

**AUDITED
FINANCIAL STATEMENTS**

ROSWELL PARK ALLIANCE FOUNDATION, INC.

MARCH 31, 2019

ROSWELL PARK ALLIANCE FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Roswell Park Alliance Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Roswell Park Alliance Foundation, Inc., which comprise the statement of financial position as of March 31, 2019, the related statement of activities and changes in net assets for the year ended March 31, 2019, and the statements of cash flows and functional expenses for the years ended March 31, 2019 and 2018, and the related notes to the financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roswell Park Alliance Foundation, Inc. as of March 31, 2019, and the changes in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Roswell Park Alliance Foundation, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Freed Maxick CPAs, P.C.

Buffalo, New York
August 6, 2019

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

March 31, 2019 (with Summarized Financial Information as of March 31, 2018)

ASSETS	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Current assets:				
Cash and cash equivalents	\$ 19,443,499	\$ -	\$ 19,443,499	\$ 19,705,806
Restricted cash	-	6,585,501	6,585,501	3,274,473
Pledges receivable, net	533,979	2,716,571	3,250,550	3,267,963
Bequests receivable, net	6,845	50,000	56,845	105,121
Inventory	49,642	-	49,642	138,901
Prepaid expenses	10,012	-	10,012	28,232
Due from related parties	751,390	-	751,390	716,617
Total current assets	<u>20,795,367</u>	<u>9,352,072</u>	<u>30,147,439</u>	<u>27,237,113</u>
Pledges receivable, net	1,624	3,844,409	3,846,033	3,507,167
Bequests receivable, net	-	272,680	272,680	308,627
Investments, at fair value	10,440,940	63,095,388	73,536,328	71,514,088
Split-interest agreements	-	565,845	565,845	1,894,905
Other assets	241,350	-	241,350	246,314
Due from related parties	559,040	-	559,040	559,040
Total assets	<u>\$ 32,038,321</u>	<u>\$ 77,130,394</u>	<u>\$ 109,168,715</u>	<u>\$ 105,267,254</u>
Current liabilities:				
Accounts payable and accrued liabilities	\$ 486,418	\$ -	\$ 486,418	\$ 988,746
Grants payable to related parties	15,752,651	-	15,752,651	14,429,347
Due to related parties	2,157,645	-	2,157,645	478,860
Total current liabilities	<u>18,396,714</u>	<u>-</u>	<u>18,396,714</u>	<u>15,896,953</u>
Annuities payable	-	842,573	842,573	895,350
Total liabilities	<u>18,396,714</u>	<u>842,573</u>	<u>19,239,287</u>	<u>16,792,303</u>
Net assets:				
Without donor restrictions	13,641,607	-	13,641,607	16,787,475
With donor restrictions	-	76,287,821	76,287,821	71,687,476
Total net assets	<u>13,641,607</u>	<u>76,287,821</u>	<u>89,929,428</u>	<u>88,474,951</u>
Total liabilities and net assets	<u>\$ 32,038,321</u>	<u>\$ 77,130,394</u>	<u>\$ 109,168,715</u>	<u>\$ 105,267,254</u>

See accompanying notes.

ROSWELL PARK ALLILANCE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended March 31, 2019 (with Summarized Financial Information For the Year Ended March 31, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenue and support:				
Contributions	\$ 11,168,005	\$ 16,140,537	\$ 27,308,542	\$ 24,330,679
Gift shop receipts	468,700	-	468,700	519,443
Investment income	487,047	1,067,429	1,554,476	1,243,421
Net assets released from restrictions	12,556,375	(12,556,375)	-	-
Total revenue and support	<u>24,680,127</u>	<u>4,651,591</u>	<u>29,331,718</u>	<u>26,093,543</u>
Distributions and expenses:				
Program:				
Grants to benefit Roswell Park Cancer Institute Corporation	21,220,876	-	21,220,876	18,145,283
Supporting services:				
Management and general	1,411,723	-	1,411,723	1,296,182
Fundraising	4,689,591	-	4,689,591	4,572,548
Gift shop	437,131	-	437,131	400,643
Total distributions and expenses	<u>27,759,321</u>	<u>-</u>	<u>27,759,321</u>	<u>24,414,656</u>
(Deficiency) excess of revenue and support over distributions and expenses	<u>(3,079,194)</u>	<u>4,651,591</u>	<u>1,572,397</u>	<u>1,678,887</u>
Net realized and unrealized (losses) gains on investments	(66,674)	(12,404)	(79,078)	5,018,816
Actuarial (losses) gains on annuity obligations and change in value of split interest agreements	-	(38,842)	(38,842)	200,181
(Decrease) increase in net assets	(3,145,868)	4,600,345	1,454,477	6,897,884
Net assets, beginning of year	<u>16,787,475</u>	<u>71,687,476</u>	<u>88,474,951</u>	<u>81,577,067</u>
Net assets, end of year	<u>\$ 13,641,607</u>	<u>\$ 76,287,821</u>	<u>\$ 89,929,428</u>	<u>\$ 88,474,951</u>

