

**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, 2023

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 15
Financial Statements:	
Consolidated Statements of Net Position	16
Consolidated Statements of Revenues, Expenses and Changes in Net Position	17
Consolidated Statements of Cash Flows	18 - 19
Notes to the Consolidated Financial Statements	20 - 50



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2023 and 2022, the related consolidated statements of revenues, expenses, and changes in net position, cash flows and discretely presented component units for the years then ended, and the related notes to the financial statements, which collectively comprise Roswell Park's consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Roswell Park as of March 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Roswell Park restated its net position at April 1, 2022 by approximately \$1,093,000. The restatement was required to be made for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Roswell Park's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Roswell Park's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis on pages 3 through 15 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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 GAS, we have also issued our report dated June 2, 2023 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 GAS in considering Roswell Park's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
June 2, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2023 and 2022

(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, 2023 and 2022. The consolidated financial statements include the accounts of Roswell Park Cancer Institute 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, NY surgeon, was perhaps the first to describe the importance of translational research at 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 46th 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 31 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:

- Newsweek's 2023 "World's Best Specialized Hospitals for Oncology 2023"
- US News & World Report – Best Hospitals for Cancer #34 in 2021, #14 in 2020 and 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)

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2023 and 2022

(in thousands of dollars, except as otherwise noted)

1. Introduction (Continued)

- American Association of Blood Banks ("AABB")
- 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
- 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 4,000 employees including more than 370 faculty-level clinicians and researchers, as well as over 790 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 2023 approximately 547 physicians, 254 medical students, 394 clinicians, 212 researchers, and 228 interns received training at Roswell Park. Physicians included oncology fellows, residents, and visiting physicians. Clinicians included nurses, physician assistants, pharmacists, and other healthcare professionals. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2023 and 2022

(in thousands of dollars, except as otherwise noted)

1. Introduction (Continued)

Active patients diagnosed, treated, and/or seen in follow-up clinics increased 4.8% to 49,105 in 2023 compared to a 9.1% increase in 2022. Outpatient visits increased 2.0% to 294,489 in 2023 compared to a 7.7% increase in 2022.

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, including buildings utilized for wet/dry research. The Center is a facility licensed with 157 beds. Roswell Park operates 16 ambulatory care centers offering 35 different specialties, including satellite clinics in Amherst, NY and Niagara Falls, NY, in addition to outpatient treatment centers for chemotherapy, imaging services, and radiation medicine. As part of Roswell's joint initiative with the John R. Oishei Children's Hospital of Buffalo and UBMD pediatric practice, the shared Pediatric Oncology/Hematology program delivers approximately 90% of all hematology/oncology services to children in the 8-county Western New York (WNY) region.

The Roswell Park Care Network was established as a network of community cancer centers that allow patients easier access to Roswell's comprehensive cancer care — a level of care that can only be provided from a National Cancer Institute-designated comprehensive cancer center. Included within the Roswell Park Care Network are our community oncology care which 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 Orchard Park NY; Roswell Park Hematology Oncology Northtowns in Amherst, NY; Roswell Park Urology of Niagara Falls, NY; and Roswell Park Dermatology in Depew, NY. To further its reach to the surrounding community, the Roswell Park Care Network includes Radiation Oncology services at Upper Allegheny Health System in Olean, NY and Bradford, PA; Radiation Oncology services at Oneida Health Cancer Center in Oneida, NY, Radiation Oncology services in Orchard Park, NY, and medical oncology and hematology services at Niagara Falls Memorial Medical Center in Niagara Falls, NY, Samaritan Medical Center in Watertown, NY, Oneida Healthcare in Oneida, NY and Ellis Medicine in Schenectady, 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, 2023 and 2022

(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 ("HRI").

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, RPCIO and Global Biotechnology & Cancer Therapeutics LLC.

5. Financial Highlights

- Total net position increased \$64,742 or 24.8% in 2023 and increased \$36,935 or 16.5% in 2022.
- Total assets increased \$63,176 or 5.3% in 2023 and increased \$5,027 or 0.4% in 2022.
- Total assets and deferred outflows of resources increased \$12,549 or 0.9% in 2023 and increased \$27,663 or 2.0% in 2022.
- Total operating revenues, including NYS support, increased by \$90,871 or 9.1% in 2023 and increased by \$99,557 or 11.1% in 2022.
- Total support from NYS increased from \$102,767 in 2022 to \$112,767 in 2023.
 - The total amount appropriated to support capital expenses increased from \$51,463 in 2022 to \$57,304 in 2023. In 2023, this amount is included within contributions for purchase of capital assets (\$37,011) and other operating revenue (\$20,293).
 - The balance of NYS support increased from \$51,304 in 2022 to \$55,463 in 2023. This amount is included discretely in operating revenues.
- Total other operating revenues, increased by \$8,761 or 19.4% in 2023 and increased by \$3,730 or 9.0% in 2022.
- Total operating expenses increased by \$86,115 or 8.6% in 2023 and increased by \$40,913 or 4.3% in 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2023 and 2022

(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 the consolidated statements 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 years and Roswell Park's net position as of the year ends. 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, mix of services provided, local, state and federal economic factors should also be considered.

The Statements of Cash Flows

The statements report 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 years.

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 \$64,742 in 2023 and increased \$36,935 in 2022 as shown in Table 1: Summary of Statement of Net Position. The reasons for these changes are discussed below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2023 and 2022

(in thousands of dollars, except as otherwise noted)

8. Roswell Park's Net Position (Continued)

Table 1: Summary of Statement of Net Position

	2023	2022	2021
Assets:			
Current and other assets	\$ 934,317	\$ 886,253	\$ 873,035
Capital assets, net	329,489	314,377	322,568
Total assets	1,263,806	1,200,630	1,195,603
Deferred outflow of resources	185,093	235,720	213,084
Total assets and deferred outflows	\$ 1,448,899	\$ 1,436,350	\$ 1,408,687
Liabilities:			
Long-term debt outstanding	\$ 56,928	\$ 72,389	\$ 91,758
Other liabilities	606,750	706,064	937,149
Total liabilities	663,678	778,453	1,028,907
Deferred inflow of resources	459,334	396,752	155,570
Net Position:			
Net investment in capital assets	292,490	260,292	246,499
Restricted expendable	58,362	60,156	64,385
Unrestricted	(24,965)	(59,303)	(86,674)
Total net position	325,887	261,145	224,210
Total liabilities, deferred inflows, and net position	\$ 1,448,899	\$ 1,436,350	\$ 1,408,687

Overall, total assets and deferred outflows of resources increased \$12,549 or 0.9% from 2022 to 2023 and increased \$27,663 or 2.0% from 2021 to 2022.

- Current and other assets increased 5.4% in 2023 and increased 1.5% in 2022.
 - For 2023, this is primarily driven by the change in Roswell Park's net position in the pension plan. As of the measurement date, the pension plan's fiduciary net position exceeded the total pension liability by \$58,506 (resulting in an asset), in contrast to 2022 when Roswell Park recognized a net pension liability of \$685. See Note 9 for further details. Furthermore, the decreased balance in limited use assets was partially offset by increased balances in cash and cash equivalents, and patient accounts receivable. The balance of prepaid expenses increased as well, due to the timing of payments and newly executed contracts.
 - For 2022, this is primarily driven by operating performance resulting in increased balances in cash and cash equivalents, and patient accounts receivable. Furthermore, prepaid expenses increased due to the timing of payments and new contracts entered into, primarily related to software licensing.
- Capital assets, net increased 4.8% in 2023 and decreased (2.5)% in 2022.
 - For 2023, the increase was driven by significant investments in capital projects currently underway such as the Park Club Lane expansion and Revenue Cycle Replacement System. In 2022, the changes were driven primarily by the timing of capital additions, net of depreciation expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2023 and 2022

(in thousands of dollars, except as otherwise noted)

8. Roswell Park's Net Position (Continued)

- Deferred outflow of resources decreased (21.5)% in 2023 and increased 10.6% in 2022.
 - For 2023, this was primarily due to changes in actuarial assumptions on pension plan investments. The assumed rate of inflation increased from 2.7% in 2022 to 2.9% in 2023, and the assumed rate of return on plan investments remained unchanged at 5.9% for both years. The assumed COLA rate increased from 1.4% in 2022 to 3.0% in 2023. In addition, the increase in the discount rate on post-retirement health investments from 2.99% to 3.78% contributed to the overall decrease.
 - For 2022, this was primarily due to changes in actuarial assumptions on pension plan investments. The assumed rate of inflation increased from 2.5% in 2021 to 2.7% in 2022, and the assumed rate of return on plan investments decreased from 6.8% in 2021 to 5.9% in 2022.

