

**CONSOLIDATED AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

**ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A
ROSWELL PARK COMPREHENSIVE CANCER CENTER**

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

March 31, 2020

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 16
Financial Statements:	
Consolidated Statements of Net Position	17
Consolidated Statements of Revenues, Expenses and Changes in Net Position	18
Consolidated Statements of Cash Flows	19 - 20
Notes to the Consolidated Financial Statements	21 - 52



Independent Auditor's Report

To the Board of Directors of
Roswell Park Cancer Institute Corporation d/b/a Roswell Park Comprehensive Cancer
Center Buffalo, New York

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Roswell Park Cancer Institute Corporation d/b/a Roswell Park Comprehensive Cancer Center ("Roswell Park" or "Center"), a component unit of New York State, which comprise the consolidated statements of net position as of March 31, 2020 and 2019, 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 Roswell Park'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 an opinion 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 Center and the aggregate discretely presented component unit as of March 31, 2020 and 2019, and the respective results of its operations and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of

America.

Emphasis of Matter

As further discussed in Note 14, Roswell Park had significant transactions with related parties. Our opinion is not modified with respect to 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 audits 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 25, 2020 on our consideration of Roswell Park'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 Roswell Park's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
June 25, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2020 and 2019

(in thousands of dollars, except as otherwise noted)

Our discussion and analysis of Roswell Park Cancer Institute Corporation d/b/a Roswell Park Comprehensive Cancer Center's ("Roswell Park" or "Center") financial performance provides an overview of Roswell Park's financial activities for the fiscal year ended on March 31, 2020 and 2019. The consolidated financial statements of Roswell Park Cancer Institute Corporation d/b/a Roswell Park Comprehensive Cancer Center include the accounts of Roswell Park Cancer Institute Corporation and the Roswell Park Clinical Practice Plan (also collectively referred to as the "Public Benefit Corporation" and/or "PBC"). Please read this management's discussion and analysis in conjunction with Roswell Park's consolidated financial statements. Unless otherwise indicated, all dollar amounts are in thousands.

1. Introduction

Roswell Park 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 clinical as 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.

Roswell Park, 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 2019, the Center's NCI Cancer Center Support Grant ("CCSG", also known as the "core" grant) was reviewed and renewed for another 5 years. Upon completion of the review, Roswell Park received its best application score and largest core grant monetary award in the center's history. This grant, which forms the foundation for Roswell Park's designation as an NCI comprehensive cancer center, is in its 44th 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, Roswell Park is a member of the prestigious National Comprehensive Cancer Network ("NCCN") a not-for-profit alliance of 30 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.

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

- US News & World Report – Best Hospitals for Cancer #14 in 2019 (Top 50 in 2018, 2017, 2015, 2014, 2013, 2012, 2011 & 2010)
- Accreditation Council for Continuing Medical Education
- Accreditation Council for Graduate Medical Education - for Medical and Surgical Oncology Training Programs
- American College of Radiology Breast Imaging Center of Excellence
- American Dental Association - Dentistry and Maxillofacial Prosthetics
- Association for the Accreditation of Human Research Protection Programs
- Association for Assessment and Accreditation of Laboratory Animal Care International ("AAALAC" International)
- American Association of Blood Banks ("AABB")

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2020 and 2019
(in thousands of dollars, except as otherwise noted)

1. Introduction (Continued)

- Blue Distinction Center for Cancer Care
- Blue Distinction Center for Transplants
- Cancer Immunotherapy Trials Network Member ("CITN")
- Commission on Cancer of the American College of Surgeons
- Forbes Best Employers for Diversity
- Foundation for the Accreditation of Cellular Therapy ("FACT")
- Lung Cancer Alliance Screening Center of Excellence
- National Accreditation Program for Breast Cancers ("NAPBC")
- National Cancer Institute-designated Comprehensive Cancer Center
- National Comprehensive Cancer Network ("NCCN")
- National Marrow Donor Program
- New York State Department of Health
- Optum® Cancer Center of Excellence (COE)
- Quality Oncology Practice Initiative ("QOPI") Certification from the American Society of Clinical Oncology ("ASCO")
- The Joint Commission
- The Joint Commission Certification for Palliative Care
- The Joint Commission Laboratory Accreditation

Roswell Park has approximately 3,700 employees including more than 350 faculty-level clinicians and researchers, as well as over 740 nurses. 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 fiscal year 2020 approximately 425 physicians, 244 medical students, 292 clinicians, 276 researchers, and 291 interns received training at Roswell Park. Physicians included oncology fellows, residents, and visiting physicians. Clinicians included nurses, physician assistants, pharmacists, and other healthcare professionals. Most are enrolled at the University at Buffalo's School of Medicine and Graduate Medical Education programs. Trainees also come from academic programs at twenty regional colleges and universities. Researchers include over 100 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 in fiscal year 2020. Active patients diagnosed, treated, and/or seen in follow-up clinics increased 6.6% to 44,249 in 2020. Outpatient visits increased 5.6% to 278,552 in 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2020 and 2019
(in thousands of dollars, except as otherwise noted)

1. Introduction (Continued)

The Office of Community Outreach and Engagement is dedicated to research that advances the understanding of these disparities and to developing and offering integrated community-based services and educational programs tailored to meet the needs of these populations.

The mission of the Office of Community Outreach and Engagement is to understand, reduce, eliminate, and prevent cancer disparities in vulnerable and medically underserved populations and patients through trans-disciplinary research and programs.

The Roswell Park 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 Institute is a facility licensed for and operating 133 beds, 16 ambulatory care centers offering 32 different specialties and outpatient treatment centers for chemotherapy and radiation medicine. 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 is a joint initiative with the John R. Oishei 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 RPCI Oncology, PC ("RPCIO"). RPCIO is a professional service corporation that is captive to the Center. RPCIO maintains the following six physician practice locations - Jamestown Medical Oncology and Hematology in Jamestown, NY; Breast Care of Western New York in Amherst, NY; Roswell Park Hematology Oncology Southtowns in West Seneca, NY; Orchard Park NY not West Seneca) Roswell Park Hematology Oncology of Niagara in Niagara Falls, NY; Roswell Park Hematology Oncology Northtowns in Amherst, NY and Roswell Park Urology of Niagara Falls, NY.

2. Mission

To eliminate cancer's grip on humanity by unlocking its secrets through personalized approaches and unleashing the healing power of hope.

Roswell Park will do this by:

- Pioneering promising therapeutic breakthroughs, using them to zero in on the most effective treatment for each patient, and sharing them with the world.
- Committing in every situation, and every decision we face, big and small, to choose our words and actions based solely on the needs of each patient, and nothing more.
- Actively seeking ways to share, inform, support, and inspire each other, our patients, and our community - so that collectively, we go well beyond the expected.
- Loudly, proudly sharing every success with the world, so more of the patients and families who need us, the dynamic people to want to join us, and those who want to support us, know the ongoing miracle that is Roswell Park.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2020 and 2019

(in thousands of dollars, except as otherwise noted)

3. Governance

Effective January 1, 1999, Roswell Park 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. Roswell Park 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 Roswell Park was a division of the New York State Department of Health. As a public benefit corporation, Roswell Park 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 consolidated financial statements, the Roswell Park Alliance Foundation, Inc. (the "Foundation") is considered a "component unit" of Roswell Park. 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. 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 Roswell Park Board of Directors and as such, Roswell Park's Board has no jurisdiction over the Board of the Foundation or the Foundation's assets. Periodically, the Foundation makes grants to Roswell Park for various purposes. These grant funds are typically administered by Health Research, Incorporated.

The Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* requires that the component unit's financial statements be presented discretely from the consolidated financial statements of Roswell Park. The Center has elected to present the Foundation's financial statements within footnote 15.

In addition, the consolidated financial statements of the Center also include financial results of the Roswell Park's blended component units, Roswell Park Oncology, P.C., Global Biotechnology & Cancer Therapeutics LLC, and Carlton & Michigan, LLC.

5. Financial Highlights

- Total net position increased \$61,369 or 37.3% from 2019 to 2020 and increased \$36,478 or 28.5% from 2018 to 2019.
- Total assets increased \$116,357 or 11.6% from 2019 to 2020 and increased \$35,017 or 3.6% from 2018 to 2019.
- Total assets and deferred outflows of resources increased \$162,856 or 15.1% from 2019 to 2020 and increased \$53,583 or 5.2% from 2018 to 2019.
- Total operating revenues, including NYS support, increased by \$86,301 or 10.5% from 2019 to 2020 and increased by \$89,120 or 12.2% from 2018 to 2019.
- Total support from NYS remained unchanged from 2019 to 2020 (\$102,607). The total amount appropriated to support capital expenses remained unchanged from 2019 to 2020 (\$51,304). This amount is included within contributions for purchase of capital assets (\$32,817) and other operating revenue (\$18,487). The balance of NYS support (\$51,303) is included discretely in operating revenues.
- Total other operating revenues, decreased by \$(1,431) or (3.5)% from 2019 to 2020 and increased by \$25,486 or 163.4% from 2018 to 2019.
- Total operating expenses increased by \$62,184 or 7.3% from 2019 to 2020 and increased by \$51,450 or 6.5% from 2018 to 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2020 and 2019
(in thousands of dollars, except as otherwise noted)

6. Using This Annual Report

Roswell Park'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 Roswell Park's activities including resources held by Roswell Park but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position

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

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

The Statement of Cash Flows

The statement reports cash receipts, cash payments and net changes in cash resulting from operating, 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 ("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 Roswell Park 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 Roswell Park consolidated financial statements, however is considered a related party for financial reporting purposes.

8. Roswell Park's Net Position

Roswell Park's net position is the difference between the assets and liabilities reported in the statement of net position. Roswell Park's net position increased by \$61,369 in 2020 and increased \$36,478 in 2019 as shown in Table 1: Summary of Statement of Net Position. The reasons for these changes are discussed below. Changes in capital assets and long-term debt are also discussed under the heading *Capital Assets and Debt Administration*.

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2020 and 2019
(in thousands of dollars, except as otherwise noted)

8. Roswell Park's Net Position (Continued)

Table 1: Summary of Statement of Net Position

	2020	2019	2018
Assets:			
Current and other assets	\$ 803,556	\$ 691,154	\$ 654,517
Capital assets, net	318,903	314,948	316,568
Total assets	<u>1,122,459</u>	<u>1,006,102</u>	<u>971,085</u>
Deferred outflow of resources	116,744	70,245	51,679
Total assets and deferred outflows	<u>\$ 1,239,203</u>	<u>\$ 1,076,347</u>	<u>\$ 1,022,764</u>
Liabilities:			
Long-term debt outstanding	\$ 140,238	\$ 158,649	\$ 180,083
Other liabilities	790,220	677,432	700,016
Total liabilities	<u>930,458</u>	<u>836,081</u>	<u>880,099</u>
Deferred inflow of resources	82,828	75,718	14,595
Net Position:			
Net investment in capital assets	195,466	173,514	154,363
Restricted expendable	55,312	59,445	55,787
Unrestricted	(26,238)	(72,838)	(86,860)
Non-controlling interest	1,377	4,427	4,780
Total net position	<u>225,917</u>	<u>164,548</u>	<u>128,070</u>
Total liabilities, deferred inflows, and net position	<u>\$ 1,239,203</u>	<u>\$ 1,076,347</u>	<u>\$ 1,022,764</u>

Overall, total assets and deferred outflows of resources increased \$162,856 or 15.1% from 2019 to 2020 and increased \$53,583 or 5.2% from 2018 to 2019.

