

**AUDITED
FINANCIAL STATEMENTS**

ROSWELL PARK ALLIANCE FOUNDATION, INC.

MARCH 31, 2018

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 statements of financial position as of March 31, 2018, and the related statement of activities and changes in net assets, and cash flows for the year then ended, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 16 - 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Freed Maxick CPAs, P.C.

Buffalo, New York
August 7, 2018

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

March 31, 2018 with Summarized Financial Information as of March 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 19,705,806	\$ -	\$ -	\$ 19,705,806	\$ 18,286,050
Restricted cash	-	1,873,274	1,401,199	3,274,473	2,790,670
Pledges receivable, net	312,938	2,705,982	249,043	3,267,963	4,491,840
Bequests receivable, net	55,121	-	50,000	105,121	430,548
Inventory	138,901	-	-	138,901	126,257
Prepaid expenses	28,232	-	-	28,232	-
Due from related parties	716,557	-	-	716,557	664,358
Total current assets	<u>20,957,555</u>	<u>4,579,256</u>	<u>1,700,242</u>	<u>27,237,053</u>	<u>26,789,723</u>
Pledges receivable, net	4,300	3,208,595	294,272	3,507,167	2,261,654
Bequests receivable, net	-	-	308,627	308,627	498,863
Investments, at fair value	10,917,159	19,676,819	40,920,110	71,514,088	63,421,920
Split-interest agreements	-	1,894,905	-	1,894,905	1,653,936
Other assets	246,314	-	-	246,314	235,066
Due from related parties	559,040	-	-	559,040	559,040
Total assets	<u>\$ 32,684,368</u>	<u>\$ 29,359,575</u>	<u>\$ 43,223,251</u>	<u>\$ 105,267,194</u>	<u>\$ 95,420,202</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 988,686	\$ -	\$ -	\$ 988,686	\$ 789,162
Grants payable to related parties	14,429,347	-	-	14,429,347	11,626,730
Due to related parties	478,860	-	-	478,860	480,855
Total current liabilities	<u>15,896,893</u>	<u>-</u>	<u>-</u>	<u>15,896,893</u>	<u>12,896,747</u>
Annuities payable	-	895,350	-	895,350	946,388
Total liabilities	<u>15,896,893</u>	<u>895,350</u>	<u>-</u>	<u>16,792,243</u>	<u>13,843,135</u>
Net assets:					
Unrestricted	16,787,475	-	-	16,787,475	15,274,746
Temporarily restricted	-	28,464,225	-	28,464,225	27,122,159
Permanently restricted	-	-	43,223,251	43,223,251	39,180,162
Total net assets	<u>16,787,475</u>	<u>28,464,225</u>	<u>43,223,251</u>	<u>88,474,951</u>	<u>81,577,067</u>
Total liabilities and net assets	<u>\$ 32,684,368</u>	<u>\$ 29,359,575</u>	<u>\$ 43,223,251</u>	<u>\$ 105,267,194</u>	<u>\$ 95,420,202</u>

See accompanying notes.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended March 31, 2018 with Summarized Financial Information For the Year Ended March 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenue and support:					
Contributions	\$ 12,469,668	\$ 7,817,922	\$ 4,043,089	\$ 24,330,679	\$ 23,036,775
Gift shop receipts	519,443	-	-	519,443	569,901
Investment income	364,498	878,923	-	1,243,421	972,361
Net assets released from restrictions	11,275,734	(11,275,734)	-	-	-
Total revenue and support	<u>24,629,343</u>	<u>(2,578,889)</u>	<u>4,043,089</u>	<u>26,093,543</u>	<u>24,579,037</u>
Distributions and expenses:					
Program:					
Grants to benefit Roswell Park Cancer Institute Corporation	18,145,283	-	-	18,145,283	15,531,756
Supporting services:					
Management and general	1,296,182	-	-	1,296,182	1,282,105
Fundraising	4,572,548	-	-	4,572,548	4,359,004
Gift shop	400,643	-	-	400,643	407,291
Total distributions and expenses	<u>24,414,656</u>	<u>-</u>	<u>-</u>	<u>24,414,656</u>	<u>21,580,156</u>
Excess (deficiency) of revenue and support over distributions and expenses	214,687	(2,578,889)	4,043,089	1,678,887	2,998,881
Net realized and unrealized gains on investments	1,298,042	3,720,774	-	5,018,816	6,522,348
Actuarial gains on annuity obligations and change in value of split interest agreements	-	200,181	-	200,181	130,741
Increase in net assets	1,512,729	1,342,066	4,043,089	6,897,884	9,651,970
Net assets, beginning of year	<u>15,274,746</u>	<u>27,122,159</u>	<u>39,180,162</u>	<u>81,577,067</u>	<u>71,925,097</u>
Net assets, end of year	<u>\$ 16,787,475</u>	<u>\$ 28,464,225</u>	<u>\$ 43,223,251</u>	<u>\$ 88,474,951</u>	<u>\$ 81,577,067</u>