Overall, total liabilities and deferred inflows of resources decreased (4.4)% in 2023 and decreased (0.8)% in 2022.

- Long-term debt outstanding decreased (21.4)% in 2023 and (21.1)% in 2022.
 - For both 2022 and 2023, the decrease was 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 decreased (14.1)% in 2023 and (24.7)% in 2022.
 - For 2023, this is driven primarily due to a decreased net pension liability as discussed previously, along with the Medicare Advance Payment (recorded as liability) being primarily repaid in 2023. The decreased 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. Additionally, lease liabilities decreased (2.8)% in 2023 due to schedule payments made during the year (see Note 16).
 - For 2022, this is driven primarily due to a decreased net pension liability along with repayments of the Medicare Advance Payment (recorded as liability). The decreased 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 15.8% in 2023 and 155.0% in 2022.
 - For 2023, this is primarily due to changes in actuarial assumptions in the OPEB plan pertaining to the discount rate increasing from 2.99% to 3.78% as well as differences between projected and actual investment earnings on pension plan investments (9.5% actual return vs 5.9% projected).
 - For 2022, this is primarily due to differences between projected and actual investment earnings on pension plan investments (33.43% actual return vs (5.9)% projected), as well as changes in actuarial assumptions in the OPEB plan pertaining to the discount rate increasing from 2.14% to 2.99%.

Overall, total net position increased 24.8% from 2022 to 2023 and increased 16.5% from 2021 to 2022 as more fully described below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2023 and 2022

(in thousands of dollars, except as otherwise noted)

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. Roswell Park captures patient activity by various metrics, including both inpatient and outpatient activity.

- Active patients diagnosed, treated, and/or seen in follow-up clinics increased 4.8% to 49,105 from 2022 to 2023 and increase 9.1% from 2021 to 2022.
- New to Center patients remained unchanged from 2022 to 2023 and increased 14.9% from 2021 to 2022.
- Outpatient visits increased 2.0% from 2022 to 2023 and increased 7.7% from 2021 to 2022.
- Inpatient Admissions increased 1.6% from 2022 to 2023 and increased 4.4% from 2021 to 2022.
- Inpatient Days decreased (1.2)% from 2022 to 2023 and increased 7.0% from 2021 to 2022.

In 2023, Roswell Park's total net position increased by \$64,742 or 24.8% as shown in Table 2 below. Total operating revenues, including NYS support, increased 9.1% and total operating expenses increased 8.6%. The total operating expenses base of \$1,082,146 includes annual OPEB cost of \$16,008 and annual pension cost of \$579 in 2023. Combined OPEB and pension cost decreased (64.8)% from 2022 to 2023, primarily driven by a (95.9)% decreased annual Pension cost coupled with a (51.6)% decreased annual OPEB cost. Total support from NYS increased 9.7% from \$102,767 in 2022 to \$112,767 in 2023. Of that total, the amount appropriated to support capital expenses increased from \$51,463 in 2022 to \$57,304 in 2023. In 2023, this amount is included within contributions for purchase of capital assets (\$37,011) and other operating revenue (\$20,293), while the balance of NYS support is shown discretely within total operating revenues. The remainder of NYS support shown discretely within total operating revenues, increased from \$51,304 in 2022 to \$55,463 in 2023.

In 2022, Roswell Park's total net position increased by \$36,935 or 16.5% as shown in Table 2: Summary of Revenues, Expenses and Changes in Net Position. Total operating revenues, including NYS support increased 11.1% and total operating expenses increased 4.3%. The total operating expenses base of \$996,031 includes annual OPEB cost of \$33,102 and an annual pension cost of \$14,054 in 2022. Combined OPEB and pension cost decreased (50.4)% from 2021 to 2022, primarily driven by a (75.2)% decreased annual pension cost, coupled with a (13.9)% decreased annual OPEB 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 increased from \$89,267 in 2021 to \$102,767 in 2022. Of that total, the amount appropriated to support capital expenses increased slightly from \$51,304 in 2021 to \$51,463 in 2022. In 2022 this amount is included within contributions for purchase of capital assets (\$32,421) and other operating revenue (\$19,042), while the balance of NYS support is shown discretely within total operating revenues. The remainder of NYS support shown discretely within total operating revenues increasing from \$37,963 in 2021 to \$51,304 in 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2023 and 2022

(in thousands of dollars, except as otherwise noted)

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

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

	2023	2022	2021
Operating revenues:			
Net patient service revenue and net settlement and appeals	\$ 975,100	\$ 897,261	\$ 816,349
NYS operating support	55,463	51,304	37,963
Equity interest in loss of joint ventures	(620)	(921)	(1,768)
Grants and contracts	2,131	2,320	1,593
Other operating revenue	53,855	45,094	41,364
Total operating revenues	1,085,929	995,058	895,501
Operating expenses:			
Salaries, wages and benefits	464,731	460,075	465,369
Supplies and purchased services	571,561	492,478	451,875
Depreciation and amortization	45,854	43,478	37,874
Total operating expenses	1,082,146	996,031	955,118
Operating Income (Loss)	3,783	(973)	(59,617)
Non-operating revenues and expenses and other changes in net position (including funds received from NYS for capital assets)	60,959	36,815	57,910
Cumulative change in accounting principle (Note 2)	—	1,093	—
Increase (decrease) in net position	\$ 64,742	\$ 36,935	\$ (1,707)

Overall, operating revenues, excluding NYS support, increased 9.2% from 2022 to 2023 and increased 10.1% from 2021 to 2022.

- Net patient service revenue/net settlements and appeals increased 8.7% in 2023 and 9.9% in 2022 as a result of the following: Roswell Park hospital revenue increased in both 2023 and 2022 by 8.8% and 8.9%, respectively; Practice Plan professional revenues increased in both 2023 and 2022 by 3.7% and 14.3%, respectively; and government appeals and settlement revenue increased 26.5% in 2023 and decreased (11.5)% in 2022. The 2023 results were driven by a number of factors including increased outpatient visits, favorable inpatient case mix, and higher reimbursements on drugs as a result of inflationary cost increases from manufacturers. The 2022 results were largely driven by patient volumes returning to pre-pandemic levels while COVID-19 significantly impacted 2021 volumes. RPCIO revenues increased in both 2023 and 2022 by 14.2% and 18.8%, respectively. This amounted to approximately \$60,656 and \$53,119 in 2023 and 2022.
- 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 \$8,605 and \$8,760 in 2023 and 2022.
- Other operating revenue increased 19.4% from 2022 to 2023 and increased 9.0% from 2021 to 2022. Other operating revenue includes revenues received from various regional affiliate support agreements, the operation of the cafeteria and parking garage, rebates, and other ancillary activities. See "Other operating revenue" section in Note 2 of the consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2023 and 2022

(in thousands of dollars, except as otherwise noted)

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

Overall, total operating expenses increased 8.6% from 2022 to 2023 and increased 4.3% from 2021 to 2022.

- Salaries, wages and benefits costs increased 1.0% and decreased (1.1)% in 2023 and 2022, respectively, due to:
 - Salaries and wages increased 8.7% in 2023 and 10.9% in 2022, primarily driven by:
 - 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.
 - Benefits were 22.5%, 31.8%, and 47.9%, of salary costs in 2023, 2022 and 2021, respectively. OPEB and pension cost decreased (64.8)% from 2022 to 2023, primarily driven by a (95.9)% decreased annual Pension cost and a (51.6)% decrease in annual OPEB cost as described above. These decreases were coupled with decreased workers compensation and professional liability costs (See Note 10).
- Supplies and purchased services increased 16.1% and 9.0%, in 2023 and 2022, respectively, due to:
 - Purchased services increased 26.3% from \$113,557 in 2022 to \$143,465 in 2023.
 - Drug spend increased 12.8% from \$295,196 in 2022 to \$332,896 in 2023 driven by increased outpatient volumes and cost increases on higher utilized drugs.
 - Utilities increased 12% from \$7,096 in 2022 to \$8,033 in 2023.

