

**AUDITED
FINANCIAL STATEMENTS**

ROSWELL PARK ALLIANCE FOUNDATION, INC.

MARCH 31, 2021

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, 2021, the related statements of activities and changes in net assets, cash flows and functional expenses 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020, 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 5, 2021

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

March 31, 2021 (with Summarized Financial Information as of March 31, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 18,892,060	\$ -	\$ 18,892,060	\$ 18,631,419
Restricted cash	-	5,763,494	5,763,494	8,234,245
Pledges receivable, net	338,253	3,837,214	4,175,467	3,832,695
Bequests receivable, net	10,000	50,000	60,000	51,361
Inventory	134,990	-	134,990	95,744
Prepaid expenses	40,551	-	40,551	50,067
Due from related parties	1,880,081	-	1,880,081	1,045,492
Total current assets	<u>21,295,935</u>	<u>9,650,708</u>	<u>30,946,643</u>	<u>31,941,023</u>
Pledges receivable, net	53,163	6,704,780	6,757,943	4,637,596
Bequests receivable, net	-	195,302	195,302	234,934
Investments, at fair value	15,348,572	82,757,742	98,106,314	65,286,467
Split-interest agreements	-	720,835	720,835	527,113
Other assets	276,807	-	276,807	269,601
Due from related parties	559,040	-	559,040	559,040
Total assets	<u>\$ 37,533,517</u>	<u>\$ 100,029,367</u>	<u>\$ 137,562,884</u>	<u>\$ 103,455,774</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 535,768	\$ -	\$ 535,768	\$ 445,240
Grants payable to related parties	22,830,873	-	22,830,873	19,000,919
Due to related parties	630,451	-	630,451	697,256
Total current liabilities	<u>23,997,092</u>	<u>-</u>	<u>23,997,092</u>	<u>20,143,415</u>
Annuities payable	-	781,718	781,718	813,257
Total liabilities	<u>23,997,092</u>	<u>781,718</u>	<u>24,778,810</u>	<u>20,956,672</u>
Net assets:				
Without donor restrictions	13,536,425	-	13,536,425	8,573,434
With donor restrictions	-	99,247,649	99,247,649	73,925,668
Total net assets	<u>13,536,425</u>	<u>99,247,649</u>	<u>112,784,074</u>	<u>82,499,102</u>
Total liabilities and net assets	<u>\$ 37,533,517</u>	<u>\$ 100,029,367</u>	<u>\$ 137,562,884</u>	<u>\$ 103,455,774</u>

See accompanying notes.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended March 31, 2021 (with Summarized Financial Information For the Year Ended March 31, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Revenue and support:				
Contributions	\$ 9,009,081	\$ 19,237,334	\$ 28,246,415	\$ 28,955,194
Gift shop receipts	423,156	-	423,156	522,890
Investment income	462,699	1,331,902	1,794,601	1,852,677
Net assets released from restrictions	15,723,705	(15,723,705)	-	-
Total revenue and support	<u>25,618,641</u>	<u>4,845,531</u>	<u>30,464,172</u>	<u>31,330,761</u>
Distributions and expenses:				
Program:				
Grants to benefit Roswell Park Cancer Institute Corporation	22,472,316	-	22,472,316	22,008,950
Supporting services:				
Management and general	1,598,720	-	1,598,720	1,441,282
Fundraising	2,935,453	-	2,935,453	4,949,083
Gift shop	363,310	-	363,310	432,418
Total distributions and expenses	<u>27,369,799</u>	<u>-</u>	<u>27,369,799</u>	<u>28,831,733</u>
(Deficiency) excess of revenue and support over distributions and expenses	<u>(1,751,158)</u>	<u>4,845,531</u>	<u>3,094,373</u>	<u>2,499,028</u>
Net realized and unrealized gains (losses) on investments	6,067,959	20,329,741	26,397,700	(9,841,382)
Actuarial gains (losses) on annuity obligations and change in value of split-interest agreements	-	146,709	146,709	(87,972)
Government grant income	646,190	-	646,190	-
Change in net assets	4,962,991	25,321,981	30,284,972	(7,430,326)
Net assets, beginning of year	<u>8,573,434</u>	<u>73,925,668</u>	<u>82,499,102</u>	<u>89,929,428</u>
Net assets, end of year	<u>\$ 13,536,425</u>	<u>\$ 99,247,649</u>	<u>\$ 112,784,074</u>	<u>\$ 82,499,102</u>