See accompanying notes.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,897,884	\$ 9,651,970
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,649	1,457
Provision for bad debt	45,080	46,229
Actuarial gains on annuity obligations and change in value of split-interest agreements	(200,181)	(130,741)
Permanently restricted contributions	(4,077,325)	(1,356,593)
Net realized and unrealized gains on investments	(5,018,816)	(6,522,348)
(Increase) decrease in assets:		
Pledges receivable	28,232	-
Bequests receivable and split interest agreements	(66,716)	23,174
Prepaid expenses	515,663	(389,161)
Inventory	(12,644)	(19,545)
Other assets	(31,725)	8,953
Due from related parties	(52,199)	(19,693)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	199,524	338,872
Grants payable to related parties	2,802,617	425,467
Due to related parties	(1,995)	(2,548,929)
Annuities payable	(91,826)	76,051
Net cash provided (used) by operating activities	<u>909,990</u>	<u>(414,837)</u>
Cash flows from investing activities:		
Change in restricted cash	(483,803)	(99,551)
Purchases of equipment	(10,404)	(1,997)
Purchases of investments	(16,481,357)	(9,786,456)
Proceeds from sales of investments	13,408,005	9,004,026
Net cash used by investing activities	<u>(3,567,559)</u>	<u>(883,978)</u>
Cash flows from financing activities:		
Permanently restricted contributions	4,077,325	1,356,593
Net cash provided by financing activities	<u>4,077,325</u>	<u>1,356,593</u>
Net increase in cash and cash equivalents	1,419,756	57,778
Cash and cash equivalents - beginning of year	18,286,050	18,228,272
Cash and cash equivalents - end of year	<u>\$ 19,705,806</u>	<u>\$ 18,286,050</u>

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, 2017, 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. Unrestricted net assets are those assets the Foundation has available to achieve its institutional purposes. Temporarily restricted net assets are those assets for which a time or purpose restriction has been placed by the donor. When the restrictions have been satisfied, those net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Permanently restricted net assets are those assets upon which a permanent restriction has been placed by a donor.

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 unrestricted to be cash equivalents. The Foundation maintains funds on deposit in excess of amounts insured by Federal Depository Insurance limits.

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.

Investments: All investments are reported at fair value in the statement 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 of 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 statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulation or by law.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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.

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 temporarily restricted net assets. 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 2018 valuations. The static mortality tables are projected from the base table from 2000 through 2018 with further projection to reflect the approximate expected duration of liabilities, namely seven years for annuitants; discount rate – 5.00% in 2018 and 2017; long-term rate of return on assets – 5.50% to 7.00% in 2018 and 2017. Actuarial gains and changes in the value of split-interest agreements totaled \$240,969 and 138,698 for the years ended March 31, 2018 and 2017, respectively.

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 temporarily restricted net assets. 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 year ended March 31, 2018 and 5.25% to 7.00% for the year ended March 31, 2017. Actuarial losses on annuities totaled \$40,788 and \$7,957 for the years ended March 31, 2018 and 2017, 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 temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities 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, 2018 and 2017, gifts-in-kind amounted to \$781,907 and \$1,068,257, respectively.

Functional Allocation of Expenses: The direct costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

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, 2018 and 2017, the Foundation identified no uncertain tax positions.

Fundraising: Fundraising expenditures consist of the cost of personnel, occupancy, printing, postage, and all direct and indirect costs incurred in the solicitation of contributions.

Subsequent Events: These financial statements have not been updated for subsequent events occurring after August 7, 2018, which is the date these financial statements were available to be issued.