Overall, non-operating revenues and expenses and other changes in net position (including funds received from NYS for capital assets) increased 65.6% from 2022 to 2023 and decreased (36.5)% from 2021 to 2022. The increase in 2023 was due primarily to the following factors:

- Interest and other income increased 149.0% from 2022 to 2023, and decreased (71.8)% from 2021 to 2022. The fluctuation in both years was primarily due to Federal COVID-19 relief funding received (2023 - \$5.3 million, 2022 - \$2.8 million, 2021 - \$16.6 million) (see Note 2). For 2023, this funding was coupled with increased interest income due to rate increases throughout the year, while the inverse was true for 2022. Net investment earnings increased 82.8% from 2022 to 2023, and decreased 177.3% from 2021 to 2022. These changes were due to fluctuating market conditions in fixed income securities in 2023 and 2022.
- One-time, non-operating events decreased (41.5)% from 2022 to 2023 and increased 100% from 2021 to 2022. In 2023, this was due to a payout of the \$4,655 remaining escrow balance of funds to be disbursed after the sale of Roswell Park's ownership interest in OmniSeq (see Note 14). In 2022 this was driven by the \$7,962 gain on the sale of Roswell Park's remaining ownership interest in OmniSeq (see Note 14).
- Loss on disposals has increased \$33 from 2022 to 2023.

10. Capital Assets, Leases, and Debt Administration

Capital Assets

At the end of 2023, 2022, and 2021, Roswell Park had \$329,489, \$314,377, and \$322,568, 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:

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, 2023 and 2022

(in thousands of dollars, except as otherwise noted)

10. Capital Assets, Leases, and Debt Administration (Continued)

	2023	2022	2021
Land	\$ 4,444	\$ 4,444	\$ 4,444
Building	695,640	671,297	665,287
Equipment/other	322,443	309,965	297,493
Construction in progress	37,168	22,772	11,456
	<u>1,059,695</u>	<u>1,008,478</u>	<u>978,680</u>
Less: Accumulated depreciation	(730,206)	(694,101)	(656,112)
Capital assets, net	<u>\$ 329,489</u>	<u>\$ 314,377</u>	<u>\$ 322,568</u>

Leases

Effective for fiscal year 2023, Roswell Park adopted GASB Statement No. 87, Leases, (GASB 87) which establishes new requirements for calculating and reporting lease activities. In accordance with GASB Statement No. 62 "each individual prior period presented should be restated to reflect the period-specific effects of applying the newly adopted accounting principle". As such, the results for fiscal years 2023 and 2022 have been adjusted to reflect the effect of GASB 87. At the end of 2023 and 2022, Roswell Park had \$7,734 and \$7,823, respectively, invested in right-to-use lease assets, net of accumulated amortization, as detailed in Note 16 to the consolidated financial statements. The components of Roswell Park's lease assets are as follows:

	2023	2022
Real estate	\$ 4,888	\$ 4,190
Parking structure	4,467	4,467
Equipment & other assets	1,772	830
	<u>11,127</u>	<u>9,487</u>
Less: Accumulated amortization	(3,393)	(1,664)
Total lease assets, net	<u>\$ 7,734</u>	<u>\$ 7,823</u>

At the end of 2023 and 2022, Roswell Park's total lease liabilities were \$8,137 and \$8,053, respectively, invested in right-to-use lease assets, net of accumulated amortization, as detailed in Note 16 to the consolidated financial statements. The components of Roswell Park's lease liabilities are as follows:

	2023	2022
Real estate	\$ 2,570	\$ 2,944
Parking structure	4,397	4,436
Equipment & other assets	1,170	673
Total Leases liabilities, net	<u>\$ 8,137</u>	<u>\$ 8,053</u>

Long-Term Debt

Roswell Park's total long-term debt, net was \$56,928, \$72,389, and \$91,758, as of March 31, 2023, 2022, and 2021, 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, 2023 and 2022

(in thousands of dollars, except as otherwise noted)

10. Capital Assets, Leases, and Debt Administration (Continued)

	2023	2022	2021
Series 2011A Bonds, net of premium	\$ 4,612	\$ 6,815	\$ 8,963
Series 2016 Bonds, net of premium	52,316	65,574	78,301
Leases & other	—	—	4,494
Total long-term debt and capital lease obligations, net	<u>\$ 56,928</u>	<u>\$ 72,389</u>	<u>\$ 91,758</u>

11. 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 post-employment benefits other than pensions.

Funded Status and Funding Progress

The most recent actuarial valuation for the OPEB plan was as of April 1, 2022. As of March 31, 2023, 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, 2022, using the following actuarial assumptions:

Inflation rate	2.50%
Salary scale	3.75%
Health cost	Entry Age Normal
Mortality	Pri.H-2012 Mortality Tables

The discount rate used to calculate the total OPEB liability as of March 31, 2023 was 3.78%. The discount rate is a single rate of return, when applied to all projected benefit payments is 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. Since the Plan is unfunded, the discount rate reflects the Municipal Bond Rate, which is a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2023 and 2022

(in thousands of dollars, except as otherwise noted)

11. Postemployment Benefits (continued)

This valuation report reflects post-employment 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 actuary-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 elsewhere in these financial statements, 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 actuary-derived estimates of the post-employment benefit liability and associated cost for March 31, 2023, 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	\$ 68,130	\$ 440,009	\$ 508,139
Service cost	161	31,874	32,035
Interest cost	1,748	12,716	14,464
Differences between expected and actual experience	(8,082)	(44,149)	(52,231)
Change of assumptions of other inputs	(5,352)	(48,083)	(53,435)
Benefit payments	(3,552)	(8,057)	(11,609)
Net OPEB obligation liability - End of Year	\$ 53,052	\$ 384,310	\$ 437,362

12. Covid 19

On March 11, 2020, the World Health Organization designated the COVID-19 outbreak as a global pandemic. Federal, state and local government policies resulted in a substantial portion of the population being required to remain at home and forced the closure of certain businesses, which had an impact on the Center's volumes and revenues. In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was signed into law on March 27, 2020. The CARES Act authorizes funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Relief Fund). Refer to Note 2 for further details on the funds received by Roswell Park.

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	2023	2022
Current assets:		
Cash and cash equivalents	\$ 263,886	\$ 241,878
Current portion of assets limited as to use	24,308	50,068
Patient accounts receivable, net of estimated uncollectibles of approximately \$44,987 in 2023 and \$35,758 in 2022	199,567	176,372
Inventories	21,667	18,898
Due from New York State and other affiliates, net	3,210	1,281
Prepaid expenses and other assets	24,344	15,864
Total current assets	536,982	504,361
Non-current assets:		
Assets limited as to use, net of current portion	319,090	361,245
Goodwill and other intangible assets	5,935	5,935
Capital assets, net	329,489	314,377
Investments in joint ventures	5,896	6,688
Leased assets, net	7,734	7,823
Lease receivable	174	201
Net pension asset	58,506	—
Total non-current assets	726,824	696,269
Deferred outflows of resources:		
Pension	128,961	165,680
Other post-employment benefits	56,132	70,040
Total deferred outflows of resources	185,093	235,720
Total assets and deferred outflows of resources	\$ 1,448,899	\$ 1,436,350
LIABILITIES AND NET POSITION		
Current liabilities:		
Current portion of long-term obligations	\$ 16,080	\$ 14,289
Current portion of lease liabilities	1,806	1,541
Accounts payable and other current liabilities	52,587	45,955
Accrued expenses	113,834	111,188
Due to third-party payors	9,065	17,649
Medicare Advance Payment	—	27,239
Total current liabilities	193,372	217,861
Non-current liabilities:		
Long-term obligations, net of current portion	40,848	58,100
Post-employment benefits, net of current portion	423,127	495,295
Long-term lease liability, net of current portion	6,331	6,512
Net pension liability	—	685
Total non-current liabilities	470,306	560,592
Deferred inflows of resources:		
Lease liabilities	168	198
Pension	208,464	207,118
Other post-employment benefits	250,702	189,436
Total deferred inflows of resources	459,334	396,752
Total liabilities and deferred inflows of resources	1,123,012	1,175,205
Net position:		
Net investment in capital assets	292,490	260,292
Restricted expendable	58,362	60,156
Unrestricted	(24,965)	(59,303)
Total net position	325,887	261,145
Total liabilities, deferred inflows of resources, and net position	\$ 1,448,899	\$ 1,436,350