- Current and other assets increased 16.3% in 2020 and 5.6% in 2019.
 - For 2020, this is primarily driven by operating performance resulting in increased balances in cash and cash equivalents, limited use assets, inventories, offset by a decreased balance in patient accounts receivable.
 - For 2019, this is primarily driven by operating performance resulting in increased balances in cash and cash equivalents, patient accounts receivable, offset by investments in joint ventures and decreased balance in assets limited as to use. The increase in patient accounts receivable is due primarily to growth in patient revenues, driven largely by higher than historical inpatient census, particularly in the latter part of the 4th fiscal quarter of 2019.
- Capital assets, net increased 1.3% in 2020 and decreased (0.5)% in 2019.
 - For 2020 and 2019, the changes are driven primarily by the timing of capital additions, net of depreciation expense.
- Deferred outflow of resources increased 66.1% in 2020 and increased 35.9% in 2019.
 - For 2020 and 2019, the changes are primarily due to differences between projected and actual investment earnings on pension plan investments and changes in actuarial assumptions. For 2020, improvement in overall fixed income market performance drove the change in deferred outflows. Refer to Note 9 of the consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2020 and 2019
(in thousands of dollars, except as otherwise noted)

8. Roswell Park's Net Position (Continued)

Overall, total liabilities and deferred inflows of resources increased 11.1% in 2020 and increased 1.9% in 2019.

- Long-term debt outstanding decreased (11.6)% in 2020 and (11.9)% in 2019.
 - For 2020 and 2019, 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. Refer to Note 7 of the consolidated financial statements.
- Other Liabilities increased 16.6% in 2020 and decreased (3.2)% in 2019.
 - For 2020, this is driven primarily due to increased post-retirement health liability ("OPEB") and net pension liability. The increased OPEB balance is due to a 16.1% increased annual OPEB cost and a 29.1% increased annual Pension cost.
 - For 2019, this is driven primarily due to increased OPEB liability offset by decrease pension liability. The increased OPEB balance is due to the adoption of GASB Statement No 75 during 2019 as discussed in Note 9 of the consolidated financial statements. The decreased net pension liability is due to the difference between projected and actual investment earnings on pension plan investments, which was driven by better than expected NYS pension plan investment performance during the measurement period.
- Deferred inflow of resources increased 9.4% in 2020 and increased 418.8% in 2019.
 - For 2020 and 2019, this is primarily due to differences between expected and actual experience in the pension plan pertaining to actuarial estimates for demographic and other data used in developing the pension plan estimates.

Overall, total net position increased 37.3% from 2019 to 2020 and increased 28.5% from 2018 to 2019 as more fully described below.

9. Changes in Roswell Park's Net Position

Patient activity drives a significant portion of operating performance and the resulting changes in Roswell Park's net position. Patient activity at Roswell Park is captured by various metrics. This is inclusive of inpatient and outpatient activity.

- Active patients diagnosed, treated, and/or seen in follow-up clinics increased 6.6% to over 43,500 in fiscal year 2020.
- New to Center patients increased 2.9% from 2019 to 2020 and increased 3.3% from 2018 to 2019.
- Outpatient visits increased 5.6% from 2019 to 2020 and increased 6.0% from 2018 to 2019.
- Inpatient Admissions increased 1.9% from 2019 to 2020 and increased 4.7% from 2018 to 2019.
- Inpatient Days increased by 5.9% from 2019 to 2020 and increased 6.5% from 2018 to 2019.

In 2020, Roswell Park's total net position increased by \$61,369 or 37.3% as shown in Table 2: Summary of Revenues, Expenses and Changes in Net Position below. Total operating revenues, including NYS support, increased 10.5% and total operating expenses increased 7.3%. The total operating expenses base of \$910,917 includes annual OPEB cost of \$52,483 and annual pension cost of \$26,855 in 2020. Combined OPEB and pension cost increased 20.2% from 2019 to 2020, primarily driven by a 16.1% increased annual OPEB cost and a 29.1% increased annual Pension cost. 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 remained unchanged from 2019 to 2020 (\$102,607). The amount appropriated to support capital expenses remained unchanged from 2019 to 2020 \$51,304. In 2020 this amount is included within contributions for purchase of capital assets (\$32,817) and other operating revenue (\$18,487), while the balance of NYS support is shown discretely within total operating revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2020 and 2019
(in thousands of dollars, except as otherwise noted)

9. Changes in Roswell Park's Net Position (Continued)

In 2019, Roswell Park's total net position increased by \$36,478 or 28.5% as shown in Table 2: Summary of Revenues, Expenses and Changes in Net Position. Total operating revenues, including NYS support increased 12.2% and total operating expenses increased 6.5%. The total operating expenses base of \$848,733 includes annual OPEB cost of \$45,190 and an annual pension cost of \$20,798 in 2019. Combined OPEB and pension cost decreased (30.7)% from 2018 to 2019, primarily driven by a (31.6)% decreased annual OPEB cost and a (28.6)% decreased annual pension cost. Both of these employee fringe benefits are provided to PBC employees as required by NYS. Total support from NYS remained unchanged from 2018 to 2019 (\$102,607). The amount appropriated to support capital expenses increased \$15,283 or 42.4% from 2018 to 2019 to \$51,304. In 2019 this amount is included within contributions for purchase of capital assets (\$33,437) and other operating revenue (\$17,867), while the balance of NYS support is shown discretely within total operating revenues.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues:			
Net patient service revenue and net settlement and appeals	\$ 812,819	\$ 726,940	\$ 647,562
NYS operating support	51,303	51,303	66,586
Equity interest in gain (loss) of joint ventures	711	(892)	—
Grants and contracts	2,021	1,771	1,340
Other operating revenue	<u>39,648</u>	<u>41,079</u>	<u>15,593</u>
Total operating revenues	906,502	820,201	731,081
Operating expenses:			
Salaries, wages and benefits	433,405	398,469	412,560
Supplies and purchased services	440,881	414,954	350,230
Depreciation and amortization	<u>36,631</u>	<u>35,310</u>	<u>34,493</u>
Total operating expenses	910,917	848,733	797,283
Operating Loss	(4,415)	(28,532)	(66,202)
Non-operating revenues and expenses and other changes in net position (including funds received from NYS for capital assets)	65,784	65,010	40,805
Increase (decrease) in net position	<u>\$ 61,369</u>	<u>\$ 36,478</u>	<u>\$ (25,397)</u>

Overall, operating revenues, excluding NYS support, increased 11.2% from 2019 to 2020 and 15.7% from 2018 to 2019.

- Net patient service revenue/net settlements and appeals increased 11.8% in 2020 and 12.3% in 2019 as a result of the following: Roswell Park hospital revenue increased 12.5% and 12.7% and Practice Plan professional revenues increased 9.3% and 3.5% in 2020 and 2019, respectively. Government appeals and settlement revenue increased 118.9% in 2020 and decreased (7.5)% in 2019. The increases in hospital and professional revenues in both years were attributable to increased volumes, changes in mix of services provided as well as third party payer rate increases. Revenues also include \$50,195 and \$44,401 related to Roswell Park Oncology, P.C. for 2020 and 2019, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2020 and 2019

(in thousands of dollars, except as otherwise noted)

9. Changes in Roswell Park's Net Position (Continued)

- Grants and contracts revenues include salary recovery on grants administered through HRI for work by the medical staff whose salaries are paid by Roswell Park. Roswell Park's policy allows salary recovery on research staff to be retained by HRI as part of the overall contribution to HRI. This amounted to approximately \$7,431 and \$7,027 in 2020 and 2019.
- Other operating revenue decreased (3.5)% from 2019 to 2020 and increased 163.4% from 2018 to 2019. Other operating revenue includes revenues received from the operation of the cafeteria, parking garage, and other ancillary activities. See "Other operating revenue" section in Note 2 of the consolidated financial statements.

Overall, total operating expenses increased 7.3% from 2019 to 2020 and increased 6.5% from 2018 to 2019.

- Salaries, wages and benefits costs increased 8.8% and decreased (3.4)% in 2020 and 2019, 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 45.2%, 43.4%, and 55.8%, of salary costs in 2020, 2019 and 2018, respectively. OPEB and pension cost increased 20.2% from 2019 to 2020, primarily driven by an 16.1% increase in annual OPEB cost and a 29.1% increased annual Pension cost as described above.
 - 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 volumes, acuity and new initiatives.
- Supplies and purchased services increased 6.2% and 18.5%, in 2020 and 2019, 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.

Overall, Non-operating revenues and expenses and other changes in net position (including funds received from NYS for capital assets) increased 1.2% from 2019 to 2020 and 59.3% from 2018 to 2019. The increase in 2020 was due primarily to the following factors:

- Gain on disposals and divestitures has increased \$20,284 from 2019 to 2020 due to the gain on the sale of a portion of Roswell Park's ownership stake in OmniSeq for \$20,403. As a result of these transactions, which are more fully described in Note 17, Roswell Park maintained an approximately 35% ownership interest in OmniSeq as of March 31, 2020.
- Investment gain has increased 278.9% from 2019 to 2020, and increased 270.5% from 2018 to 2019. These gains were due to market conditions in fixed income and equity securities in 2020 and 2019, respectively.
- Interest expense has decreased (10.2)% from 2019 to 2020, and decreased (9.4)% from 2018 to 2019. This is due primarily to the effect of the scheduled debt payments and amortization of bond premium. Refer to Note 7 of the consolidated financial statements.

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2020 and 2019
(in thousands of dollars, except as otherwise noted)

9. Changes in Roswell Park's Net Position (Continued)

- Total support from NYS remained unchanged from 2019 to 2020 (\$102,607). The amount appropriated to support capital expenses remained unchanged from 2019 to 2020 (\$51,304). This amount is included within contributions for purchase of capital assets (\$32,817) and other operating revenues (\$18,487). The balance of NYS support (\$51,303) is included discretely in operating revenue.
- In 2019, a one-time prior period adjustment due to a change in accounting principles was made to the beginning net position to reflect the transition from GASB 45 to GASB 75 as of April 1, 2018, as more fully described in Note 8 to the consolidated financial statements.

10. Capital Assets and Debt Administration

Capital Assets

At the end of 2020, 2019, and 2018, Roswell Park had \$318,903, \$314,948, and \$316,568, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the consolidated financial statements. The components of Roswell Park's capital assets are as follows:

	2020	2019	2018
Land	\$ 4,444	\$ 4,444	\$ 4,444
Building	644,330	635,316	620,365
Equipment/other	263,128	255,511	236,747
Construction in progress	27,134	10,574	16,463
	<u>939,036</u>	<u>905,845</u>	<u>878,019</u>
Less: Accumulated depreciation	(620,133)	(590,897)	(561,451)
Capital assets, net	<u>\$ 318,903</u>	<u>\$ 314,948</u>	<u>\$ 316,568</u>

Long-Term Debt and Capital Leases

Roswell Park's total long-term debt and capital lease obligations, net were \$140,238, \$158,649, and \$180,083, as of March 31, 2020, 2019, and 2018, respectively. This includes Roswell Park's allocated portions of certain New York State Department of Health outstanding bonds payable to Dormitory Authority of the State of New York ("DASNY"). All bonds are collateralized by a first lien on the revenues of the Roswell Park.

