

**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, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022 and 2021, the related consolidated statements of revenues, expenses, and changes in net position, cash flows and discretely presented component unit for the years then ended, and the related notes to the financial statements, which collectively comprise Roswell park's consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of March 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As further discussed in Note 14, Roswell Park had significant transactions with related parties. Furthermore, as discussed in Note 2, in early 2020 the COVID-19 coronavirus global pandemic emerged and impacted much of the United States, including the communities in which the Center serves. Pursuant to the Coronavirus Aid, Relief and Economic Security (CARES) Act, as well as other governmental actions, the Center received financial assistance to aid in its response to the pandemic. 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 15, 2022 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
June 15, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2022 and 2021

(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, 2022 and 2021. The consolidated financial statements include the accounts of Roswell Park Cancer Institute and the Roswell Park Clinical Practice Plan (also collectively referred to as the "Public Benefit Corporation" and/or "PBC"). Please read this management's discussion and analysis in conjunction with Roswell Park's consolidated financial statements. Unless otherwise indicated, all dollar amounts are in thousands.

1. Introduction

Roswell Park was established in 1898 on the principle of integrating clinical care, research and education focused solely on cancer. Dr. Roswell Park, a nationally prominent Buffalo, NY surgeon, was perhaps the first to describe the importance of translational research at a cancer center when he wrote in 1904 that *"Only [through] a deliberate, well-planned, combined attack from various directions by means fitted for such work could real advances be made and [further] the relationship of laboratory work, clinical study and education must be closely associated"*. Dr. Park's commitment to patient care and the scientific study of cancer led to the establishment of a research facility and hospital unit which were recognized and partially funded by the State of New York in 1904; this was the first example of government support for cancer research in the world.

Roswell Park, the only National Cancer Institute ("NCI") designated comprehensive cancer center in Upstate New York, consistently ranks among the NCI's top recipients of research funding. In 2019, the Center's NCI Cancer Center Support Grant ("CCSG", also known as the "core" grant) was reviewed and renewed for another 5 years. Upon completion of the review, Roswell Park received its best application score and largest core grant monetary award in the center's history. This grant, which forms the foundation for Roswell Park's designation as an NCI comprehensive cancer center, is in its 46th year of continuous funding by the NCI. Only two other cancer centers in the U.S. have held the designation, an important benchmark of excellence, for this length of time. Additionally, Roswell Park is a member of the prestigious National Comprehensive Cancer Network ("NCCN") a not-for-profit alliance of 31 of the world's leading cancer centers devoted to patient care, research, and education. The NCCN is dedicated to improving the quality, effectiveness, and efficiency of cancer care so that patients can live better lives.

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

- US News & World Report – Best Hospitals for Cancer #34 in 2021, #14 in 2020 and 2019 (Top 50 in 2018, 2017, 2015, 2014, 2013, 2012, 2011 & 2010)
- Accreditation Council for Continuing Medical Education
- Accreditation Council for Graduate Medical Education - for Medical and Surgical Oncology Training Programs
- American College of Radiology Breast Imaging Center of Excellence
- American Dental Association - Dentistry and Maxillofacial Prosthetics
- Association for the Accreditation of Human Research Protection Programs
- Association for Assessment and Accreditation of Laboratory Animal Care International ("AAALAC" International)
- American Association of Blood Banks ("AABB")

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2022 and 2021

(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 3,800 employees including more than 390 faculty-level clinicians and researchers, as well as over 830 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 2022 approximately 467 physicians, 317 medical students, 443 clinicians, 249 researchers, and 173 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, 2022 and 2021

(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 increased 7.7% to 46,278 in 2022 compared to a (2.9)% decrease in 2021. Outpatient visits increased 7.7% to 288,758 in 2022 compared to a (4.2)% decrease in 2021.

The Roswell Park campus is 29 acres located in the heart of the 110 acre Buffalo Niagara Medical Campus ("BNMC") near downtown Buffalo. The Facilities are comprised of 16 major buildings totaling over 2 million square feet of space of which more than 600,000 gross square feet is dedicated to research in the form of laboratory, laboratory support, office and shared resource space, including buildings utilized for wet/dry research. The Center is a facility licensed for and operating 133 beds, including a 14-bed Bone Marrow Transplant unit. Roswell Park operates 16 ambulatory care centers offering 35 different specialties, including satellite clinics in Amherst, NY and Niagara Falls, NY, in addition to outpatient treatment centers for chemotherapy, imaging services, and radiation medicine. As part of Roswell's joint initiative with the John R. Oishei Children's Hospital of Buffalo and UBMD pediatric practice, the shared Pediatric Oncology/Hematology program delivers 90% of all hematology/oncology services to children in the 8-county Western New York (WNY) region.

The Roswell Park Care Network was established as a network of community cancer centers that allow patients easier access to Roswell's comprehensive cancer care — a level of care that can only be provided from a National Cancer Institute-designated comprehensive cancer center. Included within the Roswell Park Care Network are our Community oncology care which is delivered through RPCI Oncology, PC ("RPCIO"). RPCIO is a professional service corporation that is captive to the Center. RPCIO maintains the following six physician practice locations - Jamestown Medical Oncology and Hematology in Jamestown, NY; Breast Care of Western New York in Amherst, NY; Roswell Park Hematology Oncology Southtowns in Orchard Park NY; Roswell Park Hematology Oncology Northtowns in Amherst, NY; Roswell Park Urology of Niagara Falls, NY; and Roswell Park Dermatology in Depew, NY. To further 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 medical oncology and hematology services at Niagara Falls Memorial Medical Center in Niagara Falls, NY, Samaritan Medical Center in Watertown, NY, Oneida Healthcare in Oneida, NY and Ellis Medicine in Schenectady, NY.

2. Mission

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

Roswell Park will do this by:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2022 and 2021

(in thousands of dollars, except as otherwise noted)

3. Governance

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

4. Component Units

For purposes of the consolidated financial statements, the Roswell Park Alliance Foundation, Inc. (the "Foundation") is considered a "component unit" of Roswell Park. The Foundation was established in March 1991 to solicit, receive and administer funds to support scientific and clinical research, delivery of state-of-the-art medical care and treatment, and patient-related activities at Roswell Park. The Foundation is tax exempt under Section 501(C)(3) of the Internal Revenue Code and is managed by a Board of Trustees of community leaders. This Board is independent of the Roswell Park Board of Directors and as such, Roswell Park's Board has no jurisdiction over the Board of the Foundation or the Foundation's assets. Periodically, the Foundation makes grants to Roswell Park for various purposes. These grant funds are typically administered by Health Research, Incorporated ("HRI").

