

**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, 2021

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Roswell Park Cancer Institute Corporation d/b/a Roswell Park Comprehensive Cancer Center ("Roswell Park" or "Center"), a component unit of New York State, which comprise the consolidated statements of net position as of March 31, 2021 and 2020, and the related consolidated statements of revenues, expenses, and changes in net position, cash flows and discretely presented component unit for the years then ended, and the related notes to the consolidated financial statements, which collectively comprise Roswell Park's consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective net position of the Center and the aggregate discretely presented component unit as of March 31, 2021 and 2020, and the respective results of its operations and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis on pages 3 through 16 be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audits of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2021 on our consideration of Roswell Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Roswell Park's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
June 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2021 and 2020

(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, 2021 and 2020. 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 45th 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:

- US News & World Report – Best Hospitals for Cancer #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)
- American Association of Blood Banks ("AABB")

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2021 and 2020
(in thousands of dollars, except as otherwise noted)

1. Introduction (Continued)

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

Roswell Park has approximately 3,700 employees including more than 370 faculty-level clinicians and researchers, as well as over 780 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 2021 approximately 424 physicians, 170 medical students, 276 clinicians, 213 researchers, and 68 interns received training at Roswell Park. Physicians included oncology fellows, residents, and visiting physicians. Clinicians included nurses, physician assistants, pharmacists, and other healthcare professionals. Most are enrolled at the University at Buffalo's School of Medicine and Graduate Medical Education programs. Trainees also come from academic programs at twenty regional colleges and universities. Researchers include over 100 masters' and doctoral students enrolled in the Roswell Park Graduate Division of the University at Buffalo's Graduate School, along with postdoctoral fellows and visiting scholars.

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2021 and 2020
(in thousands of dollars, except as otherwise noted)

1. Introduction (Continued)

Patient activity was impacted by the COVID-19 coronavirus global pandemic in fiscal year 2021. Active patients diagnosed, treated, and/or seen in follow-up clinics decreased (2.9)% to 42,955 in 2021 compared to a 6.6% increase in 2020. Outpatient visits decreased (4.1)% to 268,329 in 2021 compared to a 5.6% increase in 2020.

The Roswell Park campus is 29 acres located in the heart of the 110 acre Buffalo Niagara Medical Campus ("BNMC") near downtown Buffalo. The Facilities are comprised of 16 major buildings totaling over 2 million square feet of space of which more than 600,000 gross square feet is dedicated to research in the form of laboratory, laboratory support, office and shared resource space. Six of the buildings are utilized for wet/dry research and have new or renovated laboratory space. The Center is a facility licensed for and operating 133 beds, 16 ambulatory care centers offering 32 different specialties and outpatient treatment centers for chemotherapy and radiation medicine. Clinical services include a 14-bed Blood and Marrow Transplant Center and satellite ambulatory facilities in Amherst, NY and Niagara Falls, NY. The Pediatric Oncology/Hematology program is a joint initiative with the John R. Oishei Children's Hospital of Buffalo and UBMD pediatric practice delivering 90% of all hematology/oncology services for children in the 8-county WNY region for more than 40 years.

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 outreach to the community, the Roswell Park Care Network includes Radiation Oncology services at Cayuga Medical Center in Ithaca, NY; 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 specialty care services at Niagara Falls Memorial Medical Center in Niagara Falls, NY.

2. Mission

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

Roswell Park will do this by:

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2021 and 2020
(in thousands of dollars, except as otherwise noted)

3. Governance (Continued)

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, Global Biotechnology & Cancer Therapeutics LLC, and Carlton & Michigan, LLC.

5. Financial Highlights

- Total net position decreased \$(1,707) or (0.8)% from 2020 to 2021 and increased \$61,369 or 37.3% from 2019 to 2020.
- Total assets increased \$73,144 or 6.5% from 2020 to 2021 and increased \$116,357 or 11.6% from 2019 to 2020.
- Total assets and deferred outflows of resources increased \$169,484 or 13.7% from 2020 to 2021 and increased \$162,856 or 15.1% from 2019 to 2020.
- Total operating revenues, including NYS support, decreased by \$(11,001) or (1.2)% from 2020 to 2021 and increased by \$86,301 or 10.5% from 2019 to 2020.
- Total support from NYS decreased from \$102,607 in 2020 to \$89,267 in 2021.
 - The total amount appropriated to support capital expenses remained unchanged from 2020 to 2021 (\$51,304). In 2021, this amount is included within contributions for purchase of capital assets (\$32,490) and other operating revenue (\$18,814).
 - The balance of NYS support decreased from \$51,303 in 2020 to \$37,963 in 2021. This amount is included discretely in operating revenues.
- Total other operating revenues, increased by \$1,716 or 4.3% from 2020 to 2021 and decreased by \$(1,431) or (3.5)% from 2019 to 2020.
- Total operating expenses increased by \$44,201 or 4.9% from 2020 to 2021 and increased by \$62,184 or 7.3% from 2019 to 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2021 and 2020
(in thousands of dollars, except as otherwise noted)

6. Using This Annual Report

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

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

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

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

The Statement of Cash Flows

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

7. Related Parties

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

8. Roswell Park's Net Position

Roswell Park's net position is the difference between the assets and liabilities reported in the statement of net position. Roswell Park's net position decreased by \$(1,707) in 2021 and increased \$61,369 in 2020 as shown in Table 1: Summary of Statement of Net Position. The reasons for these changes are discussed below. Changes in capital assets and long-term debt are also discussed under the heading *Capital Assets and Debt Administration*.

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, 2021 and 2020
(in thousands of dollars, except as otherwise noted)

8. Roswell Park's Net Position (Continued)

Table 1: Summary of Statement of Net Position

	2021	2020	2019
Assets:			
Current and other assets	\$ 873,035	\$ 803,556	\$ 691,154
Capital assets, net	322,568	318,903	314,948
Total assets	1,195,603	1,122,459	1,006,102
Deferred outflow of resources	213,084	116,744	70,245
Total assets and deferred outflows	\$ 1,408,687	\$ 1,239,203	\$ 1,076,347
Liabilities:			
Long-term debt outstanding	\$ 91,758	\$ 140,238	\$ 158,649
Other liabilities	937,149	790,220	677,432
Total liabilities	1,028,907	930,458	836,081
Deferred inflow of resources	155,570	82,828	75,718
Net Position:			
Net investment in capital assets	246,499	195,466	173,514
Restricted expendable	64,385	55,312	59,445
Unrestricted	(86,674)	(26,238)	(72,838)
Non-controlling interest	—	1,377	4,427
Total net position	224,210	225,917	164,548
Total liabilities, deferred inflows, and net position	\$ 1,408,687	\$ 1,239,203	\$ 1,076,347

Overall, total assets and deferred outflows of resources increased \$169,484 or 13.7% from 2020 to 2021 and increased \$162,856 or 15.1% from 2019 to 2020.

- Current and other assets increased 8.6% in 2021 and 16.3% in 2020.
 - For 2021, this is primarily driven by the Medicare Advance Payment (approximately \$57,500) coupled with operating performance resulting in increased balances in limited use assets and cash and cash equivalents. Furthermore, inventories increased mainly due to higher levels of Personal Protective Equipment (PPE) on hand along with an increase in patient accounts receivable.
 - For 2020, this is primarily driven by operating performance resulting in increased balances in cash and cash equivalents, limited use assets, inventories, offset by a decreased balance in patient accounts receivable.
- Capital assets, net increased 1.1% in 2021 and increased 1.3% in 2020.
 - For 2021 and 2020, the changes are driven primarily by the timing of capital additions, net of depreciation expense.
- Deferred outflow of resources increased 82.5% in 2021 and increased 66.2% in 2020.
 - For 2021, the increase was primarily due to differences between projected and actual investment earnings on pension plan investments as the pension plan had lower than expected investment earnings driven by the COVID-19 impact on financial markets.
 - For 2020, the increase was a result changes in actuarial assumptions for the OPEB Plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2021 and 2020
(in thousands of dollars, except as otherwise noted)

8. Roswell Park's Net Position (Continued)

Overall, total liabilities and deferred inflows of resources increased 16.9% in 2021 and increased 11.1% in 2020.

- Long-term debt outstanding decreased (34.6)% in 2021 and (11.6)% in 2020.
 - For 2021 the decrease was a result of the unwind of the New Market Tax Credit financing structure established for the Clinical Sciences Center (CSC), which included forgiveness of the notes payable used to finance the construction of the CSC as well as 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.
 - For 2020, 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 increased 18.6% in 2021 and increased 16.6% in 2020.
 - For 2021, this is driven primarily due to an increased net pension liability along with the Medicare Advance Payment (recorded as liability). The increased pension liability is due to the difference between projected and actual investment earnings on pension plan investments, which was driven by lower than expected NYS pension plan investment performance during the measurement period.
 - For 2020, this is driven primarily due to increased post-retirement health liability ("OPEB") and net pension liability. The increased OPEB balance is due to a 16.1% increased annual OPEB cost and a 29.1% increased annual Pension cost.
- Deferred inflow of resources increased 87.8% in 2021 and increased 9.4% in 2020.
 - For 2021 and 2020, this is primarily due to differences between expected and actual experience in the OPEB plan pertaining to actuarial estimates for demographic and other data used in developing the OPEB plan estimates.