See accompanying notes.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,454,477	\$ 6,897,884
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,053	2,649
Provision for bad debt	30,351	45,080
Actuarial losses (gains) on annuity obligations and change in value of split-interest agreements	38,842	(200,181)
Contributions with donor restrictions	(2,852,041)	(4,077,325)
Net realized and unrealized losses (gains) on investments	79,078	(5,018,816)
(Increase) decrease in assets:		
Pledges receivable	(351,804)	(66,716)
Bequests receivable and split-interest agreements	1,405,807	515,663
Prepaid expenses	18,220	(28,232)
Inventory	89,259	(12,644)
Other assets	(2,089)	(3,493)
Due from related parties	(34,773)	(52,199)
(Decrease) increase in liabilities:		
Accounts payable and accrued liabilities	(502,328)	199,524
Grants payable to related parties	1,323,304	2,802,617
Due to related parties	1,678,785	(1,995)
Annuities payable	(84,143)	(91,826)
Net cash provided by operating activities	<u>2,297,998</u>	<u>909,990</u>
Cash flows from investing activities:		
Change in restricted cash	(3,311,028)	(483,803)
Purchases of equipment	-	(10,404)
Purchases of investments	(18,904,260)	(16,481,357)
Proceeds from sales of investments	16,802,942	13,408,005
Net cash used by investing activities	<u>(5,412,346)</u>	<u>(3,567,559)</u>
Cash flows from financing activities:		
Contributions with donor restrictions	2,852,041	4,077,325
Net cash provided by financing activities	<u>2,852,041</u>	<u>4,077,325</u>
Net (decrease) increase in cash and cash equivalents	(262,307)	1,419,756
Cash and cash equivalents - beginning of year	19,705,806	18,286,050
Cash and cash equivalents - end of year	<u>\$ 19,443,499</u>	<u>\$ 19,705,806</u>

See accompanying notes.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended March 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Gift Shop</u>	<u>Total</u>
Grants to benefit RPCIC	\$ 21,220,876	\$ -	\$ -	\$ -	\$ 21,220,876
Salaries and wages	-	578,462	1,404,570	61,997	2,045,029
Events	-	-	1,793,810	-	1,793,810
Professional fees	-	191,097	176,737	-	367,834
Merchandise	-	-	10,565	340,797	351,362
Fringe benefits	-	93,633	224,786	1,451	319,870
Printing and publications	-	-	251,913	-	251,913
Advertising and promotion	-	-	244,812	-	244,812
Bank fees	-	210,126	-	9,579	219,705
Information technology	-	176,725	11,864	2,988	191,577
Payroll taxes	-	38,881	105,698	5,544	150,123
Postage and shipping	-	2,586	126,093	-	128,679
Supplies	-	8,485	92,006	4,057	104,548
Mailhouse fees	-	-	101,413	-	101,413
Miscellaneous	-	21,354	58,737	1,281	81,372
Insurance	-	23,095	49,590	1,095	73,780
Travel and mileage	-	20,528	36,997	367	57,892
Provision for bad debt	-	29,514	-	837	30,351
Conferences, conventions & meetings	-	9,940	-	-	9,940
Dues and subscriptions	-	6,632	-	750	7,382
Depreciation	-	665	-	6,388	7,053
Totals	<u>\$ 21,220,876</u>	<u>\$ 1,411,723</u>	<u>\$ 4,689,591</u>	<u>\$ 437,131</u>	<u>\$ 27,759,321</u>

See accompanying notes.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended March 31, 2018