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

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

5. Financial Highlights

- Total net position increased \$35,982 or 16.0% in 2022 and decreased \$(1,707) or (0.8)% in 2021.
- Total assets increased \$248 or 0.0% in 2022 and increased \$73,144 or 6.5% in 2021.
- Total assets and deferred outflows of resources increased \$22,884 or 1.6% in 2022 and increased \$169,484 or 13.7% in 2021.
- Total operating revenues, including NYS support, increased by \$99,561 or 11.1% in 2022 and decreased by \$(11,001) or (1.2)% in 2021.
- Total support from NYS increased from \$89,267 in 2021 to \$102,767 in 2022.
 - The total amount appropriated to support capital expenses increased from \$51,304 in 2021 to \$51,463 in 2022. In 2022, this amount is included within contributions for purchase of capital assets (\$32,421) and other operating revenue (\$19,042).
 - The balance of NYS support increased from \$37,963 in 2021 to \$51,304 in 2022. This amount is included discretely in operating revenues.
- Total other operating revenues, increased by \$3,734 or 9.0% in 2022 and increased by \$1,716 or 4.3% in 2021.
- Total operating expenses increased by \$40,908 or 4.3% in 2022 and increased by \$44,201 or 4.9% in 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2022 and 2021

(in thousands of dollars, except as otherwise noted)

6. Using This Annual Report

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

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

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

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

The Statements of Cash Flows

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

7. Related Parties

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

8. Roswell Park's Net Position

Roswell Park's net position is the difference between the assets and liabilities reported in the statement of net position. Roswell Park's net position increased by \$35,982 in 2022 and decreased \$(1,707) in 2021 as shown in Table 1: Summary of Statement of Net Position. The reasons for these changes are discussed below. Changes in capital assets and long-term debt are also discussed under the heading *Capital Assets and Debt Administration*.

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2022 and 2021
(in thousands of dollars, except as otherwise noted)

8. Roswell Park's Net Position (Continued)

Table 1: Summary of Statement of Net Position

	2022	2021	2020
Assets:			
Current and other assets	\$ 878,228	\$ 873,035	\$ 803,556
Capital assets, net	317,623	322,568	318,903
Total assets	<u>1,195,851</u>	<u>1,195,603</u>	<u>1,122,459</u>
Deferred outflow of resources	235,720	213,084	116,744
Total assets and deferred outflows	<u>\$ 1,431,571</u>	<u>\$ 1,408,687</u>	<u>\$ 1,239,203</u>
Liabilities:			
Long-term debt outstanding	\$ 76,824	\$ 91,758	\$ 140,238
Other liabilities	698,001	937,149	790,220
Total liabilities	<u>774,825</u>	<u>1,028,907</u>	<u>930,458</u>
Deferred inflow of resources	396,554	155,570	82,828
Net Position:			
Net investment in capital assets	259,339	246,499	195,466
Restricted expendable	60,156	64,385	55,312
Unrestricted	(59,303)	(86,674)	(26,238)
Non-controlling interest	—	—	1,377
Total net position	<u>260,192</u>	<u>224,210</u>	<u>225,917</u>
Total liabilities, deferred inflows, and net position	<u>\$ 1,431,571</u>	<u>\$ 1,408,687</u>	<u>\$ 1,239,203</u>

Overall, total assets and deferred outflows of resources increased \$22,884 or 1.6% from 2021 to 2022 and increased \$169,484 or 13.7% from 2020 to 2021.

- Current and other assets increased 0.6% in 2022 and 8.6% in 2021.
 - For 2022, this is primarily driven by operating performance resulting in increased balances in cash and cash equivalents, and patient accounts receivable. Furthermore, prepaid expenses increased due to the timing of payments and new contracts entered into, primarily related to software licensing.
 - 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.
- Capital assets, net decreased (1.5)% in 2022 and increased 1.1% in 2021.
 - For 2022 and 2021, the changes are driven primarily by the timing of capital additions, net of depreciation expense.
- Deferred outflow of resources increased 10.6% in 2022 and increased 82.5% in 2021.
 - For 2022, the increase was primarily due to changes in actuarial assumptions on pension plan investments. The assumed rate of inflation increased from 2.5% in 2021 to 2.7% in 2022, and the assumed rate of return on plan investments decreased from 6.8% in 2021 to 5.9% in 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2022 and 2021

(in thousands of dollars, except as otherwise noted)

8. Roswell Park's Net Position (Continued)

- 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.

Overall, total liabilities and deferred inflows of resources decreased (1.1)% in 2022 and increased 16.9% in 2021.

- Long-term debt outstanding decreased (16.3)% in 2022 and (34.6)% in 2021.
 - For 2022 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.
 - 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.
- Other Liabilities decreased (25.5)% in 2022 and increased 18.6% in 2021.
 - For 2022, this is driven primarily due to a decreased net pension liability along with the Medicare Advance Payment (recorded as liability). The decreased pension liability is due to the difference between projected and actual investment earnings on pension plan investments, which was driven by better than expected NYS pension plan investment performance during the measurement period.
 - 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.
- Deferred inflow of resources increased 154.9% in 2022 and increased 87.8% in 2021.
 - For 2022, this is primarily due to differences between projected and actual investment earnings on pension plan investments (33.43% actual return vs (2.64)% projected), as well as changes in actuarial assumptions in the OPEB plan pertaining to the discount rate increasing from 2.14% to 2.99%.
 - For 2021, 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 increased 16.0% from 2021 to 2022 and decreased (0.8)% from 2020 to 2021 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 7.7% to 46,278 in fiscal year 2022.
- New to Center patients increased 14.9% from 2021 to 2022 and decreased (13.5)% from 2020 to 2021.
- Outpatient visits decreased 7.7% from 2021 to 2022 and decreased (4.2)% from 2020 to 2021.
- Inpatient Admissions increased 4.4% from 2021 to 2022 and decreased (8.3)% from 2020 to 2021.
- Inpatient Days decreased 7.0% from 2021 to 2022 and decreased (4.4)% from 2020 to 2021.

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, 2022 and 2021
(in thousands of dollars, except as otherwise noted)

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

In 2022, Roswell Park's total net position increased by \$35,982 or 16.0% as shown in Table 2: Summary of Revenues, Expenses and Changes in Net Position below. Total operating revenues, including NYS support, increased 11.1% and total operating expenses increased 4.3%. The total operating expenses base of \$996,026 includes annual OPEB cost of \$33,102 and annual pension cost of \$14,054 in 2022. Combined OPEB and pension cost decreased (50.4)% from 2021 to 2022, primarily driven by a (75.2)% decreased annual Pension cost coupled with a (13.9)% decreased annual OPEB cost. Both of these employee fringe benefits are provided to PBC employees as required by NYS. See "Matters Involving New York State" in Note 8 and the "New York State" section in Note 14. Total support from NYS increased 15.1% from \$89,267 in 2021 to \$102,767 in 2022. The amount appropriated to support capital expenses increased slightly from \$51,304 in 2021 to \$51,463 in 2022. In 2022, this amount is included within contributions for purchase of capital assets (\$32,421) and other operating revenue (\$19,042), while the balance of NYS support is shown discretely within total operating revenues. The remainder of NYS support increased from \$37,963 in 2021 to \$51,304 in 2022.

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. 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 an 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 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). 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.

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

	2022	2021	2020
Operating revenues:			
Net patient service revenue and net settlement and appeals	\$ 897,261	\$ 816,349	\$ 812,819
NYS operating support	51,304	37,963	51,303
Equity interest in gain (loss) of joint ventures	(921)	(1,768)	711
Grants and contracts	2,320	1,593	2,021
Other operating revenue	45,098	41,364	39,648
Total operating revenues	995,062	895,501	906,502
Operating expenses:			
Salaries, wages and benefits	460,075	465,369	433,405
Supplies and purchased services	494,009	451,875	440,881
Depreciation and amortization	41,942	37,874	36,631
Total operating expenses	996,026	955,118	910,917
Operating Loss	(964)	(59,617)	(4,415)
Non-operating revenues and expenses and other changes in net position (including funds received from NYS for capital assets)	36,946	57,910	65,784
Increase (decrease) in net position	\$ 35,982	\$ (1,707)	\$ 61,369

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2022 and 2021

(in thousands of dollars, except as otherwise noted)

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

Overall, operating revenues, excluding NYS support, decreased 10.1% from 2021 to 2022 and increased 0.3% from 2020 to 2021.

