 2016 and 10.7% in 2015 as a result of the following: RPCIC hospital revenue increased 12.3% and 8.9% and professional revenues increased 9.4% and 3.5% in 2016 and 2015, respectively. Government appeals and settlement revenue decreased 41.8% in 2016 but increased 31.5% in 2015. The increases in hospital and professional revenues were attributable to increased volumes, changes in mix of services provided as well as third party payor rate increases. The increases/decreases in the government appeals and settlements revenue were due to fluctuations in revenue from DSH cap adjustments and Medicare settlements and appeals. Revenues also include $22,628 and $12,001 related to RPCI Oncology, PC for 2016 and 2015, respectively.

- 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 $4,846 and $3,954 in 2016 and 2015.

- Other operating revenue increased 1.8% from 2015 to 2016 and 8.6% from 2014 to 2015. 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.

Overall, operating expenses increased 6.6% from 2015 to 2016 and 7.4% from 2014 to 2015.

- Salary, wages, and benefits costs increased 2.6% and 5.5%, respectively, due to:

    - ➢ Growth in employee benefits and retiree health expense including increases in retirement costs, health insurance costs, worker's compensation, and other employee benefits. Benefits were 52.0%, 60.1%, and 59.6%, of salary costs in 2016, 2015 and 2014, respectively.

    - ➢ Step and cost of living increases required by labor contracts.

    - ➢ Recruitment of scientific and clinical faculty as well as staffing increases related to changes in patient acuity and new initiatives.

- Purchased services and supplies increased 13.8% and 14.4%, 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.

(in thousands of dollars, except as otherwise noted)

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

Non-operating revenues (expenses) and changes in net position increased 63.3% from 2015 to 2016 due to the following factors:

- Contributions for purchases of capital assets in 2016 include $15,500 support from NYS, restricted to the purchase of capital assets and $11,465 from the Foundation to fund CSC construction. As described below, NYS support in 2015 was not restricted to capital purchases.

- Interest expense has declined 6.2% from 2015 to 2016. This is due primarily to the effect of the scheduled debt payments and amortization of bond premium.

Non-operating revenues (expenses) and changes in net position decreased 58.7% from 2014 to 2015 due to the following factors:

- Contributions for purchases of capital assets in 2015 include $11,267 from the Foundation to fund CSC construction, $2,550 received from ESDC to fund the Center for Personalized Medicine ("CPM"). Funding in the amount of $25,000 was received from HEAL NY in 2014 to be used for capital asset purchases. In 2015, the total NYS support was not restricted to such requirements.

- Interest expense has declined 6.5% from 2014 to 2015. This is due primarily to the effect of the scheduled debt payments and amortization of bond premium.

10. Capital Asset and Debt Administration

At the end of fiscal 2016, 2015 and 2014, RPCIC had $315,241, $305,931, and $297,537, 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

	2016	2015	2014
Land	$ 4,292	$ 4,292	$ 4,292
Building	526,574	515,430	504,260
Equipment/other	208,543	205,494	194,593
Construction in progress	79,603	58,541	41,050
	819,012	783,757	744,195
Less: Accumulated depreciation	(503,771)	(477,826)	(446,658)
Net capital assets	$ 315,241	$ 305,931	$ 297,537

(in thousands of dollars, except as otherwise noted)

10. Capital Asset and Debt Administration (Continued)

During May 2013, Carlton & Michigan, LLC ("C&M") was established to construct and operate a new Clinical Science Center ("CSC" or the "Project"). C&M is jointly owned by RPCIC (90%) and the Foundation (10%). During 2014, construction began on the CSC, 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. RPCIC 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 $27,700 in pledges for the CSC capital campaign, as well as committed approximately $5,000 in the form of additional funding for the project. Other financing structures for the project are described more fully in Section 11, and the CSC is expected to be complete in fiscal 2017.

Long Term Debt and Capital Leases

RPCIC's outstanding long term bonds payable (net of applicable discounts and premiums) were $195,303, $209,486, and $224,036, as of March 31, 2016, 2015, and 2014, 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.

	2016	2015	2014
Series 2003 Bonds, net of premium	$ 20,764	$ 21,171	$ 23,360
Series 2004 Bonds, net of premium	75,195	85,304	95,064
Series 2005 Bonds, net of premium	48,635	48,807	48,974
Series 2011A Bonds, net of premium	29,445	33,165	35,184
Notes payable	29,780	29,780	29,780
Capital leases	4,539	4,538	4,532
Total long-term debt and capital lease obligations, net	208,358	222,765	236,894
Less: Current portion	(13,055)	(13,279)	(12,858)
Non-current portion	$ 195,303	$ 209,486	$ 224,036

During fiscal 2014, Carlton & Michigan, LLC secured notes payable in the amount of $29,780 from several Community Development Entities to fund construction of the CSC and to garner the benefit of certain New Market Tax Credits. See section 11 below for full details of this transaction.

11. Financing for the Clinical Science Center

The Corporation, C&M and the Foundation are all parties to a series of transactions entered into to finance the construction of the CSC. By consummating these transactions, the Corporation will be able to garner the benefit of certain New Market Tax Credit ("NMTC") enhanced financing to partially fund the construction of the CSC. The NMTC program was established pursuant to federal legislation in the year 2000 and is administered through the CDFI Fund of the United States Department of the Treasury. The purpose of the NMTC program is to provide an incentive for businesses to invest in projects being built or operated in low income communities. To be considered eligible, various criteria must be met pertaining to the project itself (in this case, the construction and operation of the CSC), as well as the participating entities themselves (in this case, the Corporation, C&M, the Foundation and certain other unrelated investor entities).

Further information on the New Market Tax Credit program can be found at www.cdfifund.gov.

(in thousands of dollars, except as otherwise noted)

11. Financing for the Clinical Science Center (Continued)

Under the program, participating NMTC investors will receive a maximum 39% tax credit over a period of seven years on qualified equity investments totaling approximately $30.5 million made in the construction of the CSC. Through its participation in the NMTC program, RPCIC expects to recognize a net benefit from the program of approximately $6.2 million, which represents the NMTC investors' equity investment in the tax credits less all fees and expenses.

Pursuant to the laws and regulations surrounding the NMTC program, several entities are party to the overall financing plan. RPCIC leveraged its own funds (both internal equity and funds raised by the RPAF through a capital campaign), a portion of which were loaned to two unrelated NMTC investment funds. These NMTC investment funds then made qualifying equity contributions into various Community Development Entities (CDEs), which in turn loaned those funds as qualified low-income community investments to C&M to fund the construction of the CSC. The following recaps the amounts recognized in the consolidated statement of net position as of March 31, 2016 and 2015:

		Asset (Liability)
Notes Receivable: RPCIC funds loaned to NMTC investment funds	$	21,161
Notes Payable: Amounts borrowed by C&M from CDEs to fund construction of the CSC	$	(29,780)

The NMTC program requires the financing structure to remain in place for a period of not less than seven (7) years from the date in which the NMTC investment funds make the qualified equity investment into the CDEs (the "Compliance Period"). During the Compliance Period, C&M makes interest-only payments on the loans from the CDEs. The CDEs use the interest payments to pay fees and distribute the remaining proceeds to the NMTC Investment Funds. The NMTC investment funds then use the proceeds to make interest-only payments on their notes payable to RPCIC. At the conclusion of the Compliance Period, the investors in the NMTC investment funds have the option to have their interest in the CDEs redeemed, which will result in the CDEs assigning their assets to the NMTC investment funds, including the Notes Receivable from C&M.