See accompanying notes.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended March 31,

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 30,284,972	\$ (7,430,326)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	196	1,962
Provision for bad debt	51,864	29,276
Actuarial (gains) losses on annuity obligations and change in value of split-interest agreements	(146,709)	87,972
Net realized and unrealized (gains) losses on investments	(26,397,700)	9,841,382
(Increase) decrease in assets:		
Pledges receivable	(2,514,983)	(1,402,984)
Bequests receivable and split-interest agreements	30,993	81,962
Prepaid expenses	9,516	(40,055)
Inventory	(39,246)	(46,102)
Other assets	(7,402)	(29,623)
Due from related parties	(834,589)	(294,102)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	90,528	(41,178)
Grants payable to related parties	3,829,954	3,248,268
Due to related parties	(66,805)	(1,460,389)
Annuities payable	(78,552)	(117,288)
Net cash provided by operating activities	<u>4,212,037</u>	<u>2,428,775</u>
Cash flows from investing activities:		
Purchases of equipment	-	(590)
Purchases of investments	(39,608,683)	(30,660,824)
Proceeds from sales of investments	33,234,644	29,307,051
Net cash used in investing activities	<u>(6,374,039)</u>	<u>(1,354,363)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(2,162,002)	1,074,412
Cash, cash equivalents and restricted cash - beginning of year	<u>28,790,605</u>	<u>27,716,193</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 26,628,603</u>	<u>\$ 28,790,605</u>

See accompanying notes.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2021

	Program Services	Management and General	Fundraising	Gift Shop	Total
Grants to benefit RPCIC	\$ 22,472,316	\$ -	\$ -	\$ -	\$ 22,472,316
Salaries and wages	-	842,073	1,432,535	74,571	2,349,179
Professional fees	-	207,995	263,205	-	471,200
Fringe benefits	-	149,290	249,683	20,203	419,176
Events	-	-	329,971	-	329,971
Merchandise	-	-	1,927	241,887	243,814
Printing and publications	-	-	167,716	-	167,716
Information technology	-	121,385	32,450	2,220	156,055
Bank fees	-	143,735	-	10,767	154,502
Advertising and promotion	-	-	154,043	-	154,043
Payroll taxes	-	41,118	101,443	5,596	148,157
Postage and shipping	-	2,719	120,803	-	123,522
Provision for bad debt	-	51,836	-	28	51,864
Insurance	-	24,327	8,246	1,186	33,759
Mailhouse fees	-	-	30,099	-	30,099
Supplies	-	4,367	19,396	6,106	29,869
Miscellaneous	-	3,637	17,178	-	20,815
Travel and mileage	-	118	6,745	-	6,863
Dues and subscriptions	-	6,120	13	550	6,683
Depreciation	-	-	-	196	196
Totals	\$ 22,472,316	\$ 1,598,720	\$ 2,935,453	\$ 363,310	\$ 27,369,799