- Net patient service revenue/net settlements and appeals increased 9.9% in 2022 and 0.4% in 2021 as a result of the following: Roswell Park hospital revenue increased in both 2021 and 2020 by 8.9% and 1.6%, respectively; and Practice Plan professional revenues increased 14.3% in 2022 and decreased (3.0)% and 2021; and government appeals and settlement revenue decreased (11.5)% and increased 8.9% in 2022 and 2021, respectively. The 2022 results were largely driven by patient volumes returning to pre-pandemic levels while COVID-19 significantly impacted 2021 volumes. Revenues also include \$53,119 and \$44,717 related to Roswell Park Cancer Institute Oncology, P.C. for 2022 and 2021, respectively.
- Grants and contracts revenues include salary recovery on grants administered through HRI for work by the medical staff whose salaries are paid by Roswell Park. Roswell Park's policy allows salary recovery on research staff to be retained by HRI as part of the overall contribution to HRI. This amounted to approximately \$8,760 and \$7,573 in 2022 and 2021.
- Other operating revenue increased 9.0% from 2021 to 2022 and decreased 4.3% from 2020 to 2021. 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 4.3% from 2021 to 2022 and increased 4.9% from 2020 to 2021.

- Salaries, wages and benefits costs decreased (1.1)% and increased 7.4% in 2022 and 2021, respectively, due to:
 - Decrease in employee benefits and retiree health expense. Benefits were 31.8%, 47.9%, and 45.2%, of salary costs in 2022, 2021 and 2020, respectively. OPEB and pension cost decreased (50.4)% from 2021 to 2022, primarily driven by a (75.2)% decreased annual Pension cost and a (13.9)% decrease in annual OPEB cost as described above. These decreases were partially offset by the following:
 - 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.
 - Increased worker's comp and professional liability costs.
- Supplies and purchased services increased 9.3% and 2.5%, in 2022 and 2021, 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 (36.2)% from 2021 to 2022 and decreased (12.0)% from 2020 to 2021. The decrease in 2022 was due primarily to the following factors:

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2022 and 2021

(in thousands of dollars, except as otherwise noted)

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

- Interest and other income decreased (71.8)% from 2021 to 2022, and increased 145.7% from 2020 to 2021. The fluctuation in both years was primarily due to Federal COVD-19 relief funding received (2022 - \$2.8 million, 2021 - \$16.6 million, 2020 - \$0) (see Note 2). This funding was partially offset by decreased interest income in both years related to a lower interest rate environment. Investment earnings decreased (177.3)% from 2021 to 2022, and decreased (153.2)% from 2020 to 2021. These changes were due to fluctuating market conditions in fixed income securities in 2022 and 2021.
- Interest expense has decreased (22.6)% from 2021 to 2022, and decreased (18.4)% from 2020 to 2021. 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, non-operating events decreased (5.2)% from 2021 to 2022 and increased 100% from from 2020 to 2021. In 2022, this was driven by the gain (\$7,962) on the sale of Roswell Park's remaining ownership interest in OmniSeq (see Note 14). In 2021 this was the result of the gain (\$8,399) resulting from the forgiveness of debt incurred to finance the construction of the CSC (see Section 11 below for further details).
- (Loss) gain on disposals has decreased \$(196) from 2021 to 2022.
- Total support from NYS increased from \$89,267 in 2021 to \$102,767 in 2022. The amount appropriated to support capital expenses remained unchanged from 2021 to 2022 (\$51,463). This amount is included within contributions for purchase of capital assets (\$32,421) and other operating revenues (\$19,042). The amount of NYS support appropriated for operations increased from \$37,963 in 2021 to \$51,304 in 2022. This amount is included discretely in operating revenues.

10. Capital Assets and Debt Administration

Capital Assets

At the end of 2022, 2021, and 2020, Roswell Park had \$317,623, \$322,568, and \$318,903, 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:

	2022	2021	2020
Land	\$ 4,444	\$ 4,444	\$ 4,444
Building	675,807	665,287	644,330
Equipment/other	309,965	297,493	263,128
Construction in progress	22,772	11,456	27,134
	<u>1,012,988</u>	<u>978,680</u>	<u>939,036</u>
Less: Accumulated depreciation	(695,365)	(656,112)	(620,133)
Capital assets, net	<u>\$ 317,623</u>	<u>\$ 322,568</u>	<u>\$ 318,903</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2022 and 2021

(in thousands of dollars, except as otherwise noted)

10. Capital Assets and Debt Administration (continued)

Long-Term Debt and Capital Leases

Roswell Park's total long-term debt and capital lease obligations, net were \$76,824, \$91,758, and \$140,238, as of March 31, 2022, 2021, and 2020, 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.

	2022	2021	2020
Series 2011A Bonds, net of premium	6,815	8,963	13,336
Series 2016 Bonds, net of premium	65,572	78,301	92,579
Notes payable	—	—	29,780
Capital leases & other	4,437	4,494	4,543
Total long-term debt and capital lease obligations, net	76,824	91,758	140,238
Less: Current portion	(14,327)	(16,933)	(16,507)
Non-Current portion	<u>\$ 62,497</u>	<u>\$ 74,825</u>	<u>\$ 123,731</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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2022 and 2021

(in thousands of dollars, except as otherwise noted)

11. Financing for the Clinical Science Center (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 \$8.4 million recognized in Non-operating revenues (expenses) for 2021. 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.

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 post-employment benefits other than pensions.

Funded Status and Funding Progress

The most recent actuarial valuation for the OPEB plan was as of April 1, 2021. As of March 31, 2022, 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, 2021, using the following actuarial assumptions:

Inflation rate	2.25%
Salary scale	3.75%
Health cost	Entry Age Normal
Mortality	Pri.H-2012 Mortality Tables

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2022 and 2021

(in thousands of dollars, except as otherwise noted)

12. Postemployment Benefits (continued)

The discount rate used to calculate the total OPEB liability as of March 31, 2022 was 2.99%. 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 post-employment benefits that have been extended to current and future retirees and their dependents. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and 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 post-employment benefit liability and associated cost for March 31, 2022, utilizing a cutoff date of January 1, 1999:

	Prior to January 1, 1999	Post January 1, 1999	Total
Total OPEB liability at beginning of Year	\$ 78,742	\$ 465,623	\$ 544,365
Service Cost	272	38,321	38,593
Interest Cost	1,596	10,612	12,208
Differences between Expected and Actual Experience	(2,469)	(4,282)	(6,751)
Change of Assumptions of Other Inputs	(6,109)	(62,732)	(68,841)
Benefit Payments	(3,902)	(7,533)	(11,435)
Net OPEB obligation liability - End of Year	\$ 68,130	\$ 440,009	\$ 508,139

MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2022 and 2021
(in thousands of dollars, except as otherwise noted)

13. Covid 19

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

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

CONSOLIDATED STATEMENTS OF NET POSITION

As of March 31,
(in thousands of dollars)

