CONSOLIDATED AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/AROSWELL PARK COMPREHENSIVE CANCER
CENTER

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

March 31, 2019

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

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FreedMaxick CPAs, P.C.

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Roswell Park Cancer Institute Corporation d/b/a Roswell Park Comprehensive Cancer Center ("Roswell Park" or "Center"), a component unit of New York State, which comprise the consolidated statements of net position as of March 31, 2019 and 2018, and the related consolidated statements of revenues, expenses, and changes in net position, cash flows and discretely presented component unit for the years then ended, and the related notes to the consolidated financial statements, which collectively comprise Roswell Park's consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective net position of the Center and the aggregate discretely presented component unit as of March 31, 2019 and 2018, and the respective results of its operations and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis on pages 3 through 17 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 21, 2019 on our consideration of Roswell Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Roswell Park's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
June 21, 2019

FreedMaxick CPAs, P.C.

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 March 31, 2019 and 2018. The consolidated financial statements of the Center include the accounts of the 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 surgeon, was perhaps the first to describe the importance of translational research in a cancer center when he wrote in 1904 that *"Only* [through] a *deliberate, well-planned, combined attack from various directions by means fitted for such work could real advances be made and* [further] *the relationship of laboratory work, clinical study and education must be closely associated."* Dr. Park's commitment to patient care and the scientific study of cancer led to the establishment of a research facility and hospital unit which were recognized and partially funded by the State of New York in 1904; this was the first example of government support for cancer research in the world.

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 2014, the Institute's NCI Cancer Center Support Grant ("CCSG", also known as the "core" grant) was reviewed and renewed without a site visit (the first time ever) for another 5 years. This grant, which forms the foundation for Roswell's designation as an NCI comprehensive cancer center, is in its 43rd 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 28 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 the following prestigious national organizations for its clinical care and research programs:

- US News & World Report – Best Hospitals for Cancer (Top 50 in 2018, 2017, 2015, 2014, 2013, 2012, 2011 & 2010)
- Accreditation Council for Continuing Medical Education
- Accreditation Council for Graduate Medical Education – 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

1. Introduction (continued)

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

Roswell Park has approximately 3,400 employees including more than 330 faculty-level clinicians and researchers, as well as over 660 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.

1. Introduction (continued)

In fiscal year 2019, approximately 477 physicians, 250 medical students, 339 clinicians, 264 researchers, and 385 interns received training at Roswell Park. Physicians included oncology fellows, residents, and visiting physicians. Clinicians included nurses, physician assistants, pharmacists, and other healthcare professionals. Most are enrolled at the University at Buffalo’s School of Medicine and Graduate Medical Education programs. Trainees also come from academic programs at twenty regional colleges and universities. Researchers include over 100 masters and doctoral students enrolled in the Roswell Park Graduate Division of the University at Buffalo’s Graduate School, along with postdoctoral fellows and visiting scholars.

Patient activity continued to grow in fiscal year 2019. Active patients diagnosed, treated, and/or seen in follow-up clinics increased 6% to over 41,500 in fiscal year 2019. Outpatient visits increased 5% to approximately 261,299 in fiscal year 2019.

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

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

The Roswell Park Cancer Institute (“Institute”) campus is 29 acres located in the heart of the 110 acre Buffalo Niagara Medical Campus (“BNMC”) near downtown Buffalo. The facilities are comprised of 16 major buildings totaling over 2 million square feet of space of which more than 600,000 gross square feet is dedicated to research in the form of laboratory, laboratory support, office and shared resource space. Six of the buildings are utilized for wet/dry research and have new or renovated laboratory space. The Institute is a facility licensed for and operating 133 beds and an ambulatory care center containing 21 clinics within 15 multidisciplinary care centers and outpatient treatment centers for chemotherapy and radiation medicine. Clinical services include a 14-bed Blood and Marrow Transplant Center and satellite ambulatory facilities in Amherst, NY and Wheatfield, NY. The Pediatric Oncology/Hematology program is a joint initiative with the John R. Oishei Children’s Hospital of Buffalo and UBMD pediatric practice delivering 90% of all hematology/oncology services for children in the 8-county WNY region for more than 40 years.

Community oncology care is delivered through our RPCI Oncology, PC (“RPCIO”). RPCIO is a professional service corporation that is captive to the Center. RPCIO maintains the following six physician practices – Jamestown Medical Oncology and Hematology in Jamestown, NY; Breast Care of Western New York in Amherst, NY; Roswell Park Hematology Oncology Southtowns in West Seneca, NY; Roswell Park Hematology Oncology of Niagara in Wheatfield, NY; Roswell Park Hematology Oncology Northtowns in Amherst, NY and Roswell Park Urology of Niagara in Niagara Falls, NY.

2. Mission

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

Roswell Park will do this by:

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

3. Governance

Effective January 1, 1999, Roswell Park became a Public Benefit Corporation ("PBC") 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 operates as a 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 Health Department ("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.

4. Component Units

For purposes of the 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 composed of community leaders. This Board is independent of the Roswell Park Board of Directors. As such, Roswell Park's Board has no jurisdiction over the Board of the Foundation or the Foundation's assets. Periodically, the Foundation makes grants to Roswell Park for various purposes. These grant funds are typically administered by Health Research, Incorporated.

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

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

5. Financial Highlights

- Total net position increased $36,478 or 28.5% from 2018 to 2019 and decreased $(25,397) or (16.5)% from 2017 to 2018.

- Total assets increased $35,017 or 3.6% from 2018 to 2019 and increased $42,547 or 4.6% from 2017 to 2018.

- Total assets and deferred outflows of resources increased $53,583 or 5.2% from 2018 to 2019 and decreased $(1,765) or (0.2)% from 2017 to 2018.

- Total operating revenues, including NYS support, increased by $89,120 or 12.2% from 2018 to 2019 and increased by $46,625 or 6.8% from 2017 to 2018.

- Total support from NYS remained unchanged from 2018 to 2019 ($102,607). The amount appropriated to support capital expenses increased by $15,283 or 42.4% from 2018 to 2019 to $51,304. In 2019 this amount is included within contributions for purchase of capital assets ($33,437) and other operating revenue ($17,867). The balance of NYS support ($51,303) is included discretely in operating revenues.

- Total other operating revenues increased by $25,486 or 163.4% from 2018 to 2019 and increased by $3,667 or 30.7% from 2017 to 2018.

- Total operating expenses increased by $51,450 or 6.5% from 2018 to 2019 and increased by $74,833 or 10.4% from 2017 to 2018.

6. Using this Annual Report

Roswell Park's consolidated financial statements consist of three statements – consolidated statements of net position; consolidated statements of revenues, expenses and changes in net position; and 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 year and Roswell Park's net position as of the end of the year. They also report Roswell Park's net position and changes in it.

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

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

(in thousands of dollars, except as otherwise noted)

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 NYSDOH. HRI has divisions in Buffalo and Albany, New York which administer projects conducted at 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 $36,478 in 2019 and decreased $(25,397) in 2018 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 discussed under the heading *Capital Assets and Debt Administration.*

Table 1: Summary of Statement of Net Position

	2019	2018	2017
Assets:			
Current and other assets	$ 691,154	$ 654,517	$ 617,385
Capital assets, net	314,948	316,568	311,153
Total assets	1,006,102	971,085	928,538
Deferred outflow of resources	70,245	51,679	95,991
Total assets and deferred outflows	$ 1,076,347	$ 1,022,764	$ 1,024,529
Liabilities:			
Long-term debt outstanding	$ 158,649	$ 180,083	$ 194,201
Other liabilities	677,432	700,016	661,093
Total liabilities	836,081	880,099	855,294
Deferred inflow of resources	75,718	14,595	15,768
Net Position:			
Net investment in capital assets	173,514	154,363	134,792
Restricted expendable	59,445	55,787	58,454
Unrestricted	(72,838)	(86,860)	(41,493)
Non-controlling interest	4,427	4,780	1,714
Total net position	164,548	128,070	153,467
Total liabilities, deferred inflows, and net position	$ 1,076,347	$ 1,022,764	$ 1,024,529

Overall, total assets and deferred outflows of resources increased $53,583 or 5.2% from 2018 to 2019 and decreased $(1,765) or (0.2)% from 2017 to 2018.

8. Roswell Park's Net Position (continued)

- Current and other assets increased 5.6% in 2019 and 6.0% in 2018.
  - For 2019, this is primarily due to increased balances in cash and cash equivalents, patient accounts receivable, and investments in joint ventures offset by a decreased balance in assets limited as to use. The increase in patient accounts receivable is due primarily to growth in patient revenues, driven largely by higher than historical inpatient census, particularly in the latter part of the 4th fiscal quarter of 2019.
  - For 2018, this is primarily due to increased balances in cash and cash equivalents, patient accounts receivable, and inventories offset by a decreased balance in assets limited as to use.

- Capital assets, net decreased (0.5)% in 2019 and increased 1.7% in 2018.
  - For 2019 and 2018, the changes are driven primarily by the timing of capital additions, net of depreciation expense.

- Deferred outflow of resources increased 35.9% in 2019 and decreased (46.2)% in 2018.
  - For 2019 and 2018, the changes are primarily due to differences between projected and actual investment earnings on pension plan investments and changes in actuarial assumptions. Refer to Note 9 of the consolidating financial statements.