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2020 and 2019
(in thousands of dollars, except as otherwise noted)

10. Capital Assets and Debt Administration (Continued)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Series 2011A Bonds, net of premium	13,336	17,563	21,653
Series 2016 Bonds, net of premium	92,579	106,721	120,730
Notes payable	29,780	29,780	29,780
Capital leases & other	4,543	4,585	7,920
Total long-term debt and capital lease obligations, net	140,238	158,649	180,083
Less: Current portion	(16,507)	(15,335)	(15,194)
Non-Current portion	<u>\$ 123,731</u>	<u>\$ 143,314</u>	<u>\$ 164,889</u>

During 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

Roswell Park, 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, Roswell Park 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, Roswell Park, 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.

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, Roswell Park 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. Roswell Park leveraged its own funds (both internal equity and funds raised by the Roswell Park Alliance 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, 2020 and 2019:

	<u>Asset (Liability)</u>
Notes Receivable: Roswell Park 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)

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2020 and 2019
(in thousands of dollars, except as otherwise noted)

11. Financing for the Clinical Science Center (continued)

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 Roswell Park. 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 Roswell Park for a price of \$1. If the NMTC investors do not exercise their put options, Roswell Park 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 Roswell Park, which will allow Roswell Park 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

For the year-ended March 31, 2019, Roswell Park implemented the provisions of GASB's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Among other changes, this Statement was issued to improve accounting and financial reporting by governments for postemployment benefits other than pensions.

Funded Status and Funding Progress

The most recent actuarial valuation for the OPEB plan was as of April 1, 2019. As of March 31, 2020, the plan was unfunded. As discussed on the following page under "Matters Involving New York State", Roswell Park is seeking support from NYS to fund all or a significant portion of the unfunded OPEB liability. Roswell Park 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.

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

The Center's total OPEB liability was determined by an actuarial valuation as of April 1, 2019, using the following actuarial assumptions:

Inflation rate	2.25%
Salary scale	3.75%
Health cost	Entry Age Normal
Mortality	RPH-2018 Mortality Tables

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2020 and 2019
(in thousands of dollars, except as otherwise noted)

12. Postemployment Benefits (Continued)

The discount rate used to calculate the total OPEB liability as of March 31, 2020 was 2.56%. The discount rate is a single rate of return, when applied to all projected benefit payments equal to the sum of: (1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return and the actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate. The Municipal Bond Rate is a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

This valuation report reflects postemployment benefits that have been extended to current and future retirees and their dependents. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment, mortality and the healthcare cost trend. In accordance with GASB 75, the Entry Age Normal cost method was used for determining service costs and the actuarial accrued liability. All benefits estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and expected future service.

Matters Involving New York State

Roswell Park has recognized in its consolidated statements of net position and consolidated statements of revenues, expenses and changes in net position the amounts described below. In so doing, Roswell Park 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 Roswell Park became a public benefit corporation of the State of New York. As discussed, Roswell Park is seeking relief from NYS for all or a significant portion of the unfunded OPEB liability. Roswell Park 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), Roswell Park 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, 2020, utilizing a cutoff date of January 1, 1999:

	Prior to January 1, 1999	Post January 1, 1999	Total
Total OPEB liability at beginning of Year	\$ 89,553	\$ 439,509	\$ 529,062
Service Cost	157	30,822	30,979
Interest Cost	3,203	16,934	20,137
Differences between Expected and Actual Experience	(4,178)	(58,454)	(62,632)
Change of Assumptions of Other Inputs	7,912	74,311	82,223
Benefit Payments	(4,518)	(6,755)	(11,273)
Net OPEB obligation liability - End of Year	\$ 92,129	\$ 496,367	\$ 588,496

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2020 and 2019

(in thousands of dollars, except as otherwise noted)

13. Financial Condition

Roswell Park is reliant upon the on-going financial support of the State in the furtherance of its mission, particularly in support of the Roswell Park's research operations. In 2020, total support received from the State remained unchanged from 2019, at \$102,607. In 2019 and 2020, \$51,304 and \$51,304, respectively, was appropriated to support capital expenses. In 2020 this amount is included within contributions for purchase of capital assets (\$32,817) and other operating revenue (\$18,487).

14. Subsequent Event - Covid 19

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Roswell Park's operations and financial performance are reasonably expected to be affected by the recent COVID-19 outbreak which has spread globally and is adversely affecting economic conditions throughout the world. The pandemic, the impact of which had begun to be seen in late March 2020, is likely to impact various parts of fiscal year 2021 operations and financial performance including, but not limited to, additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, general patient volumes activities. In addition, broad economic factors resulting from the COVID-19 pandemic, including increasing unemployment rates, reduced consumer spending and the resulting impact to businesses and employment in the Western New York region are likely to affect Roswell Park's operations and financial condition, including but not limited to shifts in payer mix and potentially higher degrees of bad debt write-offs. The length and extent of these disruptions is currently unknown and will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

In response to the COVID-19 pandemic, the United States Congress passed, and the President signed, a variety of legislation (including but not limited to the Coronavirus Aid, Relief, and Economic Security Act, or "CARES Act") that provides certain relief to hospitals and healthcare providers to partially mitigate the economic impact of the pandemic, including lost revenues, as well as incremental costs incurred in response to the pandemic such as personal protective equipment and planning and other costs related to the pandemic. The relief provided under the CARES Act has been and is expected to be distributed through the CARES Act Provider Relief Fund. Subsequent to March 31, 2020, Roswell Park received approximately \$12,700 through the Provider Relief fund. These payments are currently expected to be recognized as other operating income during the first and second fiscal quarters of fiscal 2021, and are not expected to be subject to repayment, provided the Center (or Roswell Park) is able to attest to and comply with the terms and conditions of the funding. Further allocation of funds may be received based on allocation methods and criteria that are not yet known, however any receipt of any additional monies under the CARES Act is uncertain and is not guaranteed as of the date these financial statements are available to be issued.

In addition, the CARES Act also makes other forms of financial assistance available to healthcare providers, including through an expansion of the Medicare Accelerated and Advance Payment Program ("Advanced Payment Program"), which makes available accelerated payments of Medicare funds in order to increase cash flow to providers. In April 2020, Roswell Park received approximately \$56,000 from the Advanced Payment Program. Beginning 120 days subsequent to receipt of the advance payment, claims for services provided to Medicare beneficiaries will be applied against the advance payment balance. Any unapplied advance payment amounts must be repaid in full within one year from receipt of the advance payments.

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

CONSOLIDATED STATEMENTS OF NET POSITION

As of March 31,
(in thousands of dollars)

ASSETS	2020	2019
Current assets:		
Cash and cash equivalents	\$ 226,766	\$ 210,390
Current portion of assets limited as to use	29,065	25,940
Patient accounts receivable, net of estimated uncollectibles of approximately \$29,168 in 2020 and \$25,927 in 2019	128,852	131,443
Inventories	12,861	11,138
Due from New York State and other affiliates, net	2,075	2,085
Prepaid expenses and other assets	10,715	11,885
Total current assets	410,334	392,881
Non-current assets:		
Assets limited as to use, net of current portion	346,269	260,915
Goodwill and other intangible assets	6,875	7,358
Notes receivable	21,261	21,261
Capital assets, net	318,903	314,948
Investments in joint ventures	18,817	8,739
Total non-current assets	712,125	613,221
Deferred outflow of resources:		
Pension	45,193	70,245
Other post employment benefits	71,551	—
Total deferred outflows of resources	116,744	70,245
Total assets and deferred outflows of resources	\$ 1,239,203	\$ 1,076,347
LIABILITIES AND NET POSITION		
Current liabilities:		
Current portion of long-term obligations	\$ 16,507	\$ 15,335
Accounts payable and other current liabilities	51,252	34,443
Accrued expenses	95,076	85,995
Due to third-party payors	20,741	19,345
Total current liabilities	183,576	155,118
Non-Current liabilities:		
Long-term obligations, net of current portion	123,731	143,314
Post-employment benefits, net of current portion	577,983	518,411
Net pension liability	45,168	19,238
Total non-current liabilities	746,882	680,963
Deferred inflow of resources:		
Pension	21,588	67,804
Other post employment benefits	61,240	7,914
Total deferred inflow of resources	82,828	75,718
Total liabilities and deferred inflows of resources	1,013,286	911,799
Net position:		
Net investment in capital assets	195,466	173,514
Restricted expendable	55,312	59,445
Unrestricted	(26,238)	(72,838)
Net position, prior to noncontrolling interest	224,540	160,121
Noncontrolling interest	1,377	4,427
Total net position	225,917	164,548
Total liabilities, deferred inflows of resources, and net position	\$ 1,239,203	\$ 1,076,347

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(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)

	2020	2019
Operating revenues		
Net patient service revenue/net settlements and appeals	\$ 812,819	\$ 726,940
New York State operating support	51,303	51,303
Grants and contracts	2,021	1,771
Equity interest in gain (loss) of joint ventures	711	(892)
Other operating revenue	39,648	41,079
Total operating revenues	906,502	820,201
Operating expenses		
Salaries and wages	298,465	277,920
Employee benefits	134,940	120,549
Supplies and purchased services	440,881	414,954
Depreciation and amortization	36,631	35,310
Total operating expenses	910,917	848,733
Loss from operations	(4,415)	(28,532)
Non-operating revenues (expenses)		
Interest and other income	7,991	8,319
Interest expense	(2,451)	(2,730)
Gain on disposals and divestitures	20,439	155
Investment gain	7,384	1,949
Net non-operating revenues	33,363	7,693
Excess (Deficiency) of revenues over expenses before noncontrolling interest	28,948	(20,839)
Deficiency of revenues over expenses applicable to noncontrolling interest	109	2,527
Excess (Deficiency) of revenues over expenses	29,057	(18,312)
Net position, beginning of year	164,548	128,070
Change in accounting principle (Note 8)	—	19,354
Contributions for purchase of capital assets	35,362	35,789
Excess (Deficiency) of revenues over expenses and third party investments applicable to noncontrolling interest, net	(109)	(353)
Deconsolidation of OmniSeq (Note 17)	(2,941)	—
Net position, end of year	\$ 225,917	\$ 164,548