Overall, total net position decreased (0.8)% from 2020 to 2021 and increased 37.3% from 2019 to 2020 as more fully described below.

9. Changes in Roswell Park's Net Position

Patient activity drives a significant portion of operating performance and the resulting changes in Roswell Park's net position. Roswell Park captures patient activity by various metrics. This is inclusive of inpatient and outpatient activity. Patient activity was significantly impacted by the COVID-19 coronavirus global pandemic in fiscal year 2021.

- Active patients diagnosed, treated, and/or seen in follow-up clinics decreased (2.9)% to 42,955 in fiscal year 2021.
- New to Center patients decreased (13.5)% from 2020 to 2021 and increased 2.9% from 2019 to 2020.
- Outpatient visits decreased (4.1)% from 2020 to 2021 and increased 6.1% from 2019 to 2020.
- Inpatient Admissions decreased (8.3)% from 2020 to 2021 and increased 1.9% from 2019 to 2020.
- Inpatient Days decreased (4.4)% from 2020 to 2021 and increased 5.9% from 2019 to 2020.

In 2021, Roswell Park's total net position decreased by \$(1,707) or (0.8)% as shown in Table 2: Summary of Revenues, Expenses and Changes in Net Position below. Total operating revenues, including NYS support, decreased (1.2)% and total operating expenses increased 4.9%. The total operating expenses base of \$955,118 includes annual OPEB cost of \$38,463 and annual pension cost of \$56,593 in 2021. Combined OPEB and pension cost increased 19.8% from 2020 to 2021, primarily driven by a 110.7% increased annual Pension cost partially offset by a (26.7)% 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 decreased (13.0)% from \$102,607 in 2020 to \$89,267 in 2021. The amount appropriated to support capital expenses remained unchanged from 2020 to 2021 (\$51,304).

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2021 and 2020
(in thousands of dollars, except as otherwise noted)

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

In 2021, this amount is included within contributions for purchase of capital assets (\$32,490) and other operating revenue (\$18,814), while the balance of NYS support is shown discretely within total operating revenues. The remainder of NYS support decreased from \$51,303 in 2020 to \$37,963 in 2021.

In 2020, Roswell Park's total net position increased by \$61,369 or 37.3% as shown in Table 2: Summary of Revenues, Expenses and Changes in Net Position. Total operating revenues, including NYS support increased 10.5% and total operating expenses increased 7.3%. The total operating expenses base of \$910,917 includes annual OPEB cost of \$52,483 and an annual pension cost of \$26,855 in 2020. Combined OPEB and pension cost increased 20.2% from 2019 to 2020, primarily driven by a 16.1% increased annual OPEB cost and a 29.1% increased annual pension cost. Both of these employee fringe benefits are provided to PBC employees as required by NYS. See "Matters Involving New York State" in Note 8 and the "New York State" section in Note 14. Total support from NYS remained unchanged from 2019 to 2020 (\$102,607). The amount appropriated to support capital expenses remained unchanged from 2019 to 2020 to \$51,304. In 2020 this amount is included within contributions for purchase of capital assets (\$32,817) and other operating revenue (\$18,487), while the balance of NYS support is shown discretely within total operating revenues.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues:			
Net patient service revenue and net settlement and appeals	\$ 816,349	\$ 812,819	\$ 726,940
NYS operating support	37,963	51,303	51,303
Equity interest in gain (loss) of joint ventures	(1,768)	711	(892)
Grants and contracts	1,593	2,021	1,771
Other operating revenue	41,364	39,648	41,079
Total operating revenues	<u>895,501</u>	<u>906,502</u>	<u>820,201</u>
Operating expenses:			
Salaries, wages and benefits	465,369	433,405	398,469
Supplies and purchased services	451,875	440,881	414,954
Depreciation and amortization	37,874	36,631	35,310
Total operating expenses	<u>955,118</u>	<u>910,917</u>	<u>848,733</u>
Operating Loss	<u>(59,617)</u>	<u>(4,415)</u>	<u>(28,532)</u>
Non-operating revenues and expenses and other changes in net position (including funds received from NYS for capital assets)	57,910	65,784	65,010
Increase (decrease) in net position	<u>\$ (1,707)</u>	<u>\$ 61,369</u>	<u>\$ 36,478</u>

Overall, operating revenues, excluding NYS support, increased 0.3% from 2020 to 2021 and increased 11.2% from 2019 to 2020.

- Net patient service revenue/net settlements and appeals increased 0.4% in 2021 and 11.8% in 2020 as a result of the following: Roswell Park hospital revenue increased in both 2021 and 2020 by 1.6% and 12.5%, respectively; and Practice Plan professional revenues decreased (3.0)% in 2021 and increased 9.3% and 2020; and government appeals and settlement revenue increased 8.9% and 118.9% in 2021 and 2020, respectively. The 2021 results were significantly impacted by the COVID-19 pandemic as Roswell Park experienced decreased volumes, while the increase in FY20 was attributable to increased volumes, changes in mix of services provided as well as third party payer rate increases. Revenues also include \$44,717 and \$50,195 related to Roswell Park Cancer Institute Oncology, P.C. for 2021 and 2020, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2021 and 2020
(in thousands of dollars, except as otherwise noted)

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

- Grants and contracts revenues include salary recovery on grants administered through HRI for work by the medical staff whose salaries are paid by Roswell Park. Roswell Park's policy allows salary recovery on research staff to be retained by HRI as part of the overall contribution to HRI. This amounted to approximately \$7,573 and \$7,431 in 2021 and 2020.
- Other operating revenue increased 4.3% from 2020 to 2021 and decreased (3.5)% from 2019 to 2020. Other operating revenue includes revenues received from the operation of the cafeteria, parking garage, and other ancillary activities. See "Other operating revenue" section in Note 2 of the consolidated financial statements.

Overall, total operating expenses increased 4.9% from 2020 to 2021 and increased 7.3% from 2019 to 2020.

- Salaries, wages and benefits costs increased 7.4% and increased 8.8%, in 2021 and 2020, respectively due to:
 - Growth in employee benefits and retiree health expense including increases in retirement costs, health insurance costs, worker's compensation, and other employee benefits. Benefits were 47.9%, 45.2%, and 43.4%, of salary costs in 2021, 2020 and 2019, respectively. OPEB and pension cost increased 19.8% from 2020 to 2021, primarily driven by a 110.7% increased annual Pension cost offset by a (26.7)% decrease in annual OPEB cost as described above.
 - Step and cost of living increases required by labor contracts.
 - Recruitment of scientific and clinical faculty as well as staffing increases related to changes in patient volumes, acuity and new initiatives.
- Supplies and purchased services increased 2.5% and 6.2%, in 2021 and 2020, respectively, due to:
 - Variable cost increases related to inflation and patient volume/mix affecting pharmaceuticals, blood and blood products, medical supplies, and certain purchased services.

Overall, Non-operating revenues and expenses and other changes in net position (including funds received from NYS for capital assets) decreased (12.0)% from 2020 to 2021 and increased 1.2% from 2019 to 2020. The decrease in 2021 was due primarily to the following factors:

- Interest and other income increased 145.7% from 2020 to 2021, and decreased (3.9)% from 2019 to 2020. The increase in 2021 was due to \$16.6 million in Federal COVID-19 relief funding received (see Note 2), partially offset by decreased interest income related to lower interest rates during the year. Investment earnings decreased (153.2)% from 2020 to 2021, and increased 278.9% from 2019 to 2020. These changes were due to fluctuating market conditions in fixed income securities in 2021 and 2020 as the federal reserve substantially decreased rates in March 2020 in response to the COVID-19 pandemic.
- Interest expense has decreased (18.4)% from 2020 to 2021, and decreased (10.2)% from 2019 to 2020. This is due primarily to the effect of the forgiveness of the debt incurred to finance the construction of the CSC (see Section 11 below for further details), scheduled debt payments and amortization of bond premium. Refer to Note 7 of the consolidated financial statements.
- One-time gain on debt forgiveness from new market tax credit increased \$8,399 from 2020 to 2021. In 2021, this gain resulted from the forgiveness of debt incurred to finance the construction of the CSC (see Section 11 below for further details).

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2021 and 2020
(in thousands of dollars, except as otherwise noted)

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

- Gain on disposals and divestitures has decreased \$(20,306) from 2020 to 2021. The decreased is due to the \$20,439 gain on the sale of a portion of Roswell Park's ownership stake in OmniSeq in 2020 (see Note 17).

Total support from NYS decreased from 102,607 in 2020 to \$89,267 in 2021.

- The amount appropriated to support capital expenses remained unchanged from 2020 to 2021 (\$51,304). This amount is included within contributions for purchase of capital assets (\$32,490) and other operating revenues (\$18,814).
- The balance of NYS support decreased from \$51,303 in 2020 to \$37,963 in 2021. This amount is included discretely in operating revenues.