◦ Overall, total liabilities and deferred inflows of resources increased 1.9% in 2019 and increased 2.7% in 2018.

- Long-term debt outstanding decreased (11.9)% in 2019 and (7.3)% in 2018.
  - For 2019 and 2018, the decreases were a result of scheduled debt service payments on the outstanding Dormitory Authority of the State of New York (“DASNY”) issued debt and the amortization of bond premium. Refer to Note 7 of the consolidated financial statements.

- Other liabilities decreased (3.2)% in 2019 and increased 5.9% in 2018.
  - For 2019, this is driven primarily due to decreased net pension liability offset by increased post-retirement health liability ("OPEB"). The decreased net pension liability balance 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. The increased OPEB balance is due primarily to the adoption of GASB Statement No 75, as described in Note 8 to the consolidated financial statements.
  - For 2018, the increase is driven primarily due to increased OPEB and net pension liabilities. The increased OPEB balance is due primarily to a 9.3% increased annual OPEB cost. The decreased net pension liability balance is due to primarily to the difference between projected and actual investment earnings on pension plan investments and changes of actuarial assumptions.

- Deferred inflow of resources increased 418.8% in 2019 and decreased (7.4)% in 2018.
  - Deferred pension inflows increased $53,209 or 364.6% in 2019.
  - Deferred OPEB inflows were $7,914 in 2019 ($0 – 2018).
  - For 2019 and 2018, this is primarily due to differences between projected and actual investment earnings on NYS pension plan investments.

Overall, total net position increased 28.5% from 2018 to 2019 and decreased (16.5)% from 2017 to 2018.

9. Changes in Roswell Park's Net Position

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

- Active patients diagnosed, treated, and/or seen in follow-up clinics increased 5.9% to over 41,500 in fiscal year 2019.
- New to Center patients increased 1.4% from 2018 to 2019 and increased 15.4% from 2017 to 2018.
- Outpatient visits increased 5.0% from 2018 to 2019 and increased 7.4% from 2017 to 2018.
- Inpatient Admissions increased 4.7% from 2018 to 2019 and decreased (0.2)% from 2017 to 2018.
- Inpatient Days increased by 6.5% from 2018 to 2019 and decreased (1.2)% from 2017 to 2018.

In 2019, Roswell Park's total net position increased by $36,478 or 28.5% as shown in Table 2: Summary of Revenues, Expenses and Changes in Net Position. Operating revenues, including NYS support, increased 12.2% and total operating expenses increased 6.5%. The total operating expenses base of $848,733 includes annual OPEB cost of $45,190 and annual pension cost of $20,798 in 2019. Combined OPEB and pension cost decreased (30.7)% from 2018 to 2019, primarily driven by a (31.6)% decreased annual OPEB cost and (28.6)% decreased annual pension cost. Both of these employee fringe benefits are provided to PBC employees as required by NYS. See “Matters Involving New York State” in Note 8 and the “New York State” section in Note 14. Total support from NYS remained unchanged from 2018 to 2019 ($102,607). The amount appropriated to support capital expenses increased by $15,283 or 42.4% from 2018 to 2019 to $51,304. In 2019 this amount is included within contributions for purchase of capital assets ($33,437) and other operating revenue ($17,867), while the balance of NYS support is shown discretely within total operating revenues.

In 2018, Roswell Park's total net position decreased by $(25,397) or (16.5)% as shown in Table 2: Summary of Revenues, Expenses and Changes in Net Position. Operating revenues, including NYS support, increased 6.8% and total operating expenses increased 10.4%. The total operating expenses base of $797,283 includes annual OPEB cost of $66,051 and annual pension cost of $29,134 in 2018. Combined OPEB and pension cost increased 5.3% from 2017 to 2018, primarily driven by a 9.3% increased 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 remained unchanged from 2017 to 2018 ($102,607). The amount appropriated to support capital expenses increased by $20,521 or 132.4% from 2017 to 2018 to $36,021. This amount is included within contributions for purchase of capital assets, while the balance of NYS support is shown discretely within total operating revenues.

(in thousands of dollars, except as otherwise noted)

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

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

	2019	2018	2017
Operating revenues:			
Net patient service revenue/net settlement and appeals	$ 726,940	$ 647,562	$ 583,928
New York State operating support	51,303	66,586	87,107
Equity interest in loss of joint ventures	(892)	—	—
Grants and contracts	1,771	1,340	1,495
Other operating revenue	41,079	15,593	11,926
Total operating revenues	820,201	731,081	684,456
Operating expenses:			
Salaries, wages and benefits	398,469	412,560	380,958
Supplies and purchased services	414,954	350,230	306,552
Depreciation and amortization	35,310	34,493	34,940
Total operating expenses	848,733	797,283	722,450
Operating loss	(28,532)	(66,202)	(37,994)
Non-operating revenues and expenses and other changes in net position (including funds received from NYS for capital assets)	65,010	40,805	19,228
Increase (decrease) in net position	$ 36,478	$ (25,397)	$ (18,766)

Overall, operating revenues, including New York State support, increased 12.2% from 2018 to 2019 and 6.8% from 2017 to 2018.

- Net patient service revenue/net settlements and appeals increased 12.3% in 2019 and 10.9% in 2018 as a result of the following: Roswell Park hospital revenue increased 12.7% and 11.6% and Practice Plan professional revenues increased 3.5% and 1.4% in 2019 and 2018, respectively. Government appeals and settlement revenue decreased (7.5)% in 2019 and increased 281.6% in 2018. The increases in hospital and professional revenues in both years were attributable to increased volumes, changes in mix of services provided as well as third party payer rate increases. Revenues also include $44,401 and $38,204 related to RPCIO for 2019 and 2018, 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 $7,027 and $6,306 in 2019 and 2018.

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

- Other operating revenue increased 163.4% from 2018 to 2019 and 30.7% from 2017 to 2018. Other operating revenue includes revenues received from the operation of the cafeteria, parking garage, and other ancillary activities, including affiliation revenue and net revenues from joint ventures with other healthcare providers. See “Other Operating Revenue” section in Note 2 of the consolidated financial statements.

Overall, total operating expenses increased 6.5% from 2018 to 2019 and increased 10.4% from 2017 to 2018.

- Salaries, wages and benefits costs decreased (3.4)% from 2018 to 2019 and increased 8.3% from 2017 to 2018 respectively due to:
  - Reduction in employee benefits and retiree health expense including decreases in retirement costs, worker’s compensation, and other employee benefits. Benefits were 43.4%, 55.8%, and 57.0%, of salary costs in 2019, 2018 and 2017, respectively. OPEB and pension cost decreased (30.7)% from 2018 to 2019, driven by decreases of (31.6)% and (28.6)% in OPEB and pension costs, respectively.
  - Step and cost of living increases required by labor contracts.
  - Recruitment of scientific and clinical faculty, as well as staffing increases related to changes in patient volumes, acuity and new initiatives.
- Supplies and purchased services increased 18.5% and 14.2%, in 2019 and 2018, 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.

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

- Total support from NYS remained unchanged from 2018 to 2019 ($102,607), which included funds received for the purchase of capital assets of $51,304. These costs are included within contributions for purchase of capital assets ($33,437) and other operating revenue ($17,867). The NYS support related to the purchase of capital assets increased by $15,283 or 42.4% from 2018 to 2019, as NYS restricted more of the total support payments to fund capital related expenses.
- Contributions for purchase of capital assets from the Foundation decreased (23.2)% primarily due to the completion of the renovation of the pediatrics outpatient clinic during the year which is part of the joint pediatric oncology program with the John R. Oishei Children’s Hospital of Buffalo.
- Interest expense decreased (9.4)% from 2018 to 2019, and decreased (46.6)% from 2018 to 2017. The 2019 change is due primarily to the effect of the scheduled debt payments and amortization of bond premium, while the 2018 change is due to the financing by NYS of certain bond indebtedness to take advantage of a lower interest rate environment. Refer to Note 7 of the consolidated financial statements.

(in thousands of dollars, except as otherwise noted)

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

- A one-time prior period adjustment due to a change in accounting principles was made to the beginning net position to reflect the transition from GASB 45 to GASB 75 as of April 1, 2018, as more fully described in Note 8 to the consolidated financial statements.

10. Capital Assets and Debt Administration

Capital Assets

At the end of 2019, 2018, and 2017, Roswell Park had $314,948, $316,568, and $311,153, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 4 of the consolidated financial statements. The components of Roswell Park's capital assets are as follows:

	2019	2018	2017
Land	$ 4,444	$ 4,444	$ 4,444
Building	635,316	620,365	580,893
Equipment/other	255,511	236,747	220,938
Construction in progress	10,574	16,463	40,693
	905,845	878,019	846,968
Less: Accumulated depreciation	(590,897)	(561,451)	(535,815)
Net capital assets	$ 314,948	$ 316,568	$ 311,153

During May 2013, Carlton & Michigan, LLC ("C&M") was established to construct and operate a new Clinical Science's Center ("CSC" or the "Project"). C&M is jointly owned by Roswell Park (90%) and the Foundation (10%). During 2014, construction began on the CSC at the corner of Carlton and Michigan Streets in the City of Buffalo, NY, and was completed in 2017. Roswell Park committed approximately $10,000 of Board Designated Funds towards the construction of the project. In addition, the Foundation secured $27,700 in pledges for the CSC capital campaign, as well as committed approximately $5,000 in the form of additional funding for the project. Other financing structures for the project are described more fully in Section 11, and the CSC was completed in 2017.