ASSETS	2022	2021
Current assets:		
Cash and cash equivalents	\$ 241,878	\$ 231,088
Current portion of assets limited as to use	50,068	61,451
Patient accounts receivable, net of estimated uncollectibles of approximately \$35,758 in 2022 and \$30,818 in 2021	176,372	146,689
Inventories	18,898	18,916
Due from New York State and other affiliates, net	1,281	—
Prepaid expenses and other assets	15,863	11,673
Total current assets	504,360	469,817
Non-current assets:		
Assets limited as to use, net of current portion	361,245	380,806
Goodwill and other intangible assets	5,935	5,943
Capital assets, net	317,623	322,568
Investments in joint ventures	6,688	16,469
Total non-current assets	691,491	725,786
Deferred outflow of resources:		
Pension	165,680	129,135
Other post employment benefits	70,040	83,949
Total deferred outflows of resources	235,720	213,084
Total assets and deferred outflows of resources	\$ 1,431,571	\$ 1,408,687
LIABILITIES AND NET POSITION		
Current liabilities:		
Current portion of long-term obligations	\$ 14,327	\$ 16,933
Accounts payable and other current liabilities	45,955	47,980
Accrued expenses	111,178	103,156
Due to New York State and other affiliates, net	—	1,576
Due to third-party payors	17,649	19,306
Medicare Advance Payment	27,239	28,013
Total current liabilities	216,348	216,964
Non-Current liabilities:		
Long-term obligations, net of current portion	62,497	74,825
Post-employment benefits, net of current portion	495,295	533,926
Medicare Advance Payment, net of current portion	—	29,484
Net pension liability	685	173,708
Total non-current liabilities	558,477	811,943
Deferred inflow of resources:		
Pension	207,118	10,119
Other post employment benefits	189,436	145,451
Total deferred inflow of resources	396,554	155,570
Total liabilities and deferred inflows of resources	1,171,379	1,184,477
Net position:		
Net investment in capital assets	259,339	246,499
Restricted expendable	60,156	64,385
Unrestricted	(59,303)	(86,674)
Total net position	260,192	224,210
Total liabilities, deferred inflows of resources, and net position	\$ 1,431,571	\$ 1,408,687

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)

	2022	2021
Operating revenues		
Net patient service revenue/net settlements and appeals	\$ 897,261	\$ 816,349
New York State operating support	51,304	37,963
Grants and contracts	2,320	1,593
Equity interest in (loss) of joint ventures	(921)	(1,768)
Other operating revenue	45,098	41,364
Total operating revenues	<u>995,062</u>	<u>895,501</u>
Operating expenses		
Salaries and wages	349,016	314,651
Employee benefits	111,059	150,718
Supplies and purchased services	494,009	451,875
Depreciation and amortization	41,942	37,874
Total operating expenses	<u>996,026</u>	<u>955,118</u>
Loss from operations	<u>(964)</u>	<u>(59,617)</u>
Non-operating revenues (expenses)		
Interest and other income	5,533	19,634
Interest expense	(1,549)	(2,000)
Gain on sale of OmniSeq interest	7,962	—
Gain on debt forgiveness from new market tax credit	—	8,399
(Loss) gain on disposals	(63)	133
Investment (loss)	(10,884)	(3,925)
Net non-operating revenues	<u>999</u>	<u>22,241</u>
Excess (Deficiency) of revenues over expenses before noncontrolling interest	<u>35</u>	<u>(37,376)</u>
Deficiency of revenues over expenses applicable to noncontrolling interest	—	44
Excess (Deficiency) of revenues over expenses	<u>35</u>	<u>(37,332)</u>
Net position, beginning of year	224,210	225,917
Contributions for purchase of capital assets	35,947	35,669
Deficiency of revenues over expenses and third party investments applicable to noncontrolling interest, net	—	(44)
Net position, end of year	<u><u>\$ 260,192</u></u>	<u><u>\$ 224,210</u></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)

	2022	2021
Cash flows from operating activities:		
Net patient service revenue/net settlements and appeals	\$ 865,921	\$ 797,077
New York State operating support	51,304	37,963
Grants and contracts	2,320	1,593
Other operating revenue	42,033	44,489
Medicare advance (repayment) receipt	(30,258)	57,497
Payments to employees and benefit providers	(446,498)	(396,005)
Payments to vendors	(497,345)	(455,732)
Payments for malpractice	(1,559)	(1,879)
Net cash (used in) provided by operating activities	(14,082)	85,003
Cash flows from capital and related financing activities:		
Purchase of capital assets	(36,649)	(46,405)
Contributions for purchase of capital assets	36,155	35,636
Proceeds from the sale or exchange of capital assets	119	165
Repayment of long-term obligations	(16,933)	(16,507)
Payments of interest	(3,819)	(4,827)
Net cash used in capital and related financing activities	(21,127)	(31,938)
Cash flows from non-capital financing activities:		
CARES Act Provider Relief Funds	2,770	15,047
Proceeds from the Paycheck Protection Program	—	1,588
Net cash provided by non-capital financing activities:	2,770	16,635
Cash flows from investing activities:		
Assets limited as to use, net	23,954	(71,015)
Interest and investment income	3,156	5,637
Cash received upon divestitures	16,119	—
Net cash provided by (used in) investing activities	43,229	(65,378)
Net increase in cash and cash equivalents	10,790	4,322
Cash and cash equivalents - beginning of year	231,088	226,766
Cash and cash equivalents - end of year	\$ 241,878	\$ 231,088
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	\$ 6,296	\$ 5,774

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>2022</u>	<u>2021</u>
Reconciliation of loss from operations to net cash (used in) provided by operating activities:		
Loss from operations	\$ (964)	\$ (59,617)
Adjustments to loss from operations to net cash (used in) provided by operating activities:		
Depreciation and amortization	41,942	37,874
Equity interest in loss of joint ventures	921	1,768
Provision for bad debts	16,248	9,482
Non-cash portion of pension expense	(12,568)	33,129
Non-cash portion of OPEB expense	20,951	27,478
Changes in assets and deferred outflow of resources:		
Patient accounts receivable	(45,931)	(27,319)
Inventories	18	(6,055)
New York State and other affiliates	(3,065)	2,183
Prepaid expenses and other assets	(4,190)	(958)
Deferred outflow of resources	(22,636)	(96,340)
Changes in liabilities and deferred inflow of resources:		
Accounts payable and other current liabilities	(2,547)	1,570
Accrued expenses and post-employment benefits	(50,875)	(62,407)
Net pension liability	(160,455)	95,411
Medicare Advance Payment	(30,258)	57,497
Deferred inflow of resources	240,984	72,742
Due to third-party payors	(1,657)	(1,435)
Net cash (used in) provided by operating activities	<u><u>\$ (14,082)</u></u>	<u><u>\$ 85,003</u></u>

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

NOTE 1. ORGANIZATION

Roswell Park Cancer Institute Corporation d/b/a Roswell Park Comprehensive Cancer Center ("Roswell Park" or "Center") is a public cancer hospital and medical research center located in Buffalo, New York. Roswell Park is one of only 52 National Cancer Institute-designated comprehensive cancer centers nationwide, providing total care to cancer patients, conducting research into the causes, treatment and prevention of cancer, and educating those who treat and study cancer. Roswell Park currently operates 133 certified beds.

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

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

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

Roswell Park 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. C&M was established to facilitate the financing of the construction of the CSC, part of which was 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. In September 2020, Roswell Park assumed 100% ownership of C&M as the Foundation transferred its interest of 10% to Roswell Park.

OmniSeq, LLC ("OmniSeq") is a for-profit corporation, headquartered in Buffalo, New York, that was formed on February 12, 2015 as a Delaware limited liability company to commercialize proprietary cancer genomic assays and technology developed at Roswell Park. OmniSeq is an early-stage laboratory company that focuses on providing oncological-based, advanced molecular diagnostic tests with therapeutic associations. Prior to 2020, the Center held a controlling financial interest in the outstanding shares of OmniSeq and accordingly included OmniSeq in the Center's consolidated financial statements. In 2020, the Center sold a portion of its interest in OmniSeq, resulting in the deconsolidation of OmniSeq from the Center's consolidated financial statements. In 2022, the Center sold the remainder of its interest in OmniSeq.