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)

	2023	2022
Operating revenues		
Net patient service revenue/net settlements and appeals	\$ 975,100	\$ 897,261
New York State operating support	55,463	51,304
Grants and contracts	2,131	2,320
Equity interest in loss of joint ventures	(620)	(921)
Other operating revenue	53,855	45,094
Total operating revenues	1,085,929	995,058
Operating expenses		
Salaries and wages	379,422	349,016
Employee benefits	85,309	111,059
Supplies and purchased services	571,561	492,478
Depreciation and amortization	45,854	43,478
Total operating expenses	1,082,146	996,031
Income (loss) from operations	3,783	(973)
Non-operating revenues (expenses)		
Interest and other income	13,795	5,540
Interest expense	(1,946)	(1,687)
Gain on sale of OmniSeq interest	4,655	7,962
Loss on disposals	(30)	(63)
Investment loss	(1,869)	(10,884)
Net non-operating revenues, net	14,605	868
Excess (deficiency) of revenues over expenses	18,388	(105)
Contributions for purchase of capital assets	46,354	35,947
Increase in net position	64,742	35,842
Net position, beginning of year - before change in accounting principle	261,145	224,210
Cumulative change in accounting principle (Note 2)	—	1,093
Net position, beginning of year - after change in accounting principle	261,145	225,303
Net position, end of year	\$ 325,887	\$ 261,145

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)

	2023	2022
Cash flows from operating activities:		
Net patient service revenue/net settlements and appeals	\$ 943,321	\$ 865,921
New York State operating support	55,463	51,304
Grants and contracts	2,131	2,320
Other operating revenue	53,708	42,024
Medicare advance (repayment) receipt	(27,239)	(30,258)
Payments to employees and benefit providers	(478,395)	(446,498)
Payments to vendors	(575,442)	(497,345)
Payments for malpractice	(3,216)	(1,559)
Net cash used in operating activities	(29,669)	(14,091)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(60,235)	(36,649)
Contributions for purchase of capital assets	44,599	36,155
Proceeds from the sale or exchange of capital assets	119	119
Repayment of long-term obligations	(14,205)	(16,933)
Payments of interest	(3,269)	(3,819)
Net cash used in capital and related financing activities	(32,991)	(21,127)
Cash flows from non-capital financing activities:		
CARES Act Provider Relief Funds	5,273	2,770
Cash flows from investing activities:		
Assets limited as to use, net	66,535	23,963
Interest and investment income	8,205	3,156
Cash received upon divestitures	4,655	16,119
Net cash provided by investing activities	79,395	43,238
Net increase in cash and cash equivalents	22,008	10,790
Cash and cash equivalents - beginning of year	241,878	231,088
Cash and cash equivalents - end of year	\$ 263,886	\$ 241,878
Non-cash investing and financing activities:		
Right-to-use assets acquired by entering into lease agreements	\$ 117	\$ 8,024
Lease liabilities incurred by entering into lease agreements	\$ 84	\$ 8,053
Asset acquisitions not paid by March 31	\$ 7,087	\$ 6,296

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>2023</u>	<u>2022</u>
Reconciliation of income (loss) from operations to net cash used in operating activities:		
Income (loss) from operations	\$ 3,783	\$ (973)
Adjustments to income (loss) from operations to net cash used in operating activities:		
Depreciation and amortization	45,854	41,942
Equity interest in loss of joint ventures	620	921
Provision for bad debts	16,366	16,248
Non-cash portion of pension expense	(21,126)	(12,568)
Non-cash portion of OPEB expense	3,036	20,951
Changes in assets and deferred outflow of resources:		
Patient accounts receivable	(39,561)	(45,931)
Inventories	(2,769)	18
New York State and other affiliates	(174)	(3,065)
Prepaid expenses and other assets	(8,480)	(3,989)
Lease receivable	27	(201)
Net pension asset	(37,380)	—
Deferred outflow of resources	50,627	(22,636)
Changes in liabilities and deferred inflow of resources:		
Accounts payable and other current liabilities	5,841	(2,547)
Accrued expenses and post-employment benefits	(72,407)	(50,875)
Net pension liability	(685)	(160,455)
Medicare Advance Payment	(27,239)	(30,258)
Deferred inflow of resources	62,582	240,984
Due to third-party payors	(8,584)	(1,657)
Net cash used in operating activities	<u>\$ (29,669)</u>	<u>\$ (14,091)</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 52 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 is licensed for 157 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 donated 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 of Directors have no jurisdiction over the Board of Director of the Foundation or the Foundation's assets.

RPCI 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 and surgical 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.

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. In 2022, the Center sold the remainder of its interest in OmniSeq.

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 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.

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

NOTE 1. ORGANIZATION (CONTINUED)

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%, however voting control is split evenly among three owner entities. Therefore, this investment is recorded using the equity method of accounting.

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 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 contractual 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 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.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity: Roswell Park Cancer Institute Corporation, the Practice Plan, RPCIO, GBCT (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.

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties: Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least possible that changes in risks in the near term could materially affect the net position of 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 average cost 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 statements 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, 2023. 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 for the year ended March 31, 2022. There was no amortization for 2023 related to intangibles as the patient charts were fully amortized at March 31, 2022.

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 results by better allocating costs relating to the major modernization project over the useful lives of the related assets. Amortization of equipment under finance 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 2023 and 2022 as a result of performing these evaluations.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 of approximately \$21,144 and \$11,297 in 2023 and 2022, 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 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 17% and 16% of net patient service revenue was generated from the combined services rendered to patients under Medicare and Medicaid programs in 2023 and 2022, respectively. Approximately 67% and 69% of net patient service revenue was generated from the combined services rendered to patients under managed care programs in 2023 and 2022, 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 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	2023	2022
Gross charges	\$ 2,854,860	\$ 2,619,178
Net settlements and appeals	21,144	11,297
Less:		
Discounts and allowances	(1,884,538)	(1,716,966)
Provision for bad debts	(16,366)	(16,248)
	<u>\$ 975,100</u>	<u>\$ 897,261</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:

	2023	2022
NYS support	\$ 20,293	\$ 19,042
Regional support/affiliations	10,705	9,613
Pediatric joint venture	3,691	2,191
Alliance funding	3,167	2,545
Parking garage	2,867	2,826
Rebates	2,619	2,625
Rental income	1,799	1,416
Cafeteria	1,611	1,449
Other	7,103	3,387
	<u>\$ 53,855</u>	<u>\$ 45,094</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.

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.

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 (\$57,304 in 2023 and \$51,463 in 2022), as well as amounts received by Roswell Park from Health Research, Inc. ("HRI") and the Foundation, both of which are related parties. Amounts received from NYS are included within contributions for purchase of capital assets (\$37,011 in 2023 and \$32,421 in 2022) and other operating revenue (\$20,293 in 2023 and \$19,042 in 2022). Contributions from the Foundation, discussed below, were \$8,653 and \$3,526 in 2023 and 2022, respectively, and were for the purchase of capital assets.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2019, 2020, 2021 remain subject to examination by the Internal Revenue Service.

GBCT, GBCT Holdco LLC, and GBCT II LLC are all considered pass-through entities whereby the tax implications of the respective entities' operations are passed through to the respective owners/members.

Coronavirus Aid, Relief, and Economic Security Act Funds: The Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law on March 27, 2020, which authorized \$100 billion in funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund ("Relief Funds"). Payments from Relief Funds are intended to compensate healthcare providers for lost revenues and qualified expenses incurred in response to the COVID-19 pandemic and are not required to be repaid provided that the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not utilizing Relief Funds to reimburse expenses or losses that other sources are obligated to reimburse.

Roswell Park received total Relief Funds of approximately \$5,273 and \$2,770 in payments under the CARES Act as of March 31, 2023 and 2022, respectively. All relief funding was recorded as other income within non-operating revenue in the consolidated statements of revenues, expenses, and changes in net position.