Long-Term Debt and Capital Leases

Roswell Park's total long-term debt and capital lease obligations, net of applicable discounts and premiums were $158,649, $180,083, and $194,201, as of March 31, 2019, 2018, and 2017, 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 Roswell Park.

(in thousands of dollars, except as otherwise noted)

10. Capital Assets and Debt Administration (continued)

	2019	2018	2017
Series 2011A Bonds, net of premium	$ 17,563	$ 21,653	$ 25,610
Series 2016 Bonds, net of premium	106,721	120,730	134,276
Notes payable	29,780	29,780	29,780
Capital leases & other	4,585	7,920	4,535
Total long-term debt and capital lease obligations, net	158,649	180,083	194,201
Less: Current portion	(15,335)	(15,194)	(13,586)
Non-Current portion	$ 143,314	$ 164,889	$ 180,615

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

11. Financing for the Clinical Science Center

Roswell Park, C&M and the Foundation are all parties to a series of transactions entered in to finance the construction of the CSC. By consummating these transactions, Roswell Park is able to garner the benefit of the New Market Tax Credit ("NMTC") 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 NMTC program can be found at *www.cdfifund.gov*.

Under the program, participating investors will receive a maximum 39% tax credit over a period of seven years on qualified equity investments totaling approximately $30,500 made in the construction of the CSC. Through its participation in the NMTC program, Roswell Park expects to recognize a net benefit from the program of approximately $6,200, 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 Foundation through a capital campaign), a portion of which were loaned to two unrelated NMTC investment funds. These NMTC investment funds then made qualifying equity contributions into various Community Development Entities ("CDEs"), which in turn loaned those funds as qualified low-income community investments to C&M to fund the construction of the CSC. The following recaps the amounts recognized in the consolidated statements of net position as of March 31, 2019 and 2018:

(in thousands of dollars, except as otherwise noted)

11. Financing for the Clinical Science Center (continued)

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

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

Additionally, the NMTC investors have the option to put their interest in the NMTC investment funds to Roswell Park for a price of $1. If the NMTC investors do not exercise their put options, Roswell Park may exercise a call option to purchase the NMTC investors' interests in the NMTC investment funds for a price equal to the fair market value of the interests. Exercise of either the put or call options will effectively transfer ownership of the NMTC investment funds to Roswell Park, which will allow Roswell Park to cancel the loans between the NMTC investment funds and C&M. Recognition of the estimated $6,200 NMTC net benefit; represented as the difference in value of the NMTC investment interests and the loans payable to the CDEs at the end of the Compliance Period, is contingent upon the exercise of either the put or call options, and thus is considered a gain contingency. Recognition of the NMTC benefit is therefore deferred until such time as the put or call options are exercised, which is expected to be no sooner than the expiration of the Compliance Period in September, 2020.

12. Postemployment Benefits

For the year-ended March 31, 2019, Roswell Park implemented the provisions of GASB's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Among other changes, this Statement was issued to improve accounting and financial reporting by governments for postemployment benefits other than pensions. As a result of implementing this Statement, Roswell Park was required to restate net position as of April 1, 2018. The effect of the restatement of net position is as follows:

Net position as previously reported, April 1, 2018	$	128,070
Adjustment for removal of OPEB liability under GASB 45		520,694
Recognition of net OPEB liability under GASB 75		(501,340)
Net position as restated, April 1, 2018	$	147,424

(in thousands of dollars, except as otherwise noted)

12. Postemployment Benefits (continued)

Funded Status and Funding Progress

The most recent actuarial valuation for the OPEB plan was as of April 1, 2018. As of March 31, 2019, 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, 2018, using the following actuarial assumptions:

Inflation rate	2.25%
Salary scale	3.50%
Health cost	Entry Age Normal
Mortality	RPH-2017 Mortality Tables

The discount rate used to calculate the total OPEB liability as of March 31, 2019 was 3.42% 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. (2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate. The Municipal Bond Rate is a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

(in thousands of dollars, except as otherwise noted)

12. Postemployment Benefits (continued)

Matters Involving New York State

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

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

The following table illustrates the actuarially-derived estimates of the postemployment benefit liability and associated cost for March 31, 2019, 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 (after adoption of GASB 75)	$ 91,895	$ 409,445	$ 501,340
Service Cost	165	27,285	27,450
Interest Cost	3,250	15,667	18,917
Change of Assumptions or Other Inputs	(1,708)	(7,383)	(9,091)
Benefit Payments	(4,049)	(5,505)	(9,554)
Net OPEB obligation liability – End of Year	$ 89,553	$ 439,509	$ 529,062

13. Financial Condition

Roswell Park is reliant upon the on-going financial support of the State in the furtherance of its mission, particularly in support of the Roswell Park's research operations. In 2019, total support received from the State remained unchanged from 2018, at $102,607. In 2018 and 2019, $36,021 and $51,304, respectively, was appropriated to support capital expenses. In 2019 this amount is included within contributions for purchase of capital assets ($33,437) and other operating revenue ($17,867).

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

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

ASSETS	2019	2018
Current assets:		
Cash and cash equivalents	$ 210,390	$ 195,873
Current portion of assets limited as to use	25,940	27,949
Patient accounts receivable, net of estimated uncollectibles of approximately $25,927 in 2019 and $22,063 in 2018	131,443	102,860
Inventories	11,138	12,360
Due from New York State and other affiliates	2,085	1,286
Prepaid expenses and other assets	11,885	9,772
Total current assets	392,881	350,100
Non-current assets:		
Assets limited as to use, net of current portion	260,915	272,915
Goodwill and other intangible assets	7,358	7,239
Notes receivable	21,261	21,261
Capital assets, net	314,948	316,568
Investments in joint ventures	8,739	3,002
Total non-current assets	613,221	620,985
Deferred outflow of resources:		
Pension	70,245	51,679
Total deferred outflow of resources	70,245	51,679
Total assets and deferred outflow of resources	$ 1,076,347	$ 1,022,764
LIABILITIES AND NET POSITION		
Current liabilities:		
Current portion of long-term obligations	$ 15,335	$ 15,194
Accounts payable and other current liabilities	34,443	33,291
Accrued expenses	85,995	86,101
Due to third-party payors	19,345	14,840
Total current liabilities	155,118	149,426
Non-current liabilities:		
Long-term obligations, net of current portion	143,314	164,889
Post-employment benefits, net of current portion	518,411	511,490
Net pension liability	19,238	54,294
Total non-current liabilities	680,963	730,673
Deferred inflow of resources:		
Pension	67,804	14,595
Other post employment benefits	7,914	-
Total deferred inflow of resources	75,718	14,595
Total liabilities and deferred inflow of resources	911,799	894,694
Net position:		
Net investment in capital assets	173,514	154,363
Restricted expendable	59,445	55,787
Unrestricted	(72,838)	(86,860)
Net position, prior to noncontrolling interest	160,121	123,290
Noncontrolling interest	4,427	4,780
Total net position	164,548	128,070
Total liabilities, deferred inflows of resources, and net position	$ 1,076,347	$ 1,022,764

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CARE 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)

	2019	2018
Operating revenues:		
Net patient service revenue/net settlements and appeals	$ 726,940	$ 647,562
New York State operating support	51,303	66,586
Grants and contracts	1,771	1,340
Equity interest in loss of joint ventures	(892)	-
Other operating revenue	41,079	15,593
Total operating revenues	820,201	731,081
Operating expenses:		
Salaries and wages	277,920	264,870
Employee benefits	120,549	147,690
Supplies and purchased services	414,954	350,230
Depreciation and amortization	35,310	34,493
Total operating expenses	848,733	797,283
Loss from operations	(28,532)	(66,202)
Non-operating revenues (expenses):		
Interest and other income	8,319	1,388
Interest expense	(2,730)	(3,014)
Gain on disposal of capital assets	155	105
Investment income (loss)	1,949	(1,143)
Net non-operating revenues (expenses)	7,693	(2,664)
Deficiency of revenues over expenses before noncontrolling interest	(20,839)	(68,866)
Deficiency of revenues over expenses applicable to noncontrolling interest	2,527	2,434
Deficiency of revenues over expenses applicable to the Center	(18,312)	(66,432)
Net position, beginning of year - before change in accounting principle	128,070	153,467
Change in accounting principle (Note 8)	19,354	-
Net position, beginning of year - after change in accounting principle	147,424	153,467
Deficiency of revenues over expenses applicable to the Center	(18,312)	(66,432)
Contributions for purchase of capital assets	35,669	37,653
Other changes in net position	120	316
Net position, prior to noncontrolling interest	164,901	125,004
(Deficiency) excess of revenues over expenses and third party investments applicable to noncontrolling interest, net	(353)	3,066
Net position, end of year	$ 164,548	$ 128,070

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CARE 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)

	2019	2018
Cash flows from operating activities:		
Net patient service revenue/net settlements and appeals	$ 702,862	$ 641,618
New York State operating support	51,303	66,586
Grants and contracts	1,771	1,340
Other operating revenue	41,655	15,655
Payments to employees and benefit providers	(362,443)	(343,655)
Payments to vendors	(411,488)	(351,262)
Payments for malpractice	(3,037)	(922)
Net cash provided by operating activities	20,623	29,360
Cash flows from capital and related financing activities:		
Purchase of capital assets	(36,087)	(34,698)
Acquisition of intangible assets	(32)	(26)
Contributions for purchase of capital assets	34,308	37,700
Proceeds from the sale or exchange of capital assets	241	377
Repayments of long-term obligations	(15,194)	(13,586)
Payments of interest	(6,441)	(7,060)
Net cash used in capital and related financing activities	(23,205)	(17,293)
Cash flows from investing activities:		
Investments in joint ventures	(6,629)	(3,002)
Assets limited as to use, net	13,513	892
Interest and investment income	8,040	4,304
Third party investments in majority owned subsidiary	2,175	5,500
Net cash provided by investing activities	17,099	7,694
Net increase in cash and cash equivalents	14,517	19,761
Cash and cash equivalents - beginning of year	195,873	176,112
Cash and cash equivalents - end of year	$ 210,390	$ 195,873
Non-cash investing and financing activities:		
Asset acquisitions not paid by March 31	$ 3,720	$ 6,173
Capital expenditures funded by capital lease borrowings	$ -	$ 3,394

See accompanying notes.