	Program Services	Management and General	Fundraising	Gift Shop	Total
Grants to benefit RPCIC	\$ 18,145,283	\$ -	\$ -	\$ -	\$ 18,145,283
Salaries and wages	-	504,188	1,414,339	63,836	1,982,363
Events	-	-	1,765,561	-	1,765,561
Professional fees	-	186,429	242,479	-	428,908
Merchandise	-	-	11,774	295,738	307,512
Fringe benefits	-	60,411	202,547	11,549	274,507
Printing and publications	-	-	255,966	-	255,966
Bank fees	-	198,890	-	10,049	208,939
Information technology	-	160,700	8,197	2,803	171,700
Payroll taxes	-	36,390	108,768	5,011	150,169
Advertising and promotion	-	-	144,600	-	144,600
Postage and shipping	-	2,731	115,489	-	118,220
Miscellaneous	-	36,704	75,694	931	113,329
Insurance	-	26,591	82,334	1,234	110,159
Mailhouse fees	-	-	76,592	-	76,592
Travel and mileage	-	16,890	37,738	1,593	56,221
Provision for bad debt	-	45,080	-	-	45,080
Supplies	-	4,713	30,440	5,915	41,068
Conferences, conventions & meetings	-	9,436	-	-	9,436
Dues and subscriptions	-	6,364	30	-	6,394
Depreciation	-	665	-	1,984	2,649
Totals	\$ 18,145,283	\$ 1,296,182	\$ 4,572,548	\$ 400,643	\$ 24,414,656

See accompanying notes.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Roswell Park Alliance Foundation, Inc. (the "Foundation") is a not-for-profit corporation organized to receive and administer gifts and bequests made on behalf of Roswell Park Cancer Institute Corporation ("RPCIC" or the "Institute") located in Buffalo, New York. The Institute utilizes these gifts and bequests in scientific and medical research, for the delivery of medical care to individuals suffering from cancer, and for charitable activities related thereto.

Basis of Accounting: The financial statements of the Foundation have been prepared on the accrual basis of accounting. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and support, expenses and distributions during the reporting period. Actual results could differ from those estimates. Significant estimates made by the Foundation include, but are not limited to, reserves for uncollectible pledges, actuarial valuations on annuities, present value calculations on certain long-term promises to give, and fair value of investments.

Presentation of Prior-Year Balances: The statements of financial position and statements of activities and changes in net assets include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such prior-year summarized information should be read in conjunction with the Foundation's audited financial statements for the year ended March 31, 2018, from which the summarized information was derived.

Net Asset Classifications: The Foundation records net assets and their related activity based on the restrictions placed on the use of the net assets, if any, by donors. Net assets without donor restrictions are those assets the Foundation has available to achieve its institutional purposes. Net assets with donor restrictions are those assets for which a time or purpose restriction has been placed by the donor or those assets upon which a permanent restriction has been placed by a donor. When the restrictions have been satisfied, those net assets are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restriction.

Risks and Uncertainties: Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the risks associated with investment securities and the uncertainty related to the potential change in the fair value of investment securities, it is at least reasonably possible that such risks could materially affect the net assets of the Foundation.

Cash and Cash Equivalents: The Foundation considers all highly liquid instruments, with original maturities of three months or less, and are without donor restriction to be cash equivalents. The Foundation maintains funds on deposit in excess of amounts insured by Federal Depository Insurance limits. Management believes the financial institutions holding the Foundation's deposits are financially sound and pose minimal risk.

Restricted Cash: Restricted cash includes assets set aside for time or purpose restrictions. Restricted cash consists of cash and cash equivalents, as such, they are deemed to be Level 1 securities as defined by accounting guidance.

Pledges Receivable: Pledges receivable represent unconditional promises to give. Those pledges that are expected to be collected within one year are recorded at their net realizable value, which approximates fair value. Unconditional promises to give that are to be collected in future years are recorded at fair value, which is measured as the present value of the estimated future cash flows. The discounts on those amounts are computed using risk-adjusted discount rates applicable to the date on which the promise is received. Amortization of the discount is included in contribution revenue. An allowance for uncollectible pledges receivable is recorded as deemed necessary by management based on specific facts and circumstances and historical collection patterns.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bequests Receivable: Bequests receivable represent amounts due to the Foundation as the result of the Foundation being named in a will or estate. The receivable and corresponding contribution revenue are recorded upon death of the individual, when the amount due to the Foundation is determinable and legally enforceable.

Inventory: Inventories consist primarily of resale items for the Foundation's gift shop, which are recorded at the lower of cost or net realizable value.