Medicare Advance Payment: In order to increase cash flow to providers of services and suppliers impacted by the COVID-19 pandemic, the Centers for Medicare and Medicaid Services ("CMS") expanded the current Accelerated and Advance Payment Program. Beginning in April 2020, Roswell Park received advance funding of approximately \$57,497. Payments were received by Roswell Park Cancer Institute and the Practice Plan in the amounts of \$55,702 and \$1,795, respectively. The recoupment rate allowed providers 29 months after receipt of the advances to pay back the funds in full before interest would begin to accrue. These advances were fully repaid by Roswell Park in 2023.

New Accounting Principle for GASB 87: In June 2017, GASB issued Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Pursuant to the issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, the requirements for this statement are effective for fiscal years beginning after June 15, 2021 Roswell Park adopted this statement for fiscal year ended March 31, 2023, using a retrospective method of adoption to all leases in place and not yet completed at the beginning of the earliest period presented, which was April 1, 2021. Adoption of GASB 87 resulted in a net prior period adjustment to the Net position at March 31, 2022 of \$1,093 as shown below:

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)

Net position at March 31, 2022, as previously reported	\$ 224,210
2022 increase in net position, as previously reported	35,982
Cumulative change in accounting principle	1,093
2022 additional interest expense as a result of adoption of GASB 87	(140)
Net position at March 31, 2022, as adjusted	<u>\$ 261,145</u>

The determination of whether an arrangement is a lease is made at the lease's inception. Under GASB 87, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. As a lessee and as a lessor, Roswell Park has assessed both of the following for each lease contract: (1) the right of the lessee to obtain the present service capacity from use of the underlying assets as specified in the contract, and (2) the right of the lessee to determine the nature and manner of use of the underlying asset as specified in the contract.

Leases whereby Roswell Park obtains ownership of the underlying asset by the end of the lease contract and do not contain termination options are designated as financed purchases of the underlying asset. Leases with terms in excess of 12 months are designated as intangible right-to-use assets. Financed purchase assets and intangible right-to-use assets are recognized at the lease commencement date based on the present value of lease payments over the lease term.

Recently Issued Accounting Pronouncements: 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 (Roswell Park's fiscal year ending March 31, 2024). The financial impact to Roswell Park of adopting this statement is expected to be between \$20 million - \$30 million.

Reclassifications: Certain prior year amounts were reclassified to conform to the 2023 consolidated financial statement presentation.

Subsequent Events: These consolidated financial statements have not been updated for subsequent events occurring after June 2, 2023, 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)

	2023	2022
Board designated funds for recruitment, capital and accruals	\$ 170,534	\$ 157,571
Board designated funds for unfunded future retirement obligations and other strategic initiatives	66,643	117,999
Workers compensation	9,166	9,635
Timing of third party payments and estimated settlements/unearned revenue	—	28,129
Employee benefits	2,488	2,658
Technology transfer	1,000	1,000
TIAA/CREF escrow	503	896
Subtotal	250,334	317,888

Held by Trustee Under Malpractice and General Liability Trust Agreement

Malpractice reserve:		
Cash and cash equivalents	2,000	1,200
U.S. Government obligations, corporate issues, and municipal issues	12,773	13,531
Subtotal	14,773	14,731

Held by Trustee Under Indenture Agreement

Debt service reserve	29,996	32,388
Major modernization project	19,929	18,538
Subtotal	49,925	50,926

Held under Clinical Practice Plan Enabling Legislation (b)

Chief Executive Officer fund	10,750	10,244
Academic development fund - Chief Executive Officer	13,178	13,408
Academic development fund - Department Chairs	4,438	4,116
Subtotal	28,366	27,768

Total assets limited as to use	343,398	411,313
---------------------------------------	----------------	----------------

Less: Current portion	(24,308)	(50,068)
-----------------------	----------	----------

Total assets limited as to use, net of current portion	\$ 319,090	\$ 361,245
---	-------------------	-------------------

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

- The assets held by Trustee under indenture agreement are all invested in cash and cash equivalents or U.S. Treasuries.
- 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 (not including Right-to-use lease assets, refer to Note 16) consisted of the following at March 31:

	2022	Additions	Transfers	Disposals/ Adjustments	2023
Non-depreciable assets:					
Land	\$ 4,444	\$ —	\$ —	\$ —	\$ 4,444
Construction in progress	22,772	58,413	(44,017)	—	37,168
	<u>27,216</u>	<u>58,413</u>	<u>(44,017)</u>	<u>—</u>	<u>41,612</u>
Depreciable assets:					
Buildings and improvements	671,297	—	24,425	(82)	695,640
Equipment	309,965	698	19,592	(7,812)	322,443
	<u>981,262</u>	<u>698</u>	<u>44,017</u>	<u>(7,894)</u>	<u>1,018,083</u>
Accumulated depreciation:					
Buildings and improvements	(453,576)	(21,484)	—	70	(474,990)
Equipment	(240,525)	(22,366)	—	7,675	(255,216)
	<u>(694,101)</u>	<u>(43,850)</u>	<u>—</u>	<u>7,745</u>	<u>(730,206)</u>
Capital assets, net	<u>\$ 314,377</u>	<u>\$ 15,261</u>	<u>\$ —</u>	<u>\$ (149)</u>	<u>\$ 329,489</u>
	2021	Additions	Transfers	Disposals/ Adjustments	2022
Non-depreciable assets:					
Land	\$ 4,444	\$ —	\$ —	\$ —	\$ 4,444
Construction in progress	11,456	36,716	(25,167)	(233)	22,772
	<u>15,900</u>	<u>36,716</u>	<u>(25,167)</u>	<u>(233)</u>	<u>27,216</u>
Depreciable assets:					
Buildings and improvements	665,287	—	10,683	(4,673)	671,297
Equipment	297,493	1,038	14,484	(3,050)	309,965
	<u>962,780</u>	<u>1,038</u>	<u>25,167</u>	<u>(7,723)</u>	<u>981,262</u>
Accumulated depreciation:					
Buildings and improvements	(433,948)	(20,900)	—	1,272	(453,576)
Equipment	(222,164)	(21,044)	—	2,683	(240,525)
	<u>(656,112)</u>	<u>(41,944)</u>	<u>—</u>	<u>3,955</u>	<u>(694,101)</u>
Capital assets, net	<u>\$ 322,568</u>	<u>\$ (4,190)</u>	<u>\$ —</u>	<u>\$ (4,001)</u>	<u>\$ 314,377</u>

Depreciation expense amounted to approximately \$(43,850) and \$(41,944) in 2023 and 2022, 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:

	2023	2022
Salaries and benefits	\$ 64,240	\$ 60,076
Payroll withholdings	7,215	6,922
Current portion of retirement and post-retirement benefits	12,499	12,470
Workers' compensation	9,166	9,635
Professional and general liability	19,482	20,130
Accrued interest	663	804
Other	569	1,151
	<u>\$ 113,834</u>	<u>\$ 111,188</u>

NOTE 6. SHORT-TERM BORROWINGS

Roswell Park has an agreement with M&T Bank, which allows for borrowings under a line of credit for up to \$25,000. There was no balance outstanding under this agreement as of March 31, 2023 and 2022. This agreement was entered into primarily to provide borrowing authority in the event NYS support payments are delayed on a short-term basis and expires on January 11, 2025. Roswell Park has a letter of credit agreement with M&T Bank as required under the Workers' Compensation Law. Pursuant to 12 CRR-NY 316.3, Roswell Park maintains a letter of credit with M&T Bank in the amount of \$11,598 as of March 31, 2023 and \$12,392 as of March 31, 2022. The letter of credit auto-renews on an annual basis until such a time as Roswell Park is no longer obligated to maintain a letter of credit as required by Workers' Compensation Law.