ROSWELL PARK CANCER INSTITUTE CORPORATION
D/B/A ROSWELL PARK COMPREHENSIVE CARE 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)

	2019	2018
Reconciliation of loss from operations to net cash provided by operating activities:		
Loss from operations	$ (28,532)	$ (66,202)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation and amortization	35,310	34,493
Equity interest in loss of joint ventures	892	-
Provision for bad debts	10,598	5,678
Non-cash portion of pension expense	(413)	9,104
Non-cash portion of OPEB expense	35,541	57,306
Changes in assets:		
Patient accounts receivable	(39,181)	(16,972)
Inventories	1,222	(3,451)
Prepaid expenses and other assets	(1,648)	(1,586)
Changes in liabilities and deferred resources:		
Accounts payable and other current liabilities	3,605	4,222
Accrued expenses and postemployment benefits	(1,276)	1,418
Due to third-party payors	4,505	5,350
Net cash provided by operating activities	$ 20,623	$ 29,360

See accompanying notes.

NOTE 1. ORGANIZATION

Roswell Park Cancer Institute Corporation d/b/a Roswell Park Comprehensive Cancer Center ("Roswell Park" or "Center") is a public cancer hospital and medical research center located in Buffalo, New York. Roswell Park is one of only 50 National Cancer Institute-designated comprehensive cancer centers nationwide, providing total care to cancer patients, conducting research into the causes, treatment and prevention of cancer, and educating those who treat and study cancer. Roswell Park has 133 certified beds.

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

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

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

RPCI Oncology, P.C. (“RPCIO” or “PC”) was established in July 2012 to provide medical oncology and hematology outpatient services. In December 2012, RPCIO acquired Jamestown Medical Oncology Hematology, LLC through an asset purchase agreement for total consideration of approximately $1,400. In November 2014, RPCIO acquired the assets of Breast Care of Western New York, LLC and Soniwala Hematology Oncology Associates, LLC for total consideration of approximately $2,900 and $4,200, respectively. In October 2015, RPCIO acquired the assets of Cancer Care and Hematology of Niagara, P.C. for total consideration of approximately $1,200. In April 2016, RPCIO purchased the assets of a professional medical oncology practice privately owned by Isoceles Garbes, M.D. for total consideration of approximately $1,200. In February 2019, RPCIO purchased the assets of a professional urology practice owned by Prabhakara Somayaji, M.D. through an asset purchase agreement for total consideration of approximately $50. The foregoing transactions have been recorded on Roswell Park’s consolidated financial statements using the acquisition method of accounting. The acquired assets included working capital, capital assets, goodwill, non-compete agreements, and patient medical records.

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

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

NOTE 1. ORGANIZATION (CONTINUED)

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. As of March 31, 2018, Roswell Park maintained an approximately 51% interest in OmniSeq. As more fully described in the Subsequent Events section of Note 2, the Center's interest in OmniSeq descreased to below 50%, resuling in the deconsolidation of OmniSeq from the Center's consolidated financial statements in for the year ended March 31, 2020.

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

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

GBCT II LLC ("GBCT II") is a for profit limited liability company that was 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") is a joint venture established with CIMAB S.A. (a majority owned marketing and commercialization subsidiary of the Center for Molecular Immunology ("CIM")) to research and develop innovative cancer immunotherapies. The joint venture provides Roswell Park with access to cancer medicines that were not previously accessible to patients or researchers in the United States. Roswell Park's ownership interest in the joint venture is 49% and is recorded using the equity method of accounting. In 2019, Roswell Park contributed approximately $5,000 to the joint venture to fund the startup operations of the entity.

Roswell Park has entered into a 50% owned 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"), the purpose of which is to build and operate an outpatient radiation oncology facility to serve the oncology needs of patients in the Central New York area. Operations are planned to commence 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.

NOTE 1. ORGANIZATION (CONTINUED)

Discretely Presented Component Unit: U.S. Generally Accepted Accounting Principles (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 they are 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:

Reporting Entity: Roswell Park Cancer Institute, the Practice Plan, the PC, OmniSeq, GBCT and C&M (collectively referred to hereinafter as "Roswell Park") are consolidated for financial statement purposes in accordance with the principles of consolidation in which it is appropriate to consolidate the financial statements of entities under common management and/or control. Collectively, Roswell Park Cancer Institute 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75") governs the specifics of accounting for public other postemployment benefit ("OPEB") plan obligations for participating employers. GASB 75 requires a liability for OPEB obligations, known as the net OPEB liability (total OPEB liability for unfunded plans), to be recognized in the statements of net position (deficit) of participating employers. Changes in the net OPEB liability will be immediately recognized as OPEB expense in the statement of revenues, expenses and changes in net position (deficit) or reported as deferred inflows/outflows of resources depending on the nature of the change. GASB 75 establishes standards for the measurement, recognition, and financial statement presentation of OPEB expenses and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. For the year ended March 31, 2019, Roswell Park implemented as disclosed in Note 8.

GASB 75 indicates that it is preferable to retroactively apply the provisions of the standard to all periods presented. However, there is insufficient information available to determine the effects of adoption of GASB 75 for prior years. As such, information related to GASB 75 in the 2019 financial statements is not comparable to 2018. The adoption of GASB 75 resulted in a increase of the beginning of the year net position of $19,354, which represents the decrease of the net OPEB obligation as of the beginning of 2019.

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. The requirements of this Statement are effective for financial reporting periods beginning after December 15, 2019. Roswell Park has determined the impact this Statement will not have a material effect on the consolidated financial statements.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant estimates made by Roswell Park include, but are not limited to, reserves for bad debts and third-party payor contractual adjustments and allowances, workers' compensation and malpractice reserves, pension & post-employment benefit accruals and the fair value of investments. Actual results could differ from those estimates.

Risks and Uncertainties: Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least possible that changes in risks in the near term could materially affect the net position of Roswell Park.

Cash and Cash Equivalents: Roswell Park considers all highly liquid investments, with original maturities of three months or less, and short term investments (certificates of deposit), excluding amounts limited as to use, to be cash equivalents. Roswell Park maintains funds on deposit in excess of amounts insured by the Federal Depository Insurance limits. In accordance with its investment policies and the NYS Comptroller's Investment Guidelines for Public Authorities, Roswell Park maintains collateral accounts with certain financial institutions to limit Roswell Park's exposure associated with Federal Depository Insurance limits.

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

Assets Limited as to Use: Assets limited as to use include assets set aside for debt service as required by trustee or indenture agreements, assets held under the Plan enabling legislation, assets set aside pursuant to donor stipulations, and assets designated by the Board of Directors for specific future purposes. If donated or contributed, assets limited as to use are reported at fair value as of the date of receipt, which is then treated at cost. Interest income on proceeds of borrowings that are held by a Trustee, and principally all other general fund investments, are reported as interest and other income. Classification in the consolidated statements of net position between current and non-current is generally determined by the purpose for which the assets are set aside.

Intangible Assets: Intangible assets consist of goodwill, patient charts and certain covenants not to compete. The goodwill represents an intangible asset to RPCIO that has an indefinite life, therefore, in accordance with accounting principles generally accepted in the United States of America, is not subject to amortization, but instead is subject to an impairment test. The 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, 2019 or March 31, 2018. 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 $69 and $303 as of March 31, 2019 and 2018, respectively. Future amortization expense related to intangible assets is $0 in 2020.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2019 and 2018 as a result of performing these evaluations.

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

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

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

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

Noncontrolling interest ("NCI") consists of the percentage of C&M's and OmniSeq's net position not controlled by Roswell Park. The net position attributable to non-controlling interest for the year ended 2019 was $4,427 ($4,780 - 2018). As of March 31, 2019, Roswell Park's ownership interest in OmniSeq was approximately 51%, resulting in the recognition of additional non-controlling interest during 2019. As more fully described in 'Subsequent Events' in Note 2, subsequent to March 31, 2019, Roswell Park's interest in OmniSeq fell below 50%, which will result in the deconsolidation of OmniSeq from the Center's financial statements for the year ended March 31, 2020.