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

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

	2020	2019
Cash flows from operating activities:		
Net patient service revenue/net settlements and appeals	\$ 816,806	\$ 702,862
New York State operating support	51,303	51,303
Grants and contracts	2,021	1,771
Other operating revenue	40,329	41,655
Payments to employees and benefit providers	(380,293)	(362,443)
Payments to vendors	(426,859)	(411,488)
Payments for malpractice	(1,962)	(3,037)
Net cash provided by operating activities	101,345	20,623
Cash flows from capital and related financing activities:		
Purchase of capital assets	(34,450)	(36,087)
Acquisition of intangible assets	—	(32)
Contributions for purchase of capital assets	34,707	34,308
Proceeds from the sale or exchange of capital assets	63	241
Repayment of long-term obligations	(15,335)	(15,194)
Payments of interest	(5,719)	(6,441)
Net cash used in capital and related financing activities	(20,734)	(23,205)
Cash flows from investing activities:		
Investments in joint ventures	—	(6,629)
Assets limited as to use, net	(84,129)	13,513
Interest and investment income	9,921	8,040
Cash received on divestiture	9,973	—
Third party investments in consolidated subsidiary	—	2,175
Net cash used in provided by investing activities	(64,235)	17,099
Net increase in cash and cash equivalents	16,376	14,517
Cash and cash equivalents - beginning of year	210,390	195,873
Cash and cash equivalents - end of year	\$ 226,766	\$ 210,390
Non-cash investing and financing activities:		
Asset acquisitions not paid by March 31	\$ 10,452	\$ 3,720

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(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)

	<u>2020</u>	<u>2019</u>
Reconciliation of loss from operations to net cash provided by operating activities:		
Loss from operations	\$ (4,415)	\$ (28,532)
Adjustments to loss from operations to net cash provided by operating activities:		
Depreciation and amortization	36,631	35,310
Equity interest in loss (gain) of joint ventures	(711)	892
Provision for bad debts	9,371	10,598
Non-cash portion of pension expense	4,766	(413)
Non-cash portion of OPEB expense	42,065	35,541
Changes in assets:		
Patient accounts receivable	(6,780)	(39,181)
Inventories	(1,723)	1,222
Prepaid expenses and other assets	2,131	(1,648)
Changes in liabilities and deferred resources:		
Accounts payable and other current liabilities	10,059	3,605
Accrued expenses and postemployment benefits	8,555	(1,276)
Due to third-party payors	1,396	4,505
Net cash provided by operating activities	<u>\$ 101,345</u>	<u>\$ 20,623</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 1. ORGANIZATION

Roswell Park Cancer Institute Corporation d/b/a Roswell Park Comprehensive Cancer Center ("Roswell Park" or "Center") is a public cancer hospital and medical research center located in Buffalo, New York. Roswell Park is one of only 50 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. Roswell Park has 133 certified beds.

Effective January 1, 1999, Roswell Park 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. Roswell Park 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, Roswell Park was a division of the New York State Department of Health ("NYSDOH"). As a public benefit corporation, Roswell Park continues to adhere to the NYS public employees' collective bargaining agreements and is required to provide employee benefits consistent with the NYS Executive Branch.

The Roswell Park Clinical Practice Plan (the "Practice 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 Roswell Park.

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". 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 Roswell Park Board of Directors and as such, Roswell Park's Board has no jurisdiction over the Board of the Foundation or the Foundation's assets.

Roswell Park Oncology, P.C. ("RPCIO") was established in July 2012 as a vehicle for Roswell Park to acquire and operate community physician practices specializing in medical oncology and hematology services. This entity is in the customary corporate form of a captive professional corporation in which the entity is technically owned by a physician employee of Roswell Park, but such ownership is contractually tied to the continuation of that employment. Ownership is transferred to another physician employee of Roswell Park in the event the current owner's employment with Roswell Park ends for any reason.

Carlton & Michigan, LLC ("C&M") was established in April 2013 to construct, own and lease to Roswell Park a new Clinical Science Center ("CSC") that is adjacent to the Center. C&M, a limited liability company and a pass-through entity for tax purposes, is jointly owned by the Center (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 Roswell Park. OmniSeq is an early-stage laboratory company that focuses on providing oncological-based, advanced molecular diagnostic tests with therapeutic associations. Prior to 2020, the Center held a controlling financial interest in the outstanding shares of OmniSeq and accordingly included OmniSeq in the Center's consolidated financial statements. In 2020, the Center sold a portion of its interest in OmniSeq, resulting in the deconsolidation of OmniSeq from the Center's consolidated financial statements. Refer to Note 14 and Note 17 for further details.

Roswell Park is a majority owner of the membership interest of Global Biotechnology & Cancer Therapeutics LLC ("GBCT"). GBCT is a for profit limited liability company that was formed to support and collaborate with established and emerging ventures interested in biotechnology and cancer therapeutics. GBCT is fully consolidated within Roswell Park's consolidated financial statements and is considered a pass-through entity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 1. ORGANIZATION (CONTINUED)

whereby the tax implications of GBCT's operations are passed through to its owner/member.

Roswell Park is the sole member of GBCT Holdco LLC, a for-profit limited liability company that was formed as a holding company for GBCT to support new ventures arising out of the research of Roswell Park and affiliated entities. GBCT Holdco LLC is fully consolidated within Roswell Park's consolidated financial statements. It is considered a pass-through entity whereby the tax implications of its operations are passed through to its owner/member.

GBCT II LLC ("GBCT II") is a for-profit limited liability company formed to make investments in and provide services for emerging ventures in biotechnology and cancer therapeutics, including licensing inventions, and assisting with Food and Drug Administration approval of new therapies. GBCT is the sole member of GBCT II.

Innovative Immunotherapy Alliance S.A. ("IIA"), a joint venture biotechnology company established in Cuba, is jointly operated by GBCT's wholly owned subsidiary GBCT II, LLC and CIMAB S.A. (a majority owned marketing and commercialization subsidiary of the Center for Molecular Immunology ("CIM")). IIA was formed to research and develop innovative cancer immunotherapies. The joint venture provides Roswell Park with access to cancer medicines that were not previously accessible to patients or researchers in the United States. GBCT II's ownership interest is accounted for using the equity method of accounting. Refer to Note 14.

Roswell Park has entered into a Joint Venture Agreement with Kaleida Health ("Kaleida"), a multi-hospital health system which owns and operates the Oishei Children's Hospital ("OCH") in Buffalo, New York. The Joint Venture Agreement, which became effective December 1, 2017, established a clinically and financially integrated pediatric oncology program administered jointly by Roswell Park and OCH. Under the terms of the agreement with Kaleida, the net revenues and expenses of the joint program are shared 50/50 between Roswell Park and Kaleida.

Roswell Park and Oneida Health System, Inc. each own a fifty percent (50%) membership interest in Oneida Health Roswell Park Oncology LLC ("OHRPO"), which owns and operates an outpatient radiation oncology facility to serve the oncology needs of patients in the Central New York area. Operations commenced in the summer of 2019. Funding to build the facility was provided by the joint venture partners and through a grant from New York State. Refer to Note 14.

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

The Foundation is a not-for-profit corporation organized to receive and administer gifts and bequests made on behalf of Roswell Park. Roswell Park 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 Roswell Park are typically paid to and administered by Health Research, Incorporated. 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity: Roswell Park Cancer Institute Corporation, the Practice Plan, RPCIO, GBCT and C&M (collectively referred to hereinafter as "Roswell Park") 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, Roswell Park Cancer Institute Corporation and the Practice Plan are referred to as the "Public Benefit Corporation" or the "PBC". All significant intercompany balances and transactions have been eliminated in consolidation.

Accounting Principles: Roswell Park 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 Financial Accounting Standards Board ("FASB") with which Roswell Park must comply are hereinafter referred to generally as "U.S. GAAP."

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.

GASB *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75") governs the specifics of accounting for public other postemployment benefit ("OPEB") plan obligations for participating employers. GASB 75 requires a liability for OPEB obligations, known as the net OPEB liability (total OPEB liability for unfunded plans), to be recognized in the statements of net position (deficit) of participating employers. Changes in the net OPEB liability will be immediately recognized as OPEB expense in the statement of revenues, expenses and changes in net position (deficit) or reported as deferred inflows/outflows of resources depending on the nature of the change. GASB 75 establishes standards for the measurement, recognition, and financial statement presentation of OPEB expenses and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The requirements of GASB 75 were implemented by Roswell Park for the year-ended March 31, 2019. The impact of the standard during the year of implementation is presented in the accompanying consolidated statements of revenues, expenses and changes in net position as an increase to net position of \$19,354. There was no effect on Roswell Park's net position for the year-ended March 31, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Roswell Park 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.

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 Roswell Park.

Cash and Cash Equivalents: Roswell Park considers all highly liquid investments, with original maturities of three months or less, and short term investments (including certificates of deposit), excluding amounts limited as to use, to be cash equivalents. Roswell Park 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, Roswell Park maintains collateral accounts with certain financial institutions to limit Roswell Park's exposure associated with Federal Depository Insurance limits.

Inventory Valuation: Inventories are stated at the lower of average cost or net realizable value 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, 2020 or March 31, 2019. Patient charts and the covenants not to compete represent intangible assets with finite lives of 3 years. Amortization is provided on the straight-line method over the lives of the assets and amounted to \$8 and \$69 as of March 31, 2020 and 2019, respectively. Future amortization expense related to intangible assets is \$8 and \$7 in 2021 and 2022, respectively.

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, Roswell Park assigned composite lives which it believes will more appropriately reflect its financial

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Investments in Joint Ventures: Roswell Park has invested in certain joint ventures that are recorded using the equity method of accounting, see Note 14.

Impairment of Long-Lived Assets: Under the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, Roswell Park 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 2020 and 2019 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 Roswell Park'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 Roswell Park's Board of Directors which are not required to be retained in perpetuity.

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

Noncontrolling interest (NCI) consists of the percentage of C&M's net position in FY20 and C&M's and OmniSeq's net position in FY19 not controlled by Roswell Park. The net position attributable to non-controlling interest for the year ended 2020 was \$1,377 (\$4,427 - 2019). As more fully described in Note 17, Roswell Park's interest in OmniSeq fell below 50%, resulting in the deconsolidation of OmniSeq from the Center's consolidated financial statements for the year ended March 31, 2020.

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

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. The allowances for estimated uncollectibles for patient accounts receivable include accounts referred to the NYS Attorney General for collection. Third-party payors retain the right to review and propose adjustments to amounts recorded by Roswell Park. 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 (expenses) of approximately \$11,724 and \$5,356 in 2020 and 2019, respectively.

Inpatient services rendered to Medicare program beneficiaries are based on a cost reimbursement methodology subject to certain ceilings for inpatient services. Roswell Park is reimbursed for cost reimbursable items at a

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

tentative rate with final settlement determined after submission of annual cost reports by Roswell Park 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 18% of net patient service revenue was generated from the combined services rendered to patients under Medicare and Medicaid programs in both 2020 and 2019. Approximately 67% of net patient service revenue was generated from the combined services rendered to patients under managed care programs in both 2020 and 2019.

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:

	<u>2020</u>	<u>2019</u>
Gross charges	\$ 2,259,738	\$ 1,968,332
Net settlements and appeals	11,724	5,356
Less:		
Discounts and allowances	(1,449,272)	(1,236,150)
Provision for bad debts	(9,371)	(10,598)
	<u>\$ 812,819</u>	<u>\$ 726,940</u>

Other Operating Revenue: Roswell Park considers revenues received from the operation of the cafeteria, the parking garage and other ancillary activities as other operating revenue.