NOTE 7. LONG-TERM DEBT

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:

	2023	2022
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.	\$ 4,573	\$ 6,719
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.	50,425	62,568
	<u>54,998</u>	<u>69,287</u>
Plus: Unamortized bond premium	1,930	3,102
Total long-term obligations	<u>56,928</u>	<u>72,389</u>
Less: Current portion	<u>(16,080)</u>	<u>(14,289)</u>
Long-term obligations, net	<u>\$ 40,848</u>	<u>\$ 58,100</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 (CONTINUED)

<u>Obligation Type</u>	<u>2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>2023</u>
Bond Series 2011	\$ 6,719	\$ —	\$ (2,146)	\$ 4,573
Bond Series 2016	62,568	—	(12,143)	50,425
	69,287	—	(14,289)	54,998
Plus: Unamortized bond premium (a)	3,102	—	(1,172)	1,930
Total long-term obligations	72,389	\$ —	\$ (15,461)	56,928
Less: Current portion	(14,289)			(16,080)
Long-term obligations, net	<u>\$ 58,100</u>			<u>\$ 40,848</u>

<u>Obligation Type</u>	<u>2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>2022</u>
Bond Series 2011	\$ 8,781	\$ —	\$ (2,062)	\$ 6,719
Bond Series 2016	73,311	—	(10,743)	62,568
Finance leases and other	4,494	—	(4,494)	—
	86,586	—	(17,299)	69,287
Plus: Unamortized bond premium (a)	5,172	—	(2,070)	3,102
Total long-term obligations	91,758	\$ —	\$ (19,369)	72,389
Less: Current portion	(16,933)			(14,289)
Long-term obligations, net	<u>\$ 74,825</u>			<u>\$ 58,100</u>

(a) Roswell Park uses the effective interest method for amortizing these premiums. Included as an offset to interest expense is \$1,172 and \$2,072 in 2023 and 2022, respectively, related to the amortization of bond premium.

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

	<u>Principal</u>	<u>Interest</u>
Year ending March 31,		
2024	\$ 16,080	\$ 2,224
2025	14,197	1,490
2026	13,204	817
2027	1,432	451
2028	1,504	378
2029-2033	4,833	1,037
2034-2038	3,748	238
Plus: Unamortized bond premium	1,930	—
	<u>\$ 56,928</u>	<u>\$ 6,635</u>

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

NOTE 8. POST-EMPLOYMENT 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 ("HMOs"), 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 ("OPEB"). 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 actuarial 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 2023 and 2022.

<u>Plan</u>	<u>Tier</u>	<u>Participant Contribution</u>	
		<u>2023</u>	<u>2022</u>
Empire	Single	\$ 110.57	\$ 83.82
	Family	\$ 477.44	\$ 392.23
Highmark BCBS of WNY	Single	\$ 91.56	\$ 70.97
	Family	\$ 390.69	\$ 328.96
Independent Health	Single	\$ 85.55	\$ 69.34
	Family	\$ 361.27	\$ 317.98

The most recent actuarial valuation for the OPEB plan was as of April 1, 2022, which is then rolled forward to March 31, 2023. As of March 31, 2023, the benefit 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.

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

NOTE 8. POST-EMPLOYMENT BENEFITS (CONTINUED)

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 OPEB:

Roswell Park's total OPEB liability measured at March 31, 2023 of \$437,362 was determined by an actuarial valuation as of April 1, 2022. The measurement date of the obligation is March 31, 2023.

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 2023, 2022 and 2021.

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
3/31/2021	\$ 38,463	28.03%	\$ 544,364
3/31/2022	\$ 33,102	36.71%	\$ 508,139
3/31/2023	\$ 16,008	81.04%	\$ 437,362

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, 2023 and 2022, \$437,362 and \$508,139, respectively, was reported for the Roswell Park's total OPEB liability.

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, 2023, 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	\$ —	\$ 148,417
Change in actuarial assumptions	\$ 56,132	\$ 102,285

As of March 31, 2022, 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	\$ —	\$ 124,576
Change in actuarial assumptions	\$ 70,040	\$ 64,860

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

NOTE 8. POST-EMPLOYMENT BENEFITS (CONTINUED)

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:	
2024	\$ 30,492
2025	30,492
2026	30,168
2027	30,068
2028	31,858
Thereafter	41,493
	<u>\$ 194,571</u>

Actuarial Method and Assumptions:

Roswell Park's total OPEB liability was determined by an actuarial valuation as of April 1, 2022, using the following actuarial assumptions:

Significant actuarial assumptions used in the April 1, 2022 valuation were as follows:

Inflation rate	2.50%
Salary scale	3.75%
Health cost	Entry Age Normal
Mortality	Pri.H-2012 Mortality Tables
Discount rate	3.78%

The discount rate used to calculate the total OPEB liability as of March 31, 2023 was 3.78%. 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 post-employment 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 actuary-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.

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. POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Status and Funding Progress:

The Roswell Park's OPEB obligation and the funded status of the plan as of March 31, 2023 are as follows:

OPEB balance at April 1, 2022	\$ 508,139
Changes for period:	
Service Cost	32,035
Interest	14,464
Differences between Expected and Actual Experience	(52,231)
Changes in assumptions	(53,435)
Benefit payments	(11,609)
Net changes	(70,777)
OPEB balance at March 31, 2023	<u>\$ 437,362</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 actuary-derived estimates of the post-employment benefit liability and associated costs as of March 31, 2023, utilizing a cut-off date of January 1, 1999:

	Prior to January 1, 1999	Post January 1, 1999	Total
Total OPEB liability at beginning of Year	\$ 68,130	\$ 440,009	\$ 508,139
Service cost	161	31,874	32,035
Interest cost	1,748	12,716	14,464
Differences between expected and actual experience	(8,082)	(44,149)	(52,231)
Change of assumptions of other inputs	(5,352)	(48,083)	(53,435)
Benefit payments	(3,552)	(8,057)	(11,609)
Net OPEB obligation liability - End of Year	<u>\$ 53,052</u>	<u>\$ 384,310</u>	<u>\$ 437,362</u>

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

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/common-retirement-fund/resources/financial-reporting-and-asset-allocation.

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 actuary-determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2023 was approximately 11.6% of payroll expense. Roswell Park contributed \$21,706 and \$26,623 to the plan in the fiscal years 2023 and 2022, 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, 2023 Roswell Park reported an asset of \$58,506 (\$685 liability - 2022) for its proportionate share of the net pension asset. The net pension asset was measured as of March 31, 2022 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of April 1, 2021. The basis for Roswell Park's proportion of the net pension asset 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 0.7157026% and 0.6881685% as of March 31, 2023 and 2022, respectively.

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

2023	\$	21,706
2022	\$	26,623
2021	\$	23,465

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)

For the year ended March 31, 2023, Roswell Park recognized pension expense of \$579. As of March 31, 2023, Roswell Park reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,431	\$ 5,747
Net difference between projected and actual investment earnings on pension plan investments	—	191,582
Changes of assumptions	97,639	1,648
Change in proportion and differences between employer contributions and proportionate share of contributions	5,185	9,487
Contributions subsequent to measurement date	21,706	—
Total	<u>\$ 128,961</u>	<u>\$ 208,464</u>

The \$21,706 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, 2024. 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:

2024	\$ (22,975)
2025	(50,735)
2026	(11,054)
Thereafter	—

For the year ended March 31, 2022, Roswell Park recognized pension expense of \$14,054. As of March 31, 2022, Roswell Park reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,369	\$ —
Net difference between projected and actual investment earnings on pension plan investments	—	196,841
Changes of assumptions	125,993	2,376
Change in proportion and differences between employer contributions and proportionate share of contributions	4,695	7,901
Contributions subsequent to measurement date	26,623	—
Total	<u>\$ 165,680</u>	<u>\$ 207,118</u>

Actuarial Methods and Assumption:

The total pension liability for the March 31, 2022 measurement date was determined by using an actuarial valuation as of April 1, 2021 with updating procedures through March 31, 2023.

Actuarial cost method	Entry age normal
Inflation	2.9%
Salary scale	4.4%
Investment rate of return	5.9%
Cost of living adjustment	1.5%
Mortality table	Society of Actuaries' Scale MP-2021

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)

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, 2022 are summarized below.

Asset Class	Target Allocation	Long-term expected real rate of return
Domestic equity	32.00%	3.30 %
International equity	15.00%	5.85 %
Private equity	10.00%	6.50 %
Real estate	9.00%	5.00 %
Opportunistic portfolio	3.00%	4.10 %
Real assets	4.00%	3.78 %
Bonds and mortgages	3.00%	5.58 %
Cash	23.00%	0.00 %
Inflation-indexed bonds	1.00%	(1.00)%
	<u>100.00%</u>	

Discount rate: The discount rate used to calculate the total pension liability was 5.9%. 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 actuarial-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 5.9%, 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 4.9% or 1 percentage point higher 6.9% than the current rate:

	1% decrease (4.9%)	Current discount rate (5.9%)	1% increase (6.9%)
Roswell Park's proportionate share of the net pension liability (asset)	\$150,593	\$(58,506)	\$(233,407)

Pension Plan Fiduciary Net Position: The components of the current-year net pension liability of all employers as of March 31, 2023 were as follows:

Employers' total pension liability	\$ 223,874,888
Plan net position	<u>(232,049,473)</u>
Employers' net pension total	<u>\$ (8,174,585)</u>
Ratio of Plan net position to the Employers' total pension liability	103.65 %

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

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, 2023, for which reserves have been estimated. Claim reserves were discounted using a rate of 3% in 2023 and 2022.