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

Net Patient Service Revenue: Net patient service revenue and patient accounts receivable are recorded at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated adjustments under various reimbursement agreements with third-party payors. The allowances for estimated uncollectibles for patient accounts receivable include accounts referred to the NYS Attorney General for collection. Third-party payors retain the right to review and propose adjustments to amounts recorded by Roswell Park. Such adjustments are accrued, when deemed probable and estimable, in the period the related services are rendered and adjusted in future periods as final settlements are determined. Management believes that adequate provision has been made in the consolidated financial statements for any adjustments that may result from final settlements. The impact of recording final settlements, pool payments and other third party payor adjustments resulted in the recognition of additional net operating revenues of approximately $5,356 and $5,793 in 2019 and 2018, 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.

(in thousands of dollars, except as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Approximately 18% and 17% of net patient service revenue was generated from the combined services rendered to patients under Medicare and Medicaid programs in 2019 and 2018, respectively. Approximately 67% and 61% of net patient service revenue was generated from the combined services rendered to patients under managed care programs in 2019 and 2018, respectively.

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

	2019	2018
Gross charges	$ 1,968,332	$ 1,671,579
Net settlements and appeals	5,356	5,793
Less:		
Discounts and allowances	(1,236,150)	(1,024,132)
Provision for bad debts	(10,598)	(5,678)
	$ 726,940	$ 647,562

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

(in thousands of dollars, except as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	2019	2018
Cafeteria	$ 2,094	$ 1,962
Parking garage	2,889	2,753
Rebates	2,428	2,410
Rental income	1,399	1,342
PEDS Joint Venture	3,024	131
NYS support	17,867	1,273
Other	11,378	5,722
	$ 41,079	$ 15,593

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.

Deficiency of Revenues over Expenses: The consolidated statements of revenues, expenses and changes in net position includes "deficiency of revenues over expenses." Changes in unrestricted net position, which is excluded from deficiency of revenues over expenses, include grants and contributions for the purchase of capital assets, third-party investments in a majority controlled subsidiary, and deferred stock compensation awards for OmniSeq employees.

Contributions for Purchase of Capital Assets: Contributions for purchase of capital assets consist principally of amounts received from NYS for the purchase of capital assets ($51,304 in 2019 and $36,021 in 2018), as well as amounts received by Roswell Park from Health Research, Inc. ("HRI"), the Foundation and the Empire State Development Corporation ("ESD"), all of which are related parties. Contributions from the Foundation, discussed below, were $2,232 and $2,905 in 2019 and 2018, respectively, and were for the purchase of capital assets.

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

RPCIO is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code. RPCIO Federal Exempt Organization Business Income Tax returns for 2016 and 2017 remain subject to examination by the Internal Revenue Service.

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

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

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Reclassifications: Certain prior year amounts were reclassified to conform to the 2019 consolidated financial statement presentation.

Subsequent Events: On April 18, 2019, OmniSeq entered into a series of transactions by and between the Center, Laboratory Corporation of America (LabCorp) and certain other holders of equity security of OmniSeq (collectively the "Parties"), whereby LabCorp agreed to acquire an additional equity stake in OmniSeq. As part of this transaction, the Center agreed to sell all of its Series B holdings in OmniSeq for approximately $5,400, including accrued dividends. In addition, OmniSeq agreed to repurchase a portion (approximately 9.7 million shares) of the Center's Series A holdings in OmniSeq effective June 1, 2019, for a total of $4,500, (including accrued dividends), after which OmniSeq plans to retire the repurchased shares. Total cash proceeds from these transactions to the Center were approximately $9,900.

The effect of these transactions will result in the Center owning approximately 34.4 million shares of OmniSeq's Series A preferred stock, for a total ownership stake in OmniSeq of approximately 34%. In addition, the Center agreed to retain a total of three of the seven seats on OmniSeq's board of directors. Accordingly, after the consummation of these transactions, the Center will cease to have a controlling financial interest in OmniSeq, resulting in the need to deconsolidate OmniSeq from the Center's consolidated financial statements. The estimated effect to the Center's consolidated financial statements, which will be recognized in the year ending March 31, 2020, is as follows:

- Derecognition of OmniSeq's assets, liabilities and net assets that are currently included in the consolidated Statements of Net Position;
- Recognition of the fair value of the Center's remaining interest in OmniSeq (estimated to be approximately $12,400);
- Recognition of a non-operating gain in the consolidated Statements of Revenues, Expenses and Changes in Net Position (estimated to be approximately $20,400); and
- Receipt of cash proceeds for the partial sale of the Center's equity holdings in OmniSeq of approximately $9,900, as described above.

In addition, the Parties entered into an agreement (the Option Agreement) whereby LabCorp may exercise an option to purchase the remaining shares in OmniSeq from the remaining equity holders at a fixed valuation. The Option Agreement is effective for a period of three years after the execution of the transactions described above, and may be extended for one additional year based on certain parameters outlined in the Option Agreement. If LabCorp were to exercise the option, Roswell Park would be required to sell its remaining ownership stake in OmniSeq to LabCorp at the fixed valuation stipulated in the Option Agreement, plus accrued dividends.

These consolidated financial statements have not been updated for subsequent events occurring afterJune 21, 2019, which is the date these consolidated financial statements were available to be issued.

(in thousands of dollars, except as otherwise noted)

NOTE 3. ASSETS LIMITED AS TO USE

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

	2019	2018
Board Designated (a)		
Board designated funds for recruitment, capital and accruals	$ 135,324	$ 127,645
Board designated funds for unfunded future retirement obligations and other strategic initiatives	43,765	65,369
Board designated funds for construction projects	559	550
Workers compensation	10,894	11,100
Timing of third party payments	624	3,775
Employee benefits	2,822	2,671
Estimated third party settlements/unearned revenue	675	875
Technology transfer	1,000	1,000
TIAA/CREF escrow	282	447
Subtotal	195,945	213,432
Held by Trustee Under Malpractice and General Liability Trust Agreement		
Malpractice reserve:		
Cash and cash equivalents	924	489
U.S. Government obligations, corporate issues, and municipal issues	13,360	13,371
Subtotal	14,284	13,860
Held by Trustee Under Indenture Agreement (b)		
Debt service reserve	32,345	21,219
Major modernization project	17,181	17,786
Subtotal	49,526	39,005
Held under Clinical Practice Plan Enabling Legislation (c)		
Chief Executive Officer fund	6,893	13,110
Academic development fund - Chief Executive Officer	14,758	15,141
Academic development fund - Department Chairperson	5,449	6,316
Subtotal	27,100	34,567
Total assets limited as to use	286,856	300,864
Less: Current portion	(25,940)	(27,949)
Total assets limited as to use, net of current portion	$ 260,915	$ 272,915

(a) Refer to Note 13 for the allocation of assets limited as to use.
(b) The assets held by Trustee under Indenture Agreement are all invested in cash and cash equivalents or U.S. Treasuries with the exception of approximately $1,468 in 2019 and $3,181 in 2018 of receivables from DASNY related to the modernization project.
(c) 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.

(in thousands of dollars, except as otherwise noted)

NOTE 4. CAPITAL ASSETS

Capital assets consisted of the following at March 31:

	March 31, 2018	Additions	Transfers	Disposals	March 31, 2019
Non-depreciable assets:					
Land	$ 4,444	$ —	$ —	$ —	$ 4,444
Construction in progress	16,463	26,602	(32,491)	—	10,574
	20,907	26,602	(32,491)	—	15,018
Depreciable assets:					
Buildings and improvements	620,365	1,671	13,288	(8)	635,316
Equipment	236,747	5,434	19,203	(5,873)	255,511
	857,112	7,105	32,491	(5,881)	890,827
Less: Accumulated depreciation:					
Buildings and improvements	374,223	19,646	—	—	393,869
Equipment	187,228	15,595	—	5,795	197,028
	561,451	35,241	—	5,795	590,897
Capital assets, net	$ 316,568	$ (1,534)	$ —	$ (86)	$ 314,948

	March 31, 2017	Additions	Transfers	Disposals	March 31, 2018
Non-depreciable assets:					
Land	$ 4,444	$ 162	$ —	$ (162)	$ 4,444
Construction in progress	40,693	34,869	(59,099)	—	16,463
	45,137	35,031	(59,099)	(162)	20,907
Depreciable assets:					
Buildings and improvements	580,893	913	38,559	—	620,365
Equipment	220,938	3,933	20,540	(8,664)	236,747
	801,831	4,846	59,099	(8,664)	857,112
Less: Accumulated depreciation:					
Buildings and improvements	354,022	20,201	—	—	374,223
Equipment	181,793	13,989	—	8,554	187,228
	535,815	34,190	—	8,554	561,451
Capital assets, net	$ 311,153	$ 5,687	$ —	$ (272)	$ 316,568

Depreciation expense amounted to approximately $35,241 and $34,190 in 2019 and 2018, respectively.

(in thousands of dollars, except as otherwise noted)

NOTE 5. ACCRUED EXPENSES

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

	2019	2018
Salaries and benefits	$ 41,110	$ 39,974
Payroll withholdings	5,441	5,576
Current portion of retirement and post-retirement benefits	10,651	9,204
Workers' compensation	10,895	11,100
Professional and general liability	15,691	17,544
Accrued interest	1,422	1,604
Other	785	1,099
	$ 85,995	$ 86,101

NOTE 6. SHORT-TERM BORROWINGS

Roswell Park has an agreement with M&T Bank, which allows for borrowings up to $25,000. There was no balance outstanding under this agreement as of March 31, 2019 and 2018. This agreement was entered into primarily to provide borrowing authority in the event NYS support payments are delayed on a short-term basis.