10. Capital Assets and Debt Administration

Capital Assets

At the end of 2021, 2020, and 2019, Roswell Park had \$322,568, \$318,903, and \$314,948, 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:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 4,444	\$ 4,444	\$ 4,444
Building	665,287	644,330	635,316
Equipment/other	297,493	263,128	255,511
Construction in progress	<u>11,456</u>	<u>27,134</u>	<u>10,574</u>
	978,680	939,036	905,845
Less: Accumulated depreciation	<u>(656,112)</u>	<u>(620,133)</u>	<u>(590,897)</u>
Capital assets, net	<u>\$ 322,568</u>	<u>\$ 318,903</u>	<u>\$ 314,948</u>

Long-Term Debt and Capital Leases

Roswell Park's total long-term debt and capital lease obligations, net were \$91,758, \$140,238, and \$158,649, as of March 31, 2021, 2020, and 2019, 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, 2021 and 2020
(in thousands of dollars, except as otherwise noted)

10. Capital Assets and Debt Administration (continued)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Series 2011A Bonds, net of premium	8,963	13,336	17,563
Series 2016 Bonds, net of premium	78,301	92,579	106,721
Notes payable	—	29,780	29,780
Capital leases & other	4,494	4,543	4,585
Total long-term debt and capital lease obligations, net	91,758	140,238	158,649
Less: Current portion	(16,933)	(16,507)	(15,335)
Non-Current portion	<u>\$ 74,825</u>	<u>\$ 123,731</u>	<u>\$ 143,314</u>

During 2014, Carlton & Michigan, LLC secured notes payable in the amount of \$29,780 from several Community Development Entities to fund construction of the CSC and to garner the benefit of certain New Market Tax Credits. In 2021, these notes payable were forgiven in conjunction with the unwind of the New Markets Tax Credit financing structure relating to the CSC. See section 11 below for full details of this transaction.

11. Financing for the Clinical Science Center

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

Under the program, participating NMTC investors received a maximum 39% tax credit over a period of seven years on qualified equity investments totaling approximately \$30.5 million made in the construction of the CSC. Through its participation in the NMTC program, Roswell Park recognized a net benefit from the program of approximately \$6.2 million, which represents the NMTC investors' equity investment in the tax credits less all fees and expenses. Pursuant to the laws and regulations surrounding the NMTC program, several entities are party to the overall financing plan. Roswell Park leveraged its own funds (both internal equity and funds raised by the Roswell Park Alliance Foundation through a capital campaign), a portion of which were loaned to two unrelated NMTC investment funds. These NMTC investment funds then made qualifying equity contributions into various Community Development Entities ("CDEs"), which in turn loaned those funds as qualified low-income community investments to C&M to fund the construction of the CSC.

The NMTC program required the financing structure to remain in place for a period of not less than seven (7) years from the date in which the NMTC investment funds make the qualified equity investment into the CDEs (the "Compliance Period"). During the Compliance Period, C&M made interest-only payments on the loans from the CDEs. The CDEs use the interest payments to pay fees and distribute the remaining proceeds to the NMTC Investment Funds. The NMTC investment funds then used the proceeds to make interest-only payments on their notes payable to Roswell Park. The compliance period ended on September 22, 2020. The investors in the NMTC investment funds exercised their option to have their interest in the CDEs redeemed, which resulted in the CDEs assigning their assets to the NMTC investment funds, including the Notes Receivable from C&M. Further, the NMTC investors exercised their option to put their interest in the NMTC investment funds to Roswell Park for a price of \$1.

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2021 and 2020
(in thousands of dollars, except as otherwise noted)

11. Financing for the Clinical Science Center (continued)

The exercise of the put option effectively transferred ownership of the NMTC investment funds to Roswell Park, which allowed Roswell Park to cancel the loans between the NMTC investment funds and C&M. This resulted in a gain from the forgiveness of debt of \$8.4 million recognized in Non-operating revenues (expenses). The net benefit to Roswell Park after considering fees and expenses was approximately \$6.2 million. Prior to the expiration of the compliance period, the Foundation transferred its interest of 10% in C&M to Roswell Park.

The following recaps the amounts recognized in the consolidated statement of net position as of March 31, 2021 and 2020:

	Asset (Liability)	
	2021	2020
Notes Receivable: Roswell Park funds loaned to NMTC investment funds	\$ —	\$ 21,261
Notes Payable: Amounts borrowed by C&M from CDEs to fund construction of the CSC	\$ —	\$ (29,780)

12. Postemployment Benefits

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

Funded Status and Funding Progress

The most recent actuarial valuation for the OPEB plan was as of April 1, 2020. As of March 31, 2021, 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, 2020, using the following actuarial assumptions:

Inflation rate	2.25%
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, 2021 was 2.14%.

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2021 and 2020
(in thousands of dollars, except as otherwise noted)

12. Postemployment Benefits (continued)

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

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

Matters Involving New York State

Roswell Park has recognized in its consolidated statements of net position and consolidated statements of revenues, expenses and changes in net position the amounts described below. In so doing, Roswell Park has assumed that it will be liable for the portion of benefits attributable to services provided by its employees for the period prior to January 1, 1999, the date at which Roswell Park became a public benefit corporation of the State of New York. As discussed 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 actuarially-derived estimates of the postemployment benefit liability and associated cost for March 31, 2021, utilizing a cutoff date of January 1, 1999:

	<u>Prior to January 1, 1999</u>	<u>Post January 1, 1999</u>	<u>Total</u>
Total OPEB liability at beginning of Year	\$ 92,129	\$ 496,367	\$ 588,496
Service Cost	281	33,629	33,910
Interest Cost	1,967	11,098	13,065
Differences between Expected and Actual Experience	(13,568)	(93,066)	(106,634)
Change of Assumptions of Other Inputs	1,924	24,383	26,307
Benefit Payments	(3,991)	(6,789)	(10,780)
Net OPEB obligation liability - End of Year	<u>\$ 78,742</u>	<u>\$ 465,622</u>	<u>\$ 544,364</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2021 and 2020
(in thousands of dollars, except as otherwise noted)

13. Financial Condition

Roswell Park is reliant upon the on-going financial support of the State in the furtherance of its mission, particularly in support of the Roswell Park's research operations. Total support from NYS decreased from 102,607 in 2020 to \$89,267 in 2021. The amount appropriated to support capital expenses remained unchanged from 2020 to 2021 (\$51,304). This amount is included within contributions for purchase of capital assets (\$32,490) and other operating revenues (\$18,814). The balance of NYS support decreased from \$51,303 in 2020 to \$37,963 in 2021. This amount is included discretely in operating revenues.

14. 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 the 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	2021	2020
Current assets:		
Cash and cash equivalents	\$ 231,088	\$ 226,766
Current portion of assets limited as to use	61,451	29,065
Patient accounts receivable, net of estimated uncollectibles of approximately \$30,818 in 2021 and \$29,168 in 2020	146,689	128,852
Inventories	18,916	12,861
Due from New York State and other affiliates, net	—	2,075
Prepaid expenses and other assets	11,673	10,715
Total current assets	469,817	410,334
Non-current assets:		
Assets limited as to use, net of current portion	380,806	346,269
Goodwill and other intangible assets	5,943	6,875
Notes receivable	—	21,261
Capital assets, net	322,568	318,903
Investments in joint ventures	16,469	18,817
Total non-current assets	725,786	712,125
Deferred outflow of resources:		
Pension	129,135	45,193
Other post employment benefits	83,949	71,551
Total deferred outflows of resources	213,084	116,744
Total assets and deferred outflows of resources	\$ 1,408,687	\$ 1,239,203
LIABILITIES AND NET POSITION		
Current liabilities:		
Current portion of long-term obligations	\$ 16,933	\$ 16,507
Accounts payable and other current liabilities	47,980	51,252
Accrued expenses	103,156	95,076
Due to New York State and other affiliates, net	1,576	—
Due to third-party payors	19,306	20,741
Medicare Advance Payment - Current	28,013	—
Total current liabilities	216,964	183,576
Non-Current liabilities:		
Long-term obligations, net of current portion	74,825	123,731
Post-employment benefits, net of current portion	533,926	577,983
Medicare Advance Payment - Long Term	29,484	—
Net pension liability	173,708	45,168
Total non-current liabilities	811,943	746,882
Deferred inflow of resources:		
Pension	10,119	21,588
Other post employment benefits	145,451	61,240
Total deferred inflow of resources	155,570	82,828
Total liabilities and deferred inflows of resources	1,184,477	1,013,286
Net position:		
Net investment in capital assets	246,499	195,466
Restricted expendable	64,385	55,312
Unrestricted	(86,674)	(26,238)
Net position, prior to noncontrolling interest	224,210	224,540
Noncontrolling interest	—	1,377
Total net position	224,210	225,917
Total liabilities, deferred inflows of resources, and net position	\$ 1,408,687	\$ 1,239,203

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)