Additionally, the NMTC Investors have the option to put their interest in the NMTC investment funds to RPCIC for a price of $1. If the NMTC Investors do not exercise their put options, RPCIC may exercise a call option to purchase the NMTC Investors' interests in the NMTC investment funds for a price equal to the fair market value of the interests. Exercise of either the put or call options will effectively transfer ownership of the NMTC investment funds to RPCIC, which will allow RPCIC to cancel the loans between the NMTC investment funds and C&M. Recognition of the estimated $6.2 million NMTC net benefit, represented as the difference in value of the NMTC investment interests and the loans payable to the CDEs at the end of the Compliance Period, is contingent upon the exercise of either the put or call options, and thus is considered a gain contingency. Recognition of the NMTC benefit is therefore deferred until such time as the put or call options are exercised, which is expected to be no sooner than the expiration of the Compliance Period in September, 2020.

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, 2015. As of March 31, 2016 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 $603,235 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $603,235. The covered payroll (annual payroll of active employees covered by the plan) was $213,759, and the ratio of the UAAL to the covered payroll was 282.20% 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 2016 and 2015, 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 8.0 percent reduced by decrements to an ultimate rate of 3.886 percent in 2076. 2016 included a 2.25 percent inflation assumption while 2015 included a 2.25 percent inflation assumption. The assumed rate of annual salary increase is 3.5 percent in both 2016 and 2015. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at March 31, 2016, was twenty years.

In FY 2016, RPCIC's actuaries were required to apply the tenets of a newly issued actuarial standard, Actuarial Statement of Practice No. 6 (ASOP 6). ASOP requires, among other things, the use of actual claims costs incurred in estimating OPEB liabilities, as opposed to average premiums paid by all participating employers (which was previously permissible under actuarial standards). The effect of ASOP 6 was reflected in RPCIC's a financial statements for FY 2016, and amounted to a reduction of net OPEB expense from what otherwise would have been recognized of approximately $8,500 for the year ended March 31, 2016.

(in thousands of dollars, except as otherwise noted)

12. Postemployment Benefits (Continued)

Matters Involving New York State

RPCIC has recognized in its consolidated statement of net position and consolidating statement of revenues, expenses and changes in net position the amounts described below. 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.
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, 2016, utilizing a cutoff date of January 1, 1999:

	Prior to January 1, 1999	Post January 1, 1999	Total
Actuarial accrued liability ("AAL")	$ 112,670	$ 490,565	$ 603,235
Annual required contribution ("ARC")	5,984	55,534	61,518
Annual OPEB cost	5,122	48,757	53,879
Net OPEB obligation:			
Net OPEB obligation – beginning of year	41,018	322,423	363,441
Annual OPEB cost	5,122	48,757	53,879
Employer contributions	(3,303)	(3,527)	(6,830)
Net OPEB obligation – end of year	$ 42,837	$ 367,653	$ 410,490

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 2016, total support received from the State amounted increased by $8 to $102,608. In fiscal 2016 $15,500 of this support was restricted to the purchase of capital assets. In 2015, the total support of $102,600 for RPCIC was not contingent on utilization for capital expenditures.

13. Financial Condition (Continued)

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.

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 2016 and prior. Without the continued level of support, the Corporation will need 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
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

CONSOLIDATED STATEMENTS OF NET POSITION
March 31,
(in thousands of dollars)

ASSETS	2016	2015
Current assets:		
Cash and cash equivalents	$ 151,206	$ 144,654
Current portion of assets limited as to use	26,371	29,325
Patient accounts receivable, net of estimated uncollectibles of approximately $21,380 in 2016 and $18,513 in 2015	86,107	69,054
Inventories	7,856	6,574
Due from New York State and other affiliates	4,048	2,251
Prepaid expenses and other assets	5,809	7,705
Total current assets	281,397	259,563
Non-current assets:		
Assets limited as to use, net	279,548	265,058
Intangible assets	7,624	6,899
Notes receivable	21,261	21,261
Capital assets, net	315,241	305,931
Total non-current assets	623,674	599,149
Deferred outflow of resources	24,353	-
Total assets and deferred outflows	$ 929,424	$ 858,712
LIABILITIES AND NET POSITION		
Current liabilities:		
Current portion of long-term obligations	$ 13,055	$ 13,279
Accounts payable and other current liabilities	34,384	27,318
Accrued expenses	83,721	86,727
Due to third-party payors	5,804	15,018
Total current liabilities	136,964	142,342
Long-term obligations, net of current portion	195,303	209,486
Post-employment benefits, net of current portion	402,896	356,862
Net pension liability	18,659	-
Total non-current liabilities	616,858	566,348
Deferred inflows of resources	3,369	-
Total liabilities and deferred inflows	757,191	708,690
Net position:		
Net investment in capital assets	124,632	101,017
Restricted expendable	67,636	54,721
Unrestricted	(21,630)	(6,213)
Total Corporation net position	170,638	149,525
Noncontrolling interest	1,595	497
Total net position	172,233	150,022
Total liabilities, deferred inflows, and net position	$ 929,424	$ 858,712

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended March 31,
(in thousands of dollars)

	2016	2015
Operating revenues:		
Net patient service revenue	$ 529,952	$ 464,844
Net settlements and appeals	12,353	21,208
New York State operating support	87,108	102,600
Grants and contracts	1,484	1,496
Other operating revenue	11,317	11,122
Total operating revenues	642,214	601,270
Operating expenses:		
Salaries and wages	220,430	204,059
Employee benefits	114,661	122,647
Supplies and other services	263,410	231,423
Depreciation and amortization	35,960	35,362
Provision for malpractice	3,064	4,508
Total operating expenses	637,525	597,999
Income from operations	4,689	3,271
Nonoperating revenues (expenses):		
Interest and other income	747	685
Interest expense	(7,707)	(8,214)
Loss on disposal of capital assets	(398)	(5)
Investment income	60	118
Net nonoperating expenses	(7,298)	(7,416)
Deficiency of revenues over expenses	(2,609)	(4,145)
Change in accounting estimate	-	4,567
Contributions for purchase of capital assets	26,965	14,896
Increase in net position	24,356	15,318
Net position, beginning of year - before change in accounting principle	150,022	134,704
Change in accounting principle (Note 9)	(2,145)	-
Net position, beginning of year - after change in accounting principle	147,877	134,704
Net position, end of year	$ 172,233	$ 150,022

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended March 31,
(in thousands of dollars)

	2016	2015
Cash flows from operating activities:		
Net patient service revenue	$ 516,038	$ 480,792
New York State operating support	87,108	102,600
Grants and contracts	1,484	1,496
Other operating revenue	11,064	11,791
Payments to employees & benefit providers	(297,709)	(272,133)
Payments to vendors	(261,513)	(229,651)
Payments for malpractice	(1,259)	(3,279)
Net cash provided by operating activities	55,213	91,616
Cash flows from capital and related financing activities:		
Purchase of capital assets	(39,769)	(43,675)
Acquisition of intangible assets	(1,175)	(5,921)
Contributions for purchase of capital assets	25,447	8,869
Repayment of long-term obligations	(13,279)	(12,853)
Payments of interest	(9,156)	(9,490)
Net cash used in capital and related financing activities	(37,932)	(63,070)
Cash flows from investing activities:		
Assets limited as to use, net	(11,536)	(16,471)
Interest and investment income	807	803
Net cash used in investing activities	(10,729)	(15,668)
Net increase in cash and cash equivalents	6,552	12,878
Cash and cash equivalents - beginning of year	144,654	131,776
Cash and cash equivalents - end of year	$ 151,206	$ 144,654
Noncash investing and financing activities		
Asset acquisitions not paid by March 31	$ 8,777	$ 3,301