The current year provision for malpractice expense was \$2,568 (\$4,172 - 2022). 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, 2023, for which reserves have been estimated. The charges to expense for workers' compensation related costs approximated \$1,271 and \$1,504 in 2023 and 2022, respectively, and are included as a component of employee benefits expense in the consolidated statements of revenues, expenses and changes in net position.

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. Government activity continues 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 2023, respectively, and 16% and 1% in 2022, 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.

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

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:

	2023	2022
Highmark BCBS of WNY	31 %	32 %
Independent Health	12	14
Medicaid	1	1
Medicare	9	8
Other	46	44
Patients	1	1
	<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 26% and 8% respectively in 2023, and 23% and 6% respectively in 2022. 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.

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 hierarchical 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.

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

NOTE 13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Level II: Valuations based on quoted prices in active markets for similar assets or liabilities quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Level II assets 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, 2023 and 2022, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	Prices in Active Market Level I	Other Observable Inputs Level II	Significant Unobservable Inputs Level III	Total
As of March 31, 2023				
Cash and cash equivalents	\$ 113,727	\$ —	\$ —	\$ 113,727
Commercial paper/corporate obligations	42,591	—	—	42,591
Certificates of deposit	46,802	—	—	46,802
U.S. Government and Federal Agency obligations	404,117	—	—	404,117
Municipal issues	47	—	—	47
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total cash, cash equivalents, and assets limited as to use	<u>\$ 607,284</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 607,284</u>

	Prices in Active Market Level I	Other Observable Inputs Level II	Significant Unobservable Inputs Level III	Total
As of March 31, 2022				
Cash and cash equivalents	\$ 125,996	\$ —	\$ —	\$ 125,996
Commercial paper/corporate obligations	68,794	—	—	68,794
Certificates of deposit	46,435	—	—	46,435
U.S. Government and Federal Agency obligations	411,279	—	—	411,279
Municipal issues	687	—	—	687
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total cash, cash equivalents, and assets limited as to use	<u>\$ 653,191</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 653,191</u>

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

NOTE 14. RELATED PARTIES

New York State:

Operating Support: As discussed in Note 1, Roswell Park is related to New York State ("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, 2023 and 2022, total support received from NYS amounted to approximately \$112,767 and \$102,767, 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.

Health Research, Incorporated:

Health Research, Incorporated ("HRI") 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, 2023 and 2022, Roswell Park paid approximately \$6,748 and \$6,145, 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 \$2,131 and \$2,320 of grant revenue was remitted by HRI to Roswell Park in the years ended 2023 and 2022, 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 \$8,605 and \$8,760 in 2023 and 2022, 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%, however voting control is split evenly among three owner entities. Therefore, this investment is recorded using the equity method of accounting.

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.

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 23% and is recorded using the equity method of accounting.

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)

Center For Advanced Molecular Isotopes ("CAMI") was a joint venture established to provide quality and affordable radiopharmaceuticals and to further foster an environment conducive to medicinal research. During 2022, the joint venture was dissolved, and Roswell Park's remaining ownership interest was returned.

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. During 2022 Roswell Park sold the entirety of its ownership interest in OmniSeq and as a result, recognized a non-operating gain on sale of \$7,962, at which point Roswell Park liquidated its investment balance in OmniSeq. During 2023, a final escrow disbursement was made by OmniSeq to Roswell Park in the amount of \$4,655 resulting in a non-operating gain for 2023.

MimiVax, LLC ("Mimivax") is a for-profit corporation, headquartered in Buffalo, New York, that was formed to focus on the development and commercialization of immunotherapeutic vaccines and targeted therapies for the treatment of cancer. Roswell Park's ownership interest in the joint venture is 22.5% (of which Roswell Park owns 1.6444% and Health Research, Incorporated owns, on behalf of Roswell Park 20.8648%) and is recorded using the equity method of accounting. In fiscal year 2021, Roswell Park contributed approximately \$1,500 that was funded by the Foundation.

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

	2023	2022
Innovative Immunotherapy Alliance S.A.	\$ 3,549	\$ 3,720
Oneida Health Roswell Park Oncology, LLC	112	742
NR Physician Group, PLLC	735	726
Mimivax	1,500	1,500
	<u>\$ 5,896</u>	<u>\$ 6,688</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 summarize the financial position and results of operations as of and for the year ended March 31, 2023:

Condensed Consolidating Statements of Net Position					
2023					
	Public Benefit Corporation	Roswell Park Oncology, PC	GBCT	Eliminations	Total
Assets and Deferred Outflows of Resources					
Current assets	\$ 523,109	\$ 12,891	\$ 982	\$ —	\$ 536,982
Assets limited as to use, net of current portion	319,090	—	—	—	319,090
Capital and lease assets, net	332,511	4,712	—	—	337,223
Other assets	20,688	6,670	3,549	(18,902)	70,511
Total assets	1,195,398	24,273	4,531	(18,902)	1,263,806
Deferred outflows of resources	185,093	—	—	—	185,093
Total assets and deferred outflows of resource	\$ 1,380,491	\$ 24,273	\$ 4,531	\$ (18,902)	\$ 1,448,899
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities	\$ 184,974	\$ 7,911	\$ 487	\$ —	\$ 193,372
Non-current liabilities	410,296	1,504	—	—	470,306
Total liabilities	595,270	9,415	487	—	663,678
Deferred inflow of resources	459,334	—	—	—	459,334
Net position					
Net investment in capital assets	290,150	2,340	—	—	292,490
Restricted expendable	58,362	—	—	—	58,362
Unrestricted	(22,625)	12,518	4,044	(18,902)	(24,965)
Total net position	325,887	14,858	4,044	(18,902)	325,887
Total liabilities, deferred inflow of resources and net position	\$ 1,380,491	\$ 24,273	\$ 4,531	\$ (18,902)	\$ 1,448,899

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

	2023				
	Public Benefit Corporation	Roswell Park Oncology, PC	GBCT	Eliminations	Total
Operating revenues					
Net patient service revenue/net settlements and appeals	\$ 914,444	\$ 60,656	\$ —	\$ —	\$ 975,100
New York State operating support	55,463	—	—	—	55,463
Grants and contracts	2,131	—	—	—	2,131
Equity loss of joint ventures	(629)	9	—	—	(620)
Other operating revenues	48,989	5,957	628	(1,719)	53,855
Total operating revenues	<u>1,020,398</u>	<u>66,622</u>	<u>628</u>	<u>(1,719)</u>	<u>1,085,929</u>
Operating expenses					
Depreciation and amortization	44,282	1,572	—	—	45,854
Other operating expenses	964,180	72,979	852	(1,719)	1,036,292
Total operating expenses	<u>1,008,462</u>	<u>74,551</u>	<u>852</u>	<u>(1,719)</u>	<u>1,082,146</u>
Income (loss) from operations	11,936	(7,929)	(224)	—	3,783
Non-operating activity					
Non-operating revenues (expenses)	14,881	(105)	(171)	—	14,605
Excess (deficiency) of revenues over expenses	26,817	(8,034)	(395)	—	18,388
Net position, beginning of year	261,772	12,149	4,081	(16,856)	261,145
Excess (deficiency) of revenues over expenses	26,817	(8,034)	(395)	—	18,388
Contributions for purchase of capital assets	46,354	—	—	—	46,354
Other changes in net position	(9,056)	10,743	358	(2,046)	—
Net position, end of year	<u>\$ 325,887</u>	<u>\$ 14,858</u>	<u>\$ 4,044</u>	<u>\$ (18,902)</u>	<u>\$ 325,887</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