Investments: All investments are reported at fair value in the statements of financial position. Investments in marketable securities are recorded at fair value based on exchange or third-party quoted market prices. Fair values for certain investments held in alternative structures, such as venture capital/private equities and hedge funds, are estimated using current information obtained from the general partner or investment manager for the respective funds. These estimated fair values may differ significantly from the values that would have been used had a readily and regularly available market for these securities existed. Investment income, including interest and dividend income, is recognized when it is earned. Realized and unrealized gains and losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is temporarily or permanently restricted by donor stipulation or by law.

Split-Interest Agreements: The Foundation is a beneficiary of various trust agreements. The Foundation's beneficial interest is measured on the date of donation at the present value of the expected future cash flows and is reported as an increase to net assets with donor restrictions. The following assumptions were utilized in the present value calculations: Mortality Table – RP-2000 Mortality Table for Male and Female annuitants with projected mortality improvement using scale AA, specifically as outlined in IRC regulation 1.430(h)(3)-1 for 2019 valuations. The static mortality tables are projected from the base table from 2000 through 2019 with further projection to reflect the approximate expected duration of liabilities, namely seven years for annuitants; discount rate – 5.00% in 2019 and 2018; long-term rate of return on assets – 5.50% to 7.00% in 2019 and 2018. Actuarial (losses) gains and changes in the value of split-interest agreements totaled (\$7,476) and \$240,969 for the years ended March 31, 2019 and 2018, respectively. For the year ended March 31, 2019, split-interest agreements amounting to \$1,321,584 were settled and paid to the Foundation (\$0 - 2018).

Other Assets: Other assets include immaterial balances of capital assets, cash surrender value of life insurance, and receivables from employees for purchases made at the Foundation's gift shop.

Annuities Payable: Annuities are gifts made by donors in which the donor receives an annual interest payment for life. Annuities payable are an actuarially determined liability for the present value of the interest payment. The gift is recorded as of the date of receipt and is reported as an increase to net assets with donor restrictions. The amount in excess of the present value of the liability is recorded as a contribution in the year the gift is received. The annuities are discounted at rates ranging from 5.25% to 6.50% for the years ended March 31, 2019 and 2018. Actuarial losses on annuities totaled \$31,366 and \$40,788 for the years ended March 31, 2019 and 2018, respectively.

Contribution Revenue Recognition: The Foundation's revenue is principally derived from contributions from foundations and other private institutions and individuals. These contributions consist of cash and investments with readily determinable fair values, and gifts-in-kind.

All contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as an increase to net assets with donor restrictions on the statements of activities and changes in net assets. When a restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Gifts-in-kind and donations other than cash are recorded at fair value on the date of donation. For the years ended March 31, 2019 and 2018, gifts-in-kind amounted to \$482,052 and \$781,907, respectively.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses: Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for overall support and direction of the Foundation. Fundraising expenses consist of the cost of personnel, printing, postage and all direct and indirect costs incurred in the solicitation of contributions. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Foundation generally does not conduct its fundraising activities in conjunction with its other activities. Additionally, advertising costs are expensed as incurred and totaled \$244,812 and \$144,600 for the years ended March 31, 2019 and 2018, respectively.

Recently Issued Accounting Pronouncements:

In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. The update also clarifies how to determine if a contribution is conditional. The ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Foundation is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

Change in Accounting Principle: The Foundation implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

1. The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
2. The unrestricted net asset class has been renamed net assets without donor restrictions.
3. The financial statements include statements of functional expenses.
4. The financial statements include a disclosure about liquidity and availability of resources (Note 2).

The changes have the following effect on net assets at March 31, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 16,787,475	\$ -
Temporarily restricted net assets	28,464,225	-
Permanently restricted net assets	43,223,251	-
Net assets without donor restrictions	-	16,787,475
Net assets with donor restrictions	-	<u>71,687,476</u>
	<u>\$ 88,474,951</u>	<u>\$ 88,474,951</u>

Income Taxes: The Foundation is a not-for-profit organization exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

Where applicable, the Foundation evaluates uncertain tax positions in accordance with U.S. GAAP. At March 31, 2019 and 2018, the Foundation identified no uncertain tax positions.

Reclassifications: Certain reclassifications have been made to amounts in the 2018 financial statements to conform to the 2019 presentation.