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended March 31,

(in thousands of dollars)

	2016	2015
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	$ 4,689	$ 3,271
Adjustments to income from operations to net cash provided by operating activities:		
Depreciation and amortization	35,959	35,362
Provision for bad debts	7,059	4,563
Changes in assets:		
Patients accounts receivable	(24,112)	(12,536)
Inventories	(1,282)	(1,557)
Due (from) to New York State and other affiliates	(252)	686
Prepaid expenses and other assets	1,895	(3,382)
Changes in liabilities and deferred resources:		
Accounts payable and other	1,612	7,494
Accrued expenses and postemployment benefits	43,329	55,002
Due (from) to third-party payors	(9,214)	2,713
Net pension liability and deferred resources	(4,470)	-
Net cash provided by operating activities	$ 55,213	$ 91,616

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENTS OF NET POSITION - COMPONENT UNIT

March 31,

(in thousands of dollars)

	Roswell Park Alliance Foundation, Inc.	
ASSETS	**2016**	**2015**
Current assets:		
Cash and cash equivalents	$ 20,919	$ 24,224
Investments, at fair value	5,033	6,807
Gifts and pledges receivable, current	4,069	5,738
Inventories	107	73
Due from affiliates	645	1,237
Total current assets	30,773	38,079
Non-current assets:		
Assets limited as to use, net	51,084	48,717
Gifts and pledges receivable, net	4,975	6,413
Prepaid expenses and other assets	243	221
Due from affiliates	559	559
Total non-current assets	56,861	55,910
Total assets	$ 87,634	$ 93,989
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses	$ 450	$ 363
Due to affiliate	14,231	13,991
Total current liabilities	14,681	14,354
Annuities payable	1,028	1,046
Total liabilities	15,709	15,400
Net position:		
Restricted expendable	10,673	31,452
Restricted non-expendable	23,396	32,759
Unrestricted	37,856	14,378
Total net position	71,925	78,589
Total liabilities and net position	$ 87,634	$ 93,989

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - COMPONENT UNIT
For the Years Ended March 31,
(in thousands of dollars)

	Roswell Park Alliance Foundation, Inc.	
	2016	**2015**
Operating revenues:		
Contributions	$ 22,243	$ 19,866
Other operating revenue	682	630
Total operating revenues	22,925	20,496
Operating expenses:		
Supplies and other services	1,746	1,797
Grants	20,106	20,154
Fundraising	4,360	3,888
Total operating expenses	26,212	25,839
Loss from operations	(3,287)	(5,343)
Nonoperating (expenses) revenues:		
Interest and other income	883	1,084
Investment (loss) income	(4,260)	992
Total nonoperating (expenses) revenues	(3,377)	2,076
Deficiency of revenues over expenses	(6,664)	(3,267)
Net position, beginning of year	78,589	81,856
Net position, end of year	$ 71,925	$ 78,589

See accompanying notes.

NOTE 1. ORGANIZATION

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

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

The Roswell Park Alliance Foundation, Inc. (the “Foundation”) 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.

RPCI Oncology, P.C. (“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. 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. In November 2014, RPCIO purchased the assets of Breast Care of Western New York, LLC and Soniwala Hematology Oncology Associates, LLC for total consideration of approximately $2,900 and $4,200, respectively. In October 2015, RPCIO purchased the assets of Cancer Care and Hematology of Niagara, P.C. for total consideration of approximately $1,200. The transactions were recorded on RPCIC’s consolidated financial statements using the acquisition method of accounting. The acquired assets included working capital, fixed assets, goodwill, non-compete agreements, and patient medical records.

Carlton & Michigan, LLC (“C&M”) was established in May 2013 to construct and operate a new Clinical Science Center (“CSC”) that is currently being constructed adjacent to the Institute. C&M, a limited liability company and a pass-through entity for tax purposes, is jointly owned by the Corporation (90%) and the Foundation (10%), both of which are members in C&M pursuant to an operating agreement signed by and between the parties.

C&M was established to facilitate the financing of the construction of the CSC, part of which is being provided through use of certain New Market Tax Credits (“NMTC”). Refer to Note 7 for further details on the financing of the CSC, including a description of the NMTC program.

OmniSeq, LLC (“OmniSeq”) is a for-profit corporation, headquartered in Buffalo, New York, that was formed on February 12, 2015 as a Delaware limited liability company to commercialize proprietary cancer genomic assays and technology developed at RPCI. OmniSeq is an early-stage laboratory company that focuses on providing oncological-based, advanced molecular diagnostic tests with therapeutic associations. RPCI is a majority owner in the membership interests of OmniSeq (63%).

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

NOTE 1. ORGANIZATION (CONTINUED)

Discretely Presented Component Unit: U.S. GAAP (as defined in Note 2) requires the inclusion within the Institute's financial statements the financial statements of 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.

The Foundation is a not-for-profit corporation organized to receive and administer gifts and bequests made on behalf of the Institute. The Institute utilizes these gifts and bequests in scientific and medical research, for the delivery of medical care to individuals suffering from cancer, and related charitable activities. Scientific and research grants made by the Foundation for use by the Institute are typically paid to and administered by Health Research, Inc. See Note 14 for further information. The financial statements of the Foundation have been prepared on an accrual basis and their presentation has been modified to conform with Governmental Accounting Standards Board ("GASB") principles. 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: RPCI, the Plan, RPCIO, OmniSeq and C&M (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, C&M and RPCIO is included within the supplementary financial information on pages 48 through 51. All significant intercompany balances and transactions have been eliminated in consolidation.

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

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

GASB issued new pension accounting and reporting standards that resulted in significant changes for governmental defined benefit pension plans and the employers participating in them. GASB *Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* ("GASB 68") establishes new financial reporting requirements for most governments that provide their employees with pension benefits through these types of plans. GASB 68 has been adopted by RPCI as of April 1, 2015.

Under GASB 68, employers are required to recognize in their statements of net position the obligation associated with the pension benefits promised to their employees, regardless of the type of benefit plan arrangement used. Governmental healthcare entities participating in multi-employer cost-sharing plans are required to report a liability equivalent to their proportionate share of the collective unfunded pension obligation of the plan. Each cost-sharing employer will also be required to recognize its estimated allocated share of the plan's collective pension expense.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB 68 has significantly changed the accounting and financial reporting of such multi-employer pension plans. Consequently, upon adoption of GASB 68, the Institute recognized in its financial statements its' allocation of the difference between the actuarially calculated liability and the funded position of that portion of the plan. As such, the Corporation will recognize a liability if the plan is underfunded or an asset if the plan is overfunded. GASB 68 indicates that it is preferable to retroactively apply the provisions of the standard to all periods presented. However, there is insufficient information available to determine the effects of adoption of GASB 68 for prior years. As such, information related to GASB 68 in the 2016 financial statements is not comparable to 2015. The adoption of GASB 68 resulted in a reduction of the beginning of the year net position of $2,145, which represents the net pension obligation as of the beginning of 2016.

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.

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

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

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, pension & post-employment benefit accruals and the fair value of investments. Actual results could differ from those estimates.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Assets Limited as to Use: Assets limited as to use include assets set aside for debt service as required by trustee or indenture agreements, assets held under the Plan enabling legislation, assets set aside pursuant to donor stipulations, and assets designated 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 and other income. Classification in the consolidated statement of net position between current and non-current is generally determined by the purpose for which the assets are set aside.

