



**Memorial Sloan-Kettering Cancer Center
Financial and Statistical Information
For the Six Months Ended June 30, 2014**

	<u>Page No.</u>
Certificate of Compliance	
Management's Discussion of Financial Performance	1
Combined Statements of Activities	2
Combined Balance Sheets	3-4
Combined Statements of Changes in Net Assets	5
Combined Statements of Cash Flow	6-7
Debt Ratio Analysis and Adjusted Operating Loss	8
Combined Philanthropic History	9
Combined Investments in Securities	10
Key Patient Statistics and Other Data	11
Patient Revenue Distribution and CMI	12



**CERTIFICATE OF COMPLIANCE
For The Period Ended 6/30/2014**

**Re: Memorial Sloan-Kettering Cancer Center
 Exempt Bonds: Series 1998, 2006 Series 1&2, 2008 Series A1 & A2 , 2010 Series 1,
 2012 and 2012 Series 1**


The undersigned hereby certifies as follows:

1. I am the Senior Vice president Finance and Controller of Memorial Sloan-Kettering Cancer Center, herein after referred to as the Institution, and I am authorized on behalf of the Executive Vice President and Chief Financial Officer to sign this certificate.
2. I have read the Loan Agreements, and Tax Certificates executed on behalf of the Institution in connection with the referenced Bond issues.
3. By virtue of my position at the Institution I would expect to become aware in the ordinary course of business of any breach of the terms, conditions and covenants contained in the Loan Agreements or Tax Certificates.
4. To the best of knowledge, there has not been and is not now existing any breach of any of the terms, conditions or covenants contained in the Loan Agreements or Tax Certificates.
5. The Institution has not received an insurance payment, eminent domain award or property damage award for any part of the Project or Mortgaged Property.
6. Except as permitted by the Loan Agreements or Tax Certificates executed in connection with the issuances of the Bonds or as subsequently consented to by the Authority and any other parties required to consent thereto, (1) the Institution owns, occupies and uses for its tax exempt purposes all of the Project(s) financed with the proceeds of the referenced Bond issue(s); (2) no other party has the right to use or occupy any portion of such Project(s); (3) the Institution receives no payment from any party or parties for occupying all or any part of such Project(s); (4) the Institution has not entered into any contract for the management of any part of the Project(s) by another party or person. (Payment does not include fees from students for occupying dormitory rooms and fees from staff members for occupying staff housing).

*Memorial Sloan-Kettering Cancer Center
633 Third Avenue, New York, New York 10017*

NCI-designated Comprehensive Cancer Center

7. The Institution has not received any correspondence from the Internal Revenue Service questioning its tax-exempt status and hereby reaffirms its status as a not-for-profit corporation that is exempt from federal income tax pursuant to Section 501 (c)(3) of the Internal Revenue Code or as a tax exempt governmental entity.
8. The Institution has implemented adequate policies and procedures to enable the Institution to comply with any reporting requirements of the Internal Revenue Service applicable to the Bonds, including but not limited to Schedule K (Form 990).
9. To the best of my knowledge, the Institution has not granted or permitted any liens against the Mortgaged Property or leases of any part thereof except those which were filed prior to, or in connection, with the issuance of the Bonds or those which were subsequently consented to by the Authority and any other parties required to consent thereto.

 7/25/2011
Signature Date

Mark Svenningson
Print Name

Senior Vice President Finance and Controller
Title

Memorial Sloan-Kettering Cancer Center
Management's Discussion and Analysis of Financial Performance
For the Six Months Ended June 30, 2014

For the six months ended June 30, 2014, Memorial Sloan-Kettering Cancer Center and affiliates had income from operations of \$147.9 million, as compared to \$78.2 million for the same period last year.

Operating revenues increased by 10.9% or \$159.4 million from the same period in 2013. Inpatient days are slightly lower than in 2013 but we are experiencing increased revenue per day from improved payment rates including managed care contracts. Outpatient visits are up 3.4% or 9,726 and coupled with improved payment rates results in the growth of outpatient revenue.