Subsequent Events: These financial statements have not been updated for subsequent events occurring after August 6, 2019, which is the date these financial statements were available to be issued.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of March 31, 2019 are:

Financial Assets:	
Cash and cash equivalents	\$ 26,029,000
Pledges receivable, net	7,096,583
Bequests receivable, net	329,525
Due from related parties	1,310,430
Investments	73,536,328
Split-interest agreements	565,845
Other financial assets	<u>239,487</u>
Total financial assets	<u>109,107,198</u>
Less amounts not available to be used within one year:	
Total assets with donor restrictions	77,130,394
Long-term pledges receivable, net - without donor restrictions	1,624
Due from related parties	559,040
Other financial assets	<u>239,487</u>
Total amounts not available to be used within one year	<u>77,930,545</u>
Financial assets available to meet general expenditures within one year	\$ <u>31,176,653</u>

The table above reflects the Foundation's financial assets as of March 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year. The assets with donor restrictions consist of assets restricted by donors for time or purpose, as well as donor-restricted endowments. Income from these donor-restricted endowments is restricted for specific purposes. The principal of donor-restricted endowment funds are not available for general expenditure.

Excess cash is invested in accordance with the board approved investment policy. In the event of an immediate need to liquidate financial assets in order to settle financial liabilities, the governing board may draw upon the investment portfolio to satisfy these needs. As of March 31, 2019, there were investments, at fair value amounting to \$10,440,940 without donor restrictions included on the statements of financial position (\$10,917,159 - 2018). Due diligence is performed before any withdrawal to ensure the Foundation has enough funds to cover the current balance of donor restricted net assets.

The Foundation has a goal to maintain net assets without donor restrictions on hand to meet 12 months of management and general, and fundraising expenses, which are, on average, approximately \$5,985,000. As of March 31, 2019, the Foundation has committed to pay \$15,752,651 in grants to a related party and are included on the statements of financial position (\$14,429,347 - 2018).

NOTE 3. FAIR VALUE MEASUREMENT

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. An asset or a liability's categorization within the fair value hierarchy is based on the lowest level of judgment input to its valuation. Hierarchical levels, defined by U.S. GAAP, are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities as follows:

- Level I: Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation 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, as well as debt and equity securities that are traded in active exchange markets.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENT (CONTINUED)

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

The following table presents 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.

At March 31, 2019	Quoted Prices in Active Markets Level I	Significant Other Observable Inputs Level II	Significant Unobservable Inputs Level III	Total
Investments at fair value:				
Cash and cash equivalents	\$ 1,687,193	\$ -	\$ -	\$ 1,687,193
Mutual funds:				
Equity	5,597,245	-	-	5,597,245
Fixed income	11,208,085	-	-	11,208,085
International	<u>3,232,351</u>	-	-	<u>3,232,351</u>
Subtotal	<u>\$ 21,724,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>21,724,874</u>
Investments measured at net asset value:				
Index funds				1,402,615
Commingled funds				32,842,267
Hedge funds				8,794,092
Private equity funds				5,939,194
Real estate				<u>2,833,286</u>
Total investments measured at net asset value				<u>51,811,454</u>
Total investments				<u>\$ 73,536,328</u>

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENT (CONTINUED)

At March 31, 2018	<u>Quoted Prices in Active Markets Level I</u>	<u>Significant Other Observable Inputs Level II</u>	<u>Significant Unobservable Inputs Level III</u>	<u>Total</u>
Investments at fair value:				
Cash and cash equivalents	\$ 6,615,111	\$ -	\$ -	\$ 6,615,111
Mutual funds:				
Equity	5,344,369	-	-	5,344,369
Fixed income	6,330,612	-	-	6,330,612
International	<u>4,753,771</u>	<u>-</u>	<u>-</u>	<u>4,753,771</u>
Subtotal	<u>\$ 23,043,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>23,043,863</u>
Investments measured at net asset value:				
Index funds				2,543,319
Commingled funds				30,975,711
Hedge funds				7,470,723
Private equity funds				4,409,972
Real estate				<u>3,070,500</u>
Total investments measured at net asset value				<u>48,470,225</u>
Total investments				<u>\$ 71,514,088</u>

Certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the statements of financial position.

The following information pertains to those alternative investments recorded at net asset value in accordance with U.S. GAAP relating to such investments.