See accompanying notes.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2020

	Program Services	Management and General	Fundraising	Gift Shop	Total
Grants to benefit RPCIC	\$ 22,008,950	\$ -	\$ -	\$ -	\$ 22,008,950
Salaries and wages	-	575,967	1,515,559	84,562	2,176,088
Events	-	-	1,801,292	-	1,801,292
Professional fees	-	201,213	309,000	-	510,213
Fringe benefits	-	103,447	261,279	15,213	379,939
Merchandise	-	-	19,546	299,341	318,887
Printing and publications	-	-	258,725	-	258,725
Bank fees	-	222,505	-	12,342	234,847
Information technology	-	184,064	17,700	1,786	203,550
Miscellaneous	-	24,796	139,135	19	163,950
Advertising and promotion	-	-	161,301	-	161,301
Payroll taxes	-	37,724	110,626	5,912	154,262
Postage and shipping	-	3,489	142,501	-	145,990
Mailhouse fees	-	-	76,468	-	76,468
Supplies	-	7,474	59,587	5,268	72,329
Insurance	-	16,778	50,064	1,185	68,027
Travel and mileage	-	18,315	26,300	4,099	48,714
Provision for bad debt	-	28,975	-	301	29,276
Conferences, conventions & meetings	-	8,867	-	-	8,867
Dues and subscriptions	-	7,346	-	750	8,096
Depreciation	-	322	-	1,640	1,962
Totals	\$ 22,008,950	\$ 1,441,282	\$ 4,949,083	\$ 432,418	\$ 28,831,733

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 d/b/a Roswell Park Comprehensive Cancer Center ("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 ("US GAAP").

Use of Estimates: The preparation of financial statements in conformity with US 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 pledges, 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 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, 2020, 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. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the net assets of the Foundation.

Cash, Cash Equivalents and Restricted Cash: For purposes of the statements of cash flows, the Foundation considers all highly liquid investments, generally with original maturities of three months or less, 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 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.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

The reconciliation of cash, cash equivalents and restricted cash within the statements of financial position that comprise the amount reported on the statements of cash flows at March 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 18,892,060	\$ 18,631,419
Restricted cash	5,763,494	8,234,245
Cash and cash equivalents in investments	<u>1,973,049</u>	<u>1,924,941</u>
	<u>\$ 26,628,603</u>	<u>\$ 28,790,605</u>

Pledges Receivable: Pledges receivable represent unconditional promises to give. Those pledges that are expected to be collected within one year are recorded at net realizable 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 expected 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. Allowance for uncollectible pledges, amounted to \$38,893 at March 31, 2021 (\$22,827 - 2020).

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 and changes in net assets 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 2021 valuations. The static mortality tables are projected from the base table from 2000 through 2021 with further projection to reflect the approximate expected duration of liabilities, namely seven years for annuitants; discount rate was 4.00% at March 31, 2021 and 2020; long-term rate of return on assets was 5.50% to 7.00% for the years ending March 31, 2021 and 2020. Actuarial (gains) losses and changes in the value of split-interest agreements amounted to (\$193,722) and \$38,732 for the years ended March 31, 2021 and 2020, respectively. For the years ended March 31, 2021 and 2020, no split-interest agreements were settled and paid to the Foundation.

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

NOTES TO THE FINANCIAL STATEMENTS

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

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, 2021 and 2020. Actuarial losses on annuities amounted to \$47,013 and \$49,240 for the years ended March 31, 2021 and 2020, 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 in-kind gifts.

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.

In-kind gifts and donations other than cash are recorded at fair value on the date of donation. For the years ended March 31, 2021 and 2020, in-kind gifts amounted to \$160,555 and \$621,903, respectively.

Government Grant Income: In response to the COVID-19 coronavirus, the federal government issued the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in March 2020. A section of the CARES Act includes the Paycheck Protection Program ("PPP") which provides funding to small businesses and non-profits impacted by COVID-19. The Foundation applied for a loan through the PPP and received \$646,190 in April 2020.

The loan will mature on April 16, 2022 and bears a fixed interest rate of 1.00% per year beginning April 16, 2020. Per the loan agreement, up to the full amount of the loan is eligible to be forgiven if all borrowed funds are used within the provisions set forth by the PPP. As of March 31, 2021, the Foundation anticipates full forgiveness of the loan during FY2022. Any unforgiven amounts require monthly payments beginning at the end of the deferment period as defined in the agreement. In accordance with ASC 958-605, the Foundation recognized the full amount of the loan as government grant income as deemed qualified and forgivable.

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 and promotion costs are expensed as incurred and amounted to \$154,043 and \$161,301 for the years ended March 31, 2021 and 2020, respectively.

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.