Intangible Assets: Intangible assets consist of goodwill, patient charts and certain covenants not to compete. The goodwill represents an intangible asset to RPCIO that has an indefinite life, therefore, in accordance with accounting principles generally accepted in the United States of America, is not subject to amortization, but instead is subject to an impairment test. RPCIO performs an impairment test at least annually, unless events occur which would necessitate an impairment analysis to be performed more frequently. No impairment was identified as of March 31, 2016 or March 31, 2015. Patient charts and the covenants not to compete represent intangible assets with finite lives. Amortization is provided on the straight-line method over the lives of the assets.

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 3 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 2016 and 2015 as a result of performing these evaluations.

Net Position: Net position is classified into categories according to external donor restrictions or availability of assets to satisfy RPCIC's obligations, as discussed below:

Net investment in capital assets 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted net position consists of net position that does not meet the definition of any of the other two components.

Non-controlling interest (NCI) consists of the percentage of C&M's net position not controlled by the Institute. The change in net position attributable to non-controlling interest for the year ended March 31, 2016 was $1,098 (($499) – 2015). No NCI is recognized relating to RPCIC's less than 100% ownership stake in OmniSeq as the membership agreement requires RPCIC be made whole on its investment in OmniSeq prior to the sharing of any gains or losses resulting from the operations of OmniSeq. As of March 31, 2016, RPCIC's investment was not fully recouped, therefore no NCI has been recognized in the consolidating financial statements.

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 $12,353 and $21,208 in 2016 and 2015, respectively.

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

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

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

Approximately 17% of net patient service revenue was generated from the combined services rendered to patients under Medicare and Medicaid programs in 2016 and 2015. Approximately 62% and 61% of net patient service revenue was generated from the combined services rendered to patients under managed care programs in 2016 and 2015, respectively.

(in thousands of dollars, except as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	2016	2015
Gross charges	$ 1,300,347	$ 1,142,467
Less:		
Discounts and allowances	(763,336)	(673,060)
Provision for bad debts	(7,059)	(4,563)
	$ 529,952	$ 464,844

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:

	2016	2015
Cafeteria	$ 1,752	$ 1,677
Parking garage	2,430	2,314
Rebates	2,058	2,058
Rental income	1,509	1,338
Other	3,568	3,735
	$ 11,317	$ 11,122

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

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.

Deficiency of Revenues over Expenses: The consolidated statement of revenues, expenses and changes in net position includes "deficiency of revenues over expenses." Changes in unrestricted net position, which is excluded from deficiency of revenues over expenses, include grants and contributions for the purchase of capital assets and a prior year change in estimate related to the Institute's allowance for bad debts.

Contributions for Purchase of Capital Assets: Contributions for purchase of capital assets consist principally of amounts received from NYS for the purchase of capital assets ($15,500 in 2016, $0 in 2015), as well as amounts received by RPCIC from Health Research, Inc. ("HRI"), the Foundation and the Empire State Development Corporation ("ESD"), all of which are related parties. Contributions from the Foundation for the Clinical Sciences Center, discussed below, were $11,462 and $11,266 in 2016 and 2015, respectively, and were for the purchase of capital assets. ESD also contributed $0 and $2,550 for other capital assets in 2016 and 2015, respectively. Contributions from HRI approximated $3 and $763 in 2016 and 2015, respectively, and were for the purchase of other capital assets.

(in thousands of dollars, except as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The contributions from the Foundation consist principally of the recognition of pledged support from the Foundation related to the construction of the Clinical Sciences Center. 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 is recognized concurrently, in timing and amount, with the progress of the construction of the Clinical Sciences Center, 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 under Section 115 of the Internal Revenue Code, 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 is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal and state income taxes on related income pursuant to Section 501 (a) of the Code. RPCIO's federal Exempt Organization Business Income Tax Returns for 2013 and 2014 remain subject to examination by the Internal Revenue Service.

OmniSeq, LLC is considered a pass-through whereby the tax implications of OmniSeq's operations are passed through to the owner/members of OmniSeq.

Reclassifications: Certain prior year amounts were reclassified to conform to the 2016 consolidated financial statement presentation.

Subsequent Events: These consolidated financial statements have not been updated for subsequent events occurring after June 23, 2016 which is the date these consolidated financial statements were available to be issued.

In April 2016, RPCIO acquired Roswell Park Hematology Oncology Southtowns, LLC through an asset purchase agreement for total consideration of approximately $1,200. RPCIO will control the operations and assets of the physician practice. The transaction is recorded on RPCIC's consolidated financial statements using the acquisition method of accounting.

NOTE 3. ASSETS LIMITED AS TO USE

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

	2016	2015
Board Designated (a)		
Board designated funds for recruitment, capital and accruals	$ 102,924	$ 100,038
Board designated funds for unfunded future retirement obligations and other strategic initiatives	88,487	92,650
Board designated funds for construction projects	633	599
Workers compensation	10,380	10,055
Employee benefits	2,393	2,369
Estimated third party settlements/unearned revenue	500	1,166
Technology transfer	1,000	1,000
TIAA/CREF escrow	360	300
	206,677	208,177

(in thousands of dollars, except as otherwise noted)

NOTE 3. ASSETS LIMITED AS TO USE (CONTINUED)

	2016	2015
Held by Trustee Under Malpractice and General Liability Trust Agreement		
Malpractice reserve:		
Cash and cash equivalents	94	65
U.S. Government obligations, corporate issues, and municipal issues	13,763	13,561
	13,857	13,626
Held by Trustee Under Indenture Agreement (b)		
Debt service reserve	34,808	23,718
Major modernization project	17,749	17,851
Other	-	10
	52,557	41,579
Held under Clinical Practice Plan Enabling Legislation (c)		
Chief Executive Officer fund	12,768	11,533
Academic development fund - Chief Executive Officer	14,130	13,648
Academic development fund - Department Chairperson	5,930	5,820
	32,828	31,001
	305,919	294,383
Less: Current portion	(26,371)	(29,325)
	$ 279,548	$ 265,058

(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 with the exception of approximately $5,600 in 2016 and 6,000 in 2015 of receivables from DASNY related to the modernization project.
(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.

(in thousands of dollars, except as otherwise noted)

NOTE 4. CAPITAL ASSETS

Capital assets consisted of the following at March 31:

	March 31, 2015	Additions	Deductions	March 31, 2016
Non-depreciable assets:				
Land	$ 4,292	$ -	$ -	$ 4,292
Construction in progress	58,541	21,062	-	79,603
	62,833	21,062	-	83,895
Depreciable assets:				
Buildings and improvements	515,430	11,144	-	526,574
Equipment	205,494	13,011	(9,962)	208,543
	720,924	24,155	(9,962)	735,117
Less: Accumulated depreciation:				
Buildings and improvements	312,226	18,766	-	330,992
Equipment	165,600	16,743	(9,564)	172,779
	477,826	35,509	(9,564)	503,771
Capital assets, net	$ 305,931	$ 9,708	$ (398)	$ 315,241

	March 31, 2014	Additions	Deductions	March 31, 2015
Non-depreciable assets:				
Land	$ 4,292	$ -	$ -	$ 4,292
Construction in progress	41,050	17,491	-	58,541
	45,342	17,491	-	62,833
Depreciable assets:				
Buildings and improvements	504,260	11,170	-	515,430
Equipment	194,593	14,891	(3,990)	205,494
	698,853	26,061	(3,990)	720,924
Less: Accumulated depreciation:				
Buildings and improvements	297,859	18,211	(3,844)	312,226
Equipment	148,799	16,910	(109)	165,600
	446,658	35,121	(3,953)	477,826
Capital assets, net	$ 297,537	$ 8,431	$ (37)	$ 305,931

Depreciation expense amounted to approximately $35,509 and $35,121 in 2016 and 2015, respectively.