NOTE 2. 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.
- 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.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents information about assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2018 and 2017, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

At March 31, 2018	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	\$ 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>

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. FAIR VALUE MEASUREMENT (CONTINUED)

At March 31, 2017	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	\$ 442,027	\$ -	\$ -	\$ 442,027
Mutual funds:				
Equity	4,017,636	-	-	4,017,636
Fixed income	6,236,962	-	-	6,236,962
International	2,326,930	-	-	2,326,930
Subtotal	<u>13,023,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>13,023,555</u>
Investments measured at net asset value:				
Index funds				7,503,280
Commingled funds				28,471,380
Hedge funds				8,412,002
Private equity funds				2,982,368
Real estate				<u>3,029,335</u>
Total investments measured at net asset value				<u>50,398,365</u>
Total investments				<u>\$ 63,421,920</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 statement 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.

	3/31/2018 Fair Value	3/31/2017 Fair Value	Unfunded Commitment	Redemption Frequency (If Currently Eligible)	Redemption Notice Period	Investment Strategies of the Investees
Index Funds	\$ 2,543,319	\$ 7,503,280	Not applicable	Daily	Daily	(a)
Commingled Funds	30,975,711	28,471,380	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)

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. FAIR VALUE MEASUREMENT (CONTINUED)

	<u>3/31/2018</u> Fair Value	<u>3/31/2017</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>
Hedge Funds	7,470,723	8,412,002	Not applicable	Shares are redeemable for certain funds on December 31, 2018	65, 75 or 95 days written notice	(c)
Private Equity Funds	4,409,972	2,982,368	\$ 9,322,705	Not currently eligible	Not currently eligible	(d)
Real Estate	<u>3,070,500</u>	<u>3,029,335</u>	\$ 2,503,112	Not currently eligible	Not currently eligible	(e)
Total	<u>\$ 48,470,225</u>	<u>\$ 50,398,365</u>				

- (a) This category includes investments primarily in open ended funds that invest in equity securities, high yield bonds, 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.
- (b) This category includes investments in common commingled trust 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. The funds are invested in equity securities that attempt to closely mirror the returns of certain benchmark indices.
- (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 in less liquid and/or longer-duration distressed securities and other financial instruments. A third fund invests 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 another fund 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 4:1 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 2. 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.

NOTE 3. PLEDGES RECEIVABLE

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

	<u>2018</u>	<u>2017</u>
Amounts due:		
In less than one year	\$ 3,496,496	\$ 4,667,479
One to five years	3,472,719	2,108,176
Six to ten years	209,600	300,000
More than ten years	<u>221,770</u>	<u>150,000</u>
	7,400,585	7,225,655
Less: Unamortized discount	580,923	441,703
Less: Allowance for doubtful pledges	<u>44,532</u>	<u>30,458</u>
Present value of pledges receivable	<u>\$ 6,775,130</u>	<u>\$ 6,753,494</u>

Long-term pledges receivable are discounted at a rate of 5% at March 31, 2018 and 2017.

NOTE 4. NET ASSETS

Unrestricted net assets 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.

Temporarily restricted net assets 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.

Permanently restricted net assets are comprised of 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.

NOTE 5. RETIREMENT PLAN

The Foundation provides retirement benefits for all eligible employees through a contributory 403(b) defined contribution plan. Contribution expense was \$80,487 and \$79,414 for the years ended March 31, 2018 and 2017, respectively.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. ENDOWMENTS

The Foundation's endowment consists of approximately 124 individual permanent and temporarily 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 permanently restricted net assets (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. There was a deficiency of this nature that amounted to \$23,857 for the year ended March 31, 2018 (\$0 - 2017). The deficiency is reported as a reduction in unrestricted net assets, with a corresponding inter-fund asset and liability recorded within permanently restricted and unrestricted funds, respectively.

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 permanently restricted. All earnings on permanently restricted endowment net assets are recorded as temporarily restricted until such time as the funds are expended or appropriated for expenditure by the board of directors. Permanently restricted pledges receivable and bequests receivable outstanding at March 31, 2018 amounted to \$543,315 and \$358,627, respectively, and are excluded from the endowment net asset schedule below as payment has not been rendered (\$284,470 and \$392,863 - 2017).