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

	<u>2020</u>	<u>2019</u>
Cafeteria	\$ 2,103	2,094
Parking garage	2,888	2,889
Rebates	2,521	2,428
Rental income	1,271	1,399
Pediatric Joint Venture	2,606	3,024
NYS Support	18,487	17,867
Alliance Funding	2,237	3,243
Other	7,535	8,135
	<u>\$ 39,648</u>	<u>\$ 41,079</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-operating Revenues (Expenses): Interest and other income and investment 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 Roswell Park’s indebtedness, see Note 7.

Excess (Deficiency) of Revenues over Expenses: The consolidated statement of revenues, expenses and changes in net position includes “excess (deficiency) of revenues over expenses.” Changes in unrestricted net position, which is excluded from excess (deficiency) of revenues over expenses, include grants and contributions for the purchase of capital assets, and an adjustment for the deconsolidation of OmniSeq (see Note 17).

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 (\$51,304 in 2020 and \$51,304 in 2019), as well as amounts received by Roswell Park from Health Research, Inc. (“HRI”) and the Foundation both of which are related parties. Contributions from the Foundation, discussed below, were \$3,114 and \$2,232 in 2020 and 2019, respectively, and were for the purchase of capital assets.

Taxes: As a public benefit corporation Roswell Park and the Practice Plan are exempt from federal and state income taxes as an instrumentality of the State of New York, as well as state and local property and sales taxes. As such, no provision for income taxes is made by either Roswell Park or the Practice 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 tax years 2016, 2017, 2018 remain subject to examination by the Internal Revenue Service.

Carlton & Michigan, LLC is considered a pass-through entity whereby the tax implications of C&M’s operations are passed through to the owner/member of Carlton & Michigan, LLC.

GBCT is fully consolidated within Roswell Park’s consolidated financial statements and is considered a pass-through whereby the tax implications of GBCT’s operations are passed through to its owner/member.

GBCT Holdco LLC is considered a pass-through entity whereby the tax implications of GBCT’s operations are passed through to the owner/member of GBCT.

GBCT II LLC is considered a pass-through entity whereby the tax implications of GBCT II’s operations are passed through to the owner/member of GBCT.

Recently Issued Accounting Pronouncements: In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. Under this Statement, a lessee is required to recognize a lease liability and a right to use asset as a single model for lease accounting based on the principle that leases are financing instruments. Pursuant to the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the requirements of this Statement are effective for financial reporting periods beginning after June 15, 2021. The financial impact of adopting this statement is not expected to materially impact Roswell Park.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) and is based on the standards established in GASB Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The financial impact of adopting this statement is currently being evaluated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications: Certain prior year amounts were reclassified to conform to the 2020 consolidated financial statement presentation.

Subsequent Events: On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Roswell Park's operations and financial performance are reasonably expected to be affected by the recent COVID-19 outbreak which has spread globally and is adversely affecting economic conditions throughout the world. The pandemic, the impact of which had begun to be seen in late March 2020, is likely to impact various parts of fiscal year 2021 operations and financial performance including, but not limited to, additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, general patient volumes activities. In addition, broad economic factors resulting from the COVID-19 pandemic, including increasing unemployment rates, reduced consumer spending and the resulting impact to businesses and employment in the Western New York region are likely to affect Roswell Park's operations and financial condition, including but not limited to shifts in payer mix and potentially higher degrees of bad debt write-offs. The length and extent of these disruptions is currently unknown and will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

In response to the COVID-19 pandemic, the United States Congress passed, and the President signed, a variety of legislation (including but not limited to the Coronavirus Aid, Relief, and Economic Security Act, or "CARES Act") that provides certain relief to hospitals and healthcare providers to partially mitigate the economic impact of the pandemic, including lost revenues, as well as incremental costs incurred in response to the pandemic such as personal protective equipment and planning and other costs related to the pandemic. The relief provided under the CARES Act has been and is expected to be distributed through the CARES Act Provider Relief Fund. Subsequent to March 31, 2020, Roswell Park received approximately \$12,700 through the Provider Relief fund. These payments are currently expected to be recognized as other operating income during the first and second fiscal quarters of fiscal 2021, and are not expected to be subject to repayment, provided the Center (or Roswell Park) is able to attest to and comply with the terms and conditions of the funding. Further allocation of funds may be received based on allocation methods and criteria that are not yet known, however any receipt of any additional monies under the CARES Act is uncertain and is not guaranteed as of the date these financial statements are available to be issued.

In addition, the CARES Act also makes other forms of financial assistance available to healthcare providers, including through an expansion of the Medicare Accelerated and Advance Payment Program ("Advanced Payment Program"), which makes available accelerated payments of Medicare funds in order to increase cash flow to providers. In April 2020, Roswell Park received approximately \$56,000 from the Advanced Payment Program. Beginning 120 days subsequent to receipt of the advance payment, claims for services provided to Medicare beneficiaries will be applied against the advance payment balance. Any unapplied advance payment amounts must be repaid in full within one year from receipt of the advance payments.

These consolidated financial statements have not been updated for subsequent events occurring after June 25, 2020 which is the date these consolidated financial statements were available to be issued.

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 3. ASSETS LIMITED AS TO USE

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

Board Designated (a)	2020	2019
Board designated funds for recruitment, capital and accruals	\$ 145,020	\$ 135,324
Board designated funds for unfunded future retirement obligations and other strategic initiatives	122,565	43,765
Board designated funds for construction projects	655	559
Workers compensation	10,638	10,894
Timing of third party payments and estimated settlements/unearned revenue	4,723	1,299
Employee benefits	2,931	2,822
Technology transfer	1,000	1,000
TIAA/CREF escrow	583	282
Subtotal	<u>288,115</u>	<u>195,945</u>
Held by Trustee Under Malpractice and General Liability Trust Agreement		
Malpractice reserve:		
Cash and cash equivalents	1,246	924
U.S. Government obligations, corporate issues, and municipal issues	13,911	13,360
Subtotal	<u>15,157</u>	<u>14,284</u>
Held by Trustee Under Indenture Agreement (b)		
Debt service reserve	27,855	32,345
Major modernization project	16,750	17,181
Subtotal	<u>44,605</u>	<u>49,526</u>
Held under Clinical Practice Plan Enabling Legislation (c)		
Chief Executive Officer fund	7,795	6,893
Academic development fund - Chief Executive Officer	14,804	14,758
Academic development fund - Department Chairs	4,858	5,449
Subtotal	<u>27,457</u>	<u>27,100</u>
Total assets limited as to use	<u>375,334</u>	<u>286,855</u>
Less: Current portion	(29,065)	(25,940)
Total assets limited as to use, net of current portion	<u>\$ 346,269</u>	<u>\$ 260,915</u>

Refer to Note 13 for the allocation of assets limited as to use.

- a. The assets held by Trustee under Indenture agreement are all invested in cash and cash equivalents or U.S. Treasuries with the exception of approximately \$639 in 2020 and \$1,468 in 2019 of receivables from DASNY related to the major modernization project.
- b. The Practice Plan funds that are held under enabling legislation. Refer to Note 13 for the allocation of assets limited as to use.

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

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 4. CAPITAL ASSETS

Capital assets consisted of the following at March 31:

	<u>March 31, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>March 31, 2020</u>
Non-depreciable assets:					
Land	\$ 4,444	\$ —	\$ —	\$ —	\$ 4,444
Construction in progress	10,574	37,253	(20,693)	—	27,134
	<u>15,018</u>	<u>37,253</u>	<u>(20,693)</u>	<u>—</u>	<u>31,578</u>
Depreciable assets:					
Buildings and improvements	635,316	411	8,682	(79)	644,330
Equipment	255,511	3,610	12,011	(8,004)	263,128
	<u>890,827</u>	<u>4,021</u>	<u>20,693</u>	<u>(8,083)</u>	<u>907,458</u>
Less: Accumulated depreciation:					
Buildings and improvements	393,869	19,844	—	67	413,646
Equipment	197,028	16,779	—	7,320	206,487
	<u>590,897</u>	<u>36,623</u>	<u>—</u>	<u>7,387</u>	<u>620,133</u>
Capital assets, net	<u>\$ 314,948</u>	<u>\$ 4,651</u>	<u>\$ —</u>	<u>\$ (696)</u>	<u>\$ 318,903</u>
	<u>March 31, 2018</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>March 31, 2019</u>
Non-depreciable assets:					
Land	\$ 4,444	\$ —	\$ —	\$ —	\$ 4,444
Construction in progress	16,463	26,602	(32,491)	—	10,574
	<u>20,907</u>	<u>26,602</u>	<u>(32,491)</u>	<u>—</u>	<u>15,018</u>
Depreciable assets:					
Buildings and improvements	620,365	1,671	13,288	(8)	635,316
Equipment	236,747	5,434	19,203	(5,873)	255,511
	<u>857,112</u>	<u>7,105</u>	<u>32,491</u>	<u>(5,881)</u>	<u>890,827</u>
Less: Accumulated depreciation:					
Buildings and improvements	374,223	19,646	—	—	393,869
Equipment	187,228	15,595	—	5,795	197,028
	<u>561,451</u>	<u>35,241</u>	<u>—</u>	<u>5,795</u>	<u>590,897</u>
Capital assets, net	<u>\$ 316,568</u>	<u>\$ (1,534)</u>	<u>\$ —</u>	<u>\$ (86)</u>	<u>\$ 314,948</u>

Depreciation expense amounted to approximately \$36,623 and \$35,241 in 2020 and 2019, respectively.

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 5. ACCRUED EXPENSES

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

	<u>2020</u>	<u>2019</u>
Salaries and benefits	\$ 46,277	\$ 41,110
Payroll withholdings	6,555	5,441
Current portion of retirement and post-retirement benefits	11,274	10,651
Workers' compensation	10,638	10,895
Professional and general liability	15,629	15,691
Accrued Interest	1,230	1,422
Other	3,473	785
	<u>\$ 95,076</u>	<u>\$ 85,995</u>

NOTE 6. SHORT-TERM BORROWINGS

Roswell Park has 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, 2020 and 2019. This agreement was entered into primarily to provide borrowing authority in the event NYS support payments are delayed on a short-term basis.

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

The long-term debt obligations of Roswell Park consist primarily of allocated portions of DASNY bonds issued on behalf of Roswell Park and certain other NYSDOH facilities. The portion of these obligations allocated to Roswell Park 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 Roswell Park.