(in thousands of dollars, except as otherwise noted)

NOTE 5. ACCRUED EXPENSES

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

	2016	2015
Salaries and benefits	$ 31,850	$ 38,524
Payroll withholdings	4,575	3,098
Current portion of retirement and post-retirement benefits	7,594	6,579
Workers' compensation	10,380	10,055
Professional and general liability	26,695	24,890
Accrued interest	1,943	2,264
Other	684	1,317
	$ 83,721	$ 86,727

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. There was no balance outstanding under this agreement as of March 31, 2016 and 2015. 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 the establishment of the M&T Bank agreement.

On April 25, 2012, RPCIC entered into a Delayed Draw Term Loan "Draw Loan" with M&T Bank. The amount currently available under the credit facility is $7,300. The Draw Loan is in connection with the construction of the Clinical Science Center. There was no balance outstanding under this agreement as of March 31, 2016 and 2015. 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 costs 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:

	2016	2015
On December 4, 2003, DASNY issued debt in the amount of $41,910 (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.	$ 20,616	$ 20,884

(in thousands of dollars, except as otherwise noted)

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

	2016	2015
On April 7, 2004, DASNY issued debt in the amount of $77,245 (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.	8,939	18,402
On April 7, 2004, DASNY issued debt in the amount of $78,870 (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.	63,978	64,116
On May 24, 2005, DASNY issued debt in the amount of $51,465 (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.	47,812	47,884
On July 13, 2011, DASNY issued debt in the amount of $48,180 (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.	28,133	31,471
C&M loans payable under NMTC program (a).	29,780	29,780
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.	4,539	4,538
	203,797	217,075
Plus: Unamortized bond premium	4,561	5,690
Total long-term obligations	208,358	222,765
Less: Current portion	(13,055)	(13,279)
Long-term obligations, net	$ 195,303	$ 209,486

(in thousands of dollars, except as otherwise noted)

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

Obligation Type	March 31, 2015	Additions	Deductions	March 31, 2016
Bond Series 2003	$ 20,884	$ -	$ 268	$ 20,616
Bond Series 2004	18,402	-	9,463	8,939
Bond Series 2004	64,116	-	138	63,978
Bond Series 2005	47,884	-	72	47,812
Bond Series 2011	31,471	-	3,338	28,133
Loans payable	29,780	-	-	29,780
Capital lease	4,538	1	-	4,539
	217,075	1	13,279	203,797
Plus: Unamortized bond premium	5,690	-	1,129	4,561
Total long-term obligations	222,765	$ 1	$ 14,408	208,358
Less: Current portion	(13,279)			(13,055)
Long-term obligations, net	$ 209,486			$ 195,303

Obligation Type	March 31, 2014	Additions	Deductions	March 31, 2015
Bond Series 2003	$ 22,929	$ -	$ 2,045	$ 20,884
Bond Series 2004	27,417	-	9,015	18,402
Bond Series 2004	64,250	-	134	64,116
Bond Series 2005	47,951	-	67	47,884
Bond Series 2011	33,069	-	1,598	31,471
Loans payable	29,780	-	-	29,780
Capital lease	4,532	6	-	4,538
	229,928	6	12,859	217,075
Plus: Unamortized bond premium	6,966	-	1,276	5,690
Total long-term obligations	236,894	$ 6	$ 14,135	222,765
Less: Current portion	(12,858)			(13,279)
Long-term obligations, net	$ 224,036			$ 209,486

(a) As discussed in Note 1, the Institute, C&M and the Foundation are all parties to a series of transactions entered into to finance the construction of the CSC. By consummating these transactions, the Institute will be able to garner the benefit of certain New Market Tax Credit ("NMTC") enhanced financing to partially fund the construction of the CSC. The NMTC program was established pursuant to federal legislation in the year 2000 and is administered through the CDFI Fund of the United States Department of the Treasury. The purpose of the NMTC program is to provide an incentive for businesses to invest in projects being built or operated in low income communities. To be considered eligible, various criteria must be met pertaining to the project itself (in this case, the construction and operation of the CSC), as well as the participating entities themselves (in this case, the Institute, C&M, the Foundation and certain other unrelated investor entities). Further information on the New Market Tax Credit program can be found at www.cdifund.gov.

(in thousands of dollars, except as otherwise noted)

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

Under the program, participating NMTC investors will receive a maximum 39% tax credit over a period of seven years on qualified equity investments totaling approximately $30.5 million made in the construction of the CSC. Through its participation in the NMTC program, RPCIC expects to recognize a net benefit from the program of approximately $6.2 million, which represents the NMTC investors' equity investment in the tax credits less all fees and expenses.

Pursuant to the laws and regulations surrounding the NMTC program, several entities are party to the overall financing plan. RPCIC leveraged its own funds (both internal equity and funds raised by the Foundation through a capital campaign), a portion of which were loaned to two unrelated NMTC investment funds. These NMTC investment funds then made qualifying equity contributions into various Community Development Entities ("CDEs"), which in turn loaned those funds as qualified low-income community investments to C&M to fund the construction of the CSC. The following recaps the amounts recognized in the consolidated statement of net position as of March 31, 2016 and 2015:

		Asset (Liability)
Notes Receivable: RPCIC funds loaned to NMTC investment funds	$	21,261
Notes Payable: Amounts borrowed by C&M from CDEs to fund construction of the CSC	$	(29,780)

The NMTC program requires the financing structure to remain in place for a period of not less than seven (7) years from the date in which the NMTC investment funds make the qualified equity investment into the CDEs (the "Compliance Period"). During the Compliance Period, C&M makes interest-only payments on the loans from the CDEs. The CDEs use the interest payments to pay fees and distribute the remaining proceeds to the NMTC Investment Funds. The NMTC investment funds then use the proceeds to make interest-only payments on their notes payable to RPCIC. At the conclusion of the Compliance Period, the investors in the NMTC investment funds have the option to have their interest in the CDEs redeemed, which will result in the CDEs assigning their assets to the NMTC investment funds, including the Notes Receivable from C&M. Additionally, the NMTC Investors have the option to put their interest in the NMTC investment funds to RPCIC for a price of $1. If the NMTC Investors do not exercise their put options, RPCIC may exercise a call option to purchase the NMTC Investors' interests in the NMTC investment funds for a price equal to the fair market value of the interests. Exercise of either the put or call options will effectively transfer ownership of the NMTC investment funds to RPCIC, which will allow RPCIC to cancel the loans between the NMTC investment funds and C&M. Recognition of the estimated $6.2 million NMTC net benefit, represented as the difference in value of the NMTC investment interests and the loans payable to the CDEs at the end of the Compliance Period, is contingent upon the exercise of either the put or call options, and thus is considered a gain contingency. Recognition of the NMTC benefit is therefore deferred until such time as the put or call options are exercised, which is expected to be no sooner than the expiration of the Compliance Period in September, 2020.

In connection with certain of these financing arrangements, RPCIC previously recognized its portion of the premiums and debt issuance costs related to each issue. As discussed in Note 2, due to the adoption of GASB 65, net assets were restated for the write off of deferred issuance costs. RPCIC uses the effective interest method for amortizing these premiums. Included as an offset to interest expense is $1,128 and $1,276 in 2016 and 2015, respectively, related to the amortization of bond premium.