The Foundation has considered the recognition requirements for uncertain income tax positions. The Foundation believes that its income tax filing positions would be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial condition.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

Recently Adopted Accounting Pronouncements: In November 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires entities to show the changes in total of cash, cash equivalents, and restricted cash in the statements of cash flows and reconciles those amounts to the statements of financial position. The Foundation adopted ASU 2016-18 on April 1, 2019 and applied the provisions retrospectively to all periods presented in the financial statements. For the years ended March 31, 2021 and 2020, the Foundation added \$7,736,543 and \$10,159,186, respectively, of restricted cash and cash and cash equivalents in investments to the total cash, cash equivalents and restricted cash presented in the statements of cash flows. The adoption of ASU 2016-18 had no impact to operating revenues and support, distributions and expenses, or total net assets.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard’s purpose is to clarify accounting for and eliminate diversity in practice among not-for-profits and other businesses and organizations that make or receive contributions of cash or other assets. The ASU clarifies when transactions are contributions or exchange transactions. The ASU is effective for years beginning after December 15, 2018. The Foundation adopted the ASU on April 1, 2019; however, the ASU did not have a material impact on operating revenues and support, distributions and expenses, or total net assets for the years ended March 31, 2021 and 2020.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)*: Changes to the Disclosure Requirements for Fair Value Measurement. This ASU removes, modifies and adds certain disclosure requirements of ASC Topic 820. The ASU is effective for years beginning after December 15, 2019. The Foundation adopted the ASU on April 1, 2020; however, the ASU did not have a material impact on fair value disclosures for the year ended March 31, 2021.

Subsequent Events: The Foundation evaluated its March 31, 2021 financial statements for subsequent events through August 5, 2021, which is the date these financial statements were available to be issued.

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 are:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash, cash equivalents and restricted cash	\$ 24,655,554	\$ 26,865,664
Pledges receivable, net	10,933,410	8,470,291
Bequests receivable, net	255,302	286,295
Due from related parties	2,439,121	1,604,532
Investments	98,106,314	65,286,467
Split-interest agreements	720,835	527,113
Other financial assets	276,513	269,110
Total financial assets	<u>137,387,049</u>	<u>103,309,472</u>
Less amounts not available to be used within one year:		
Total financial assets with donor restrictions	100,029,367	74,738,925
Pledges receivable without donor restrictions, net	53,163	78,910
Due from related parties	559,040	559,040
Other financial assets	276,513	269,110
Total amounts not available to be used within one year	<u>100,918,083</u>	<u>75,645,985</u>
Financial assets available to meet general expenditures within one year	<u>\$ 36,468,966</u>	<u>\$27,663,487</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. LIQUIDITY AND AVAILABILITY (CONTINUED)

The table above reflects the Foundation's financial assets as of March 31, 2021 and 2020, 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, 2021, there were investments, at fair value amounting to \$15,348,572 without donor restrictions included on the statements of financial position (\$7,779,661 - 2020). 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 \$5,462,000 and \$6,246,000 for the years ended March 31, 2021 and 2020, respectively. As of March 31, 2021, the Foundation has committed to pay \$22,830,873 in grants to a related party and are included on the statements of financial position (\$19,000,919 - 2020).

NOTE 3. FAIR VALUE MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level I) and the lowest priority to unobservable inputs (level III). The three levels of the fair value hierarchy under FASB Accounting Standards Codification ("ASC") 820 are described as follows:

Level I: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level II: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level II input must be observable for substantially the full term of the asset or liability.

Level III: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENT (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2021 and 2020.

Cash and Cash Equivalents: The carrying amounts reported in the statements of financial position approximate their fair value in investments.

Mutual Funds: Valued at the net asset value (“NAV”) of shares held by the Foundation at year-end.