Operating expenses net of fundraising costs increased by 6.5% or \$89.8 million from 2013. Compensation and fringe benefit expense increased by 5.6% or \$46.5 million from the same period in 2013, primarily due to the addition of 575.8 full time equivalents needed to staff current patient volumes and growth in clinical and bench research, in addition to normal year to year salary and fringe benefit cost increases. Purchased supplies increased \$43.7 million or 9.9%. Pharmaceutical cost, a major component of purchased supplies, increased by \$21.3 million or 13% due to volume growth, price increases, newly approved drugs like Ado-Trastuzumab, and a change in oral medication to IV for Fosaprepitant.

The Institution's investable assets of \$3.3 billion have a year-to-date return of 4.7%, which is exclusive of short-term investments and cash equivalents. Our rate of return is reflective of a portfolio that includes 17% domestic and 15% global equity, 9% fixed income, 30% marketable alternative investments, 19% private equity and venture capital markets, and 10% inflation hedging.

Footnotes:

For the first six months of 2014 there has not been any change in operations, application of accounting principles or any other activity that would require an updating to the audited year-end footnote disclosures. The audited financial statements for 2013 with 2012 are available on the DacBond website, www.dacbond.com.

August 5, 2014

Memorial Sloan-Kettering Cancer Center
Combined Statements of Activities
(Dollars in Thousands)

	Year Ended December 31,				June YTD	
	2009	2010	2011	2012	2013	2014
Operating Revenues						
Patient Care Revenue	\$ 1,723,313	\$ 1,854,776	\$ 2,141,421	2,201,941	2,367,731	1,263,628
Grants and Contracts	167,495	186,327	190,948	185,160	202,061	117,304
Contributions Allocated to Operations	126,250	117,323	130,791	144,497	164,943	84,556
Royalty income	62,232	68,663	77,510	78,350	94,058	74,938
Other Income	43,144	44,874	48,351	51,167	57,150	29,951
Unrestricted Investment Return Allocated to Operations	103,998	100,389	104,699	75,877	82,028	43,944
Transfer of Board-Designated Annual Royalty Annuitization	37,158	41,578	46,417	51,709	57,495	7,943
Total Operating Revenues	2,263,590	2,413,930	2,740,137	2,788,701	3,025,466	1,622,264
Operating Expenses						
Compensation & Fringe Benefits	1,286,536	1,361,032	1,466,667	1,582,212	1,689,501	872,840
Purchased Supplies & Services	757,863	772,968	835,621	879,219	924,691	484,818
Provision for Bad Debts & Assessments	10,881	11,046	18,285	17,541	19,969	10,094
Depreciation & Amortization	171,806	175,494	195,461	210,810	210,373	108,228
Interest Expense	64,997	47,931	57,098	54,894	55,039	25,121
Less Fund Raising Expenses						
Transferred to Non-Operating Income (Expenses)	(40,320)	(43,926)	(44,665)	(47,305)	(52,470)	(26,780)
Total Operating Expenses	2,251,763	2,324,545	2,528,467	2,697,371	2,847,103	1,474,321
Income from Operations	11,827	89,385	211,670	91,330	178,363	147,943
Non-Operating Income (Expense)						
Contributions Net of Fundraising Expenses and Amount						
Allocated to Operations	(22,537)	(30,052)	(47,102)	(63,548)	(79,070)	(43,413)
Net Assets Released from Restrictions - Pledge Payments	73,819	65,442	65,378	96,716	85,813	35,229
Investment Return Net of Allocation to Operations	327,501	191,324	(126,179)	208,286	292,832	108,836
Other nonoperating	-	(3,000)	2,916	(38,000)	25,469	(18,413)
Total Non-Operating Income (Expense)	378,783	223,714	(104,987)	203,454	325,044	82,239
Board-Designated						
Investment Income and Other Additions	5,749	2,951	(590)	2,182	3,323	1,092
Transfer of Annual Royalty Annuitization	(37,158)	(41,578)	(46,417)	(51,709)	(57,495)	(7,943)
Gain on Sale of Royalty Rights	-	-	-	-	-	-
Total Board-Designated Income (Expense)	(31,409)	(38,627)	(47,007)	(49,527)	(54,172)	(6,851)
Postretirement benefit obligation changes to be recognized in future periods	52,728	(72,162)	(110,250)	(4,356)	208,351	(126,514)
Increase (Decrease) in Total Unrestricted Net Assets	\$ 411,929	\$ 202,310	\$ (50,574)	240,901	657,586	96,817