(in thousands of dollars, except as otherwise noted)

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

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

	Long-term debt		Capital lease	
	Principal	Interest	Principal	Interest
Year ending March 31,				
2017	$ 13,055	$ 8,437	$ 4	$ 154
2018	13,726	7,746	9	154
2019	15,689	6,999	14	154
2020	16,877	6,195	20	153
2021	18,442	5,343	25	152
2022 – 2026	99,207	12,636	230	743
2027 – 2032	7,550	1,121	559	814
Thereafter	14,711	823	3,678	1,133
Plus: Unamortized bond premium	4,562	-	-	-
	$ 203,819	$ 49,300	$ 4,539	$ 3,457

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 two 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", an actuarial determined amount as defined by U.S. GAAP). RPCIC is seeking relief from NYS for all or a significant portion of the unfunded OPEB liability. To date, NYS has not agreed to this relief.

The Benefit Plan requires participants to contribute a portion of the monthly premiums. The following table illustrates the participant contribution rates per plan for 2016 and 2015.

		Participant Contribution	
Plan	Tier	2016	2015
Empire Plan	Single	$ 64.14	$ 61.75
	Family	293.75	282.27
Community Blue	Single	65.93	59.33
	Family	308.60	276.91
Independent Health	Single	58.37	93.31
	Family	370.84	328.16

(in thousands of dollars, except as otherwise noted)

NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual Other Postemployment Benefit Cost and Net Other Postemployment Benefit Obligation (“OPEB”): RPCIC's annual OPEB cost is calculated based on the ARC of the employer. 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 2016 and 2015:

	2016	2015
Annual OPEB Cost		
Annual Required Contribution (“ARC”)	$ 61,518	$ 63,469
Interest on Net OPEB Obligation	10,903	9,378
Adjustment to Annual Required Contribution	(18,542)	(15,949)
Annual OPEB Cost	$ 53,879	$ 56,898
Net OPEB Obligation		
Net OPEB Obligation – beginning of year	$ 363,441	$ 312,607
Annual OPEB Cost	53,879	56,898
Employer Contributions	(6,830)	(6,064)
Net OPEB Obligation – end of year	410,490	363,441
Less: Current portion	(7,594)	(6,579)
Long-term OPEB obligation	$ 402,896	$ 356,862

The following table illustrates RPCIC's annual OPEB cost, percentage of annual OPEB cost contributed by RPCIC, and the net OPEB obligation for 2016, 2015 and 2014.

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
3/31/2014	$ 48,376	11.71%	$ 312,607
3/31/2015	$ 56,898	10.66%	$ 363,441
3/31/2016	$ 53,879	12.68%	$ 410,490

Funded Status and Funding Progress: The most recent actuarial valuation for the OPEB plan was as of April 1, 2015. As of March 31, 2016, 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 $603,235 and $732,065 in 2016 and 2015, respectively, and the actuarial value of assets was $0 in 2016 and 2015, resulting in an unfunded actuarial accrued liability (“UAAL”) of $603,235 and $732,065 in 2016 and 2015, respectively. The covered payroll (annual payroll of active employees covered by the plan) was $213,759 and $195,710 in 2016 and 2015, respectively, and the ratio of the UAAL to the covered payroll was 282.20% and 374.06% in 2016 and 2015, respectively.

(in thousands of dollars, except as otherwise noted)

NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

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 2016 and 2015 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 approximately 8.0 percent, reduced to an ultimate rate of 3.886 percent in 2076. Inflation assumptions of 2.25 percent were used in 2016 and 2015, respectively. The assumed rate of annual salary increase is 3.5 percent in 2016 and 2015. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at March 31, 2016, was twenty years.

Matters Involving New York State: RPCIC has recognized in its consolidated statement of net position 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, 2016, utilizing a cut-off date of January 1, 1999:

	Prior to January 1, 1999	Post January 1, 1999	Total
Actuarial accrued liability ("AAL")	$ 112,670	$ 490,565	$ 603,235
Annual required contribution ("ARC")	5,984	55,534	61,518
Annual OPEB cost	5,122	48,757	53,879
Net OPEB obligation:			
Net OPEB obligation – beginning of year	41,018	322,423	363,441
Annual OPEB cost	5,122	48,757	53,879
Employer contributions	(3,303)	(3,527)	(6,830)
Net OPEB obligation – end of year	$ 42,837	$ 367,653	$ 410,490

(in thousands of dollars, except as otherwise noted)

NOTE 9. PENSION

Net Position: For the fiscal year ended March 31, 2016, RPCIC implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The implementation of Statements No. 68 and No. 71 resulted in the reporting of deferred outflow of resources, a pension liability and deferred inflow of resources related to RPCIC's participation in the New York State and Local Employees' Retirement System (ERS). RPCIC's net position has been restated as follows:

Net position beginning of year, as previously stated	$ 150,022
GASB Statement No. 68 and No. 71 implementation:	
Beginning System liability	(24,959)
Beginning deferred outflows of resources for contributions subsequent to the measurement date	22,814
Net position beginning of year, as restated	$ 147,877

Plan Description: The New York State Comptroller's Office administers the following plans: the New York State and Local Employees Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), which are collectively referred to as the New York State and Local Retirement System (the System). The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to the system. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Separately issued financial statements for the System can be accessed on the Comptroller's website at www.osc.state.ny.us/pension/cafr.thm.

Certain employees of RPCIC participate in the New York State and Local Employees Retirement System (ERS), a defined benefit, cost sharing multiple employer-type plan administered by the Comptroller of the State of New York.

Contributions:

Employer contributions

RPCIC is required under the RSSL to contribute to the plan at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2015 was approximately 20.1% of payroll. RPCIC contributed $20,515 to the plan in the fiscal year 2016.

Member contributions

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the plan. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the Plan, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what is required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

At March 31, 2016 RPCI reported a liability of $18,659 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2014. The basis for RPCICs proportion of the net pension liability is consistent with the manner in which contributions to the pension plan are determined. The system computed each employer's projected long-term contribution effort to ERS as compared to the total projected long-term contribution effort for all employers to ERS. As of March 31, 2016, RPCIC's proportion was 0.552329% percent.

(in thousands of dollars, except as otherwise noted)

NOTE 9. PENSION (CONTINUED)

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required and were as follows:

2016	$	20,515
2015	$	22,814
2014	$	25,284

For the year ended March 31, 2016, RPCIC recognized pension expense of $16,046. At March 31, 2016, RPCIC reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 597	$ -
Net difference between projected and actual investment earnings on pension plan investments	3,241	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	3,369
Contributions subsequent to measurement date	20,515	-
Total	$ 24,353	$ 3,369

The $20,515 reported as deferred outflows of resources related to pensions resulting from RPCIC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended March 31:

2016	117
2017	117
2018	117
2019	117
2020	-
Thereafter	-

Actuarial Methods and Assumption:
The total pension liability for the March 31, 2015 measurement date was determined by using an actuarial valuation as of April 1, 2014 with updating procedures through March 31, 2016.

Actuarial Cost Method	Entry age normal
Inflation	2.7%
Salary scale	4.9%
Investment rate of return	7.5%
Cost of living adjustment	1.4%
Mortality table	Society of Actuaries Scale MP-2014

(in thousands of dollars, except as otherwise noted)

NOTE 9. PENSION (CONTINUED)

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. The best estimate of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below.