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

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

NOTE 1. ORGANIZATION (CONTINUED)

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

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

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

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

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity: Roswell Park Cancer Institute Corporation, the Practice Plan, RPCIO, GBCT (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
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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. No impairment was identified as of March 31, 2022. 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. 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 \$7 and \$8 as of March 31, 2022 and 2021, respectively.

Capital Assets: Capital assets are stated at historical cost. Depreciation is provided on the straight-line method over the useful lives of the assets ranging from 3 to 40 years, which are primarily determined based on the American Hospital Association's Guidelines. For certain buildings and equipment previously acquired or constructed, Roswell Park assigned composite lives which it believes will more appropriately reflect its financial 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 2022 and 2021 as a result of performing these evaluations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net investment in capital assets consists of capital assets, including restricted capital assets, reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets.

Restricted expendable net position represents the net position with limits on their use that are externally imposed (by creditors, grantors, contributors, or laws and regulations) or that are imposed by Roswell Park's Board of Directors which are not required to be retained in perpetuity.

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

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

Net Patient Service Revenue: Net patient service revenue and patient accounts receivable are recorded at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated adjustments under various reimbursement agreements with third-party payors. The allowances for estimated uncollectibles for patient accounts receivable include accounts referred to the NYS Attorney General for collection. Third-party payors retain the right to review and propose adjustments to amounts recorded by Roswell Park. Such adjustments are accrued, when deemed probable and estimable, in the period the related services are rendered and adjusted in future periods as final settlements are determined. Management believes that adequate provision has been made in the consolidated financial statements for any adjustments that may result from final settlements. The impact of recording final settlements, pool payments and other third party payor adjustments resulted in the recognition of additional net operating revenues of approximately \$11,297 and \$12,768 in 2022 and 2021, respectively.

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

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

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

Approximately 17% and 16% of net patient service revenue was generated from the combined services rendered to patients under Medicare and Medicaid programs in 2022 and 2021, respectively. Approximately 67% and 69% of net patient service revenue was generated from the combined services rendered to patients under managed care programs in 2022 and 2021, respectively.

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NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	2022	2021
Gross charges	\$ 2,619,178	\$ 2,318,871
Net settlements and appeals	11,297	12,768
Less:		
Discounts and allowances	(1,716,966)	(1,505,808)
Provision for bad debts	(16,248)	(9,482)
	<u>\$ 897,261</u>	<u>\$ 816,349</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:

	2022	2021
Cafeteria	\$ 1,449	1,173
Parking garage	2,826	2,485
Rebates	2,625	2,578
Rental income	1,416	1,185
Pediatric Joint Venture	2,191	2,129
NYS Support	19,042	18,814
Alliance Funding	2,545	2,012
Regional Support/Affiliations	9,613	7,197
Other	3,391	3,791
	<u>\$ 45,098</u>	<u>\$ 41,364</u>

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

Non-operating Revenues (Expenses): Interest and other income and investment loss, consist primarily of interest income and earnings (losses) on assets limited as to use, less amounts charged by the Dormitory Authority of the State of New York ("DASNY") for administrative services associated with Roswell Park's indebtedness, see Note 7.

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

Contributions for Purchase of Capital Assets: Contributions for purchase of capital assets consist principally of amounts received from NYS for the purchase of capital assets (\$51,463 in 2022 and \$51,304 in 2021), 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 (\$32,421) and other operating revenue (\$19,042). Contributions from the Foundation, discussed below, were \$3,526 and \$3,179 in 2022 and 2021, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$2,770 (RPCIC - \$2,770) and \$15,047 (RPCIC - \$14,196 and RPCIO - \$851) in payments under the CARES Act as of March 31, 2022 and 2021, respectively. All relief funding was recorded as other income within non-operating revenue in the consolidated statements of revenues, expenses, and changes in net position.

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.

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 expected to materially impact Roswell Park.

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NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications: Certain prior year amounts were reclassified to conform to the 2022 consolidated financial statement presentation.

Subsequent Events: These consolidated financial statements have not been updated for subsequent events occurring after June 15, 2022, which is the date these consolidated financial statements were available to be issued.

NOTE 3. ASSETS LIMITED AS TO USE

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

	2022	2021
Board Designated (a)		
Board designated funds for recruitment, capital and accruals	\$ 157,571	\$ 151,263
Board designated funds for unfunded future retirement obligations and other strategic initiatives	117,999	121,615
Workers compensation	9,635	9,742
Timing of third party payments and estimated settlements/unearned revenue	28,129	61,034
Employee benefits	2,658	2,731
Technology transfer	1,000	1,000
TIAA/CREF escrow	896	482
Subtotal	<u>317,888</u>	<u>347,867</u>
Held by Trustee Under Malpractice and General Liability Trust Agreement		
Malpractice reserve:		
Cash and cash equivalents	1,200	1,000
U.S. Government obligations, corporate issues, and municipal issues	13,531	14,200
Subtotal	<u>14,731</u>	<u>15,200</u>
Held by Trustee Under Indenture Agreement		
Debt service reserve	32,388	36,076
Major modernization project	18,538	15,662
Subtotal	<u>50,926</u>	<u>51,738</u>
Held under Clinical Practice Plan Enabling Legislation (b)		
Chief Executive Officer fund	10,244	8,767
Academic development fund - Chief Executive Officer	13,408	14,166
Academic development fund - Department Chairs	4,116	4,519
Subtotal	<u>27,768</u>	<u>27,452</u>
Total assets limited as to use	<u>411,313</u>	<u>442,257</u>
Less: Current portion	(50,068)	(61,451)
Total assets limited as to use, net of current portion	<u><u>\$ 361,245</u></u>	<u><u>\$ 380,806</u></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.

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NOTE 4. CAPITAL ASSETS

Capital assets consisted of the following at March 31:

	March 31, 2021	Additions	Transfers	Disposals/ Adjustments	March 31, 2022
Non-depreciable assets:					
Land	\$ 4,444	\$ —	\$ —	\$ —	\$ 4,444
Construction in progress	11,456	36,716	(25,167)	(233)	22,772
	<u>15,900</u>	<u>36,716</u>	<u>(25,167)</u>	<u>(233)</u>	<u>27,216</u>
Depreciable assets:					
Buildings and improvements	665,287	—	10,683	(163)	675,807
Equipment	297,493	1,038	14,484	(3,050)	309,965
	<u>962,780</u>	<u>1,038</u>	<u>25,167</u>	<u>(3,213)</u>	<u>985,772</u>
Accumulated depreciation:					
Buildings and improvements	(433,948)	(20,900)	—	8	(454,840)
Equipment	(222,164)	(21,044)	—	2,683	(240,525)
	<u>(656,112)</u>	<u>(41,944)</u>	<u>—</u>	<u>2,691</u>	<u>(695,365)</u>
Capital assets, net	<u>\$ 322,568</u>	<u>\$ (4,190)</u>	<u>\$ —</u>	<u>\$ (755)</u>	<u>\$ 317,623</u>
	March 31, 2020	Additions	Transfers	Disposals/ Adjustments	March 31, 2021
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>
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>

Depreciation expense amounted to approximately \$(41,944) and \$(37,866) in 2022 and 2021, respectively.