Memorial Sloan Kettering Cancer Center and Affiliated Corporations
Balance Sheets - Combined
June 30, 2014
\$ In Thousands

	CURRENT MONTH	DECEMBER Prior Year
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	246,277	398,598
Short term investments (Approximates cost)	<u>235,407</u>	<u>181,381</u>
	481,684	579,979
Patient Accounts Receivable	415,621	361,643
Other Accounts Receivable	116,790	116,027
Pledges, trusts & estates receivable	194,659	153,069
Other current assets	<u>89,893</u>	<u>81,732</u>
TOTAL CURRENT ASSETS	<u>1,298,647</u>	<u>1,292,450</u>
NONCURRENT ASSETS		
ASSETS WHOSE USE IS LIMITED		
Investments in marketable securities:		
Construction, debt service and repair reserve funds	166,330	198,017
Captive insurance reserve funds	43,456	44,213
Employee benefit funds	<u>69,907</u>	<u>67,136</u>
TOTAL ASSETS WHOSE USE IS LIMITED	279,693	309,366
Investments at fair value	3,435,829	3,302,684
Investments held for Major Capital Projects	828,254	820,997
Investments in non-marketable securities at cost	85,879	85,492
Property & equipment	2,372,722	2,228,299
Mortgages & other loans receivable	30,387	29,629
Pledges, trusts & estates receivable	397,194	354,816
Other noncurrent assets	<u>56,950</u>	<u>57,685</u>
TOTAL NONCURRENT ASSETS	<u>7,486,907</u>	<u>7,188,970</u>
TOTAL ASSETS	<u>8,785,554</u>	<u>8,481,419</u>

Memorial Sloan Kettering Cancer Center and Affiliated Corporations
Balance Sheets - Combined
June 30, 2014
\$ In Thousands

	CURRENT MONTH	DECEMBER Prior Year
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	214,370	228,264
Accrued expenses	286,468	275,302
Current portion of long term debt	<u>43,108</u>	<u>51,067</u>
TOTAL CURRENT LIABILITIES	543,946	554,633
NONCURRENT LIABILITIES		
Long term debt, less current portion	2,041,327	2,046,964
Other Noncurrent liabilities	<u>859,008</u>	<u>735,843</u>
TOTAL LIABILITIES	<u>3,444,281</u>	<u>3,337,440</u>
NET ASSETS		
Unrestricted	3,835,202	3,731,544
Board Designated	194,066	200,905
Temporarily Restricted	748,931	656,236
Permanently Restricted	<u>563,076</u>	<u>555,296</u>
TOTAL NET ASSETS	<u>5,341,274</u>	<u>5,143,981</u>
TOTAL LIABILITIES AND NET ASSETS	<u>8,785,555</u>	<u>8,481,421</u>

Memorial Sloan Kettering Cancer Center and Affiliated Corporations

Combined Statements of Changes in Net Assets

For the Periods Ended June 30, 2014 and the Year Ended December 31, 2013

\$ In Thousands

	Current Year	Prior Year
Unrestricted Net Assets		
Net Assets at the Beginning of the Year	3,932,449	3,274,864
(Decrease) Increase in Unrestricted Net Assets	96,818	657,586
	<u>4,029,267</u>	<u>3,932,449</u>
Temporarily Restricted Net Assets		
Net Assets at the Beginning of the Year	656,236	500,567
Contributions, Pledges and Bequests	118,507	185,470
Net Assets Released from Restrictions	-35,229	-85,813
Investment Return on Endowments	9,417	56,012
	<u>748,931</u>	<u>656,236</u>
Permanently Restricted Net Assets		
Net Assets at the Beginning of the Year	555,296	457,627
Contributions, Pledges and Bequests	3,701	56,687
Realized Gain(Loss) on Investment Transactions	2,561	33,313
Unrealized Gain(Loss) on Investment Transactions	1,518	7,668
	<u>563,076</u>	<u>555,296</u>