Asset Class	Target Allocation	Long-term expected real rate of return
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-indexed bonds	2.00%	4.00%
	100.00%	

Discount rate: The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, on an actuarially determined basis. Based upon these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of RPCICs proportionate share of the net pension liability to changes in the discount rate: The following presents RPCICs proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what RPCICs proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% decrease (6.5%)	Current discount rate (7.5%)	1% increase (8.5%)
RPCIC's proportionate share of the net pension liability (asset)	$ 124,370	$ 18,659	$ (70,588)

Pension Plan Fiduciary Net Position: The components of the current-year net pension liability of the employers as of March 31, 2015 were as follows:

Employers' total pension liability	$ 164,591,504
Plan net position	161,213,259
Employers' net pension total	$ 3,378,245
Ratio of Plan net position to the Employers' total pension liability	97.9%

NOTE 10. INSURANCE ARRANGEMENTS

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

Professional and General Liability: RPCIC maintains a partially self-insured program covering general and professional liability claims against RPCIC and its employees. RPCIC maintains claims made insurance coverage to cover losses in excess of $3 million per incident and $6 million in aggregate per year, including defense costs. In addition, RPCIC purchased excess general and professional liability coverage covering the next $15 million per claim and $15 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, insurance policies and funds held by a trustee under the malpractice and general liability trust agreement (see Note 3) 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, 2016, for which reserves have been estimated. Claim reserves were discounted using a rate of 3% in 2016 and 2015.

The charges to expenses for medical malpractice costs approximated $3,064 and $4,508 in 2016 and 2015, 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 $600 thousand. 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, 2016, for which reserves have been estimated.

The charges to expense for workers' compensation related costs approximated $2,688 and $3,572 in 2016 and 2015, respectively, and are included as a component of employee benefits expense in the consolidated statements 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, 2016 and 2015, no payments of final settlement of malpractice cases were made.

(in thousands of dollars, except as otherwise noted)

NOTE 11. LEGAL MATTERS

Regulatory Compliance: The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed under Medicare and Medicaid programs in the current and preceding years. While certain regulatory inquiries have been made at March 31, 2016, 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 16% and 1% in 2016 and 15% and 2% in 2015, 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 effect on RPCIC's future financial position, results from operations and cash flows.

NOTE 12. CONCENTRATION AND CREDIT RISK

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

	2016	2015
Medicare	18%	19%
Medicaid	4	4
Blue Cross	25	24
Other third-party payors	50	49
Patients	3	4
	100%	100%

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

NOTE 13. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

NOTE 13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 would 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.

(in thousands of dollars, except as otherwise noted)

NOTE 13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present information about assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2016 and 2015, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

At March 31, 2016	**Prices in Active Market Level I**	**Other Observable Inputs Level II**	**Significant Unobservable Inputs Level III**	**Total**
Cash and cash equivalents	$ 151,206	$ -	$ -	$ 151, 206
Assets whose use is limited:				
Cash and cash equivalents	252,647	-	-	252,647
Certificates of deposit	20,015	-	-	20,015
U.S. Government and Federal Agency Obligations	31,035	-	-	31,035
Corporate Issues	159	-	-	159
Municipal Issues	2,063	-	-	2,063
Total assets whose use is limited	305,919	-	-	305,919
Total	$ 457,125	$ -	$ -	$ 457,125

At March 31, 2015	**Prices in Active Market Level I**	**Other Observable Inputs Level II**	**Significant Unobservable Inputs Level III**	**Total**
Cash and cash equivalents	$ 144,654	$ -	$ -	$ 144,654
Assets whose use is limited:				
Cash and cash equivalents	260,994	-	-	260,994
U.S. Government and Federal Agency Obligations	31,589	-	-	31,589
Corporate Issues	174	-	-	174
Municipal Issues	1,626	-	-	1,626
Total assets whose use is limited	294,383	-	-	294,383
Total	$ 439,037	$ -	$ -	$ 439,037

(in thousands of dollars, except as otherwise noted)

NOTE 14. RELATED PARTIES

New York State:

Operating Support: As discussed in Note 1, RPCIC is related to NYS by virtue of ownership and control. Annually, RPCIC receives a significant portion of its operating revenue from NYS. This support is a fundamental component of RPCIC's annual operating budget. During the years ended March 31, 2016 and 2015, operating support received from NYS amounted to approximately $102,608 and $102,600, 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.

Long-Term Obligations: As further discussed in Note 7, RPCIC recognizes in its consolidated statement of net position 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.

Health Research, Inc.:

Health Research, Inc. is a not-for-profit corporation chartered under the laws of NYS in 1953 primarily to apply for, secure and administer gifts or grants in furtherance of the research, prevention and treatment of diseases and conditions by the NYSDOH, RPCIC and other health related entities and as such is related to RPCIC. During the year ended March 31, 2016 and 2015, RPCIC paid approximately $10,632 and $7,907, 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 $1,484 and $1,495 of grant revenue was remitted by HRI to RPCIC in the years ended 2016 and 2015, 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 $4,846 and $3,954 in 2016 and 2015, respectively. 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 15. COMMITMENTS AND CONTINGENCIES

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

2017	$	960
2018		452
2019		452
2020		452
2021		357
Thereafter		656
	$	3,329

Total expenses for rents and operating type leases were approximately $1,430 and $1,064 for 2016 and 2015, 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 consolidated financial statements of Roswell Park Cancer Institute Corporation as of and for the years ended March 31, 2016 and 2015, and have issued our report thereon, dated June 23, 2016, 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 consolidating and combining information on pages 48 through 51 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 23, 2016

ROSWELL PARK CANCER INSTITUTE CORPORATION
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

CONSOLIDATING STATEMENT OF NET POSITION
March 31, 2016
(in thousands of dollars)

ASSETS	Public Benefit Corporation	RPCI Oncology, PC	Carlton & Michigan LLC	OmniSeq	Eliminations	Consolidated Total
Current assets:						
Cash and cash equivalents	$ 147,663	$ 3,474	$ -	$ 69	$ -	$ 151,206
Current portion of assets limited as to use	26,209	-	162	-	-	26,371
Patient accounts receivable, net	81,859	4,053	-	195	-	86,107
Inventories	7,055	801	-	-	-	7,856
Due from New York State and other affiliates	9,698	-	1,134	-	(6,784)	4,048
Prepaid expenses and other assets	5,805	107	-	98	(201)	5,809
Total current assets	278,289	8,435	1,296	362	(6,985)	281,397
Non-current assets:						
Assets limited as to use, net	279,077	-	471	-	-	279,548
Intangible assets	-	7,598	-	26	-	7,624
Notes receivable	21,261	-	-	-	-	21,261
Capital assets, net	268,758	854	44,547	1,082	-	315,241
Investment in subsidiaries	24,382	-	-	-	(24,382)	-
Total non-current assets	593,478	8,452	45,018	1,108	(24,382)	623,674
Deferred outflow of resources	24,353	-	-	-	-	24,353
Total assets and deferred outflows	$ 896,120	$ 16,887	$ 46,314	$ 1,470	$ (31,367)	$ 929,424
LIABILITIES AND NET POSITION						
Current liabilities:						
Current portion of long-term obligations	$ 13,055	$ -	$ -	$ -	$ -	$ 13,055
Accounts payable and other current liabilities	31,846	1,773	561	204	-	34,384
Accrued expenses	83,196	327	25	374	(201)	83,721
Due to third-party payors	5,804	-	-	-	-	5,804
Due to affiliates	1,134	5,650	-	-	(6,784)	-
Total current liabilities	135,035	7,750	586	578	(6,985)	136,964
Long-term obligations, net of current portion	165,523	-	29,780	-	-	195,303
Post-employment benefits, net of current portion	402,896	-	-	-	-	402,896
Net pension liability	18,659	-	-	-	-	18,659
Total non-current liabilities	587,078	-	29,780	-	-	616,858
Deferred Inflows of Resources	3,369	-	-	-	-	3,369
Total liabilities and deferred inflows	725,482	7,750	30,366	578	(6,985)	757,191
Net position:						
Net investment in capital assets	107,929	854	14,767	1,082	-	124,632
Restricted expendable	67,636	-	-	-	-	67,636
Unrestricted	(4,927)	8,283	(414)	(190)	(24,382)	(21,630)
Total Corporation net position	170,638	9,137	14,353	892	(24,382)	170,638
Noncontrolling interest	-	-	1,595	-	-	1,595
Total net position	170,638	9,137	15,948	892	(24,382)	172,233
Total liabilities, deferred inflows, and net position	$ 896,120	$ 16,887	$ 46,314	$ 1,470	$ (31,367)	$ 929,424