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NOTE 5. ACCRUED EXPENSES

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

	<u>2022</u>	<u>2021</u>
Salaries and benefits	\$ 60,076	\$ 55,757
Payroll withholdings	6,922	6,046
Current portion of retirement and post-retirement benefits	12,470	10,781
Workers' compensation	9,635	9,742
Professional and general liability	20,130	17,518
Accrued interest	804	1,004
Other	1,141	2,308
	<u>\$ 111,178</u>	<u>\$ 103,156</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, 2022 and 2021. 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>2022</u>	<u>2021</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.	\$ 6,719	\$ 8,781
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.	62,568	73,311
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.	4,435	4,467
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%.	2	27
	<u>73,724</u>	<u>86,586</u>
Plus: Unamortized bond premium	3,100	5,172
Total long-term obligations	<u>76,824</u>	<u>91,758</u>
Less: Current portion	<u>(14,327)</u>	<u>(16,933)</u>
Long-term obligations, net	<u>\$ 62,497</u>	<u>\$ 74,825</u>

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

<u>Obligation Type</u>	<u>March 31, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>March 31, 2022</u>
Bond Series 2011	\$ 8,781	\$ —	\$ (2,062)	\$ 6,719
Bond Series 2016	73,311	—	(10,743)	62,568
Capital leases and other	4,494	—	(57)	4,437
	86,586	—	(12,862)	73,724
Plus: Unamortized bond premium (b)	5,172	—	(2,072)	3,100
Total long-term obligations	91,758	\$ —	\$ (14,934)	76,824
Less: Current portion	(16,933)			(14,327)
Long-term obligations, net	\$ 74,825			\$ 62,497

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

(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.

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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) for the year ended March 31, 2021. 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.

(b) Roswell Park uses the effective interest method for amortizing these premiums. Included as an offset to interest expense is \$2,072 and \$2,600 in 2022 and 2021, respectively, related to the amortization of bond premium.

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

	Long-term debt		Capital lease	
	Principal	Interest	Principal	Interest
Year ending March 31,				
2023	\$ 14,286	\$ 2,915	\$ 41	\$ 150
2024	16,080	2,224	45	149
2025	14,197	1,490	53	147
2026	13,204	817	61	145
2027	1,432	451	69	143
2028-2032	5,472	1,286	490	671
2033-2037	4,616	367	781	565
Thereafter	—	—	2,897	568
Plus: Unamortized bond premium	3,100	—	—	—
	<u>\$ 72,387</u>	<u>\$ 9,550</u>	<u>\$ 4,437</u>	<u>\$ 2,538</u>

NOTE 8. POSTEMPLOYMENT BENEFITS

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

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

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NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

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 2022 and 2021.

<u>Plan</u>	<u>Tier</u>	<u>Participant Contribution</u>	
		<u>2022</u>	<u>2021</u>
Empire	Single	\$ 83.82	\$ 81.02
	Family	\$ 392.23	\$ 386.45
Community Blue	Single	\$ 70.97	\$ 68.61
	Family	\$ 328.96	\$ 319.03
Independent Health	Single	\$ 69.34	\$ 67.95
	Family	\$ 317.98	\$ 312.16

The most recent actuarial valuation for the OPEB plan was as of April 1, 2021. As of March 31, 2022, the plan was unfunded. Roswell Park is continually seeking support from NYS to fund all or a significant portion of the unfunded OPEB liability. Roswell Park believes it will need some form of assistance from NYS in order to meet future OPEB obligations resulting from the benefits that have, and will continue to, accrue under the plan.

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

The schedule of funding progress, presented in management's discussion and analysis preceding the notes to the consolidated financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Annual Other Postemployment Benefit Cost and Net Other Postemployment Benefit Obligation ("OPEB"): Roswell Park's total OPEB liability measured at March 31, 2022 of \$508,139 was determined by an actuarial valuation as of April 1, 2021. The measurement date of the obligation is March 31, 2022.

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 2022, 2021 and 2020.

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
3/31/2020	\$ 52,483	21.48%	\$ 588,496
3/31/2021	\$ 38,463	28.03%	\$ 544,364
3/31/2022	\$ 33,102	36.71%	\$ 508,139

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NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2022 and 2021, \$508,139 and \$544,365, respectively, was reported for the Roswell Park's total OPEB liability.

Deferred inflows of resources and deferred outflows of resources are portions of changes in total OPEB liability that are not immediately recognized in OPEB expense. These changes include differences between expected and actual experience, changes in assumptions and differences between expected and actual earnings on plan investments.

As of March 31, 2022, Roswell Park reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ —	\$ 124,576
Change in actuarial assumptions	\$ 70,040	\$ 64,860

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

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:

2023	\$ 17,699
2024	17,699
2025	17,699
2026	17,375
2027	17,275
Thereafter	31,649
	<u>\$ 119,396</u>

Actuarial Method and Assumptions:

Roswell Park's total OPEB liability was determined by an actuarial valuation as of April 1, 2021, using the following actuarial assumptions:

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NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

Significant actuarial assumptions used in the April 1, 2021 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	2.99%

The discount rate used to calculate the total OPEB liability as of March 31, 2022 was 2.99%. The discount rate is a single rate of return, when applied to all projected benefit payments equal to the sum of: (1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return, and (2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate. The Municipal Bond Rate is a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

OPEB Status and Funding Progress:

The Roswell Park's OPEB obligation and the funded status of the plan as of March 31, 2022 are as follows:

OPEB balance at April 1, 2021	\$ 544,365
Changes for period:	
Service Cost	38,593
Interest	12,208
Differences between Expected and Actual Experience	(6,751)
Changes in assumptions	(68,841)
Benefit payments	(11,435)
Net changes	(36,226)
OPEB balance at March 31, 2022	<u>\$ 508,139</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.

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NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

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 post-employment benefit liability and associated costs as of March 31, 2022, utilizing a cut-off date of January 1, 1999:

	Prior to January 1, 1999	Post January 1, 1999	Total
Total OPEB liability at beginning of Year	\$ 78,742	\$ 465,623	\$ 544,365
Service Cost	272	38,321	38,593
Interest Cost	1,596	10,612	12,208
Experience	(2,469)	(4,282)	(6,751)
Change of Assumptions of Other Inputs	(6,109)	(62,732)	(68,841)
Benefit Payments	(3,902)	(7,533)	(11,435)
Net OPEB obligation liability - End of Year	\$ 68,130	\$ 440,009	\$ 508,139

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, 2022 was approximately 11.6% of payroll expense. Roswell Park contributed \$26,623 and \$23,465 to the plan in the fiscal year 2022 and 2021, 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.

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NOTE 9. PENSION (CONTINUED)

As of March 31, 2022 Roswell Park reported a liability of \$685 (\$173,708 - 2021) for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2020. 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 0.6881685% and 0.6559839% as of March 31, 2022 and 2021, respectively.

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

2022	\$	26,623
2021	\$	23,465
2020	\$	22,089

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

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

The \$26,623 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, 2023. 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:

2023	(5,218)
2024	(11,488)
2025	(38,161)
Thereafter	—

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)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 10,222	\$ —
Net difference between projected and actual investment earnings on pension plan investments	89,052	—
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>

Actuarial Methods and Assumption:

The total pension liability for the March 31, 2021 measurement date was determined by using an actuarial valuation as of April 1, 2020 with updating procedures through March 31, 2022.