	<u>3/31/2019 Fair Value</u>	<u>3/31/2018 Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>	<u>Investment Strategies of the Investees</u>
Index funds	\$ 1,402,615	\$ 2,543,319	Not applicable	Daily	Daily	(a)
Commingled funds	32,842,267	30,975,711	Not applicable	Primarily monthly Subscriptions and Redemptions, shares are redeemable for certain funds on March 31, 2021.	6, 10, 15, 30, 45, 90, or 180 business days written notice, prior to the end of the month for certain securities.	(b)
Hedge funds	8,794,092	7,470,723	Not applicable	Shares are redeemable for certain funds on December 31, 2019, March 21, 2020 and March 31, 2021	60, 75 or 90 days written notice	(c)

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENT (CONTINUED)

	<u>3/31/2019</u> Fair Value	<u>3/31/2018</u> Fair Value	<u>Unfunded</u> <u>Commitment</u>	<u>Redemption</u> <u>Frequency</u> <u>(If Currently</u> <u>Eligible)</u>	<u>Redemption</u> <u>Notice</u> <u>Period</u>	<u>Investment</u> <u>Strategies</u> <u>of the</u> <u>Investees</u>
Private equity funds	5,939,194	4,409,972	\$9,322,705	Not currently eligible	Not currently eligible	(d)
Real estate	<u>2,833,286</u>	<u>3,070,500</u>	\$2,503,112	Not currently eligible	Not currently eligible	(e)
Total	<u>\$51,811,454</u>	<u>\$ 48,470,225</u>				

- (a) This category includes funds that are invested in equity securities that attempt to closely mirror the returns of certain benchmark indices. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the fund managers.
- (b) This category includes investments in common commingled trust funds and includes investments primarily in open-ended funds that invest in equity securities, floating rate debt, and local currency debt instruments. The fair values of the investments in this category have been estimated using the net asset value per share of the investments as provided by the fund managers.
- (c) This category includes investments in hedge funds that employ "fund of funds" or event-driven credit investment strategies. The fair values of the investments in this category have been estimated using the net asset value per share of the investments as provided by the fund managers. Fund management invests in various long/short positions and distressed credit and event-driven investments using a legal-activist approach.
- (d) This category includes investments in private equity funds. The fair values of the investments in this category have been estimated using the net asset value per share of the investments as provided by the fund managers. One of the funds invest in securities of companies undergoing financial distress, operating difficulties and/or restructuring, and will make direct investments in such organizations in an amount not to exceed certain limits. Another fund participates in less liquid and/or longer-duration distressed securities and other financial instruments. Two funds invest in special situations, middle-market, mature, later-stage, turnaround, industry consolidations, and bridge investments. Another fund concentrates on acquiring underwriting-oriented interests (earlier vintages with relatively mature holdings) in private equity funds from existing investors seeking liquidity before the contractual end of their investment term. The strategy of two of the funds is to invest in small-cap oil and gas companies in North America. Another fund participates in all of a certain internet company's post-seed investments in a 1:4 ratio. This company starts and builds internet companies outside of the US and China by inserting proven business models from developed markets into emerging markets. Another fund is a large cap buyout fund with a value-enhancing operating model that revolves around EBITDA growth as a result of operational improvements. The final fund pursues a buy and build strategy, acquiring majority equity stakes in lower middle-market platform portfolio companies.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENT (CONTINUED)

(e) This category includes investments in real estate funds and portfolios. The fair values of the investments in this category have been estimated using the net asset value per share of the investments as provided by the fund managers. One of the funds look to invest with, on average, nine to twelve separate fund managers having both operational and asset-level expertise. Another fund aims to invest in non-performing whole loans and seeks to generate returns by adding value through non-foreclosure resolutions such as mortgage modifications, shorts sales and refinancing. Another fund seeks to create value by identifying and capitalizing on real estate market inefficiencies that cause a value creation opportunity to exist independently from overall market growth. The strategy of another fund is predicated on capitalizing on transitional value-added and opportunistic investments resulting from market, management and pricing dislocations and inefficiencies. The final fund invests in b-pieces in commercial-mortgage-backed securities.

NOTE 4. PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give at March 31:

	<u>2019</u>	<u>2018</u>
Amounts due:		
In less than one year	\$ 3,506,629	\$ 3,496,496
One to five years	3,705,148	3,472,719
Six to ten years	284,600	209,600
More than ten years	<u>219,571</u>	<u>221,770</u>
	7,715,948	7,400,585
Less: Unamortized discount	601,908	580,923
Less: Allowance for doubtful pledges	<u>17,457</u>	<u>44,532</u>
Present value of pledges receivable	<u>\$ 7,096,583</u>	<u>\$ 6,775,130</u>

Long-term pledges receivable are discounted at a rate of 5% at March 31, 2019 and 2018.