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

	<u>2020</u>	<u>2019</u>
On July 13, 2011, DASNY issued debt in the amount of \$48,180 (Roswell Park 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.	\$ 13,040	\$ 17,093
On October 21, 2016, DASNY issued debt in the amount of \$144,810 (Roswell Park allocated 80.76%). Under the terms of issuance, interest ranges from 3.0% to 5.0% per annum with interest and principal payments due through 2036. The Series 2016A Bonds were issued to refund DASNY issued debt. Proceeds will be used to provide for payment of the redemption price of and accrued interest to the redemption date of the Refunded Bonds as well as the cost of issuance.	85,103	96,342
C&M loans payable under NMTC program (a).	29,780	29,780
On June 1, 2012, Roswell Park 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.	4,493	4,512
On May 22, 2017, RPCIO entered into a capital lease obligation to operate 2 hematology analyzers. The lease term is 60 months with an interest rate of 3.0%.	50	73
	132,466	147,800
Plus: Unamortized bond premium	7,772	10,849
Total long-term obligations	140,238	158,649
Less: Current portion	(16,507)	(15,335)
Long-term obligations, net	<u>\$ 123,731</u>	<u>\$ 143,314</u>

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

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

<u>Obligation Type</u>	<u>March 31,</u> <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>March 31,</u> <u>2020</u>
Bond Series 2011	\$ 17,093	\$ —	\$ (4,053)	\$ 13,040
Bond Series 2016	96,342	—	(11,239)	85,103
Loans payable	29,780	—	—	29,780
Capital leases & other	4,585	—	(42)	4,543
	<u>147,800</u>	<u>—</u>	<u>(15,334)</u>	<u>132,466</u>
Plus: Unamortized bond premium (b)	10,849	—	(3,077)	7,772
Total long-term obligations	158,649	<u>\$ —</u>	<u>\$ (18,411)</u>	140,238
Less: Current portion	<u>(15,335)</u>			<u>(16,507)</u>
Long-term obligations, net	<u>\$ 143,314</u>			<u>\$ 123,731</u>

<u>Obligation Type</u>	<u>March 31,</u> <u>2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>March 31,</u> <u>2019</u>
Bond Series 2011	\$ 20,955	\$ —	\$ (3,862)	\$ 17,093
Bond Series 2016	107,048	—	(10,706)	96,342
Loans payable	29,780	—	—	29,780
Capital leases & other	7,920	—	(3,335)	4,585
	<u>165,703</u>	<u>—</u>	<u>(17,903)</u>	<u>147,800</u>
Plus: Unamortized bond premium (b)	14,380	—	(3,531)	10,849
Total long-term obligations	180,083	<u>\$ —</u>	<u>\$ (21,434)</u>	158,649
Less: Current portion	<u>(15,194)</u>			<u>(15,335)</u>
Long-term obligations, net	<u>\$ 164,889</u>			<u>\$ 143,314</u>

(a) As discussed in Note 1, Roswell Park, 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, Roswell Park will be able to garner the benefit of certain New Market Tax Credit 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, Roswell Park, 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.

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, Roswell Park 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

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

Pursuant to the laws and regulations surrounding the NMTC program, several entities are party to the overall financing plan. Roswell Park 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 statements of net position as of March 31, 2020 and 2019:

	Asset (Liability)
Notes Receivable: Roswell Park 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 Roswell Park. 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 Roswell Park for a price of \$1. If the NMTC Investors do not exercise their put options, Roswell Park 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 Roswell Park, which will allow Roswell Park 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.

Roswell Park uses the effective interest method for amortizing these premiums. Included as an offset to interest expense is \$3,077 and \$3,531 in 2020 and 2019, respectively, related to the amortization of bond premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(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,				
2021	\$ 16,458	\$ 4,713	\$ 49	\$ 153
2022	18,033	3,897	56	151
2023	18,874	3,038	40	150
2024	19,057	2,148	45	149
2025	16,842	1,321	53	147
2026-2030	20,114	1,377	393	701
2031-2035	6,450	711	655	613
Thereafter	12,098	436	3,249	778
Plus: Unamortized bond premium	7,772	—	—	—
	<u>\$ 135,698</u>	<u>\$ 17,641</u>	<u>\$ 4,540</u>	<u>\$ 2,842</u>

NOTE 8. POSTEMPLOYMENT BENEFITS

Benefit Plan Description: Employees of Roswell Park 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.

Post-employment benefits include healthcare benefits, life insurance benefits, and, in some cases, sick pay accrual. These benefits arise from an exchange of salaries and benefits for employee services rendered and constitute part of the compensation for those services. The goal is to measure and recognize the cost of the post-employment benefits during the period when the employees render the services and to provide relevant information about obligations and the extent to which progress is being made in funding these obligations.

Roswell Park administers the Retiree Group Health Benefits Program as a single employer defined benefit Other Postemployment Benefit Plan. The Program provides for continuation of Retiree Group Health Benefits for certain retirees and their spouses and can be amended by action of Roswell Park subject to applicable collective bargaining agreements.

Funded Status and Funding Progress: Roswell Park has the authority to establish its own funding policy. Under its current policy, Roswell Park is not required to fund the Benefit Plan or the Annual Required Contribution (“ARC”, an actuarially determined amount as defined by U.S. GAAP). Roswell Park 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 2020 and 2019.

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

<u>Plan</u>	<u>Tier</u>	<u>Participant Contribution</u>	
		<u>2020</u>	<u>2019</u>
Empire	Single	\$ 78.18	\$ 93.17
	Family	\$ 373.84	\$ 408.22
Community Blue	Single	\$ 63.23	\$ 85.58
	Family	\$ 322.44	\$ 369.42
Independent Health	Single	\$ 67.63	\$ 80.28
	Family	\$ 312.10	\$ 342.64

The most recent actuarial valuation for the OPEB plan was as of April 1, 2019. As of March 31, 2020, the plan was unfunded. Roswell Park is continually seeking support from NYS to fund all or a significant portion of the unfunded OPEB liability. Roswell Park 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.

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 consolidated 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.

Annual Other Postemployment Benefit Cost and Net Other Postemployment Benefit Obligation (“OPEB”): Roswell Park’s total OPEB liability measured at March 31, 2020 of \$588,496 was determined by an actuarial valuation as of April 1, 2019. The measurement date of the obligation is March 31, 2020.

The following table illustrates Roswell Park’s annual OPEB cost, percentage of annual OPEB cost contributed by Roswell Park, and the net OPEB obligation for 2020, 2019 and 2018.

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
3/31/2018	\$ 66,051	13.94%	\$ 501,340
3/31/2019	\$ 45,190	21.14%	\$ 529,062
3/31/2020	\$ 52,483	21.48%	\$ 588,496

The total OPEB liability is the portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the Entry Age Normal cost method requirements of GASB 75. The total annual OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions and was then projected forward to the measurement date in accordance with the parameters of GASB 75. As of March 31, 2020 and 2019, \$588,496 and \$529,062, respectively, was reported for the Roswell Park’s total OPEB liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

Deferred inflows of resources and deferred outflows of resources are portions of changes in total OPEB liability that are not immediately recognized in OPEB expense. These changes include differences between expected and actual experience, changes in assumptions and differences between expected and actual earnings on plan investments. As of March 31, 2020, Roswell Park reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ —	\$ 54,503
Change in actuarial assumptions	\$ 71,551	\$ 6,737

As of March 31, 2019, Roswell Park reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ —	\$ —
Change in actuarial assumptions	\$ 7,914	\$ —

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended March 31:	
2021	\$ 1,366
2022	1,366
2023	1,366
2024	1,366
2025	1,366
Thereafter	3,480
	<u>\$ 10,310</u>

Actuarial Method and Assumptions:

Roswell Park's total OPEB liability was determined by an actuarial valuation as of April 1, 2019, using the following actuarial assumptions:

Significant actuarial assumptions used in the April 1, 2019 valuation were as follows:

Inflation Rate	2.25%
Salary Scale	3.75%
Health Cost	Entry Age Normal
Mortality	RPH-2018 Mortality Tables
Discount Rate	2.56%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

The discount rate used to calculate the total OPEB liability as of March 31, 2020 was 2.56%. The discount rate is a single rate of return, when applied to all projected benefit payments equal to the sum of: (1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return, and (2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate. The Municipal Bond Rate is a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

This valuation report reflects postemployment benefits that have been extended to current and future retirees and their dependents. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment, mortality and the healthcare cost trend. In accordance with GASB 75, the Entry Age Normal cost method was used for determining service costs and the actuarial accrued liability. All benefits estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and expected future service.

OPEB Status and Funding Progress:

The Roswell Park's OPEB obligation and the funded status of the plan as of March 31, 2020 are as follows:

OPEB balance at April 1, 2019	\$ 529,062
Changes for period:	
Service Cost	30,980
Interest	20,137
Differences between Expected and Actual Experience	(62,633)
Changes in assumptions	82,224
Benefit payments	(11,274)
Net changes	<u>59,434</u>
OPEB balance at March 31, 2020	<u>\$ 588,496</u>

Matters Involving New York State: Roswell Park has recognized in its consolidated statements of net position and consolidated statements of revenues, expenses and changes in net position the amounts described above. In so doing, Roswell Park 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 Roswell Park became a public benefit corporation of the State of New York. As discussed previously, Roswell Park is seeking some form of financial assistance from NYS to fund all or a significant portion of the unfunded OPEB liability. Roswell Park 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), Roswell Park 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, 2020, utilizing a cut-off date of January 1, 1999:

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

	Prior to January 1, 1999	Post January 1, 1999	Total
Total OPEB liability at beginning of Year	\$ 89,553	\$ 439,509	\$ 529,062
Service Cost	157	30,822	30,979
Interest Cost	3,203	16,934	20,137
Differences between Expected and Actual	(4,178)	(58,454)	(62,632)
Change of Assumptions of Other Inputs	7,912	74,311	82,223
Benefit Payments	(4,518)	(6,755)	(11,273)
Net OPEB obligation liability - End of Year	\$ 92,129	\$ 496,367	\$ 588,496

NOTE 9. PENSION

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.htm.

Certain employees of Roswell Park 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

Roswell Park 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, 2020 was approximately 15.5% of payroll expense. Roswell Park contributed \$22,089 and \$21,210 to the plan in the fiscal year 2020 and 2019, respectively.

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.

As of March 31, 2020 Roswell Park reported a liability of \$45,168 (\$19,238 - 2019) for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018. The basis for Roswell Park's 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. Roswell Park's proportion was 0.6374871% and 0.5960736% as of March 31, 2020 and 2019, respectively.

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(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% of the contributions required and were as follows:

2020	\$ 22,089
2019	\$ 21,210
2018	\$ 20,030

For the year ended March 31, 2020, Roswell Park recognized pension expense of \$26,858. As of March 31, 2020, Roswell Park reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 8,894	\$ 3,032
Net difference between projected and actual investment earnings on pension plan investments	—	11,592
Changes of assumptions	11,353	—
Change in proportion and differences between employer contributions and proportionate share of contributions	2,857	6,964
Contributions subsequent to measurement date	22,089	—
Total	<u>\$ 45,193</u>	<u>\$ 21,588</u>

The \$22,089 reported as deferred outflows of resources are the result of Roswell Park's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2020. 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:

2021	\$ (10,103)
2022	(1,637)
2023	5,788
Thereafter	—

For the year ended March 31, 2019, Roswell Park recognized pension expense of \$20,798. As of March 31, 2019, Roswell Park reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,862	\$ 5,670
Net difference between projected and actual investment earnings on pension plan investments	27,942	55,154
Changes of assumptions	12,756	—
Change in proportion and differences between employer contributions and proportionate share of contributions	1,475	6,980
Contributions subsequent to measurement date	21,210	—
Total	<u>\$ 70,245</u>	<u>\$ 67,804</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 9. PENSION (CONTINUED)

Actuarial Methods and Assumption:

The total pension liability for the March 31, 2019 measurement date was determined by using an actuarial valuation as of April 1, 2018 with updating procedures through March 31, 2020.