	2021	2020
Operating revenues		
Net patient service revenue/net settlements and appeals	\$ 816,349	\$ 812,819
New York State operating support	37,963	51,303
Grants and contracts	1,593	2,021
Equity interest in gain (loss) of joint ventures	(1,768)	711
Other operating revenue	41,364	39,648
Total operating revenues	<u>895,501</u>	<u>906,502</u>
Operating expenses		
Salaries and wages	314,651	298,465
Employee benefits	150,718	134,940
Supplies and purchased services	451,875	440,881
Depreciation and amortization	37,874	36,631
Total operating expenses	<u>955,118</u>	<u>910,917</u>
Loss from operations	<u>(59,617)</u>	<u>(4,415)</u>
Non-operating revenues (expenses)		
Interest and other income	19,634	7,991
Interest expense	(2,000)	(2,451)
Gain on debt forgiveness from new market tax credit	8,399	—
Gain on disposals and divestitures	133	20,439
Investment (loss) gain	(3,925)	7,384
Net non-operating revenues	<u>22,241</u>	<u>33,363</u>
(Deficiency) Excess of revenues over expenses before noncontrolling interest	<u>(37,376)</u>	<u>28,948</u>
Deficiency of revenues over expenses applicable to noncontrolling interest	44	109
(Deficiency) Excess of revenues over expenses	<u>(37,332)</u>	<u>29,057</u>
Net position, beginning of year	225,917	164,548
Contributions for purchase of capital assets	35,669	35,362
Deficiency of revenues over expenses and third party investments applicable to noncontrolling interest, net	(44)	(109)
Deconsolidation of OmniSeq (Note 17)	—	(2,941)
Net position, end of year	<u>\$ 224,210</u>	<u>\$ 225,917</u>

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

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

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net patient service revenue/net settlements and appeals	\$ 797,077	\$ 816,806
New York State operating support	37,963	51,303
Grants and contracts	1,593	2,021
Other operating revenue	44,489	40,329
Medicare Advance Payment	57,497	—
Payments to employees and benefit providers	(396,005)	(380,293)
Payments to vendors	(455,732)	(426,859)
Payments for malpractice	(1,879)	(1,962)
Net cash provided by operating activities	<u>85,003</u>	<u>101,345</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(46,405)	(34,450)
Contributions for purchase of capital assets	35,636	34,707
Proceeds from the sale or exchange of capital assets	165	63
Repayment of long-term obligations	(16,507)	(15,335)
Payments of interest	(4,827)	(5,719)
Net cash used in capital and related financing activities	<u>(31,938)</u>	<u>(20,734)</u>
Cash flows from non-capital financing activities:		
CARES Act Provider Relief Funds	15,047	—
Proceeds from the Paycheck Protection Program	1,588	—
Net cash provided by non-capital financing activities:	<u>16,635</u>	<u>—</u>
Cash flows from investing activities:		
Assets limited as to use, net	(71,015)	(84,129)
Interest and investment income	5,637	9,921
Cash received on divestiture	—	9,973
Net cash used in investing activities	<u>(65,378)</u>	<u>(64,235)</u>
Net increase in cash and cash equivalents	<u>4,322</u>	<u>16,376</u>
Cash and cash equivalents - beginning of year	<u>226,766</u>	<u>210,390</u>
Cash and cash equivalents - end of year	<u>\$ 231,088</u>	<u>\$ 226,766</u>
Non-cash investing and financing activities:		
Forgiveness of note receivable from New Market Tax Credit (see note 7)	\$ 21,261	\$ —
Forgiveness of note payable from New Market Tax Credit (see note 7)	\$ (29,780)	\$ —
Asset acquisitions not paid by March 31	\$ 5,774	\$ 10,616

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>2021</u>	<u>2020</u>
Reconciliation of loss from operations to net cash provided by operating activities:		
Loss from operations	\$ (59,617)	\$ (4,415)
Adjustments to loss from operations to net cash provided by operating activities:		
Depreciation and amortization	37,874	36,631
Equity interest in loss (gain) of joint ventures	1,768	(711)
Provision for bad debts	9,482	9,371
Non-cash portion of pension expense	33,129	4,766
Non-cash portion of OPEB expense	27,478	42,065
Changes in assets and deferred outflow of resources:		
Patient accounts receivable	(27,319)	(6,780)
Inventories	(6,055)	(1,723)
New York State and other affiliates	2,183	667
Prepaid expenses and other assets	(958)	1,464
Deferred outflow of resources	(96,340)	(46,499)
Changes in liabilities and deferred inflow of resources:		
Accounts payable and other current liabilities	1,570	10,059
Accrued expenses and postemployment benefits	(62,407)	26,780
Net pension liability	95,411	21,164
Medicare Advance Payment	57,497	—
Deferred inflow of resources	72,742	7,110
Due to third-party payors	(1,435)	1,396
Net cash provided by operating activities	<u>\$ 85,003</u>	<u>\$ 101,345</u>

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

NOTE 1. ORGANIZATION

Roswell Park Cancer Institute Corporation d/b/a Roswell Park Comprehensive Cancer Center ("Roswell Park" or "Center") is a public cancer hospital and medical research center located in Buffalo, New York. Roswell Park is one of only 50 National Cancer Institute-designated comprehensive cancer centers nationwide, providing total care to cancer patients, conducting research into the causes, treatment and prevention of cancer, and educating those who treat and study cancer. Roswell Park currently operates 142 certified beds.

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

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

The Roswell Park Alliance Foundation, Inc. (the "Foundation") was established in March 1991 to solicit, receive and administer funds to support scientific and clinical research, delivery of state-of-the-art medical care and treatment, and patient-related activities at "Roswell Park". The Foundation is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and is managed by a Board of Trustees of community leaders. This Board is independent of the Roswell Park Board of Directors and as such, Roswell Park's Board has no jurisdiction over the Board of the Foundation or the Foundation's assets.

Roswell Park Cancer Institute 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.

Carlton & Michigan, LLC ("C&M") was established in April 2013 to construct, own and lease to Roswell Park a new Clinical Science Center ("CSC") that is adjacent to the Center. C&M, a limited liability company and a pass-through entity for tax purposes. In September 2020, Roswell Park assumed 100% ownership of C&M as the Foundation transferred its interest of 10% to Roswell Park.

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

OmniSeq, LLC ("OmniSeq") is a for-profit corporation, headquartered in Buffalo, New York, that was formed on February 12, 2015 as a Delaware limited liability company to commercialize proprietary cancer genomic assays and technology developed at Roswell Park. OmniSeq is an early-stage laboratory company that focuses on providing oncological-based, advanced molecular diagnostic tests with therapeutic associations. Prior to 2020, the Center held a controlling financial interest in the outstanding shares of OmniSeq and accordingly included OmniSeq in the Center's consolidated financial statements. In 2020, the Center sold a portion of its interest in OmniSeq, resulting in the deconsolidation of OmniSeq from the Center's consolidated financial statements. Refer to Note 14 and Note 17 for further details.

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

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

NOTE 1. ORGANIZATION (CONTINUED)

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

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

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

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

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

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

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

The Foundation is a not-for-profit corporation organized to receive and administer gifts and bequests made on behalf of Roswell Park. Roswell Park utilizes these gifts and bequests in scientific and medical research, for the delivery of medical care to individuals suffering from cancer, and related charitable activities. Scientific and research grants made by the Foundation for use by Roswell Park are typically paid to and administered by Health Research, Incorporated. See Note 14 for further information. The financial statements of the Foundation have been prepared on an accrual basis and their presentation has been modified to conform with Governmental Accounting Standards Board ("GASB") principles. The annual financial report can be obtained by writing to: Roswell Park Alliance Foundation, Inc., Elm and Carlton Streets, Buffalo, New York 14263.

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 and C&M (collectively referred to hereinafter as "Roswell Park") are consolidated for financial statement purposes in accordance with the principles of consolidation in which it is appropriate to consolidate the financial statements of entities under common management and/or control. Collectively, Roswell Park Cancer Institute Corporation and the Practice Plan are referred to as the "Public Benefit Corporation" or the "PBC". All significant intercompany balances and transactions have been eliminated in consolidation.

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

All references to relevant authoritative literature issued by either the GASB or the Financial Accounting Standards Board ("FASB") with which Roswell Park must comply are hereinafter referred to generally as "U.S. GAAP."

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

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

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

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 statement of net position between current and non-current is generally determined by the purpose for which the assets are set aside.

Intangible Assets: Intangible assets consist of goodwill, patient charts and certain covenants not to compete. The goodwill represents an intangible asset to RPCIO that has an indefinite life, therefore, in accordance with accounting principles generally accepted in the United States of America, is not subject to amortization, but instead is subject to an impairment test. RPCIO performs an impairment test at least annually, unless events occur which would necessitate an impairment analysis to be performed more frequently. In March 2021, RPCIO recognized an impairment loss of \$925 relating to Roswell Park Hematology Oncology of Niagara in Niagara Falls, NY as the separate practice location was closed, and services are now provided at Niagara Falls Memorial Medical Center (an unrelated entity) under a leased services arrangement. No additional impairment was identified as of March 31, 2021. Patient charts and the covenants not to compete represent intangible assets with finite lives of 3 years. Amortization is provided on the straight-line method over the lives of the assets and amounted to \$8 and \$8 as of March 31, 2021 and 2020, respectively. Future amortization expense related to intangible assets is \$7 in 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 capital leases is provided on the straight-line method over the term of the lease or the useful lives of the assets.

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

Impairment of Long-Lived Assets: Under the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, Roswell Park evaluates its capital assets for financial impairment as prominent events or changes in circumstances affecting capital assets occur to determine whatever impairment of a capital asset has occurred. No adjustments were made in 2021 and 2020 as a result of performing these evaluations.

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

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.

Noncontrolling interest (NCI) consists of the percentage of C&M's net position not controlled by Roswell Park. There was no non-controlling interest for the year ended 2021 (\$1,377 - 2020). In September 2020, Roswell Park assumed 100% ownership of C&M as the Foundation transferred its interest of 10% to Roswell Park. See Note 7 for further details on Roswell's Park's acquisition of the remaining net position of C&M.