NOTE 5. NET ASSETS

Net assets without donor restrictions consist primarily of cash and investments which include unrealized holding gains and losses. These net assets are available for use in the general fulfillment of the Foundation's mission.

Net assets with donor restrictions represent contributions which are restricted by the donor for the conduct of specified cancer research, specific projects or departments at the Institute, for various construction projects on the RPCIC campus, or time, or donor-restricted endowments maintained in perpetuity as investment principal. Investment earnings and gains and losses restricted by the donor are classified based strictly on donor intent. Net assets with donor restrictions amounted to \$76,287,821 at March 31, 2019 (\$71,687,476 - 2018). Proceeds from these contributions are included in the statements of financial position under the captions of restricted cash, pledges receivable, and investments.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN

The Foundation provides retirement benefits for all eligible employees through a contributory 403(b) defined contribution plan. Contribution expense was \$89,410 and \$80,487 for the years ended March 31, 2019 and 2018, respectively.

NOTE 7. ENDOWMENTS

The Foundation's endowment consists of approximately 135 individual donor restricted funds established for a variety of cancer research and treatment related purposes. All of the Foundation's endowments are donor restricted. The Foundation has interpreted the New York State Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor instructions to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

The Foundation has as its long-term investment objectives 1) to create a stream of investment returns which appropriately considers the present and future cash needs of the Foundation and 2) to maintain the purchasing power of the portfolio. The restricted net asset spending policy is to adhere to donor restrictions.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Foundation to retain as a fund of perpetual duration. Four donor restricted perpetual endowment funds currently have a value of \$130,689, which is less than the amount of the original gifts of \$131,485. These deficiencies totaling \$796 for the year ended March 31, 2019 (\$23,857 - 2018) resulted from unfavorable market fluctuations that occurred after the donors' initial contributions.

The Foundation has adopted investment and spending policies for endowment assets that attempt to preserve the real purchasing power of the asset principal and provide a stable source of perpetual financial support to the Fund beneficiaries in accordance with the Foundation's Spending Policy. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to emphasize total return. The Foundation expects its endowment funds, over time, to provide an average rate of return that equals or exceeds increases in the Consumer Price Index ("CPI") plus five percent. Actual returns in any given year may vary from this amount.

Under the Foundation's spending policy, up to 5% may be utilized from restricted funds at the discretion of the investment committee of the board of directors. While this utilization is expected to be derived primarily from accumulated earnings, if deemed prudent by management and upon obtaining donor consent (as applicable), this amount may be utilized from restricted funds themselves.

All endowments held by the Foundation are restricted by donors. All earnings on restricted endowment net assets are recorded as net assets with donor restrictions until such time as the funds are expended or appropriated for expenditure by the board of directors. Donor restricted pledges receivable and bequests receivable outstanding at March 31, 2019 amounted to \$453,176 and \$322,680, respectively, and are excluded from the endowment net asset schedule below as payment has not been rendered (\$543,315 and \$358,627 - 2018).

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. ENDOWMENTS (CONTINUED)

The following is a summary of changes in the Foundation's endowment net assets for the year ended March 31, 2019:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (23,857)	\$ 52,028,479	\$ 52,004,622
Investment return:			
Investment income	-	997,061	997,061
Net realized and unrealized gains (losses) on endowment funds	<u>23,857</u>	<u>(54,916)</u>	<u>(31,059)</u>
Total investment return	23,857	942,145	966,002
Contributions	-	2,942,180	2,942,180
Appropriations for expenditure	<u>-</u>	<u>(1,756,631)</u>	<u>(1,756,631)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 54,156,173</u>	<u>\$ 54,156,173</u>

The following is a summary of changes in the Foundation's endowment net assets for the year ended March 31, 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 45,464,047	\$ 45,464,047
Investment return:			
Investment income	-	822,191	822,191
Net realized and unrealized (losses) gains on endowment funds	<u>(23,857)</u>	<u>3,544,779</u>	<u>3,520,922</u>
Total investment return	(23,857)	4,366,970	4,343,113
Contributions	-	3,818,480	3,818,480
Appropriations for expenditure	<u>-</u>	<u>(1,621,018)</u>	<u>(1,621,018)</u>
Endowment net assets, end of year	<u>\$ (23,857)</u>	<u>\$ 52,028,479</u>	<u>\$ 52,004,622</u>

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. COMMITMENTS

The Foundation has invested in certain alternative-type investments consisting of holdings in certain private equity funds and hedge and real estate funds, as further discussed in Note 3.