The following tables presents information about assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2021 and 2020 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

At March 31, 2021	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	\$ 1,973,049	\$ -	\$ -	\$ 1,973,049
Mutual funds:				
Equity	13,670,500	-	-	13,670,500
Fixed income	10,520,877	-	-	10,520,877
Subtotal	\$ 26,164,426	\$ -	\$ -	\$ 26,164,426
Investments measured at net asset value:				
Index funds				11,675,536
Commingled funds				35,075,287
Hedge funds				10,230,548
Private equity funds				10,019,920
Real assets				4,940,597
Total investments measured at net asset value				71,941,888
Total investments				\$ 98,106,314

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENT (CONTINUED)

At March 31, 2020	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	\$ 1,924,941	\$ -	\$ -	\$ 1,924,941
Mutual funds:				
Equity	4,519,856	-	-	4,519,856
Fixed income	8,097,639	-	-	8,097,639
International	984,613	-	-	984,613
Subtotal	<u>\$ 15,527,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,527,049</u>
Investments measured at net asset value:				
Index funds				1,290,293
Commingled funds				30,680,101
Hedge funds				8,531,391
Private equity funds				7,252,355
Real assets				<u>2,005,278</u>
Total investments measured at net asset value				<u>49,759,418</u>
Total investments				<u>\$ 65,286,467</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 US GAAP relating to such investments.

	3/31/2021 Fair Value	3/31/2020 Fair Value	Unfunded Commitment	Redemption Frequency (If Currently Eligible)	Redemption Notice Period	Investment Strategies of the Investees
Index funds	\$ 11,675,536	\$ 1,290,293	Not applicable	Daily	Daily	(a)
Commingled funds	35,075,287	30,680,101	Not applicable	Primarily monthly subscriptions and redemptions, shares are redeemable for certain funds on December 31, 2021, March 31, 2022, June 30, 2022, December 31, 2022, and June 30, 2023.	6, 10, 30, 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 3. FAIR VALUE MEASUREMENT (CONTINUED)

	<u>3/31/2021 Fair Value</u>	<u>3/31/2020 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>
Hedge funds	10,230,548	8,531,391	Not applicable	Quarterly subscriptions and redemptions for certain funds, shares are redeemable for certain funds on March 31, 2024.	30, 60 or 90 days written notice	(c)
Private equity funds	10,019,920	7,252,355	\$9,322,705	Not currently eligible	Not currently eligible	(d)
Real assets	<u>4,940,597</u>	<u>2,005,278</u>	\$2,503,112	Not currently eligible	Not currently eligible	(e)
Total	<u>\$71,941,888</u>	<u>\$ 49,759,418</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 direct investment in long/short or long-biased equity strategies. The fair values of the investments in this category have been estimated using the net asset value per share as provided by the fund managers.
- (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. Two other funds participate in all of a certain internet company's post-seed investment 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. Another fund pursues a buy and build strategy, acquiring majority equity stakes in lower middle-market platform portfolio companies. The final fund focuses on investments in lower-middle-market companies in high-growth sectors of the healthcare industry.

ROSWELL PARK ALLIANCE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENT (CONTINUED)

(e) This category includes investments in real assets 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 assets 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. Another fund invests in b-pieces in commercial-mortgage-backed securities. The final fund executes value-oriented and opportunistic middle-market real estate transactions.

NOTE 4. PLEDGES RECEIVABLE

Pledges receivable consist primarily of promises to give to the Foundation. As of March 31, 2021 and 2020, pledges receivable are:

	<u>2021</u>	<u>2020</u>
Amounts due:		
In less than one year	\$ 4,382,437	\$ 3,986,477
One to five years	6,648,774	4,448,256
Six to ten years	807,570	660,132
More than ten years	<u>150,000</u>	<u>150,000</u>
	11,988,781	9,244,865
Less: Unamortized discount	1,016,478	751,747
Less: Allowance for doubtful pledges	<u>38,893</u>	<u>22,827</u>
Present value of pledges receivable	<u>\$ 10,933,410</u>	<u>\$ 8,470,291</u>

Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed at a rate of 5% at March 31, 2021 and 2020.

NOTE 5. NET ASSETS

Net assets without donor restrictions consist primarily of cash and investments which include realized and unrealized 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 \$99,247,649 at March 31, 2021 (\$73,925,668 - 2020). Proceeds from these contributions are included in the statements of financial position under the captions of restricted cash, pledges receivable, bequests receivable, investments and split interest agreements.