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 \$12,768 and \$11,724 in 2021 and 2020, 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.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Approximately 16% of net patient service revenue was generated from the combined services rendered to patients under Medicare and Medicaid programs in both 2021 and 2020. Approximately 69% of net patient service revenue was generated from the combined services rendered to patients under managed care programs in both 2021 and 2020.

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

	<u>2021</u>	<u>2020</u>
Gross charges	\$ 2,320,603	\$ 2,259,739
Net settlements and appeals	12,768	11,724
Less:		
Discounts and allowances	(1,507,540)	(1,449,273)
Provision for bad debts	(9,482)	(9,371)
	<u>\$ 816,349</u>	<u>\$ 812,819</u>

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

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

	<u>2021</u>	<u>2020</u>
Cafeteria	\$ 1,173	2,103
Parking garage	2,485	2,888
Rebates	2,578	2,521
Rental income	1,185	1,271
Pediatric Joint Venture	2,129	2,606
NYS Support	18,814	18,487
Alliance Funding	2,012	2,237
Regional Support/Affiliations	6,029	4,642
Other	4,959	2,893
	<u>\$ 41,364</u>	<u>\$ 39,648</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, and an adjustment for the deconsolidation of OmniSeq (see Note 17).

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions for Purchase of Capital Assets: Contributions for purchase of capital assets consist principally of amounts received from NYS for the purchase of capital assets (\$51,304 in 2021 and \$51,304 in 2020), 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 (\$32,490) and other operating revenue (\$18,814). Contributions from the Foundation, discussed below, were \$3,179 and \$3,114 in 2021 and 2020, respectively, and were for the purchase of capital assets.

Taxes: As a public benefit corporation Roswell Park and the Practice Plan are exempt from federal and state income taxes as an instrumentality of the State of New York, as well as state and local property and sales taxes. As such, no provision for income taxes is made by either Roswell Park or the Practice Plan.

RPCIO is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal and state income taxes on related income pursuant to Section 501 (a) of the Code. RPCIO’s federal Exempt Organization Business Income Tax Returns for tax years 2017, 2018, 2019 remain subject to examination by the Internal Revenue Service.

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

GBCT, 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). The CARES act also authorized the U.S. Small Business Administration (SBA) to temporarily guarantee loans under the Paycheck Protection Program (PPP). Loans under the PPP will be 100 percent guaranteed by the SBA, and the full principal amount of the loan may qualify for loan forgiveness. 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 \$15,047 (RPCIC - \$14,196 and RPCIO - \$851) in payments under the CARES Act as of March 31, 2021, all of which was recorded as other income within non-operating revenue in the consolidated statements of revenues, expenses, and changes in net position.

In addition, on May 1, 2020, RPCIO received a PPP loan in the amount of approximately \$1,588. On November 13, 2020 the loan was forgiven by the SBA, and the proceeds were recognized as other income within non-operating revenues 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”) has 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 allows providers 29 months after receipt of the advances to pay back the funds in full before interest would begin to accrue.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements: In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. Under this Statement, a lessee is required to recognize a lease liability and a right to use asset as a single model for lease accounting based on the principle that leases are financing instruments. Pursuant to the issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, the requirements of this Statement are effective for financial reporting periods beginning after June 15, 2021 (Roswell Park's fiscal year ending March 31, 2023). The financial impact of adopting this statement is not expected to materially impact Roswell Park.

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) and is based on the standards established in GASB Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (Roswell Park's fiscal year ending March 31, 2024). The financial impact of adopting this statement is currently being evaluated.

Reclassifications: Certain prior year amounts were reclassified to conform to the 2021 consolidated financial statement presentation.

Subsequent Events: These consolidated financial statements have not been updated for subsequent events occurring after June 8, 2021, which is the date these consolidated financial statements were available to be issued.

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:

	2021	2020
Board Designated (a)		
Board designated funds for recruitment, capital and accruals	\$ 151,263	\$ 145,020
Board designated funds for unfunded future retirement obligations and other strategic initiatives	121,615	122,565
Board designated funds for construction projects	—	655
Workers compensation	9,742	10,638
Timing of third party payments and estimated settlements/unearned revenue	61,034	4,723
Employee benefits	2,731	2,931
Technology transfer	1,000	1,000
TIAA/CREF escrow	482	583
Subtotal	<u>347,867</u>	<u>288,115</u>
Held by Trustee Under Malpractice and General Liability Trust Agreement		
Malpractice reserve:		
Cash and cash equivalents	1,000	1,246
U.S. Government obligations, corporate issues, and municipal issues	14,200	13,911
Subtotal	<u>15,200</u>	<u>15,157</u>
Held by Trustee Under Indenture Agreement (b)		
Debt service reserve	36,076	27,855
Major modernization project	15,662	16,750
Subtotal	<u>51,738</u>	<u>44,605</u>
Held under Clinical Practice Plan Enabling Legislation (c)		
Chief Executive Officer fund	8,767	7,795
Academic development fund - Chief Executive Officer	14,166	14,804
Academic development fund - Department Chairs	4,519	4,858
Subtotal	<u>27,452</u>	<u>27,457</u>
Total assets limited as to use	<u>442,257</u>	<u>375,334</u>
Less: Current portion	(61,451)	(29,065)
Total assets limited as to use, net of current portion	<u>\$ 380,806</u>	<u>\$ 346,269</u>

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

NOTE 4. CAPITAL ASSETS

Capital assets consisted of the following at March 31:

	<u>March 30, 2020</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>March 31, 2021</u>
Non-depreciable assets:					
Land	\$ 4,444	\$ —	\$ —	\$ —	\$ 4,444
Construction in progress	27,134	38,178	(53,856)	—	11,456
	<u>31,578</u>	<u>38,178</u>	<u>(53,856)</u>	<u>—</u>	<u>15,900</u>
Depreciable assets:					
Buildings and improvements	644,330	637	20,320	—	665,287
Equipment	263,128	2,748	33,536	(1,919)	297,493
	<u>907,458</u>	<u>3,385</u>	<u>53,856</u>	<u>(1,919)</u>	<u>962,780</u>
Less: Accumulated depreciation:					
Buildings and improvements	413,646	20,302	—	—	433,948
Equipment	206,487	17,564	—	1,887	222,164
	<u>620,133</u>	<u>37,866</u>	<u>—</u>	<u>1,887</u>	<u>656,112</u>
Capital assets, net	<u>\$ 318,903</u>	<u>\$ 3,697</u>	<u>\$ —</u>	<u>\$ (32)</u>	<u>\$ 322,568</u>
	<u>March 31, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>March 30, 2020</u>
Non-depreciable assets:					
Land	\$ 4,444	\$ —	\$ —	\$ —	\$ 4,444
Construction in progress	10,574	37,253	(20,693)	—	27,134
	<u>15,018</u>	<u>37,253</u>	<u>(20,693)</u>	<u>—</u>	<u>31,578</u>
Depreciable assets:					
Buildings and improvements	635,316	411	8,682	(79)	644,330
Equipment	255,511	3,610	12,011	(8,004)	263,128
	<u>890,827</u>	<u>4,021</u>	<u>20,693</u>	<u>(8,083)</u>	<u>907,458</u>
Less: Accumulated depreciation:					
Buildings and improvements	393,869	19,844	—	67	413,646
Equipment	197,028	16,779	—	7,320	206,487
	<u>590,897</u>	<u>36,623</u>	<u>—</u>	<u>7,387</u>	<u>620,133</u>
Capital assets, net	<u>\$ 314,948</u>	<u>\$ 4,651</u>	<u>\$ —</u>	<u>\$ (696)</u>	<u>\$ 318,903</u>

Depreciation expense amounted to approximately \$37,866 and \$36,623 in 2021 and 2020, respectively.

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(in thousands of dollars, except as otherwise noted)

NOTE 5. ACCRUED EXPENSES

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

	<u>2021</u>	<u>2020</u>
Salaries and benefits	\$ 55,757	\$ 46,277
Payroll withholdings	6,046	6,555
Current portion of retirement and post-retirement benefits	10,781	11,274
Workers' compensation	9,742	10,638
Professional and general liability	17,518	15,629
Accrued Interest	1,004	1,230
Other	2,308	3,473
	<u>\$ 103,156</u>	<u>\$ 95,076</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, 2021 and 2020. 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, 2023.