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

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

(in thousands of dollars, except as otherwise noted)

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

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

	2019	2018
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.	$ 17,093	$ 20,955
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.	96,342	107,048
C&M loans payable under NMTC program (a).	29,780	29,780
On June 1, 2012, Roswell Park entered into a capital lease obligation to rent 226 parking spaces for a 35 year period. Under terms of the agreement, the cost of capital is estimated at 3.4% per annum with interest and principal payments due through 2047.	4,512	4,526
On September 20, 2017, Roswell Park entered into a capital lease obligation to operate 2 surgical systems. The lease term is 60 months with an interest rate of 3.0%. During 2019, Roswell Park paid the lease in its entirety and purchased the assets.	—	3,300
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%.	73	94
	147,800	165,703
Plus: Unamortized bond premium	10,849	14,380
Total long-term obligations	158,649	180,083
Less: Current portion	(15,335)	(15,194)
Long-term obligations, net	$ 143,314	$ 164,889

(in thousands of dollars, except as otherwise noted)

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

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

Obligation Type	March 31, 2017	Additions	Deductions	March 31, 2018
Bond Series 2011	$ 24,630	$ —	$ (3,675)	$ 20,955
Bond Series 2016	116,951	—	(9,903)	107,048
Loans payable	29,780	—	—	29,780
Capital leases & other	4,535	3,394	(9)	7,920
	175,896	3,394	(13,587)	165,703
Plus: Unamortized bond premium	18,305	—	(3,925)	14,380
Total long-term obligations	194,201	$ 3,394	$ (17,512)	180,083
Less: Current portion	(13,586)			(15,194)
Long-term obligations, net	$ 180,615			$ 164,889

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

Under the program, participating NMTC investors will receive a maximum 39% tax credit over a period of seven years on qualified equity investments totaling approximately $30,500 made in the construction of the CSC. Through its participation in the NMTC program, Roswell Park expects to recognize a net benefit from the program of approximately $6,200, which represents the NMTC investors' equity investment in the tax credits less all fees and expenses.

(in thousands of dollars, except as otherwise noted)

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

Pursuant to the laws and regulations surrounding the NMTC program, several entities are party to the overall financing plan. Roswell Park leveraged its own funds (both internal equity and funds raised by the Foundation through a capital campaign), a portion of which were loaned to two unrelated NMTC investment funds. These NMTC investment funds then made qualifying equity contributions into various Community Development Entities ("CDEs"), which in turn loaned those funds as qualified low-income community investments to C&M to fund the construction of the CSC. The following recaps the amounts recognized in the consolidated statement of net position as of March 31, 2019 and 2018:

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

The NMTC program requires the financing structure to remain in place for a period of not less than seven (7) years from the date in which the NMTC investment funds make the qualified equity investment into the CDEs (the "Compliance Period"). During the Compliance Period, C&M makes interest-only payments on the loans from the CDEs. The CDEs use the interest payments to pay fees and distribute the remaining proceeds to the NMTC Investment Funds. The NMTC investment funds then use the proceeds to make interest-only payments on their notes payable to Roswell Park. At the conclusion of the Compliance Period, the investors in the NMTC investment funds have the option to have their interest in the CDEs redeemed, which will result in the CDEs assigning their assets to the NMTC investment funds, including the Notes Receivable from C&M. Additionally, the NMTC Investors have the option to put their interest in the NMTC investment funds to Roswell Park for a price of $1. If the NMTC Investors do not exercise their put options, Roswell Park may exercise a call option to purchase the NMTC Investors' interests in the NMTC investment funds for a price equal to the fair market value of the interests. Exercise of either the put or call options will effectively transfer ownership of the NMTC investment funds to Roswell Park, which will allow Roswell Park to cancel the loans between the NMTC investment funds and C&M. Recognition of the estimated $6,200 NMTC net benefit; represented as the difference in value of the NMTC investment interests and the loans payable to the CDEs at the end of the Compliance Period, is contingent upon the exercise of either the put or call options, and thus is considered a gain contingency. Recognition of the NMTC benefit is therefore deferred until such time as the put or call options are exercised, which is expected to be no sooner than the expiration of the Compliance Period in September, 2020.

Roswell Park uses the effective interest method for amortizing these premiums. Included as an offset to interest expense is $3,531 and $3,925 in 2019 and 2018, respectively, related to the amortization of bond premium.

(in thousands of dollars, except as otherwise noted)

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

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

	Long-term debt		Capital lease	
	Principal	Interest	Principal	Interest
Year ending March 31,				
2020	$ 15,700	$ 5,505	$ 42	$ 155
2021	17,206	4,713	49	154
2022	18,045	3,897	56	152
2023	18,886	3,038	40	150
2024	19,069	2,148	46	149
2025-2029	35,766	2,518	349	714
2030-2035	7,780	891	597	635
Thereafter	10,763	436	3,406	892
Plus: Unamortized bond premium	10,849	—	—	—
	$ 154,064	$ 23,147	$ 4,585	$ 3,001

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 (“HMOs”), each of which contain varying levels of coverage and cost. The Benefit Plan does not issue a stand-alone report.

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

Roswell Park administers the Retiree Group Health Benefits Program as a single employer defined benefit Other Postemployment Benefit Plan. 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.

The reporting period of April 1, 2018 to March 31, 2019 is the first period reflecting GASB 75. A one-time prior period adjustment due to a change in accounting principles was made to the beginning net position to reflect the transition from GASB 45 to GASB 75 as of April 1, 2018.

(in thousands of dollars, except as otherwise noted)

NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

The effect of the restatement of net position is as follows:

Net position as previously reported, April 1, 2018	$ 128,070
Adjustment for removal of OPEB liability under GASB 45	520,694
Recognition of net OPEB liability under GASB 75	(501,340)
Net position as restated, April 1, 2018	$ 147,424

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

The Benefit Plan requires participants to contribute a portion of the monthly premiums. The following table illustrates the participant contribution rates per plan for 2019 and 2018.

		Participant Contribution	
Plan	**Tier**	**2019**	**2018**
Empire	Single	$ 93.17	$ 72.26
	Family	$ 408.22	$ 345.08
Community Blue	Single	$ 85.58	$ 65.40
	Family	$ 369.42	$ 305.60
Independent Health	Single	$ 80.28	$ 65.78
	Family	$ 342.64	$ 304.57

The most recent actuarial valuation for the OPEB plan was as of April 1, 2018. As of March 31, 2019, the plan was unfunded. As discussed in Note 10 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. 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: Roswell Park's total OPEB liability measured at March 31, 2019 of $529,062 was determined by an actuarial valuation as of April 1, 2018. The measurement date of the obligation is March 31, 2019.

(in thousands of dollars, except as otherwise noted)

NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

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 2019, 2018 and 2017.

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
3/31/2017	$ 60,412	13.22%	$ 463,388
3/31/2018	$ 66,051	13.94%	$ 501,340
3/31/2019	$ 45,190	13.94%	$ 529,062

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, 2019 and 2018, $529,062 and $501,340, respectively, was reported for the Roswell Park's total OPEB liability.

Deferred inflows of resources and deferred outflows or resources are portion 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, 2019, Roswell Park reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Change in actuarial assumptions	$7,914	$ -

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

Year ended March 31:	
2020	$ 1,177
2021	1,177
2022	1,177
2023	1,177
2024	1,177
Thereafter	2,029
	$ 7,914

(in thousands of dollars, except as otherwise noted)

NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Method and Assumptions:
Roswell Park's total OPEB liability was determined by an actuarial valuation as of April 1, 2018, using the following actuarial assumptions:

Significant actuarial assumptions used in the April 1, 2018 valuation were as follows:

Inflation rate	2.25%
Salary scale	3.50%
Health cost	Entry Age Normal
Mortality	RPH-2017 Mortality Tables

The discount rate used to calculate the total OPEB liability as of March 31, 2019 was 3.42% 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. (2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate. The Municipal Bond Rate is a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

OPEB Status and Funding Progress:

The Roswell Park's OPEB obligation and the funded status of the plan as of March 31, 2019 are as follows:

OPEB Balance at April 1, 2018	$ 520,694
Change of liability due to adoption of GASB 75	(19,354)
OPEB Balance at April 1, 2018 under GASB 75	$ 501,340
Changes for the period:	
Service cost	$ 27,450
Interest	18,917
Benefit payments	(9,554)
Changes in assumptions	(9,091)
Net changes	27,722
OPEB Balance at March 31, 2019	$ 529,062

(in thousands of dollars, except as otherwise noted)

NOTE 8. POSTEMPLOYMENT BENEFITS (CONTINUED)

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 subsequent to January 1, 1999, the date at which Roswell Park became a public benefit corporation of the State of New York. As discussed previously, Roswell Park is seeking some form of financial assistance from NYS to fund all or a significant portion of the unfunded OPEB liability. Roswell Park believes it will need some form of assistance from NYS in order to meet the future OPEB plan obligations resulting from the benefits that have, and will continue to, accrue under the OPEB plan.