Memorial Sloan Kettering Cancer Center and Affiliated Corporations

Combined Statements of Cash Flow

For the Periods Ended June 30, 2014 and the Year Ended December 31, 2013

\$ In Thousands

	Year to Date	Full Prior Year
Operating activities		
Increase (decrease) in net assets	197,293	910,923
Adjustments to reconcile increase in unrestricted net assets to net cash provided by Operating activities		
Depreciation and amortization	108,228	210,373
Unrealized (gains) losses	-7,098	3,424
Realized (gains) losses	-2,712	-34,512
Temporarily and permanently restricted contributions, pledges and bequests transferred to Operating activities	-131,625	-290,239
Effects of FASB 158	126,514	-208,351
(Increase) decrease in assets:		
Accounts receivable	-54,742	-51,201
Mortgages and other loans receivable	-758	865
Other current assets	-8,161	8,146
Other noncurrent assets	735	-16,426
Pledges, trusts and estates receivable	-83,967	-97,075
(Increase) decrease in liabilities:		
Accounts payable and accrued expenses	-2,729	26,891
Other noncurrent liabilities	<u>-3,348</u>	<u>18,791</u>
Net Cash (used in) provided by operating activities	<u>137,631</u>	<u>481,609</u>
Investing activities		
Net additions to property and equipment	-252,650	-224,599
Increase in investments, net	-155,331	-407,300
Temporarily and permanently restricted contributions, pledges and bequests transferred to Operating activities	<u>131,625</u>	<u>290,239</u>

Memorial Sloan Kettering Cancer Center and Affiliated Corporations

Combined Statements of Cash Flow

For the Periods Ended June 30, 2014 and the Year Ended December 31, 2013

\$ In Thousands

	Year to Date	Full Prior Year
Net cash used by investing activities	<u>-276,356</u>	<u>-341,660</u>
Financing activities		
New Bond Issue	<u>-13,595</u>	<u>-55,198</u>
Net cash provided(used) by financing activities	<u>-13,595</u>	<u>-55,198</u>
Net (decrease) increase in cash and cash equivalents	-152,321	84,751
Cash and cash equivalents at the beginning of the period	<u>398,598</u>	<u>313,850</u>
Cash and cash equivalents at the end of the year	<u>246,277</u>	<u>398,600</u>