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

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

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

	<u>2021</u>	<u>2020</u>
On July 13, 2011, DASNY issued debt in the amount of \$48,180 (Roswell Park allocated 74.85%). Under the terms of issuance, interest ranges from 2.0% to 5.0% per annum with interest and principal payments due through 2024. The bond proceeds were used solely to defease a portion of the outstanding 1998 bond series.	\$ 8,781	\$ 13,040
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.	73,311	85,103
C&M loans payable under NMTC program (a).	—	29,780
On June 1, 2012, Roswell Park entered into a capital lease obligation to rent 226 parking spaces for a 35 year period. Under terms of the agreement, the cost of capital is estimated at 3.4% per annum with interest and principal payments due through 2047.	4,467	4,493
On May 22, 2017, RPCIO entered into a capital lease obligation to operate 2 hematology analyzers. The lease term is 60 months with an interest rate of 3.0%.	27	50
	<u>86,586</u>	<u>132,466</u>
Plus: Unamortized bond premium	5,172	7,772
Total long-term obligations	<u>91,758</u>	<u>140,238</u>
Less: Current portion	<u>(16,933)</u>	<u>(16,507)</u>
Long-term obligations, net	<u>\$ 74,825</u>	<u>\$ 123,731</u>

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

Obligation Type	March 31, 2020	Additions	Deductions	March 31, 2021
Bond Series 2011	\$ 13,040	\$ —	\$ (4,259)	\$ 8,781
Bond Series 2016	85,103	—	(11,792)	73,311
Loans payable	29,780	—	(29,780)	—
Capital leases and other	4,543	—	(49)	4,494
	<u>132,466</u>	<u>—</u>	<u>(45,880)</u>	<u>86,586</u>
Plus: Unamortized bond premium (b)	7,772	—	(2,600)	5,172
Total long-term obligations	140,238	<u>\$ —</u>	<u>\$ (48,480)</u>	91,758
Less: Current portion	(16,507)			(16,933)
Long-term obligations, net	<u>\$ 123,731</u>			<u>\$ 74,825</u>

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

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

Under the program, participating NMTC investors received a maximum 39% tax credit over a period of seven years on qualified equity investments totaling approximately \$30.5 million made in the construction of the CSC. Through its participation in the NMTC program, Roswell Park recognized a net benefit from the program of approximately \$6,200, which represents the NMTC investors' equity investment in the tax credits less all fees and expenses. Pursuant to the laws and regulations surrounding the NMTC program, several entities are party to the overall financing plan. Roswell Park leveraged its own funds (both internal equity and funds raised by the Roswell Park Alliance Foundation through a capital campaign), a portion of which were loaned to two unrelated NMTC investment funds. These NMTC investment funds then made qualifying equity contributions into various Community Development Entities ("CDEs"), which in turn loaned those funds as qualified low-income community investments to C&M to fund the construction of the CSC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

The NMTC program required the financing structure to remain in place for a period of not less than seven (7) years from the date in which the NMTC investment funds make the qualified equity investment into the CDEs (the "Compliance Period"). During the Compliance Period, C&M made interest-only payments on the loans from the CDEs. The CDEs use the interest payments to pay fees and distribute the remaining proceeds to the NMTC Investment Funds. The NMTC investment funds then used the proceeds to make interest-only payments on their notes payable to Roswell Park. The compliance period ended on September 22, 2020. The investors in the NMTC investment funds exercised their option to have their interest in the CDEs redeemed, which resulted in the CDEs assigning their assets to the NMTC investment funds, including the Notes Receivable from C&M. Further, the NMTC investors exercised their option to put their interest in the NMTC investment funds to Roswell Park for a price of \$1. The exercise of the put option effectively transferred ownership of the NMTC investment funds to Roswell Park, which allowed Roswell Park to cancel the loans between the NMTC investment funds and C&M. This resulted in a gain from the forgiveness of debt of approximately \$8,400 recognized in Non-operating revenues (expenses). The net benefit to Roswell Park after considering fees and expenses was approximately \$6,200. Prior to the expiration of the compliance period, the Foundation transferred its interest of 10% in C&M to Roswell Park.

The following recaps the amounts recognized in the consolidated statement of net position as of March 31, 2021 and 2020:

	Asset (Liability)	
	2021	2020
Notes Receivable: Roswell Park funds loaned to NMTC investment funds	\$ —	\$ 21,261
Notes Payable: Amounts borrowed by C&M from CDEs to fund construction of the CSC	\$ —	\$ (29,780)

(b) Roswell Park uses the effective interest method for amortizing these premiums. Included as an offset to interest expense is \$3,077 and \$3,531 in 2021 and 2020, respectively, related to the amortization of bond premium.

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

Year ending March 31,	Long-term debt		Capital lease	
	Principal	Interest	Principal	Interest
2022	\$ 16,876	\$ 3,619	\$ 57	\$ 151
2023	17,709	2,772	41	150
2024	17,878	1,894	45	149
2025	15,651	1,079	53	147
2026	13,978	349	61	145
2027-2031	—	—	440	687
2032-2036	—	—	717	590
Thereafter	—	—	3,080	670
Plus: Unamortized bond premium	5,172	—	—	—
	<u>\$ 87,264</u>	<u>\$ 9,713</u>	<u>\$ 4,494</u>	<u>\$ 2,689</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8. POSTEMPLOYMENT BENEFITS

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

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

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

Funded Status and Funding Progress: Roswell Park has the authority to establish its own funding policy. Under its current policy, Roswell Park is not required to fund the Benefit Plan or the Annual Required Contribution (“ARC”, an actuarially determined amount as defined by U.S. GAAP). Roswell Park is seeking relief from NYS for all, or a significant portion, of the unfunded OPEB liability. To date, NYS has not agreed to this relief.

The Benefit Plan requires participants to contribute a portion of the monthly premiums. The following table illustrates the participant contribution rates per plan for 2021 and 2020.

<u>Plan</u>	<u>Tier</u>	<u>Participant Contribution</u>	
		<u>2021</u>	<u>2020</u>
Empire	Single	\$ 81.02	\$ 78.18
	Family	\$ 386.45	\$ 373.84
Community Blue	Single	\$ 68.61	\$ 63.23
	Family	\$ 319.03	\$ 322.44
Independent Health	Single	\$ 67.95	\$ 67.63
	Family	\$ 312.16	\$ 312.10

The most recent actuarial valuation for the OPEB plan was as of April 1, 2020. As of March 31, 2021, the plan was unfunded. Roswell Park is continually seeking support from NYS to fund all or a significant portion of the unfunded OPEB liability. Roswell Park believes it will need some form of assistance from NYS in order to meet future OPEB obligations resulting from the benefits that have, and will continue to, accrue under the plan.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8. POSTEMPLOYMENT 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 Other Postemployment Benefit Obligation (“OPEB”): Roswell Park’s total OPEB liability measured at March 31, 2021 of \$544,364 was determined by an actuarial valuation as of April 1, 2020. The measurement date of the obligation is March 31, 2021.

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 2021, 2020 and 2019.

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
3/31/2019	\$ 45,190	21.14%	\$ 529,062
3/31/2020	\$ 52,483	21.48%	\$ 588,496
3/31/2021	\$ 38,463	28.03%	\$ 544,364

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, 2021 and 2020, \$544,364 and \$588,496, respectively, was reported for the Roswell Park’s total OPEB liability.

Deferred inflows of resources and deferred outflows or 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, 2021, 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	\$ —	\$ 139,891
Change in actuarial assumptions	\$ 83,949	\$ 5,560

As of March 31, 2020, Roswell Park reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8. POSTEMPLOYMENT 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:	
2022	\$ 8,514
2023	8,514
2024	8,514
2025	8,514
2026	8,191
Thereafter	19,255
	<u>\$ 61,502</u>

Actuarial Method and Assumptions:

Roswell Park's total OPEB liability was determined by an actuarial valuation as of April 1, 2020, using the following actuarial assumptions:

Significant actuarial assumptions used in the April 1, 2020 valuation were as follows:

Inflation Rate	2.25%
Salary Scale	3.75%
Health Cost	Entry Age Normal
Mortality	Pri.H-2012 Mortality Tables
Discount Rate	2.14%

The discount rate used to calculate the total OPEB liability as of March 31, 2021 was 2.14%. The discount rate is a single rate of return, when applied to all projected benefit payments equal to the sum of: (1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return, and (2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate. The Municipal Bond Rate is a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

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NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Status and Funding Progress:

The Roswell Park's OPEB obligation and the funded status of the plan as of March 31, 2021 are as follows:

OPEB balance at April 1, 2020	\$ 588,496
Changes for period:	
Service Cost	33,910
Interest	13,065
Differences between Expected and Actual Experience	(106,634)
Changes in assumptions	26,307
Benefit payments	<u>(10,780)</u>
Net changes	<u>(44,132)</u>
OPEB balance at March 31, 2021	<u>\$ 544,364</u>

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

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

The following table illustrates the actuarially-derived estimates of the postemployment benefit liability and associated costs as of March 31, 2021, utilizing a cut-off date of January 1, 1999:

	<u>Prior to</u> <u>January 1, 1999</u>	<u>Post</u> <u>January 1, 1999</u>	<u>Total</u>
Total OPEB liability at beginning of Year	\$ 92,129	\$ 496,367	\$ 588,496
Service Cost	281	33,629	33,910
Interest Cost	1,967	11,098	13,065
Experience	(13,568)	(93,066)	(106,634)
Change of Assumptions of Other Inputs	1,924	24,383	26,307
Benefit Payments	<u>(3,991)</u>	<u>(6,789)</u>	<u>(10,780)</u>
Net OPEB obligation liability - End of Year	<u>\$ 78,742</u>	<u>\$ 465,622</u>	<u>\$ 544,364</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9. PENSION

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

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

Contributions:

Employer contributions

Roswell Park is required under the RSSL to contribute to the plan at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2021 was approximately 12.8% of payroll expense. Roswell Park contributed \$23,465 and \$22,089 to the plan in the fiscal year 2021 and 2020, 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, 2021 Roswell Park reported a liability of \$173,708 (\$45,168 - 2020) for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2019. The basis for Roswell Park's proportion of the net pension liability is consistent with the manner in which contributions to the pension plan are determined. The system computed each employer's projected long-term contribution effort to ERS as compared to the total projected long-term contribution effort for all employers to ERS. Roswell Park's proportion was 0.6559839% and 0.6374871% as of March 31, 2021 and 2020, respectively.