Actuarial Cost Method	Entry age normal
Inflation	2.7%
Salary scale	4.4%
Investment rate of return	5.9%
Cost of living adjustment	1.4%
Mortality table	Society of Actuaries' Scale MP-2020

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, 2021 are summarized below.

Asset Class	Target Allocation	Long-term expected real rate of return
Domestic equity	32.00%	4.05%
International equity	15.00%	6.30%
Private equity	10.00%	6.75%
Real estate	9.00%	4.95%
Opportunistic portfolio	3.00%	4.50%
Real assets	4.00%	3.63%
Bonds and mortgages	3.00%	5.95%
Cash	23.00%	0.00%
Inflation-indexed bonds	1.00%	0.50%
	<u>100.00%</u>	

Discount rate: The discount rate used to calculate the total pension liability was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, on an 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.

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NOTE 9. PENSION (CONTINUED)

Sensitivity of Roswell Park's proportionate share of the net pension liability to changes in the discount rate: The following presents Roswell Park's proportionate share of the net pension liability calculated using the discount rate of 5.9%, as well as what Roswell Park's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower 4.9% or 1 percentage point higher 6.9% than the current rate:

	1% decrease (4.9%)	Current discount rate (5.9%)	1% increase (6.9%)
Roswell Park's proportionate share of the net pension liability (asset)	\$190,195	\$685	\$(174,087)

Pension Plan Fiduciary Net Position: The components of the current-year net pension liability of all employers as of March 31, 2021 were as follows:

Employers' total pension liability	\$ 220,680,157
Plan net position	(220,580,583)
Employers' net pension total	<u>\$ 99,574</u>
Ratio of Plan net position to the Employers' total pension liability	99.95 %

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, 2022, for which reserves have been estimated. Claim reserves were discounted using a rate of 3% in 2022 and 2021.

The current year provision for malpractice expense was \$4,172 (\$3,768 - 2021). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10. INSURANCE ARRANGEMENTS (CONTINUED)

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, 2022, for which reserves have been estimated. The charges to expense for workers' compensation related costs approximated \$1,504 and \$225 in 2022 and 2021, respectively, and are included as a component of employee benefits expense in the consolidated statements of revenues, expenses and changes in net position.

NOTE 11. LEGAL MATTERS

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

Medicare and Medicaid programs accounted for approximately 16% and 1% in 2022, respectively, and 15% and 1% in 2021, 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>2022</u>	<u>2021</u>
Blue Cross	32 %	30 %
IHA	14	15
Medicaid	1	—
Medicare	8	10
Other	44	43
Patients	1	2
	<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 23% and 6% respectively in 2022, and 25% and 7% respectively in 2021. See Note 2 regarding maintenance of collateral accounts to limit exposure associated with Federal Deposit Insurance limits.

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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

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.

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NOTE 13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present information about assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2022 and 2021, 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, 2022				
Cash and cash equivalents	\$ 125,996	\$ —	\$ —	\$ 125,996
Commercial paper/corporate obligations	68,794	—	—	68,794
Certificates of deposit	46,435	—	—	46,435
U.S. Government and Federal Agency obligations	411,279	—	—	411,279
Municipal issues	687	—	—	687
	<u>\$ 653,191</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 653,191</u>
Total cash and assets limited as to use:	<u>\$ 653,191</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 653,191</u>
	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>

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, 2022 and 2021, total support received from NYS amounted to approximately \$102,767 and \$89,267, 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.

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NOTE 14. RELATED PARTIES (CONTINUED)

Health Research, Incorporated:

Health Research, Incorporated, is a not-for-profit corporation chartered under the laws of NYS in 1953 primarily to apply for, secure and administer gifts or grants in furtherance of the research, prevention and treatment of diseases and conditions by the NYSDOH, Roswell Park and other health related entities and as such is related to Roswell Park. During the years ended March 31, 2022 and 2021, Roswell Park paid approximately \$6,145 and \$8,177, respectively, of expenses incurred by HRI on Roswell Park's behalf. These payments relate primarily to expenses relating to the recruitment and retention of certain principal investigators ("PI's"). Additionally, approximately \$2,320 and \$1,593 of grant revenue was remitted by HRI to Roswell Park in the years ended 2022 and 2021, respectively. This revenue was generated by salary recovery on medical staff paid by Roswell Park. Roswell Park's policy is to allow for salary recovery on research staff to be retained by HRI as part of the overall contribution to HRI. This amounted to approximately \$8,760 and \$7,573 in 2022 and 2021, respectively. Furthermore, certain expenses are incurred by HRI on behalf of Roswell Park, and by Roswell Park on behalf of HRI, and reimbursement for these expenses are not sought by either organization in the ordinary course of business. These expenses include certain items such as rent and maintenance, administrative support and other related services.

Joint Ventures:

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

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 30% and is recorded using the equity method of accounting.

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

OmniSeq, 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. During 2022 Roswell Park sold the entirety of its ownership interest in OmniSeq and as a result, recognized a non-operating gain on sale of \$7,962.

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.

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NOTE 14. RELATED PARTIES (CONTINUED)

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

	2022	2021
OmniSeq	\$ —	\$ 8,270
Innovative Immunotherapy Alliance S.A. (IIA)	3,720	4,075
Oneida Health Roswell Park Oncology, LLC	742	1,239
NR Physician Group, PLLC	726	1,150
Center For Advanced Molecular Isotopes	—	235
Mimivax	1,500	1,500
	<u>\$ 6,688</u>	<u>\$ 16,469</u>

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, 2022:

Condensed Consolidating Statements of Net Position

	2022				
	Public Benefit Corporation	Roswell Park Oncology, PC	GBCT	Eliminations	Total
Assets and Deferred Outflows of Resources					
Current assets	\$ 493,609	\$ 10,551	\$ 200	\$ —	\$ 504,360
Assets limited as to use, net of current portion	361,245	—	—	—	361,245
Capital assets, net	315,622	2,001	—	—	317,623
Other assets	19,098	6,661	3,720	(16,856)	12,623
Total assets	1,189,574	19,213	3,920	(16,856)	1,195,851
Deferred outflows of resources	235,720	—	—	—	235,720
Total assets and deferred outflows of resource	<u>\$ 1,425,294</u>	<u>\$ 19,213</u>	<u>\$ 3,920</u>	<u>\$ (16,856)</u>	<u>\$ 1,431,571</u>
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities	\$ 209,504	\$ 7,005	\$ (161)	\$ —	\$ 216,348
Non-current liabilities	558,477	—	—	—	558,477
Total liabilities	767,981	7,005	(161)	—	774,825
Deferred inflow of resources	396,554	—	—	—	396,554
Net position					
Net investment in capital assets	257,338	2,001	—	—	259,339
Restricted expendable	60,156	—	—	—	60,156
Unrestricted	(56,735)	10,207	4,081	(16,856)	(59,303)
Total net position	260,759	12,208	4,081	(16,856)	260,192
Total liabilities, deferred inflow of resources and net position	<u>\$ 1,425,294</u>	<u>\$ 19,213</u>	<u>3,920</u>	<u>(16,856)</u>	<u>1,431,571</u>

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NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION (CONTINUED)