**MEMORIAL SLOAN-KETTERING CANCER CENTER
DEBT RATIO AND ANALYSIS AND ADJUSTED OPERATING LOSS**

June 30, 2014

\$000

	6/30/2014 Current	12/31/2013 Last year	12/31/2012 Two Years Ago
<u>DEBT RATIO ANALYSIS</u>			
<u>Debt Ratio</u>			
Cash & Equivalents	246,277	395,598	313,850
Short Term Investments	235,407	181,381	183,383
Assets Whose Use is Limited	279,693	309,366	225,169
Investments	4,264,083	4,123,681	3,739,419
Total Cash & Investments	<u>5,025,460</u>	<u>5,010,026</u>	<u>4,461,821</u>
Permanently Restricted Net Assets	563,076	555,296	457,627
Less Current Restricted Pledges	3,741	3,396	4,265
Less Non-Current Restricted Pledges	10,718	11,321	9,660
PRNA Net of Restricted Pledges	<u>548,617</u>	<u>540,579</u>	<u>443,702</u>
Unrestricted Cash & Investments	4,476,843	4,469,447	4,018,119
LT Debt	<u>2,084,435</u>	<u>2,098,031</u>	<u>2,153,228</u>
	<u>2.15</u>	<u>2.13</u>	<u>1.87</u>
Minimum Debt Ratio Required	<u>0.60</u>	<u>0.60</u>	<u>0.60</u>
	Pass	Pass	Pass
<u>Loss Allowed</u>			
Income (Loss) From Operations	147,943	178,363	91,330
Less Invest Income Supp Operations	(43,944)	(82,028)	(75,877)
Less Fundraising Costs	(26,780)	(52,470)	(47,305)
Add Contributions Net of Support to Operations	(16,633)	(26,600)	(16,244)
Add Net Assets Released from Restrictions	35,229	85,813	96,716
8% of Unrestricted Investments (3 yr avg)	324,005	291,245	255,509
Adjusted Operating Gain (Loss)	<u>419,820</u>	<u>394,323</u>	<u>304,129</u>
Maximum Loss Allowed	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>
	Pass	Pass	Pass
<u>Calculation of 8% of Unrestricted Investments</u>			
Total Cash and Investments	5,025,460	5,010,026	4,461,821
Less: Permanent Net Assets	548,617	540,579	443,702
Less: Assets Whose Use is Limited	279,693	309,366	225,169
Unrestricted Investments	<u>4,197,150</u>	<u>4,160,081</u>	<u>3,792,950</u>
3 yr average	4,050,060	3,640,567	3,193,867
X 8%	324,005	291,245	255,509
	<u>324,005</u>	<u>291,245</u>	<u>255,509</u>
<u>LT Debt to Unrestricted Net Assets Ratio</u>			
Unrestricted net assets	4,476,843	4,469,447	4,018,119
Long-term debt	2,084,435	2,098,031	2,153,228
	<u>0.47</u>	<u>0.47</u>	<u>0.54</u>
LT Debt to Unrestricted NA Ratio not to exceed	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
	Pass	Pass	Pass

**Memorial Sloan-Kettering Cancer Center
Combined Philanthropic History
(in Thousands of Dollars)**

	Year Ended December 31,					June YTD	
	2009	2010	2011	2012	2013	2013	2014
<u>Cash and Donated Securities</u>							
Individuals	\$117,952	\$118,159	\$110,073	147,504	154,386	84,030	62,134
Corporations	11,819	17,858	12,224	10,976	12,100	4,710	5,396
Foundations	41,450	36,470	42,119	40,479	73,572	16,586	21,507
Bequests	59,889	36,233	55,575	36,669	37,602	14,282	13,264
Total	<u>\$231,110</u>	<u>\$208,720</u>	<u>\$219,991</u>	<u>\$235,628</u>	<u>\$277,660</u>	<u>\$119,608</u>	<u>\$102,301</u>
<u>GAAP Basis Philanthropy</u>							
Unrestricted (a)	\$217,853	\$196,639	\$193,732	\$224,970	\$224,156	\$104,859	\$103,152
Temporarily Restricted, net of release	(57,136) (b)	30,557	80,422	(18,212) (b)	99,657	(32,815) (b)	83,278
Permanently Restricted	<u>5,531</u>	<u>10,470</u>	<u>27,220</u>	<u>24,401</u>	<u>56,687</u>	<u>22,899</u>	<u>3,701</u>
Total	<u>\$166,248</u>	<u>\$237,666</u>	<u>\$301,374</u>	<u>\$231,159</u>	<u>\$380,500</u>	<u>\$94,943</u>	<u>\$190,131</u>
Fundraising Cost	<u>\$40,320</u>	<u>\$43,926</u>	<u>\$44,665</u>	<u>\$47,305</u>	<u>\$52,470</u>	<u>\$24,243</u>	<u>\$26,780</u>
% of Cost to Accrual Basis Philanthropy	<u>24.3%</u>	<u>18.5%</u>	<u>14.8%</u>	<u>20.5%</u>	<u>13.8%</u>	<u>25.5%</u>	<u>14.1%</u>

(a) Includes pledge payments released from Temporarily Restricted Net Assets.

(b) Includes payments against existing pledges greater than the amount of recording new pledges.