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

2021	\$	23,465
2020	\$	22,089
2019	\$	21,210

For the year ended March 31, 2021, Roswell Park recognized pension expense of \$56,593. As of March 31, 2021, Roswell Park reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

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NOTE 9. PENSION (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 10,223	\$ —
Net difference between projected and actual investment earnings on pension plan investments	89,051	—
Changes of assumptions	3,498	3,020
Change in proportion and differences between employer contributions and proportionate share of contributions	2,898	7,099
Contributions subsequent to measurement date	23,465	—
Total	<u>\$ 129,135</u>	<u>\$ 10,119</u>

The \$23,465 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, 2021. 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:	
2022	23,741
2023	31,367
2024	25,403
Thereafter	—

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

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

Actuarial Methods and Assumption:

The total pension liability for the March 31, 2020 measurement date was determined by using an actuarial valuation as of April 1, 2019 with updating procedures through March 31, 2021.

Actuarial Cost Method	Entry age normal
Inflation	2.5%
Salary scale	4.5%
Investment rate of return	6.8%
Cost of living adjustment	1.3%
Mortality table	Society of Actuaries' Scale MP-2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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, 2020 are summarized below.

Asset Class	Target Allocation	Long-term expected real rate of return
Domestic equity	36.00%	4.05%
International equity	14.00%	6.15%
Private equity	10.00%	6.75%
Real estate	10.00%	4.95%
Absolute return strategies	2.00%	3.25%
Opportunistic portfolio	3.00%	4.65%
Real assets	3.00%	5.95%
Bonds and mortgages	17.00%	0.75%
Cash	1.00%	0.00%
Inflation-indexed bonds	4.00%	0.50%
	100.00%	

Discount rate: The discount rate used to calculate the total pension liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, on an actuarially determined basis. Based upon these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Roswell Park's proportionate share of the net pension liability to changes in the discount rate: The following presents Roswell Park's proportionate share of the net pension liability calculated using the discount rate of 6.8%, 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 5.8% or 1 percentage point higher 7.8% than the current rate:

	1% decrease (5.8%)	Current discount rate (6.8%)	1% increase (7.8%)
Roswell Park's proportionate share of the net pension liability (asset)	\$318,804	\$173,708	\$40,075

Pension Plan Fiduciary Net Position: The components of the current-year net pension liability of all employers as of March 31, 2020 were as follows:

Employers' total pension liability	\$ 194,596,261
Plan net position	(168,115,682)
Employers' net pension total	\$ 26,480,579
Ratio of Plan net position to the Employers' total pension liability	(86.39)%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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, 2021, for which reserves have been estimated. Claim reserves were discounted using a rate of 3% in 2021 and 2020.

The current year provision for malpractice expense was \$3,768 (\$1,900 - 2020). 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, 2021, for which reserves have been estimated. The charges to expense for workers' compensation related costs approximated \$225 and \$1,140 in 2021 and 2020, respectively, and are included as a component of employee benefits expense in the consolidated statements of revenues, expenses and changes in net position.

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

Records related to professional liability claims and litigation are maintained centrally by NYS. Roswell Park records the costs related to professional liability losses prior to January 1, 1999, based upon information provided by NYS Attorney General's Office. For the years ended March 31, 2021 and 2020, no payments of final settlement of malpractice cases were made.

NOTE 11. LEGAL MATTERS

Regulatory Compliance: The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time. 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.

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NOTE 11. LEGAL MATTERS (CONTINUED)

Medicare and Medicaid programs accounted for approximately 15% and 1% in 2021, respectively, and 17% and 1% in 2020, respectively, of Roswell Park’s net patient service revenues for the years then ended.

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

NOTE 12. CONCENTRATION OF CREDIT RISK

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

	<u>2021</u>	<u>2020</u>
Blue Cross	30 %	30 %
IHA	15	16
Medicaid	—	1
Medicare	10	9
Other	43	43
Patients	<u>2</u>	<u>1</u>
	<u>100 %</u>	<u>100 %</u>

The payer categories above include all relevant lines of business, including commercial products, as well as managed Medicare, Medicaid and other such products. The total managed Medicare and Medicaid products included in the above totals is 25% and 7% respectively in 2021, and 21% and 10% respectively in 2020. 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 hierarchal levels, defined by

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

U.S. GAAP, are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities as follows:

- Level I:** Valuations based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Level I assets include cash and cash equivalents, debt and equity securities that are traded in active exchange markets, as well as certain U.S. Treasury and other U.S. Governments and agencies that are highly liquid and are actively traded in over-the-counter markets.
- Level II:** Valuations based on quoted prices in active markets for similar assets or liabilities quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Level II assets would include equity and fixed income managed funds with quoted prices that are traded less frequently than exchange-traded instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level III:** Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market based inputs. Level III assets would include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques as well as instruments for which the determination of fair value requires significant investment management judgment or estimation.

The following tables present information about assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2021 and 2020, 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, 2021				
Cash and cash equivalents	\$ 117,290	\$ —	\$ —	\$ 117,290
Commercial paper/corporate obligations	116,905	—	—	116,905
Certificates of deposit	46,310	—	—	46,310
U.S. Government and Federal Agency obligations	391,840	—	—	391,840
Municipal issues	1,000	—	—	1,000
	<u>\$ 673,345</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 673,345</u>
Total cash and assets limited as to use:	<u>\$ 673,345</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 673,345</u>

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NOTE 13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

NOTE 14. RELATED PARTIES

New York State:

Operating Support: As discussed in Note 1, Roswell Park is related to NYS by virtue of ownership and control. Annually, Roswell Park receives a significant portion of its operating revenue from NYS. This support is a fundamental component of Roswell Park's annual operating budget. During the years ended March 31, 2021 and 2020, total support received from NYS amounted to approximately \$89,267 and \$102,607, respectively. Roswell Park is dependent on the continuation of this financial support and forbearance of NYS to continue its operations as a National Cancer Institute designated comprehensive cancer research and treatment center.

Long-Term Obligations: As further discussed in Note 7, Roswell Park recognizes in its consolidated statement of net position allocated portions of DASNY bonds issued on behalf of Roswell Park and other NYSDOH facilities. In this regard, scheduled debt service payments and certain other related transactions are consummated by NYSDOH on Roswell Park's behalf, using Roswell Park funds. In addition, from time to time, DASNY elects to extinguish or otherwise defease certain debt issuances, and in so doing, Roswell Park recognizes its proportionate share of each particular transaction, including the extinguishment, as well as recognizing its portion of any gain or loss on extinguishment.

Health Research, Incorporated:

Health Research, Incorporated, is a not-for-profit corporation chartered under the laws of NYS in 1953 primarily to apply for, secure and administer gifts or grants in furtherance of the research, prevention and treatment of diseases and conditions by the NYSDOH, Roswell Park and other health related entities and as such is related to Roswell Park. During the years ended March 31, 2021 and 2020, Roswell Park paid approximately \$8,177 and \$6,888, 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 \$1,593 and \$2,021 of grant revenue was remitted by HRI to Roswell Park in the years ended 2021 and 2020, respectively. This revenue was generated by salary recovery on medical staff paid by Roswell Park. Roswell Park's policy is to allow for salary recovery on research staff to be retained by HRI as part of the overall contribution to HRI. This amounted to approximately \$7,573 and \$7,431 in 2021 and 2020, 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.

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NOTE 14. RELATED PARTIES (CONTINUED)

Joint Ventures:

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

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 27% and is recorded using the equity method of accounting.

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

OmniSeq, LLC ("OmniSeq") is a for-profit corporation, headquartered in Buffalo, New York, that was formed on February 12, 2015 as a Delaware limited liability company to commercialize proprietary cancer genomic assays and technology developed at Roswell Park. OmniSeq is an early-stage laboratory company that focuses on providing oncological-based, advanced molecular diagnostic tests with therapeutic associations. Until April 2019, Roswell park was a majority shareholder in OmniSeq on April 18, 2019, Roswell Park sold all of its Series B holdings in OmniSeq. In addition, OmniSeq repurchased a portion of the Roswell Park Series A holdings in OmniSeq. As a result of these transactions, Roswell Park maintained an approximately 35% ownership interest in OmniSeq and records its ownership interest via the equity method of accounting. Refer to Note 17 for more details.