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

	2022				
	Public Benefit Corporation	Roswell Park Oncology, PC	GBCT	Eliminations	Total
Operating revenues					
Net patient service revenue/net settlements and appeals	\$ 844,142	\$ 53,119	\$ —	\$ —	\$ 897,261
New York State operating support	51,304	—	—	—	51,304
Grants and contracts	2,320	—	—	—	2,320
Equity interest in (loss) of joint ventures	(497)	(424)	—	—	(921)
Other operating revenues	41,267	4,409	435	(1,013)	45,098
Total operating revenues	<u>938,536</u>	<u>57,104</u>	<u>435</u>	<u>(1,013)</u>	<u>995,062</u>
Operating expenses					
Depreciation and amortization	41,544	398	—	—	41,942
Other operating expenses	888,595	65,858	644	(1,013)	954,084
Total operating expenses	<u>930,139</u>	<u>66,256</u>	<u>644</u>	<u>(1,013)</u>	<u>996,026</u>
Income (Loss) from operations	8,397	(9,152)	(209)	—	(964)
Non-operating activity					
Non-operating revenues (expenses)	<u>1,357</u>	<u>(2)</u>	<u>(356)</u>	<u>—</u>	<u>999</u>
Excess (Deficiency) of revenues over expenses	9,754	(9,154)	(565)	—	35
Net position, beginning of year	224,778	12,444	4,051	(17,063)	224,210
Excess (Deficiency) of revenues over expenses	9,754	(9,154)	(565)	—	35
Contributions for purchase of capital assets	35,947	—	—	—	35,947
Other changes in net position	(9,720)	8,918	595	207	—
Net position, end of year	<u>\$ 260,759</u>	<u>\$ 12,208</u>	<u>\$ 4,081</u>	<u>\$ (16,856)</u>	<u>\$ 260,192</u>

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NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION (CONTINUED)

Condensed Combining Statement of Net Position for the Public Benefit Corporation

	2022			
	Roswell Park Cancer Institute	Roswell Park Clinical Practice Plan	Eliminations	Public Benefit Corporation
Assets and Deferred Outflows of Resources				
Current assets	\$ 473,486	\$ 20,123	\$ —	\$ 493,609
Assets limited as to use, net of current portion	336,965	24,280	—	361,245
Capital assets, net	315,622	—	—	315,622
Other assets	19,098	—	—	19,098
Total assets	1,145,171	44,403	—	1,189,574
Deferred outflows of resources	235,720	—	—	235,720
Total assets and deferred outflows of resource	<u>\$ 1,380,891</u>	<u>\$ 44,403</u>	<u>\$ —</u>	<u>\$ 1,425,294</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities	\$ 193,726	\$ 15,778	\$ —	\$ 209,504
Non-current liabilities	558,477	—	—	558,477
Total liabilities	752,203	15,778	—	767,981
Deferred inflow of resources	396,554	—	—	396,554
Net position				
Net investment in capital assets	257,338	—	—	257,338
Restricted expendable	32,388	27,768	—	60,156
Unrestricted	(57,592)	857	—	(56,735)
Total net position	232,134	28,625	—	260,759
Total liabilities, deferred inflow of resources and net position	<u>\$ 1,380,891</u>	<u>\$ 44,403</u>	<u>\$ —</u>	<u>\$ 1,425,294</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

	2022			
	Roswell Park Cancer Institute	Roswell Park Clinical Practice Plan	Eliminations	Public Benefit Corporation
Operating revenues				
Net patient service revenue/net settlements and appeals	\$ 771,087	\$ 75,310	\$ (2,255)	\$ 844,142
New York State operating support	51,304	—	—	51,304
Grants and contracts	—	2,320	—	2,320
Equity interest in loss of joint ventures	(497)	—	—	(497)
Other operating revenues	37,665	3,602	—	41,267
Total operating revenues	<u>859,559</u>	<u>81,232</u>	<u>(2,255)</u>	<u>938,536</u>
Operating expenses				
Depreciation and amortization	41,544	—	—	41,544
Other operating expenses	805,228	85,622	(2,255)	888,595
Total operating expenses	<u>846,772</u>	<u>85,622</u>	<u>(2,255)</u>	<u>930,139</u>
Income (Loss) from operations	12,787	(4,390)	—	8,397
Non-operating activity				
Non-operating revenues (expenses)	1,792	(435)	—	1,357
Excess (Deficiency) of revenues over expenses	<u>14,579</u>	<u>(4,825)</u>	<u>—</u>	<u>9,754</u>
Net position, beginning of year	196,470	28,308	—	224,778
Excess (Deficiency) of revenues over expenses	14,579	(4,825)	—	9,754
Contributions for purchase of capital assets	35,947	—	—	35,947
Other changes in net position	(14,862)	5,142	—	(9,720)
Net position, end of year	<u>\$ 232,134</u>	<u>\$ 28,625</u>	<u>\$ —</u>	<u>\$ 260,759</u>

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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, 2022 and 2021:

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,593	\$ 24,656
Gifts and pledges receivable, current	5,424	4,235
Inventories and due from affiliates	1,115	2,016
Total current assets	<u>35,132</u>	<u>30,907</u>
Non-current assets:		
Assets limited as to use, net	115,210	98,106
Gifts and pledges receivable, net	6,685	7,674
Prepaid expenses and other assets	1,183	876
Total non-current assets	<u>123,078</u>	<u>106,656</u>
Total assets	<u><u>\$ 158,210</u></u>	<u><u>\$ 137,563</u></u>
LIABILITIES AND NET POSITION		
Current liabilities	\$ 27,273	\$ 23,997
Non-current liabilities	705	782
Total liabilities	<u>27,978</u>	<u>24,779</u>
Net position		
Without donor restrictions	16,705	13,536
With donor restrictions	113,527	99,248
Total net position	<u>130,232</u>	<u>112,784</u>
Total liabilities and net position	<u><u>\$ 158,210</u></u>	<u><u>\$ 137,563</u></u>
	2022	2021
Operating revenues:		
Contributions	\$ 36,927	\$ 28,893
Other operating revenues	599	423
Total operating revenues	<u>37,526</u>	<u>29,316</u>
Operating expenses:		
Supplies and other services	2,074	2,012
Grants	23,459	22,422
Fundraising	4,362	2,935
Total operating expenses	<u>29,895</u>	<u>27,369</u>
Income from operations	7,631	1,947
Non-operating revenues:		
Interest and other income	1,557	1,794
Investment income	8,260	26,544
Total non-operating revenues	<u>9,817</u>	<u>28,338</u>
Excess of revenues over expenses	17,448	30,285
Net position, beginning of year	112,784	82,499
Net position, end of year	<u><u>\$ 130,232</u></u>	<u><u>\$ 112,784</u></u>

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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 2023	\$	1,843
FY 2024		713
FY 2025		529
FY 2026		545
FY 2027		561
Thereafter		1,941
Total	\$	<u>6,132</u>

Total expenses for rents and operating type leases were approximately \$1,715 and \$1,654 for 2022 and 2021, 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 relief funding during fiscal years 2022 (\$2,770) and 2021 (\$16,635), which helped to mitigate some of the negative financial impacts of the COVID-19 pandemic. All relief funding was recorded as other income within non-operating revenue in the consolidated statements of revenues, expenses, and changes in net position. Known and unknown risks and uncertainties caused by the COVID-19 pandemic, may continue to have a material impact on Roswell Park's operations, financial condition, and cash flows. At this time, Roswell Park cannot estimate the length or severity of the pandemic, which limits Roswell Park's ability to forecast the pandemic's impact on Roswell Park's financial position, results of operations and cash flows. Roswell Park believes that the actions it has taken, combined with the various forms of government aid received, has positioned itself to adequately fund operations during the COVID-19 pandemic.