ROSWELL PARK CANCER INSTITUTE CORPORATION
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended March 31, 2016
(in thousands of dollars)

	Public Benefit Corporation	RPCI Oncology, PC	Carlton & Michigan LLC	OmniSeq	Eliminations	Consolidated Total
Operating revenues:						
Net patient service revenue	$ 507,231	$ 22,527	$ -	$ 194	$ -	$ 529,952
Net settlements and appeals	12,353	-	-	-	-	12,353
New York State support	87,108	-	-	-	-	87,108
Grants and contracts	1,484	-	-	-	-	1,484
Other operating revenue	11,216	101	-	-	-	11,317
Total operating revenues	619,392	22,628	-	194	-	642,214
Operating expenses:						
Salaries and wages	211,005	5,685	-	3,740	-	220,430
Employee benefits	113,498	700	-	463	-	114,661
Supplies and other services	243,022	18,729	-	1,659	-	263,410
Depreciation and amortization	35,017	629	-	314	-	35,960
Provision for malpractice	3,064	-	-	-	-	3,064
Total operating expenses	605,606	25,743	-	6,176	-	637,525
Income (loss) from operations	13,786	(3,115)	-	(5,982)	-	4,689
Nonoperating revenues (expenses):						
Interest and other income	902	-	1	-	(156)	747
Interest expense	(7,707)	(156)	-	-	156	(7,707)
Loss on disposal of capital assets	(7)	-	-	(391)	-	(398)
Investment income	60	-	-	-	-	60
Net nonoperating (expenses) revenues	(6,752)	(156)	1	(391)	-	(7,298)
(Deficiency) excess of revenues over expenses	7,034	(3,271)	1	(6,373)	-	(2,609)
Contributions for purchase of capital assets	26,965	-	-	-		26,965
Contributions from related party	-	2,550	10,979	7,265	(20,794)	-
Change in interest in net position of subsidiaries	(10,741)	-	-	-	10,741	-
Increase (decrease) in net position	23,258	(721)	10,980	892	(10,053)	24,356
Net position, beginning of year - before change in accounting principle	149,525	9,858	4,968	-	(14,329)	150,022
Change in accounting principle (Note 9)	(2,145)	-	-	-	-	(2,145)
Net position, beginning of year - after change in accounting principle	147,380	9,858	4,968	-	(14,329)	147,877
Net position, end of year	$ 170,638	$ 9,137	$ 15,948	$ 892	$ (24,382)	$ 172,233

ROSWELL PARK CANCER INSTITUTE CORPORATION
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

COMBINING STATEMENT OF NET POSITION FOR THE PUBLIC BENEFIT CORPORATION
March 31, 2016
(in thousands of dollars)

ASSETS	**Roswell Park Cancer Institute**	**Roswell Park Cancer Institute Clinical Practice Plan**	**Eliminations**	**Public Benefit Corporation Combined Total**
Current assets:				
Cash and cash equivalents	$ 141,834	$ 5,829	$ -	$ 147,663
Current portion of assets limited as to use	22,709	3,500	-	26,209
Patient accounts receivable, net	73,081	8,778	-	81,859
Inventories	7,055	-	-	7,055
Due from (to) New York State and other affiliates	14,828	406	(5,536)	9,698
Prepaid expenses and other assets	5,282	523	-	5,805
Total current assets	264,789	19,036	(5,536)	278,289
Non-current assets:				
Assets limited as to use, net	249,750	29,327	-	279,077
Notes receivable	21,261	-	-	21,261
Capital assets, net	268,743	15	-	268,758
Investment in subsidiaries	24,382	-	-	24,382
Total non-current assets	564,136	29,342	-	593,478
Deferred outflow of resources	24,353	-	-	24,353
Total assets and deferred outflows	$ 853,278	$ 48,378	$ (5,536)	$ 896,120
LIABILITIES AND NET POSITION				
Current liabilities:				
Current portion of long-term obligations	$ 13,055	$ -	$ -	$ 13,055
Accounts payable and other current liabilities	28,479	3,367	-	31,846
Accrued expenses	79,243	3,953	-	83,196
Due to third-party payors	5,804	-	-	5,804
Due to (from) affiliates	1,134	5,536	(5,536)	1,134
Total current liabilities	127,715	12,856	(5,536)	135,035
Long-term obligations, net of current portion	165,523	-	-	165,523
Post-employment benefits, net of current portion	402,896	-	-	402,896
Net pension liability	18,659	-	-	18,659
Total non-current liabilities	587,078	-	-	587,078
Deferred Inflows of Resources	3,369	-	-	3,369
Total liabilities and deferred inflows	718,162	12,856	(5,536)	725,482
Net position:				
Net investment in capital assets	107,914	15	-	107,929
Restricted expendable	34,808	32,828	-	67,636
Unrestricted	(7,606)	2,679	-	(4,927)
Total net position	135,116	35,522	-	170,638
Total liabilities, deferred inflows and net position	$ 853,278	$ 48,378	$ (5,536)	$ 896,120

ROSWELL PARK CANCER INSTITUTE CORPORATION
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE PUBLIC BENEFIT CORPORATION
For the Year Ended March 31, 2016
(in thousands of dollars)

	Roswell Park Cancer Institute	Roswell Park Cancer Institute Clinical Practice Plan	Eliminations	Public Benefit Corporation Combined Total
Operating revenues:				
Net patient service revenue	$ 452,515	$ 54,716	$ -	$ 507,231
Contributions from CPP/net settlements and appeals	13,065	906	(1,618)	12,353
New York State support	87,108	22,832	(22,832)	87,108
Grants and contracts	-	1,484	-	1,484
Other operating revenue	9,637	1,579	-	11,216
Total operating revenues	562,325	81,517	(24,450)	619,392
Operating expenses:				
Salaries and wages	168,243	65,594	(22,832)	211,005
Employee benefits	111,123	2,375	-	113,498
Supplies and other services	233,284	9,738	-	243,022
Depreciation and amortization	35,010	7	-	35,017
Provision for malpractice	3,064	-	-	3,064
Contributions to Roswell Park Cancer Institute Corporation	-	1,618	(1,618)	-
Total operating expenses	550,724	79,332	(24,450)	605,606
Income from operations	11,601	2,185	-	13,786
Nonoperating revenues (expenses):				
Interest and other income	875	27	-	902
Interest expense	(7,707)	-	-	(7,707)
Loss on disposal of capital assets	(7)	-	-	(7)
Investment income	60	-	-	60
Net nonoperating (expenses) revenues	(6,779)	27	-	(6,752)
Excess of revenues over expenses	4,822	2,212	-	7,034
Contributions for purchase of capital assets	26,965	-	-	26,965
Change in interest in net position of subsidiaries	(10,741)	-	-	(10,741)
Increase in net position	21,046	2,212	-	23,258
Net position, beginning of year - before change in accounting principle	116,215	33,310	-	149,525
Change in accounting principle (Note 9)	(2,145)	-	-	(2,145)
Net position, beginning of year - after change in accounting principle	114,070	33,310	-	147,380
Net position, end of year	$ 135,116	$ 35,522	$ -	$ 170,638