<u>Commitment Date</u>	<u>Commitment Amount</u>	<u>Fund Type</u>	<u>Amount Invested</u>	<u>Remaining Commitment</u>
Fiscal year 2008	\$ 1,000,000	Private Equity	\$ 970,000	\$ 30,000
Fiscal year 2011	2,000,000	Real Estate	1,860,000	140,000
Fiscal year 2014	1,500,000	Private Equity	1,110,000	390,000
Fiscal year 2014	1,000,000	Private Equity	673,000	327,000
Fiscal year 2015	1,000,000	Real Estate	548,000	452,000
Fiscal year 2017	2,000,000	Real Estate	160,000	1,840,000
Fiscal year 2017	2,000,000	Private Equity	900,000	1,100,000
Fiscal year 2017	1,000,000	Private Equity	810,000	190,000
Fiscal year 2017	1,500,000	Private Equity	748,000	752,000
Fiscal year 2017	2,000,000	Private Equity	553,000	1,447,000
Fiscal year 2018	2,000,000	Private Equity	652,000	1,348,000
Fiscal year 2018	1,000,000	Private Equity	209,000	791,000
Fiscal year 2018	1,000,000	Private Equity	83,000	917,000
Fiscal year 2019	<u>1,000,000</u>	Real Estate	<u>159,000</u>	<u>841,000</u>
	\$ <u>20,000,000</u>		\$ <u>9,435,000</u>	\$ <u>10,565,000</u>

The remainder of these commitments are expected to be funded out of the Foundation's other cash and cash equivalents and other investment holdings in the future.

NOTE 9. RELATED PARTY TRANSACTIONS

Transactions with Roswell Park Cancer Institute Corporation

As discussed in Note 1, the Foundation is organized to receive and administer gifts and bequests made on behalf of RPCIC. The Foundation provides grants to benefit RPCIC, which consist of monies expended or capital items donated for use in scientific and medical research, for the delivery of medical care to individuals suffering from cancer, for various construction projects undertaken by RPCIC and for charitable activities related thereto. As of March 31, 2019 and 2018, not all of the grants approved for distribution for those years were expended. Accordingly, a liability for grants payable has been reflected in the Foundation's statements of financial position for the remaining balance due to be paid as of March 31, 2019 and 2018, respectively. For the years ended March 31, 2019 and 2018, the liability for grants payable amounted to \$15,752,651 and \$14,429,347, respectively. Additionally, at March 31, 2019 and 2018, a total of \$1,301,377 and \$0, respectively, was owed by the Foundation to RPCIC for projects financed by restricted contributions and certain operating costs incurred to be reimbursed by the Foundation pursuant to an agreement.

At March 31, 2019 and 2018, RPCIC was indebted to the Foundation in the amount of \$751,390 and \$716,617, respectively, relating to the recovery of certain management and general expenses pursuant to an agreement between the Foundation and RPCIC. Furthermore, certain expenses are incurred by RPCIC on behalf of the Foundation and are not sought by RPCIC in the ordinary course of business. These expenses include certain items such as rent and maintenance, administrative support and other related services.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with Health Research, Inc.

Health Research, Inc. ("HRI") is a not-for-profit corporation chartered under the laws of NYS in 1953 primarily to administer gifts or grants in keeping with the research, prevention, and treatment purposes of the New York State Department of Health ("NYSDOH"). HRI administers projects conducted at RPCIC financed by grants and restricted contributions provided by the Foundation.

At March 31, 2019 and 2018, the Foundation was indebted to HRI in the amount of \$1,234,720 and \$889,677, respectively. Of the amount owed to HRI by the Foundation, at March 31, 2019 and 2018, approximately \$378,452 and \$410,817, respectively, represents grant monies which are included in grants payable to related parties in the accompanying statements of financial position. At March 31, 2019 and 2018, the remaining \$856,268 and \$478,860, respectively, represents payment for projects financed by restricted contributions and certain management and general expenses pursuant to an agreement between the Foundation and HRI is included in due to related parties in the accompanying statements of financial position.

HRI is indebted to the Foundation in the amount of \$559,040 for the years ended March 31, 2019 and 2018. This amount represents a prepayment by the Foundation to HRI of grant and restricted contribution expenses incurred during the first month HRI administered projects financed by the Foundation. These funds are retained by HRI in the ordinary course of business in order to provide HRI with the necessary cash flow to administer the projects. These amounts are included in due from related parties in the accompanying statements of financial position.