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 6,961,218	\$ 38,502,829	\$ 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>-</u>	<u>3,520,922</u>
Total investment return	<u>(23,857)</u>	<u>4,366,970</u>	<u>-</u>	<u>4,343,113</u>
Contributions	-	-	3,818,480	3,818,480
Appropriations for expenditure	<u>-</u>	<u>(1,621,018)</u>	<u>-</u>	<u>(1,621,018)</u>
Endowment net assets, end of year	<u>\$ (23,857)</u>	<u>\$ 9,707,170</u>	<u>\$ 42,321,309</u>	<u>\$ 52,004,622</u>

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. ENDOWMENTS (CONTINUED)

The following is a summary of changes in the Foundation's endowment net assets for the year ended March 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (79,574)	\$ 3,213,986	\$ 37,090,088	\$ 40,224,500
Investment return:				
Investment income	-	632,853	-	632,853
Net realized and unrealized gains on endowment funds	<u>79,574</u>	<u>4,516,135</u>	<u>-</u>	<u>4,595,709</u>
Total investment return	79,574	5,148,988	-	5,228,562
Contributions	-	-	1,412,741	1,412,741
Appropriations for expenditure	<u>-</u>	<u>(1,401,756)</u>	<u>-</u>	<u>(1,401,756)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 6,961,218</u>	<u>\$ 38,502,829</u>	<u>\$ 45,464,047</u>

NOTE 7. 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 2.

<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	822,000	178,000
Fiscal year 2015	1,000,000	Real Estate	537,000	463,000
Fiscal year 2017	2,000,000	Real Estate	100,000	1,900,000
Fiscal year 2017	2,000,000	Private Equity	300,000	1,700,000
Fiscal year 2017	1,000,000	Private Equity	644,000	356,000
Fiscal year 2017	1,500,000	Private Equity	527,000	973,000
Fiscal year 2017	2,000,000	Private Equity	200,000	1,800,000
Fiscal year 2018	2,000,000	Private Equity	104,000	1,896,000
Fiscal year 2018	1,000,000	Private Equity	-	1,000,000
Fiscal year 2018	<u>1,000,000</u>	Private Equity	<u>-</u>	<u>1,000,000</u>
	<u>\$ 19,000,000</u>		<u>\$ 7,174,000</u>	<u>\$11,826,000</u>

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

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. 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, 2018 and 2017, 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, 2018 and 2017, respectively. For the years ended March 31, 2018 and 2017, the liability for grants payable amounted to \$14,429,347 and \$11,626,730, respectively.

At March 31, 2018 and 2017, RPCIC was indebted to the Foundation in the amount of \$716,617 and \$664,458, 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.

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, 2018 and 2017, the Foundation was indebted to HRI in the amount of \$889,677 and \$1,000,016, respectively. Of the amount owed to HRI by the Foundation, at March 31, 2018 and 2017, approximately \$410,817 and \$519,161, respectively, represents grant monies which are included in grants payable to related parties in the accompanying statement of financial position. At March 31, 2018 and 2017, the remaining \$478,860 and \$480,855, 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 statement of financial position.

HRI is indebted to the Foundation in the amount of \$559,040 for the years ended March 31, 2018 and 2017. 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 statement of financial position.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Gift Shop</u>	<u>Total</u>
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	-	168,897
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	2,803	9,197
Depreciation	-	665	-	1,984	2,649
Totals	<u>\$ 18,145,283</u>	<u>\$ 1,296,182</u>	<u>\$ 4,572,548</u>	<u>\$ 400,643</u>	<u>\$ 24,414,656</u>

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Gift Shop</u>	<u>Total</u>
Grants to benefit RPCIC	\$ 15,531,756	\$ -	\$ -	\$ -	\$ 15,531,756
Salaries and wages	-	563,659	1,447,018	60,513	2,071,190
Events	-	-	1,841,820	-	1,841,820
Merchandise	-	-	9,860	314,737	324,597
Fringe benefits	-	88,042	218,094	9,106	315,242
Printing and publications	-	-	270,222	-	270,222
Professional fees	-	160,968	76,180	-	237,148
Bank fees	-	159,835	-	9,903	169,738
Information technology	-	148,020	12,088	-	160,108
Payroll taxes	-	35,079	106,478	4,821	146,378
Postage and shipping	-	2,687	99,822	-	102,509
Insurance	-	27,542	72,202	578	100,322
Advertising and promotion	-	-	71,084	-	71,084
Miscellaneous	-	10,351	52,592	83	63,026
Travel and mileage	-	15,272	38,626	-	53,898
Provision for bad debt	-	46,229	-	-	46,229
Supplies	-	5,707	17,000	5,941	28,648
Mailhouse fees	-	-	25,623	-	25,623
Conferences, conventions & meetings	-	11,069	-	-	11,069
Dues and subscriptions	-	6,631	295	1,166	8,092
Depreciation	-	1,014	-	443	1,457
Totals	<u>\$ 15,531,756</u>	<u>\$ 1,282,105</u>	<u>\$ 4,359,004</u>	<u>\$ 407,291</u>	<u>\$ 21,580,156</u>