	2023			
	Roswell Park Cancer Institute	Roswell Park Clinical Practice Plan	Eliminations	Public Benefit Corporation
Assets and Deferred Outflows of Resources				
Current assets	\$ 502,385	\$ 20,724	\$ —	\$ 523,109
Assets limited as to use, net of current portion	294,574	24,516	—	319,090
Capital and lease assets, net	332,511	—	—	332,511
Other assets	20,688	—	—	20,688
Total assets	1,150,158	45,240	—	1,195,398
Deferred outflows of resources	185,093	—	—	185,093
Total assets and deferred outflows of resource	<u>\$ 1,335,251</u>	<u>\$ 45,240</u>	<u>\$ —</u>	<u>\$ 1,380,491</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities	\$ 168,917	\$ 16,057	\$ —	\$ 184,974
Non-current liabilities	410,296	—	—	410,296
Total liabilities	579,213	16,057	—	595,270
Deferred inflow of resources	459,334	—	—	459,334
Net position				
Net investment in capital assets	290,150	—	—	290,150
Restricted expendable	29,996	28,366	—	58,362
Unrestricted	(23,442)	817	—	(22,625)
Total net position	296,704	29,183	—	325,887
Total liabilities, deferred inflow of resources and net position	<u>\$ 1,335,251</u>	<u>\$ 45,240</u>	<u>\$ —</u>	<u>\$ 1,380,491</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

	2023			
	Roswell Park Cancer Institute	Roswell Park Clinical Practice Plan	Eliminations	Public Benefit Corporation
Operating revenues				
Net patient service revenue/net settlements and appeals	\$ 838,712	\$ 78,074	\$ (2,342)	\$ 914,444
New York State operating support	55,463	—	—	55,463
Grants and contracts	—	2,131	—	2,131
Equity loss of joint ventures	(629)	—	—	(629)
Other operating revenues	45,662	3,327	—	48,989
Total operating revenues	<u>939,208</u>	<u>83,532</u>	<u>(2,342)</u>	<u>1,020,398</u>
Operating expenses				
Depreciation and amortization	44,282	—	—	44,282
Other operating expenses	876,467	90,055	(2,342)	964,180
Total operating expenses	<u>920,749</u>	<u>90,055</u>	<u>(2,342)</u>	<u>1,008,462</u>
Income (loss) from operations	18,459	(6,523)	—	11,936
Non-operating activity				
Non-operating revenues	14,579	302	—	14,881
Excess (deficiency) of revenues over expenses	<u>33,038</u>	<u>(6,221)</u>	<u>—</u>	<u>26,817</u>
Net position, beginning of year	233,147	28,625	—	261,772
Excess (deficiency) of revenues over expenses	33,038	(6,221)	—	26,817
Contributions for purchase of capital assets	46,354	—	—	46,354
Other changes in net position	(15,835)	6,779	—	(9,056)
Net position, end of year	<u>\$ 296,704</u>	<u>\$ 29,183</u>	<u>\$ —</u>	<u>\$ 325,887</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)

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, 2023 and 2022:

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,425	\$ 28,593
Gifts and pledges receivable, current	7,197	5,424
Inventories and due from affiliates	1,217	1,125
Total current assets	31,839	35,142
Non-current assets:		
Assets limited as to use, net	110,319	116,423
Gifts and pledges receivable, net	6,132	6,685
Prepaid expenses and other assets	1,246	1,173
Total non-current assets	117,697	124,281
Total assets	\$ 149,536	\$ 159,423
LIABILITIES AND NET POSITION		
Current liabilities	\$ 26,385	\$ 27,273
Non-current liabilities	669	705
Total liabilities	27,054	27,978
Net position		
Without donor restrictions	17,197	17,057
With donor restrictions	105,285	114,388
Total net position	122,482	131,445
Total liabilities and net position	\$ 149,536	\$ 159,423
	2023	2022
Operating revenues:		
Contributions	\$ 30,854	\$ 36,694
Other operating revenues	630	592
Total operating revenues	31,484	37,286
Operating expenses:		
Supplies and other services	2,168	2,067
Grants	24,608	23,459
Fundraising	5,390	4,362
Total operating expenses	32,166	29,888
(Loss) income from operations	(682)	7,398
Non-operating revenues:		
Investment and Other (loss) income	(8,281)	11,263
Total non-operating (loss) income	(8,281)	11,263
(Deficiency) excess of revenues over expenses	(8,963)	18,661
Net position, beginning of year	131,445	112,784
Net position, end of year	\$ 122,482	\$ 131,445

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 16. LEASES

Effective April 1, 2022, Roswell Park adopted GASB Statement No. 87, *Leases*. As discussed in Note 2, this change in accounting principle established new requirements for calculating and reporting Roswell Park's lease activities. Beginning net position was restated for the effects of Roswell Park's adoption of GASB Statement No. 87.

Amortization of the discount on the lease and finance purchase liability is reported as an outflow of resources and is included in interest expense in the consolidated statements of revenues, expenses, and changes in net position. Amortization of \$299 was recognized for fiscal year 2023 and is included within interest expense.

Leased assets that are not financed purchases are amortized over the shorter of the lease term or the useful life of the underlying asset. Amortization of leased assets is reported as an outflow of resources and is included in amortization expense in the consolidated statements of revenues, expenses, and changes in net position. Amortization of \$2,001 was recognized in fiscal year 2023.

Right-to-use assets and the related accumulated amortization for the years ended March 31, is summarized as follows:

Lease assets	2022	Additions	Disposals	2023
Real estate	\$ 4,190	\$ 970	\$ (272)	\$ 4,888
Parking structure	4,467	—	—	4,467
Equipment & other assets	830	942	—	1,772
	9,487	1,912	(272)	11,127
Less: Accumulated amortization				
Real estate	(1,299)	(1,374)	272	(2,401)
Parking structure	(170)	(170)	—	(340)
Equipment & other assets	(195)	(457)	—	(652)
	(1,664)	(2,001)	272	(3,393)
Total lease assets, net	\$ 7,823	\$ (89)	\$ —	\$ 7,734

Lease assets	2021	Additions	Disposals	2022
Real estate	\$ —	\$ 4,190	\$ —	\$ 4,190
Parking structure	—	4,467	—	4,467
Equipment & other assets	—	830	—	830
	—	9,487	—	9,487
Less: Accumulated amortization				
Real estate	—	(1,299)	—	(1,299)
Parking structure	—	(170)	—	(170)
Equipment & other assets	—	(195)	—	(195)
	—	(1,664)	—	(1,664)
Total lease assets, net	\$ —	\$ 7,823	\$ —	\$ 7,823

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 16. LEASES (CONTINUED)

As of March 31, 2023, the principal and interest requirements to maturity for the lease liability are as follows:

	Principal	Interest	Total
2024	\$ 1,806	\$ 275	\$ 2,081
2025	569	225	794
2026	281	207	488
2027	210	198	408
2028	227	189	416
2029-2033	1,144	802	1,946
2034-2038	1,201	580	1,781
Thereafter	2,699	473	3,172
Total	<u>\$ 8,137</u>	<u>\$ 2,949</u>	<u>\$ 11,086</u>

NOTE 17. CONTINGENCIES

COVID-19 Pandemic: In March 2020, the global COVID-19 pandemic began to significantly affect the Center's patients, communities, employees and business operations. Patient volumes and the related revenue for most of the Center's health care services were materially impacted. Various policies were implemented by federal, state, and local governments in response to the COVID-19 pandemic that caused restrictions on nonessential medical services, travel bans, physical distancing, and shelter-in-place orders. These policies forced Roswell Park to temporarily curtail certain operations along with decreased patient volumes. The Center's response to the COVID-19 pandemic also required additional resources such as supply costs. These circumstances had a material negative impact on operating results.

As discussed in Note 2, Roswell Park received relief funding during fiscal years 2023 (\$5,273) and 2022 (\$2,770), which helped to mitigate some of the negative financial impacts of the COVID-19 pandemic. All relief funding was recorded as other income within non-operating revenue in the consolidated statements of revenues, expenses, and changes in net position. Known and unknown risks and uncertainties caused by the COVID-19 pandemic, may continue to have a material impact on Roswell Park's operations, financial condition, and cash flows. At this time, Roswell Park cannot estimate the length or severity of the pandemic, which limits Roswell Park's ability to forecast the pandemic's impact on Roswell Park's financial position, results of operations and cash flows. Roswell Park believes that the actions it has taken, combined with the various forms of government aid received, has positioned itself to adequately fund operations during the COVID-19 pandemic.