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

The following table illustrates the actuarially-derived estimates of the postemployement benefit liability and associated costs as of March 31, 2019, 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	$ 91,895	$ 409,445	$ 501,340
Service Cost	165	27,285	27,450
Interest Cost	3,250	15,667	18,917
Change of Assumptions or Other Inputs	(1,708)	(7,383)	(9,091)
Benefit Payments	(4,049)	(5,505)	(9,554)
Net OPEB obligation liability – End of Year	$ 89,553	$ 439,509	$ 529,062

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.thm*.

Certain employees of Roswell Park participate in the 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, 2019 was approximately 15.5% of payroll. Roswell Park contributed $21,210 and $20,030 to the plan in fiscal years 2019 and 2018, respectively.

(in thousands of dollars, except as otherwise noted)

NOTE 9. PENSION (CONTINUED)

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

As of March 31, 2019 Roswell Park reported a liability of $19,238 ($54,294 - 2018) for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2017. 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 0.5960736% and 0.5778242% as of March 31, 2018 and 2017, respectively.

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

2019	$	21,210
2018	$	20,030
2017	$	19,588

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

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

(in thousands of dollars, except as otherwise noted)

NOTE 9. PENSION (CONTINUED)

The $21,210 reported as deferred outflows of resources related to pensions resulting from Roswell Park contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2019. 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-end March 31:		
2020	$	1,465
2021	$	(14,918)
2022	$	(6,975)
Thereafter	$	-

For the year ended March 31, 2018, Roswell Park recognized pension expense of $29,134. As of March 31, 2018, 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	$ 1,360	$ 8,245
Net difference between projected and actual investment earnings on pension plan investments	10,845	—
Changes of assumptions	18,549	—
Change in proportion and differences between employer contributions and proportionate share of contributions	895	6,350
Contributions subsequent to measurement date	20,030	—
Total	$ 51,679	$ 14,595

Actuarial Methods and Assumption:
The total pension liability for the March 31, 2018 measurement date was determined by using an actuarial valuation as of April 1, 2017 with updating procedures through March 31, 2019.

Actuarial Cost Method	Entry age normal
Inflation	2.5%
Salary scale	3.8%
Investment rate of return	7.0%
Cost of living adjustment	1.3%
Mortality table	Society of Actuaries Scale MP-2014

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 real rates of return for each major asset class included in the target asset allocation as of the measurement date (March 31, 2018) are summarized below.

(in thousands of dollars, except as otherwise noted)

NOTE 9. PENSION (CONTINUED)

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

Discount rate: The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, on an actuarially determined basis. Based upon these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% decrease (6.0%)	Current discount rate (7.0%)	1% increase (8.0%)
Roswell Park's proportionate share of the net pension liability (asset)	$145,559	$19,238	$(87,625)

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

Employers' total pension liability	$	183,400,590
Plan net position		(180,173,145)
Employers' net pension total	$	3,227,145
Ratio of Plan net position to the employers' total pension liability		98.2%

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, 2019, for which reserves have been estimated. Claim reserves were discounted using a rate of 3% in 2018 and 2019.

The current year provision for malpractice expense was $1,184 (($890) - 2018). The current year provision for malpractice claims includes actuarial changes in estimate that are made annually in the normal course of developing estimated exposures for such claims.

Workers' Compensation: Roswell Park is partially self-insured for workers' compensation risks with self-insurance limits of $600 per occurrence. Roswell Park also maintains excess workers' compensation insurance with limits of $1,000. It is the opinion of management that the existing reserves and policies are adequate to provide for potential losses resulting from incidents of which management is currently aware. Additional incidents may have occurred through March 31, 2019, for which reserves have been estimated. The charges to expense for workers' compensation related costs approximated $1,930 and $3,562 in 2019 and 2018, respectively, and are included as a component of employee benefits expense in the consolidated statements of revenues, expenses and changes in net position.

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

Records related to professional liability claims and litigation are maintained centrally by NYS. Roswell Park records the costs related to professional liability losses prior to January 1, 1999, based upon information provided by NYS Attorney General's Office. For the years ended March 31, 2019 and 2018, no payments of final settlement of malpractice cases were made.

(in thousands of dollars, except as otherwise noted)

NOTE 11. LEGAL MATTERS

Regulatory Compliance: The health care industy is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the impostion of significant fines and penalities as well as significant repayments for patient services previously billed under Medicare and Medicaid programs in the current and preceding years. While certain regulatory inquiries have been made at March 31, 2019, compliance with such laws and regulations is currently subject to review and interpretation as well as regulatory actions unknown and/or unasserted at this time.

Medicare and Medicaid programs accounted for approximately 17% and 1% in 2019, respectively, and 16% and 1% in 2018, 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:

	2019	2018
Medicare	10%	10%
Medicaid	1	1
Blue Cross	31	26
Independent Health	19	20
Other third-party payors	38	41
Patients	1	2
	100%	100%

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 19% and 14% respectively in 2019, and 21% and 14% respectively in 2018. See Note 2 regarding maintenance of collateral accounts to limit exposure associated with Federal Deposit Insurance limits.

NOTE 13. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

Roswell Park is operated as a component unit of the State of New York. DASNY issues bonds on behalf of Roswell Park. DASNY has numerous separate maturities of bonds which would have to be separately valued, and, secondly, the unique circumstances affecting the State make it impractical to estimate the fair value of bonds. Additionally, considering the restrictive nature of the bond issuer, it is management's opinion that such disclosure would not enhance the usefulness of the consolidated financial statements.

Assets and liabilities recorded at fair value in the consolidated statements 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 Center has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Level I assets include cash and cash equivalents, debt and equity securities that are traded in active exchange markets, as well as certain U.S. Treasury and other U.S. Governments and agencies that are highly liquid and are actively traded in over-the-counter markets.

Level II: Valuations based on quoted prices in active markets for similar assets or liabilities quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Level II assets would include equity and fixed income managed funds with quoted prices that are traded less frequently than exchange-traded instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level III: Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market based inputs. Level III assets would include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques as well as instruments for which the determination of fair value requires significant investment management judgment or estimation.

(in thousands of dollars, except as otherwise noted)

NOTE 13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present information about assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2019 and 2018, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

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

As of March 31, 2018	Prices in Active Market Level I	Other Observable Inputs Level II	Significant Unobservable Inputs Level III	Total
Cash and cash equivalents	$ 104,305	$ —	$ —	$ 104,305
Commercial paper/corporate obligations	78,134	—	—	78,134
Certificates of deposit	43,976	—	—	43,976
U.S. Government and Federal Agency obligations	269,357	—	—	269,357
Municipal issues	965	—	—	965
Total cash and assets limited as to use	$ 496,737	$ —	$ —	$ 496,737

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, 2019 and 2018, operating support received from NYS amounted to approximately $102,607 and $102,607, respectively. Roswell Park is dependent on the continuation of this financial support and forbearance of NYS to continue its operations as a National Cancer Institute designated comprehensive cancer research and treatment center.

NOTE 14. RELATED PARTIES (CONTINUED)

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

Health Research, Incorporated:

Health Research, Incorporated. is a not-for-profit corporation chartered under the laws of NYS in 1953 primarily to apply for, secure and administer gifts or grants in furtherance of the research, prevention and treatment of diseases and conditions by the NYSDOH, Roswell Park and other health related entities and as such is related to Roswell Park. During the years ended March 31, 2019 and 2018, Roswell Park paid approximately $6,947 and $8,321, 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 (“PIs”). Additionally, approximately $1,771 and $1,340 of grant revenue was remitted by HRI to Roswell Park in the years ended 2019 and 2018, respectively. This revenue was generated by salary recovery on medical staff paid by Roswell Park. Roswell Park's policy is to allow for salary recovery on research staff to be retained by HRI as part of the overall contribution to HRI. This amounted to approximately $7,027 and $6,306 in 2019 and 2018, 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. Roswell Park’s ownership interest in the joint venture is 60% and is recorded using the equity method of accounting, as all members of the joint venture are able to exercise joint control through their equity investments.

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 49% and is recorded using the equity method of accounting. In 2019, Roswell Park contributed approximately $5,000 to the joint venture to fund the startup operations of the entity.