**Memorial Sloan-Kettering Cancer Center
Combined Investments in Securities
(at Market Value, includes Cash)
(in Thousands of Dollars)**

	Year Ended December 31,					June YTD	
	2009	2010	2011	2012	2013	2013	2014
Assets Whose Use is Limited	\$ 198,075	\$ 151,288	\$ 395,583	\$ 225,169	\$ 309,366	\$ 394,257	\$ 279,693
Donor Permanently Restricted *	370,419	388,348	411,778	443,702	540,579	464,176	548,617
Unrestricted	2,644,994	2,933,437	2,836,864	3,906,512	4,248,573	3,847,178	4,283,028
Total	<u>\$3,213,488</u>	<u>\$3,473,073</u>	<u>\$3,644,225</u>	<u>\$4,575,383</u>	<u>\$5,098,518</u>	<u>\$ 4,705,611</u>	<u>\$ 5,111,338</u>

*Represents permanently restricted funds that have been received under arrangements stipulated by the donor that prohibit spending the original gift. Amount shown is net of pledge receivables.

Memorial Sloan-Kettering Cancer Center
Key Patient Statistics and Other Data

	Year Ended December 31,					June YTD	
	2009	2010	2011	2012	2013	2013	2014
Licensed Beds	514	514	514	514	514	514	514
Beds in Service	434	468	470	469	470	470	473
Admissions	23,469	24,356	24,486	24,598	22,326	11,220	10,948
Discharges	23,484	24,391	24,478	24,544	22,340	11,172	10,849
Average Length of Stay	6.0	5.9	5.7	6.1	6.5	6.5	6.6
Occupancy Rate (1)	88.5%	83.7%	82.2%	87.0%	83.0%	87.2%	83.1%
Patient Days	140,224	143,532	140,990	149,368	144,345	72,492	71,662
Total Outpatient Visits:	500,317	515,835	535,949	541,474	571,922	282,577	292,303
Manhattan	406,024	418,410	432,847	436,510	463,724	229,289	237,502
Regional Network	94,293	97,425	103,102	104,964	108,198	53,288	54,801
Screening Visits	27,369	23,373	20,518	15,490	13,527	6,246	5,919
Surgical Cases	19,233	19,362	19,374	19,691	20,465	10,183	10,114
Inpatient	11,052	11,303	11,318	11,370	9,577	4,844	4,581
Outpatient	8,181	8,059	8,056	8,321	10,888	5,339	5,533
Radiation Treatments & Implants:	105,843	107,149	112,007	110,765	114,995	55,638	57,968
Manhattan	57,856	59,223	60,393	60,289	61,335	29,986	31,631
Regional Network	47,987	47,926	51,614	50,476	53,660	25,652	26,337
X-ray Examinations & Special Procedures	358,052	362,609	377,360	401,864	420,003	204,494	214,828
Laboratory Procedures (2)	3,473,368	3,598,627	3,789,977	4,045,623	3,912,345	1,980,207	1,975,039
Full Time Equivalents	11,047.8	11,528.1	11,888.9	12,290.0	12,825.5	12,637.7	13,213.5

(1) Based on adjusted bed count

(2) Includes surgical pathology, cytology, and molecular diagnostic tests

Memorial Sloan-Kettering Cancer Center
Case Mix Index and Patient Revenue Distribution
June 30, 2014

	<u>For the years ended December 31st</u>					<u>June YTD</u>	
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>
<u>Case Mix Index (1)</u>	1.62	1.65	1.71	1.74	1.85	1.84	1.88
<u>Medicare Only CMI</u>	1.65	1.66	1.7	1.73	1.83	1.81	1.85
<u>Revenue Distribution (2)</u>							
Medicare	25.9%	22.4%	25.1%	21.8%	25.6%	19.9%	22.3%
Medicaid	3.7%	2.8%	2.0%	0.9%	1.4%	1.7%	2.5%
Commercial, Self Pay & Managed Care non-contracted	10.2%	12.8%	11.5%	11.4%	8.6%	13.1%	11.8%
Managed Care Contracted	60.1%	62.0%	61.4%	65.9%	64.4%	65.3%	63.4%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) The grouper and weights applicable at the time of discharge were used in the CMI calculation. This CMI is for the total Hospital.

(2) Includes net inpatient, outpatient, and medical practice revenue

(3) Memorial Hospital is not reimbursed under the PPS system.