Actuarial Cost Method	Entry age normal
Inflation	2.5%
Salary scale	4.2%
Investment rate of return	6.8%
Cost of living adjustment	1.3%
Mortality table	Society of Actuaries' Scale MP-2018

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, 2019 are summarized below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.50%
Real estate	10.00%	5.55%
Absolute return strategies	2.00%	3.75%
Opportunistic portfolio	3.00%	5.68%
Real assets	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-indexed bonds	4.00%	1.25%
	<u>100.00%</u>	

Discount rate: The discount rate used to calculate the total pension liability was 7.0%. 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 Roswell Park's proportionate share of the net pension liability to changes in the discount rate: The following presents Roswell Park's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what Roswell Park's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	<u>1% decrease (6.0%)</u>	<u>Current discount rate (7.0%)</u>	<u>1% increase (8.0%)</u>
Roswell Park's proportionate share of the net pension liability (asset)	\$197,481	\$45,168	\$(82,786)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 9. PENSION (CONTINUED)

Pension Plan Fiduciary Net Position: The components of the current-year net pension liability of the employers as of March 31, 2019 were as follows:

Employers' total pension liability	\$ 189,803,429
Plan net position	<u>(182,718,124)</u>
Employers' net pension total	<u>\$ 7,085,305</u>

Ratio of Plan net position to the Employers' total pension liability	(96.27)%
---	----------

NOTE 10. INSURANCE ARRANGEMENTS

Roswell Park 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. Roswell Park's insurance arrangements are as follows:

Professional and General Liability: Roswell Park maintains a partially self-insured program covering general and professional liability claims against Roswell Park and its employees. Roswell Park maintains claims made insurance coverage for losses that exceed \$4,000 for the first claim in each year and \$6,000 in the aggregate for all claims per year, including defense costs. For any subsequent claims within the same year, the self-insured limits are \$3,000 per claim and \$6,000 aggregate. Roswell Park's purchased excess general and professional liability policy covers the next \$15,000 per claim and in the aggregate per year, over and above Roswell Park's retained exposure limit identified above. Professional liability coverage is on a claims made basis, while general liability coverage is occurrence based. Claims alleging malpractice have been asserted against Roswell Park 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 Roswell Park through March 31, 2020, for which reserves have been estimated. Claim reserves were discounted using a rate of 3% in 2020 and 2019.

The current year provision for malpractice expense was \$1,900 (\$1,184 - 2019). The current year provision for malpractice claims includes actuarial changes that are made annually in the normal course of developing estimated exposures for such claims.

Workers' Compensation: Roswell Park is partially self-insured for workers' compensation risks with self insurance limits of \$600 per occurrence. Roswell Park also maintains excess workers' compensation insurance with limits of \$1,000. It is the opinion of management that the existing reserves and policies are adequate to provide for potential losses resulting from incidents of which management is currently aware. Additional incidents may have occurred through March 31, 2020, for which reserves have been estimated. The charges to expense for workers' compensation related costs approximated \$1,140 and \$1,930 in 2020 and 2019, 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 Roswell Park 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 10. INSURANCE ARRANGEMENTS (CONTINUED)

Records related to professional liability claims and litigation are maintained centrally by NYS. Roswell Park 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, 2020 and 2019, no payments of final settlement of malpractice cases were made.

NOTE 11. LEGAL MATTERS

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

Medicare and Medicaid programs accounted for approximately 17% and 1% in 2020, respectively, and 17% and 1% in 2019, respectively, of Roswell Park's net patient service revenues for the years then ended.

Litigation: Roswell Park 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 Roswell Park's future financial position, results from operations and cash flows.

NOTE 12. CONCENTRATION OF CREDIT RISK

Roswell Park 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:

	<u>2020</u>	<u>2019</u>
Blue Cross	30 %	31 %
IHA	16	19
Medicaid	1	1
Medicare	9	10
Other	43	38
Patients	<u>1</u>	<u>1</u>
	<u>100 %</u>	<u>100 %</u>

The payer categories above include all relevant lines of business, including commercial products, as well as managed Medicare, Medicaid and other such products. The total managed Medicare and Medicaid products included in the above totals is 21% and 10% respectively in 2020, and 19% and 14% respectively in 2019. 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 Roswell Park'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

Roswell Park is operated as a component unit of the State of New York. DASNY issues bonds on behalf of Roswell Park. 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.

The following tables present information about assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2020 and 2019, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

As of March 31, 2020	Prices in Active Market Level I	Other Observable Inputs Level II	Significant Unobservable Inputs Level III	Total
Cash and cash equivalents	\$ 145,794	\$ —	\$ —	\$ 145,794
Commercial paper/corporate obligations	82,283	—	—	82,283
Certificates of deposit	45,847	—	—	45,847
U.S. Government and Federal Agency obligations	327,207	—	—	327,207
Municipal issues	969	—	—	969
Total cash and assets limited as to use:	<u>\$ 602,100</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 602,100</u>

As of March 31, 2019	Prices in Active Market Level I	Other Observable Inputs Level II	Significant Unobservable Inputs Level III	Total
Cash and cash equivalents	\$ 107,909	\$ —	\$ —	\$ 107,909
Commercial paper/corporate obligations	66,563	—	—	66,563
Certificates of deposit	44,874	—	—	44,874
U.S. Government and Federal Agency obligations	276,930	—	—	276,930
Municipal issues	969	—	—	969
Total cash and assets limited as to use:	<u>\$ 497,245</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 497,245</u>

NOTE 14. RELATED PARTIES

New York State:

Operating Support: As discussed in Note 1, Roswell Park is related to NYS by virtue of ownership and control. Annually, Roswell Park receives a significant portion of its operating revenue from NYS. This support is a fundamental component of Roswell Park's annual operating budget. During the years ended March 31, 2020 and 2019, operating support received from NYS amounted to approximately \$102,607 and \$102,607, respectively. Roswell Park 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, Roswell Park recognizes in its consolidated statement of net position allocated portions of DASNY bonds issued on behalf of Roswell Park and other NYSDOH facilities. In this regard, scheduled debt service payments and certain other related transactions are consummated by NYSDOH on Roswell Park's behalf, using Roswell Park funds. In addition, from time to time, DASNY elects to extinguish or otherwise defease certain debt issuances, and in so doing, Roswell Park recognizes its proportionate share of each particular transaction, including the extinguishment, as well as recognizing its portion of any gain or loss on extinguishment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 14. RELATED PARTIES (CONTINUED)

Health Research, Incorporated:

Health Research, Incorporated, 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, Roswell Park and other health related entities and as such is related to Roswell Park. During the years ended March 31, 2020 and 2019, Roswell Park paid approximately \$6,888 and \$6,947, respectively, of expenses incurred by HRI on Roswell Park's behalf. These payments relate primarily to expenses relating to the recruitment and retention of certain principal investigators ("PI's"). Additionally, approximately \$2,021 and \$1,771 of grant revenue was remitted by HRI to Roswell Park in the years ended 2020 and 2019, respectively. This revenue was generated by salary recovery on medical staff paid by Roswell Park. Roswell Park's policy is to allow for salary recovery on research staff to be retained by HRI as part of the overall contribution to HRI. This amounted to approximately \$7,431 and \$7,027 in 2020 and 2019, respectively. Furthermore, certain expenses are incurred by HRI on behalf of Roswell Park, and by Roswell Park 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.

Joint Ventures:

NR Physician Group, PLLC is a joint venture established to operate a physician-based radiation therapy service facility that offers advanced radiation therapy to patients in southern Erie County, New York. RPCIO's ownership interest in the joint venture is 60%, but lack voting control. Therefore, this investment is recorded using the equity method of accounting. In 2018, RPCIO contributed approximately \$2,751.

Oneida Health Roswell Park Oncology, LLC is a joint venture established to operate a diagnostic and treatment facility that provides radiation oncology therapy services in Central New York State. Roswell Park's ownership interest in the joint venture is 50% and is recorded using the equity method of accounting. In 2019, Roswell Park contributed approximately \$1,500.

Innovative Immunotherapy Alliance S.A. (IIA) is a joint venture established with CIMAB S.A. (a majority owned marketing and commercialization subsidiary of the Center for Molecular Immunology ("CIM")) to research and develop innovative cancer immunotherapies. The joint venture provides Roswell Park with access to cancer medicines that were not previously accessible to patients or researchers in the United States. Roswell Park's ownership interest in the joint venture is 49% and is recorded using the equity method of accounting. In 2019, Roswell Park contributed approximately \$5,150 to the joint venture to fund the startup operations of the entity.

Center For Advanced Molecular Isotopes (CAMI) is a joint venture established to provide quality and affordable radiopharmaceuticals and to further foster an environment conducive to medicinal research. Roswell Park's ownership interest in the joint venture is 14% and is recorded using the equity method of accounting.

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 Roswell Park. OmniSeq is an early-stage laboratory company that focuses on providing oncological-based, advanced molecular diagnostic tests with therapeutic associations. On April 18, 2019, Roswell Park sold all of its Series B holdings in OmniSeq. In addition, OmniSeq repurchased a portion of the Roswell Park Series A holdings in OmniSeq. As a result of these transactions the Roswell Park maintained an approximately 35% ownership interest in OmniSeq. Refer to Note 17 for more details.

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 14. RELATED PARTIES (CONTINUED)

Investments in joint ventures as of March 31 comprise of the following:

	<u>2020</u>	<u>2019</u>
OmniSeq	\$ 10,595	\$ —
Innovative Immunotherapy Alliance S.A. (IIA)	3,844	5,063
Oneida Health Roswell Park Oncology, LLC	2,495	1,543
NR Physician Group, PLLC	1,662	1,898
Center For Advanced Molecular Isotopes	221	235
	<u>\$ 18,817</u>	<u>\$ 8,739</u>

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION

The following consolidating and combining information summarizes the financial position and results of operations as of and for the year ended March 31, 2020:

Condensed Consolidating Statements of Net Position

	2020					
	Public Benefit Corporation	Roswell Park Oncology, PC	Carlton & Michigan, LLC	GBCT	Eliminations	Total
Assets and Deferred Outflows of Resources						
Current assets	\$ 402,265	\$ 8,717	\$ 188	\$ 481	\$ (1,317)	\$ 410,334
Assets limited as to use, net of current portion	345,802	—	466	—	—	346,269
Capital assets, net	274,369	1,583	42,951	—	—	318,903
Other assets	65,605	8,537	—	3,844	(31,033)	46,953
Total assets	<u>1,088,042</u>	<u>18,836</u>	<u>43,605</u>	<u>4,325</u>	<u>(32,350)</u>	<u>1,122,459</u>
Deferred outflows of resources	116,744	—	—	—	—	116,744
Total assets and deferred outflows of resource	<u>\$ 1,204,786</u>	<u>\$ 18,836</u>	<u>\$ 43,605</u>	<u>\$ 4,325</u>	<u>\$ (32,350)</u>	<u>\$ 1,239,203</u>
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities	\$ 179,368	\$ 5,039	\$ 460	\$ 25	\$ (1,317)	\$ 183,576
Non-current liabilities	717,483	26	29,373	—	—	746,882
Total liabilities	<u>896,851</u>	<u>5,065</u>	<u>29,833</u>	<u>25</u>	<u>(1,317)</u>	<u>930,458</u>
Deferred inflow of resources	82,828	—	—	—	—	82,828
Net position						
Net investment in capital assets	180,712	1,583	13,171	—	—	195,466
Restricted expendable	55,312	—	—	—	—	55,312
Unrestricted	(10,917)	12,188	(776)	4,299	(31,033)	(26,238)
Net position, prior to noncontrolling interest	<u>225,107</u>	<u>13,771</u>	<u>12,395</u>	<u>4,299</u>	<u>(31,033)</u>	<u>224,540</u>
Noncontrolling interest	—	—	1,377	—	—	1,377
Total net position	<u>225,107</u>	<u>13,771</u>	<u>13,772</u>	<u>4,299</u>	<u>(31,033)</u>	<u>225,917</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 1,204,786</u>	<u>\$ 18,836</u>	<u>43,605</u>	<u>4,325</u>	<u>(32,350)</u>	<u>1,239,203</u>