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 \$105,980 and \$98,124 for the years ended March 31, 2021 and 2020, respectively.

NOTE 7. ENDOWMENTS

The Foundation's endowment consists of 145 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. No donor restricted perpetual endowment funds currently have a value which is less than the amount of the original gifts for the year ended March 31, 2021. For the year ended March 31, 2020, there were fifty-three donor restricted perpetual endowment funds that had a value of \$11,923,372, which was less than the amount of the original gifts of \$12,716,895, resulting in a deficiency amounting to \$793,523.

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 trustees, 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, 2021 amounted to \$1,695,562 and \$245,302, respectively, and are excluded from the endowment net asset schedule below as payment has not been rendered (\$1,460,343 and \$284,934 - 2020).

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, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 48,742,607	\$ 48,742,607
Investment return:			
Investment income	-	1,270,421	1,270,421
Net realized and unrealized gains on endowment funds	<u>-</u>	<u>19,457,664</u>	<u>19,457,664</u>
Total investment return	-	20,728,085	20,728,085
Contributions	<u>-</u>	<u>2,618,027</u>	<u>2,618,027</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 72,088,719</u>	<u>\$ 72,088,719</u>

The following is a summary of changes in the Foundation's endowment net assets for the year ended March 31, 2020:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 54,156,173	\$ 54,156,173
Investment return:			
Investment income	-	1,205,773	1,205,773
Net realized and unrealized losses on endowment funds	<u>-</u>	<u>(7,183,629)</u>	<u>(7,183,629)</u>
Total investment return	-	(5,977,856)	(5,997,856)
Contributions	-	2,425,698	2,425,698
Appropriations for expenditure	<u>-</u>	<u>(1,861,408)</u>	<u>(1,861,408)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 48,742,607</u>	<u>\$ 48,742,607</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 real asset 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 Assets	1,900,000	100,000
Fiscal year 2014	1,500,000	Private Equity	1,110,000	390,000
Fiscal year 2014	1,000,000	Private Equity	740,000	260,000
Fiscal year 2015	1,000,000	Real Assets	599,000	401,000
Fiscal year 2017	2,000,000	Real Assets	947,000	1,053,000
Fiscal year 2017	2,000,000	Private Equity	1,133,000	867,000
Fiscal year 2017	1,000,000	Private Equity	956,000	44,000
Fiscal year 2017	1,500,000	Private Equity	1,421,000	79,000
Fiscal year 2017	2,000,000	Private Equity	1,267,000	733,000
Fiscal year 2018	2,000,000	Private Equity	1,519,000	481,000
Fiscal year 2018	1,000,000	Private Equity	813,000	187,000
Fiscal year 2018	1,000,000	Private Equity	529,000	471,000
Fiscal year 2019	1,000,000	Real Assets	996,000	4,000
Fiscal year 2020	1,000,000	Private Equity	291,000	709,000
Fiscal year 2020	1,000,000	Private Equity	24,000	976,000
Fiscal year 2020	1,000,000	Real Assets	27,000	973,000
Fiscal year 2021	<u>1,000,000</u>	Private Equity	<u>187,000</u>	<u>813,000</u>
	<u>\$ 24,000,000</u>		<u>\$ 15,429,000</u>	<u>\$ 8,571,000</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, 2021 and 2020 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, 2021 and 2020. For the years ended March 31, 2021 and 2020, the liability for grants payable amounted to \$22,830,873 and \$19,000,919, respectively. Additionally, at March 31, 2021 and 2020, a total of \$28,125 and \$192,287, 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, 2021 and 2020, RPCIC was indebted to the Foundation in the amount of \$1,880,081 and \$1,045,492, 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, 2021 and 2020, the Foundation was indebted to HRI in the amount of \$1,119,086 and \$1,006,575, respectively. Of the amount owed to HRI by the Foundation, at March 31, 2021 and 2020, \$516,760 and \$501,606, respectively, represents grant monies which are included in grants payable to related parties in the accompanying statements of financial position. At March 31, 2021 and 2020, the remaining \$602,326 and \$504,969, 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, 2021 and 2020. 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.