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 23.0% 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:

	2021	2020
OmniSeq	\$ 8,270	\$ 10,595
Innovative Immunotherapy Alliance S.A. (IIA)	4,075	3,844
Oneida Health Roswell Park Oncology, LLC	1,239	2,495
NR Physician Group, PLLC	1,151	1,662
Center For Advanced Molecular Isotopes	235	221
Mimivax	1,500	—
	<u>\$ 16,469</u>	<u>\$ 18,817</u>

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NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION

The following consolidating and combining information summarizes the financial position and results of operations as of and for the year ended March 31, 2021:

Condensed Consolidating Statements of Net Position

2021

	Public Benefit Corporation	Roswell Park Oncology, PC	Carlton & Michigan, LLC	GBCT	Eliminations	Total
Assets and Deferred Outflows of Resources						
Current assets	\$ 461,331	\$ 8,293	\$ —	\$ 193	\$ —	\$ 469,817
Assets limited as to use, net of current portion	380,806	—	—	—	—	380,806
Capital assets, net	279,279	1,526	41,763	—	—	322,568
Other assets	70,069	7,094	—	4,075	(58,826)	22,412
Total assets	1,191,485	16,913	41,763	4,268	(58,826)	1,195,603
Deferred outflows of resources	213,084	—	—	—	—	213,084
Total assets and deferred outflows of resource	\$ 1,404,569	\$ 16,913	\$ 41,763	\$ 4,268	\$ (58,826)	\$ 1,408,687
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities	\$ 212,280	\$ 4,467	\$ —	\$ 217	\$ —	\$ 216,964
Non-current liabilities	811,941	2	—	—	—	811,943
Total liabilities	1,024,221	4,469	—	217	—	1,028,907
Deferred inflow of resources	155,570	—	—	—	—	155,570
Net position						
Net investment in capital assets	203,210	1,526	41,763	—	—	246,499
Restricted expendable	64,385	—	—	—	—	64,385
Unrestricted	(42,817)	10,918	—	4,051	(58,826)	(86,674)
Total net position	224,778	12,444	41,763	4,051	(58,826)	224,210
Total liabilities, deferred inflow of resources and net position	\$ 1,404,569	\$ 16,913	\$ 41,763	\$ 4,268	\$ (58,826)	\$ 1,408,687

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NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION (CONTINUED)

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

	2021					
	Public Benefit Corporation	Roswell Park Oncology, PC	Carlton & Michigan, LLC	GBCT	Eliminations	Total
Operating revenues						
Net patient service revenue/net settlements and appeals	\$ 771,632	\$ 44,717	\$ —	\$ —	\$ —	\$ 816,349
New York State operating support	37,963	—	—	—	—	37,963
Grants and contracts	1,593	—	—	—	—	1,593
Equity interest in (loss) of joint ventures	(1,257)	(511)	—	—	—	(1,768)
Other operating revenues	40,049	2,441	232	206	(1,564)	41,364
Total operating revenues	849,980	46,647	232	206	(1,564)	895,501
Operating expenses						
Depreciation and amortization	36,321	365	1,188	—	—	37,874
Other operating expenses	862,745	55,508	102	453	(1,564)	917,244
Total operating expenses	899,066	55,873	1,290	453	(1,564)	955,118
Loss from operations	(49,086)	(9,226)	(1,058)	(247)	—	(59,617)
Non-operating activity						
Non-operating revenues (expenses)	12,640	1,514	8,258	(171)	—	22,241
Excess (Deficiency) of revenues over expenses before noncontrolling interest	(36,446)	(7,712)	7,200	(418)	—	(37,376)
Deficiency of revenues over expenses applicable to noncontrolling interest	—	—	44	—	—	44
Excess (Deficiency) of revenues over expenses	(36,446)	(7,712)	7,244	(418)	—	(37,332)
Net position, beginning of year	225,108	13,771	13,772	4,299	(31,033)	225,917
Excess (Deficiency) of revenues over expenses	(36,446)	(7,712)	7,244	(418)	—	(37,332)
Contributions for purchase of capital assets	37,002	6,385	20,791	170	(28,679)	35,669
Other changes in net position	(886)	—	—	—	886	—
Deficiency of revenues over expenses and third party investments applicable to noncontrolling interest	—	—	(44)	—	—	(44)
Net position, End of year	\$ 224,778	\$ 12,444	\$ 41,763	\$ 4,051	\$ (58,826)	\$ 224,210

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NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION (CONTINUED)

Condensed Combining Statement of Net Position for the Public Benefit Corporation
2021

	Roswell Park Cancer Institute	Roswell Park Clinical Practice Plan	Eliminations	Public Benefit Corporation
Assets and Deferred Outflows of Resources				
Current assets	\$ 437,965	\$ 24,744	\$ (1,378)	\$ 461,331
Assets limited as to use, net of current portion	362,554	18,252	—	380,806
Capital assets, net	279,279	—	—	279,279
Other assets	70,069	—	—	70,069
Total assets	<u>1,149,867</u>	<u>42,996</u>	<u>(1,378)</u>	<u>1,191,485</u>
Deferred outflows of resources	213,084	—	—	213,084
Total assets and deferred outflows of resource	<u>\$ 1,362,951</u>	<u>\$ 42,996</u>	<u>\$ (1,378)</u>	<u>\$ 1,404,569</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities	\$ 199,150	\$ 14,508	\$ (1,378)	\$ 212,280
Non-current liabilities	811,760	181	—	811,941
Total liabilities	<u>1,010,910</u>	<u>14,689</u>	<u>(1,378)</u>	<u>1,024,221</u>
Deferred inflow of resources	<u>155,570</u>	<u>—</u>	<u>—</u>	<u>155,570</u>
Net position				
Net investment in capital assets	203,210	—	—	203,210
Restricted expendable	36,076	28,309	—	64,385
Unrestricted	<u>(42,815)</u>	<u>(2)</u>	<u>—</u>	<u>(42,817)</u>
Total net position	<u>196,471</u>	<u>28,307</u>	<u>—</u>	<u>224,778</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 1,362,951</u>	<u>\$ 42,996</u>	<u>\$ (1,378)</u>	<u>\$ 1,404,569</u>

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NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION (CONTINUED)

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

	2021			
	Roswell Park Cancer Institute	Roswell Park Clinical Practice Plan	Eliminations	Public Benefit Corporation
Operating revenues				
Net patient service revenue/net settlements and appeals	\$ 707,885	\$ 65,901	\$ (2,154)	\$ 771,632
New York State operating support	37,963	29,066	(29,066)	37,963
Grants and contracts	—	1,593	—	1,593
Equity interest in loss of joint ventures	(1,257)	—	—	(1,257)
Other operating revenues	35,962	4,087	—	40,049
Total operating revenues	780,553	100,647	(31,220)	849,980
Operating expenses				
Depreciation and amortization	36,320	1	—	36,321
Other operating expenses	782,719	111,246	(31,220)	862,745
Total operating expenses	819,039	111,247	(31,220)	899,066
Loss from operations	(38,486)	(10,600)	—	(49,086)
Non-operating activity				
Non-operating revenues	12,618	22	—	12,640
Deficiency of revenues over expenses	(25,868)	(10,578)	—	(36,446)
Net position, beginning of year				
Net position, beginning of year	196,792	28,316	—	225,108
Deficiency of revenues over expenses	(25,868)	(10,578)	—	(36,446)
Contributions for purchase of capital assets	26,433	10,569	—	37,002
Other changes in net position	(886)	—	—	(886)
Net position, End of year	\$ 196,471	\$ 28,307	\$ —	\$ 224,778

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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, 2021 and 2020:

ASSETS	2021	2020
Current assets:		
Cash and cash equivalents	\$ 24,656	\$ 26,866
Gifts and pledges receivable, current	4,235	3,682
Inventories and due from affiliates	2,016	1,141
Total current assets	30,907	31,689
Non-current assets:		
Assets limited as to use, net	98,106	65,286
Gifts and pledges receivable, net	7,674	5,538
Prepaid expenses and other assets	876	879
Total non-current assets	106,656	71,703
Total assets	\$ 137,563	\$ 103,392
LIABILITIES AND NET POSITION		
Current liabilities	\$ 23,997	\$ 20,080
Non-current liabilities	782	813
Total liabilities	24,779	20,893
Net position		
Without donor restrictions	13,536	8,637
With donor restrictions	99,248	73,862
Total net position	112,784	82,499
Total liabilities and net position	\$ 137,563	\$ 103,392
	2021	2020
Operating revenues:		
Contributions	\$ 28,893	\$ 28,892
Other operating revenues	423	523
Total operating revenues	29,316	29,415
Operating expenses:		
Supplies and other services	2,012	1,810
Grants	22,422	22,009
Fundraising	2,935	4,949
Total operating expenses	27,369	28,768
Income from operations	1,947	647
Non-operating revenues:		
Interest and other income	1,794	1,852
Investment (loss) income	26,544	(9,929)
Total non-operating revenues	28,338	(8,077)
Excess (deficiency) of revenues over expenses	30,285	(7,430)
Net position, beginning of year	82,499	89,929
Net position, end of year	112,784	82,499

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NOTE 16. COMMITMENTS AND CONTINGENCIES

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

FY 2022	\$	1,370
FY 2023		1,213
FY 2024		817
FY 2025		120
FY 2026		120
Thereafter		—
Total	\$	<u>3,640</u>

Total expenses for rents and operating type leases were approximately \$1,654 and \$1,654 for 2021 and 2020, respectively.

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 during fiscal year 2021. 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 significant relief funding during fiscal year 2021, which helped to mitigate some of the negative financial impacts of the COVID-19 pandemic. 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.

NOTE 17. DECONSOLIDATION THROUGH SALE OF PARTIAL INTEREST IN SUBSIDIARY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17. DECONSOLIDATION THROUGH SALE OF PARTIAL INTEREST IN SUBSIDIARY (CONTINUED)

consolidated financial statements. The effect to the Center's consolidated financial statements, which were recognized in the year ending March 31, 2020, was as follows:

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