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION (CONTINUED)

Condensed Consolidating Statements of Revenue, Expenses and Changes in Net Position

	2020					
	Public Benefit Corporation	Roswell Park Oncology, PC	Carlton & Michigan, LLC	GBCT	Eliminations	Total
Operating revenues						
Net patient service revenue/net settlements and appeals	\$ 762,624	\$ 50,195	\$ —	\$ —	\$ —	\$ 812,819
New York State operating support	51,303	—	—	—	—	51,303
Grants and contracts	2,021	—	—	—	—	2,021
Equity interest in gain (loss) of joint ventures	947	(236)	—	—	—	711
Other operating revenues	38,855	825	485	—	(517)	39,648
Total operating revenues	<u>855,750</u>	<u>50,784</u>	<u>485</u>	<u>—</u>	<u>(517)</u>	<u>906,502</u>
Operating expenses						
Depreciation and amortization	35,173	270	1,188	—	—	36,631
Other operating expenses	817,850	55,234	93	1,626	(517)	874,286
Total operating expenses	<u>853,023</u>	<u>55,504</u>	<u>1,281</u>	<u>1,626</u>	<u>(517)</u>	<u>910,917</u>
Income (Loss) from operations	2,727	(4,720)	(796)	(1,626)	—	(4,415)
Non-operating activity						
Non-operating revenues (expenses)	33,860	(2)	(297)	(198)	—	33,363
Excess (Deficiency) of revenues over expenses before noncontrolling interest	36,587	(4,722)	(1,093)	(1,824)	—	28,948
Excess (Deficiency) of revenues over expenses applicable to noncontrolling interest	—	—	109	—	—	109
Excess (Deficiency) of revenues over expenses	36,587	(4,722)	(984)	(1,824)	—	29,057
Changes in net position						
Net position, beginning of year	164,974	11,807	14,864	5,063	(32,161)	164,548
Excess (Deficiency) of revenues over expenses	36,586	(4,722)	(983)	(1,824)	—	29,057
Contributions for purchase of capital assets	35,930	6,686	—	1,060	(8,314)	35,362
Other changes in net position	(7,529)	—	—	—	7,529	—
Net position, end of year, prior to noncontrolling interest	<u>229,961</u>	<u>13,771</u>	<u>13,881</u>	<u>4,299</u>	<u>(32,946)</u>	<u>228,967</u>
Deficiency of revenues over expenses and third party investments applicable to noncontrolling interest	—	—	(109)	—	—	(109)
Deconsolidation of OmniSeq	(4,854)	—	—	—	1,913	(2,941)
Net position, End of year	<u>\$ 225,107</u>	<u>\$ 13,771</u>	<u>\$ 13,772</u>	<u>\$ 4,299</u>	<u>\$ (31,033)</u>	<u>\$ 225,917</u>

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION (CONTINUED)

Condensed Combining Statement of Net Position for the Public Benefit Corporation

	2020			
	Roswell Park Cancer Institute	Roswell Park Clinical Practice Plan	Eliminations	Public Benefit Corporation
Assets and Deferred Outflows of Resources				
Current assets	\$ 386,905	\$ 23,112	\$ (7,751)	\$ 402,265
Assets limited as to use, net of current portion	323,115	22,687	—	345,802
Capital assets, net	274,368	1	—	274,369
Other assets	65,605	—	—	65,605
Total assets	1,049,993	45,800	(7,751)	1,088,042
Deferred outflows of resources	116,744	—	—	116,744
Total assets and deferred outflows of resource	<u>\$ 1,166,737</u>	<u>\$ 45,800</u>	<u>\$ (7,751)</u>	<u>\$ 1,204,786</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities	\$ 169,635	\$ 17,484	\$ (7,751)	\$ 179,368
Non-current liabilities	717,483	—	—	717,483
Total liabilities	887,117	17,484	(7,751)	896,851
Deferred inflow of resources	82,828	—	—	82,828
Net position				
Net investment in capital assets	180,711	1	—	180,712
Restricted expendable	27,855	27,457	—	55,312
Unrestricted	(11,774)	857	—	(10,917)
Total net position	196,792	28,316	—	225,107
Total liabilities, deferred inflow of resources and net position	<u>\$ 1,166,737</u>	<u>\$ 45,800</u>	<u>\$ (7,751)</u>	<u>\$ 1,204,786</u>

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION (CONTINUED)

Condensed Combining Statement of Revenues, Expenses and Changes in Net Position for the Public Benefit Corporation

	2020			
	Roswell Park Cancer Institute	Roswell Park Clinical Practice Plan	Eliminations	Public Benefit Corporation
Operating revenues				
Net patient service revenue/net settlements and appeals	\$ 696,714	\$ 67,940	\$ (2,030)	\$ 762,624
New York State operating support	51,303	26,959	(26,959)	51,303
Grants and contracts	—	2,021	—	2,021
Equity interest in loss of joint ventures	947	—	—	947
Other operating revenues	35,476	3,379	—	38,855
Total operating revenues	<u>784,440</u>	<u>100,299</u>	<u>(28,989)</u>	<u>855,750</u>
Operating expenses				
Depreciation and amortization	35,172	1	—	35,173
Other operating expenses	742,215	104,624	(28,989)	817,850
Total operating expenses	<u>777,387</u>	<u>104,625</u>	<u>(28,989)</u>	<u>853,023</u>
Income (Loss) from operations	7,053	(4,326)	—	2,727
Non-operating activity				
Non-operating revenues (expenses)	32,827	1,033	—	33,860
Excess (Deficiency) of revenues over expenses	<u>39,880</u>	<u>(3,293)</u>	<u>—</u>	<u>36,587</u>
Net position, beginning of year	137,013	27,961	—	164,974
Excess (Deficiency) of revenues over expenses	39,879	(3,293)	—	36,586
Contributions for purchase of capital assets	32,282	3,648	—	35,930
Other changes in net position	(7,529)	—	—	(7,529)
Deconsolidation of OmniSeq	(4,854)	—	—	(4,854)
Net position, End of year	<u>\$ 196,791</u>	<u>\$ 28,316</u>	<u>\$ —</u>	<u>\$ 225,107</u>

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CANCER CENTER
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION

The following information summarizes the financial position and results of operations for the Foundation, a discretely presented component unit. The results are as of and for the years ended March 31, 2020 and 2019:

ASSETS	2020	2019
Current assets:		
Cash and cash equivalents	\$ 26,866	\$ 26,029
Gifts and pledges receivable, current	3,682	3,307
Inventories and due from affiliates	1,141	797
Total current assets	31,689	30,133
Non-current assets:		
Assets limited as to use, net	65,286	73,536
Gifts and pledges receivable, net	5,538	4,685
Prepaid expenses and other assets	879	810
Total non-current assets	71,703	79,031
Total assets	\$ 103,392	\$ 109,164
LIABILITIES AND NET POSITION		
Current liabilities	\$ 20,144	\$ 18,392
Non-current liabilities	813	843
Total liabilities	20,957	19,235
Net position		
Without donor restrictions	8,573	13,641
With donor restrictions	73,862	76,288
Total net position	82,435	89,929
Total liabilities and net position	\$ 103,392	\$ 109,164
	2020	2019
Operating revenues:		
Contributions	\$ 28,892	\$ 27,309
Other operating revenues	523	469
Total operating revenues	29,415	27,778
Operating expenses:		
Supplies and other services	1,874	1,848
Grants	22,009	21,221
Fundraising	4,949	4,690
Total operating expenses	28,832	27,759
Income from operations	583	19
Non-operating revenues:		
Interest and other income	1,852	1,554
Investment (loss) income	(9,929)	(119)
Total non-operating revenues	(8,077)	1,435
Excess of revenues over expenses	(7,494)	1,454
Net position, beginning of year	89,929	88,475
Net position, end of year	82,435	89,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except as otherwise noted)

NOTE 16. COMMITMENTS AND CONTINGENCIES

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

FY 2021	\$	1,517
FY 2022		1,092
FY 2023		1,067
FY 2024		656
FY 2025		—
Thereafter		—
Total	\$	<u>4,332</u>

Total expenses for rents and operating type leases were approximately \$1,654 and \$1,404 for 2020 and 2019, respectively.

NOTE 17. DECONSOLIDATION THROUGH SALE OF PARTIAL INTEREST IN SUBSIDIARY

In April, 2019, OmniSeq entered into a series of transactions by and between the Center, Laboratory Corporation of America (LapCorp) and certain other holders of equity security of OmniSeq (collectively the “Parties”), whereby LabCorp agreed to acquire an additional equity position in OmniSeq. As part of this transaction, the Center agreed to sell all of its Series B preferred shares in OmniSeq for approximately \$5,400, including accrued dividends. In addition, OmniSeq agreed to repurchase a portion (approximately 9.7 million shares) of the Center’s Series A preferred shares in OmniSeq effective June 1, 2019, for a total of \$4,500, (including accrued dividends), after which OmniSeq retired the repurchased shares. Total cash proceeds received by the Center a result of these transactions was \$9,972. The series A and B preferred shares were purchased by LabCorp and OmniSeq at \$0.36 per share resulting in a total gain of \$20,430, \$12,400 of which is related to the remeasurement of RPCI’s retained equity interest in OmniSeq. The gain is recognized as a non-operating gain in the consolidated statement of revenues, expenses, and net position. The effect of these transactions resulted in the Center owning approximately 34.4 million shares of OmniSeq’s Series A preferred stock, for a total ownership stake in OmniSeq of approximately 35%. In addition, the Center agreed to retain a total of three of the seven seats on OmniSeq’s board of directors. Accordingly, after the consummation of these transactions, the Center ceased to have a controlling financial interest in OmniSeq, resulting in the need to deconsolidate OmniSeq from the Center’s consolidated financial statements. The effect to the Center’s consolidated financial statements, which are recognized in the year ending March 31, 2020, is as follows:

- Derecognition of OmniSeq’s assets, liabilities and net assets that are currently included in the consolidating State of Net Position;
- Recognition of the fair value of the Center’s remaining interest in OmniSeq of \$12,400;
- Recognition of a non-operating gain in the consolidated Statement of Revenues, Expenses and Changes in Net Position of \$20,430; and
- Receipt of cash proceeds for the partial sale of the Center’s equity holdings in OmniSeq of approximately \$9,972, as described above.