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

(in thousands of dollars, except as otherwise noted)

NOTE 14. RELATED PARTIES (CONTINUED)

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

	2019	2018
Innovative Immunotherapy Alliance S.A.	$ 5,063	$ —
NR Physician Group, PLLC	1,898	2,752
Oneida Health Roswell Park Oncology, LLC	1,543	—
Center For Advanced Molecular Isotopes	235	250
	$ 8,739	$ 3,002

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, 2019:

Condensed Consolidating Statements of Net Position

	2019						
	Public Benefit Corporation	Roswell Park Oncology, PC	Carlton & Michigan, LLC	OmniSeq, LLC	GBCT	Eliminations	Total
Assets and Deferred Outflows of Resources							
Current assets	$ 384,065	$ 5,842	$ 93	$ 4,899	$ 124	$ (2,142)	$ 392,881
Assets limited as to use, net of current portion	260,449	-	466	-	-	-	260,915
Capital assets, net	269,340	827	44,138	643	-	-	314,948
Other assets	55,200	8,781	-	475	5,063	(32,161)	37,358
Total assets	969,054	15,450	44,697	6,017	5,187	(34,303)	1,006,102
Deferred outflows of resources	70,245	-	-	-	-	-	70,245
Total assets and deferred outflows of resources	$ 1,039,299	$ 15,450	$ 44,697	$ 6,017	$ 5,187	$ (34,303)	$ 1,076,347
Liabilities, Deferred Inflows of Resources and Net Position							
Current liabilities	$ 152,327	$ 3,593	$ 53	$ 1,163	$ 124	$ (2,142)	$ 155,118
Non-current liabilities	651,133	50	29,780	-	-	-	680,963
Total liabilities	803,460	3,643	29,833	1,163	124	(2,142)	836,081
Deferred inflow of resources	75,718	-	-	-	-	-	75,718
Net position							
Net investment in capital assets	157,725	827	14,358	604	-	-	173,514
Restricted expendable	59,445	-	-	-	-	-	59,445
Unrestricted	(57,049)	10,980	(980)	1,309	5,063	(32,161)	(72,838)
Net position, prior to noncontrolling interest	160,121	11,807	13,378	1,913	5,063	(32,161)	160,121
Noncontrolling interest	-	-	1,486	2,941	-	-	4,427
Total net position	160,121	11,807	14,864	4,854	5,063	(32,161)	164,548
Total liabilities, deferred inflow of resources and net position	$ 1,039,299	$ 15,450	$ 44,697	$ 6,017	$ 5,187	$ (34,303)	$ 1,076,347

(in thousands of dollars, except as otherwise noted)

NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION (CONTINUED)

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

	2019						
	Public Benefit Corporation	Roswell Park Oncology, PC	Carlton & Michigan, LLC	OmniSeq, LLC	GBCT	Eliminations	Total
Operating revenues							
Net patient service revenue/net settlements and appeals	$ 679,818	$ 44,401	$ -	$ 5,835	$ -	$ (3,114)	$ 726,940
New York State operating support	51,303	-	-	-	-	-	51,303
Grants and contracts	1,771	-	-	-	-	-	1,771
Equity interest in loss of joint ventures	-	(854)	-	-	(38)	-	(892)
Other operating revenues	38,771	1,247	485	1,093	-	(517)	41,079
Total operating revenues	771,663	44,794	485	6,928	(38)	(3,631)	820,201
Operating expenses							
Depreciation and amortization	33,397	313	1,188	412	-	-	35,310
Other operating expenses	751,263	52,068	136	11,537	2,050	(3,631)	813,423
Total operating expenses	784,660	52,381	1,324	11,949	2,050	(3,631)	848,733
Loss from operations	(12,997)	(7,587)	(839)	(5,021)	(2,088)	-	(28,532)
Non-operating activity							
Non-operating revenues (expenses)	7,950	(3)	(296)	43	(1)	-	7,693
Deficiency of revenues over expenses before noncontrolling interest	(5,047)	(7,590)	(1,135)	(4,978)	(2,089)	-	(20,839)
Deficiency of revenues over expenses applicable to noncontrolling interest	-	-	114	2,413	-	-	2,527
Deficiency of revenues over expenses applicable to the Center	(5,047)	(7,590)	(1,021)	(2,565)	(2,089)	-	(18,312)
Net position, Beginning of year before change in accounting principle	122,892	14,997	15,999	5,538	(303)	(31,053)	128,070
Adjustment for change in accounting principle	19,354	-	-	-	-	-	19,354
Net position, beginning of year - after change in accounting principle	142,246	14,997	15,999	5,538	(303)	(31,053)	147,424
Deficiency of revenues over expenses applicable to the Center	(5,047)	(7,590)	(1,021)	(2,565)	(2,089)	-	(18,312)
Contributions from related party	-	4,400	-	2,000	7,455	(13,855)	-
Contributions for purchase of capital assets	35,669	-	-	-	-	-	35,669
Other changes in net position	(12,747)	-	-	120	-	12,747	120
Net position, end of year, prior to noncontrolling interest	160,121	11,807	14,978	5,093	5,063	(32,161)	164,901
Deficiency of revenues over expenses and third party investments applicable to noncontrolling interest	-	-	(114)	(239)	-	-	(353)
Net position, End of year	$ 160,121	$ 11,807	$ 14,864	$ 4,854	$ 5,063	$ (32,161)	$ 164,548

(in thousands of dollars, except as otherwise noted)

NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION (CONTINUED)

Condensed Combining Statement of Net Position for the Public Benefit Corporation

	2019			
	Roswell Park Cancer Institute	Roswell Park Clinical Practice Plan	Eliminations	Public Benefit Corporation
Assets and Deferred Outflows of Resources				
Current assets	$ 369,053	$ 18,877	$ (3,865)	$ 384,065
Assets limited as to use, net of current portion	238,119	22,330	-	260,449
Capital assets, net	269,337	3	-	269,340
Other assets	55,200	-	-	55,200
Total assets	931,709	41,210	(3,865)	969,054
Deferred outflows of resources	70,245	-	-	70,245
Total assets and deferred outflows of resources	$ 1,001,954	$ 41,210	$ (3,865)	$ 1,039,299
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities	$ 142,943	$ 13,249	$ (3,865)	$ 152,327
Non-current liabilities	651,133	-	-	651,133
Total liabilities	794,076	13,249	(3,865)	803,460
Deferred inflow of resources	75,718	-	-	75,718
Net position				
Net investment in capital assets	157,722	3	-	157,725
Restricted expendable	32,345	27,100	-	59,445
Unrestricted	(57,907)	858	-	(57,049)
Total net position	132,160	27,961	-	160,121
Total liabilities, deferred inflow of resources and net position	$ 1,001,954	$ 41,210	$ (3,865)	$ 1,039,299

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

	2019			
	Roswell Park Cancer Institute	Roswell Park Clinical Practice Plan	Eliminations	Public Benefit Corporation
Operating revenues				
Net patient service revenue/net settlements and appeals	$ 619,553	$ 62,179	$ (1,914)	$ 679,818
New York State operating support	51,303	25,133	(25,133)	51,303
Grants and contracts	-	1,771	-	1,771
Other operating revenues	35,595	3,176	-	38,771
Total operating revenues	706,451	92,259	(27,047)	771,663
Operating expenses				
Depreciation and amortization	33,394	3	-	33,397
Other operating expenses	683,484	94,826	(27,047)	751,263
Total operating expenses	716,878	94,829	(27,047)	784,660
Loss from operations	(10,427)	(2,570)	-	(12,997)
Non-operating activity				
Non-operating revenues (expenses)	7,172	778	-	7,950
Deficiency of revenues over expenses	(3,255)	(1,792)	-	(5,047)
Net position, Beginning of year before change in accounting principle	87,932	34,960	-	122,892
Adjustment for change in accounting principle	19,354	-	-	19,354
Net position. beginning of year - after change in accounting principle	107,286	34,960	-	142,246
Contributions from related party	5,207	(5,207)	-	-
Contributions for purchase of capital assets	35,669	-	-	35,669
Other changes in net position	(12,747)	-	-	(12,747)
Net position, End of year	$ 132,160	$ 27,961	$ -	$ 160,121

(in thousands of dollars, except as otherwise noted)

NOTE 15. BLENDED AND DISCRETE COMPONENT INFORMATION (CONTINUED)

The following information summarizes the financial position and results of operations for the Foundation, a discretly presented component unit. The results are as of and for the years ended March 31, 2019 and 2018:

ASSETS	**2019**	**2018**
Current assets:		
Cash and cash equivalents	$ 26,029	$ 22,980
Gifts and pledges receivable, current	3,307	3,373
Inventories and due from affiliates	797	856
Total current assets	30,133	27,209
Non-current assets:		
Assets limited as to use, net	73,536	71,514
Gifts and pledges receivable, net	4,685	5,711
Prepaid expenses and other assets	810	833
Total non-current assets	79,031	78,058
Total assets	$ 109,164	$ 105,267
LIABILITIES AND NET POSITION		
Current liabilities	$ 18,392	$ 15,897
Non-current liabilities	843	895
Total liabilities	19,235	16,792
Net position		
Without donor restrictions	13,641	16,787
With donor restrictions	76,288	71,688
Total net position	89,929	88,475
Total liabilities and net position	$ 109,164	$ 105,267

	2019	**2018**
Operating revenues:		
Contributions	$ 27,309	$ 24,331
Other operating revenues	469	519
Total operating revenues	27,778	24,850
Operating expenses:		
Supplies and other services	1,848	1,697
Grants	21,221	18,145
Fundraising	4,690	4,573
Total operating expenses	27,759	24,415
Income from operations	19	435
Non-operating revenues:		
Interest and other income	1,554	1,243
Investment (loss) income	(119)	5,220
Total non-operating revenues	1,435	6,463
Excess of revenues over expenses	1,454	6,898
Net position, beginning of year	88,475	81,577
Net position, end of year	$ 89,929	$ 88,475

(in thousands of dollars, except as otherwise noted)

NOTE 16. COMMITMENTS AND CONTINGENCIES

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

2020	$	1,009
2021		762
2022		557
2023		521
2024		130
Thereafter		—
Total	$	2,979

Total expenses for rents and operating type leases were approximately $1,404 and $1,384 for 2019 and 2018, respectively.