



Memorial Sloan-Kettering Cancer Center
Financial and Statistical Information
For the Six Months Ended June 30, 2015

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Memorial Sloan Kettering
Cancer Center

**CERTIFICATE OF COMPLIANCE
For The Period Ended 6/30/2015**

**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**

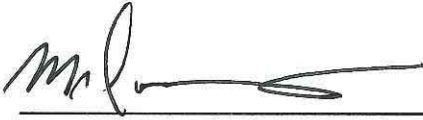
The undersigned hereby certifies as follows:

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 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).

Mark K Svenningson

Senior Vice President Finance and Controller
svenninm@mskcc.org

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.

 8/12/2015
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, 2015

For the six months ended June 30, 2015, Memorial Sloan-Kettering Cancer Center and affiliates had income from operations of \$109.4 million, as compared to \$139.7 million for the same period last year.

Operating revenues increased by 8.6% or \$140.7 million from the same period in 2014. Inpatient days are 4,133 higher than in 2014. Outpatient visits are up 6.1% or 17,854. This increase in visits over the same period in 2014 is due to the opening of new clinical facilities during the later part of 2014 that include a 114,000 square foot regional site at West Harrison New York and a 90,000 square foot site at 60th Street and Madison Avenue in New York City.

Operating expenses increased by 11.4% or \$170.5 million from 2014. Compensation and fringe benefit expense increased by 10% or \$88.1 million from the same period in 2014, primarily due to an increase in full time employees needed to staff current patient volumes, new clinical facilities, growth in clinical and bench research, and the normal year to year salary and fringe benefit cost increases. Purchased supplies increased \$64.8 million or 13.4%. Pharmaceutical cost, a major component of purchased supplies, increased by \$39.4 million or 21.3% due to volume growth, newly approved drugs, and price increases including a significant market price increase for a supportive drug given to the majority of chemotherapy patients.

The Institution's investable assets of \$3.3 billion have a year-to-date return of 3.0%, which is exclusive of short-term investments and cash equivalents. Our rate of return is reflective of a portfolio that includes 18% domestic and 14% global equity, 10% fixed income, 30% marketable alternative investments, 19% private equity and venture capital markets, and 9% inflation hedging.

The FASB has recently proposed changes to how not-for-profit entities classify net assets and measure financial performance. Under these changed guidelines, the Institution would be required to present a measure of operations, which would reflect resources that are both related to the entity's mission and are available in the current reporting period. The measure of operations is shown as "Net Income (Loss) from Operations".

We have adopted a revised philanthropic revenue recognition methodology. Under the revised methodology, unrestricted cash and payments on pledges will be considered operating income instead of the previous combination of both operating and non-operating. Cash received on pledges exclusively for capital purposes will be considered non-operating. Fundraising expenses will remain in operating expenses to match revenues. All periods shown on the Combined Statements of Activities, page 2, have been restated to reflect this methodology.

Footnotes:

The audited financial statements for 2014 and 2013 with a full set of footnotes are available on the DacBond website, www.dacbond.com.

August 11, 2015

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

	Year Ended December 31,				June YTD	
	2010	2011	2012	2013	2014	2015
Operating Revenues						
Patient Care Revenue	\$ 1,854,776	\$ 2,141,421	\$ 2,201,941	\$ 2,367,731	\$ 2,560,457	\$ 1,263,628
Grants and Contracts	186,327	190,948	185,160	202,061	229,562	117,304
Contributions	131,197	128,354	128,253	138,343	168,798	67,922
Net Assets Released from Restrictions - Pledge Payments	63,682	64,798	86,820	79,199	103,056	35,229
Royalty Income	68,663	77,510	78,350	94,058	162,709	74,938
Other Income	44,874	48,351	51,167	57,150	62,643	29,951
Unrestricted Investment Return Allocated to Operations	100,389	104,699	75,877	82,028	87,917	43,944
Transfer of Board-Designated Annual Royalty Annuity	41,578	46,417	51,709	57,495	15,885	7,943
Total Operating Revenues	2,491,486	2,802,498	2,859,277	3,078,065	3,391,027	1,640,859
Operating Expenses						
Compensation & Fringe Benefits	1,361,032	1,466,667	1,582,212	1,689,501	1,782,477	872,840
Purchased Supplies & Services	772,970	835,621	879,219	924,691	1,062,603	484,818
Provision for Bad Debts & Assessments	11,046	18,285	17,541	19,969	35,859	10,094
Depreciation & Amortization	175,494	195,461	210,810	210,373	217,342	108,228
Interest Expense	47,931	57,098	54,894	55,039	50,147	25,121
Total Operating Expenses	2,368,473	2,573,132	2,744,676	2,899,573	3,148,428	1,501,101
Income from Operations	123,013	229,366	114,601	178,492	242,599	139,758
Non-Operating Income (Expense)						
Net Assets Released from Restrictions - Capital	1,760	580	9,896	6,614	7,656	0
Investment Return Net of Allocation to Operations	191,324	(126,179)	208,286	292,832	105,502	108,836
Other nonoperating costs	(3,000)	2,916	(38,000)	25,469	(38,110)	(18,413)
Total Non-Operating Income (Expense)	190,084	(122,683)	180,182	324,915	75,048	90,423
Board-Designated						
Investment Income and Other Additions	2,951	(590)	2,182	3,323	1,915	1,092
Transfer of Annual Royalty Annuity	(41,578)	(46,417)	(51,709)	(57,495)	(15,885)	(7,943)
Gain on Sale of Royalty Rights	-	-	-	-	-	-
Total Board-Designated Income (Expense)	(38,627)	(47,007)	(49,527)	(54,172)	(13,970)	(6,851)
Postretirement benefit obligation changes to be recognized in future periods	(72,162)	(110,250)	(4,356)	208,351	(224,587)	(126,514)
Increase (Decrease) in Total Unrestricted Net Assets	\$ 202,308	\$ (50,574)	\$ 240,900	\$ 657,586	\$ 79,090	\$ 151,173

Memorial Sloan Kettering Cancer Center and Affiliated Corporations
Balance Sheets - Combined
June 30, 2015
\$ In Thousands

	CURRENT MONTH	DECEMBER Prior Year
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	408,607	346,721
Short term investments (Approximates cost)	248,895	243,295
Patient Accounts Receivable	444,971	399,020
Other Accounts Receivable	164,893	176,809
Pledges, trusts & estates receivable	177,591	184,656
Other current assets	<u>77,651</u>	<u>84,759</u>
TOTAL CURRENT ASSETS	<u>1,522,608</u>	<u>1,435,260</u>
NONCURRENT ASSETS		
ASSETS WHOSE USE IS LIMITED		
Investments in marketable securities:		
Construction, debt service and repair reserve funds	68,159	99,672
Captive insurance reserve funds	55,288	46,935
Employee benefit funds	<u>73,995</u>	<u>72,342</u>
TOTAL ASSETS WHOSE USE IS LIMITED	197,442	218,949
Investments at fair value	3,416,539	3,416,601
Investments held for Major Capital Projects	1,151,555	829,744
Investments in non-marketable securities at cost	84,612	85,879
Property & equipment	2,822,356	2,501,314
Mortgages & other loans receivable	30,154	29,897
Pledges, trusts & estates receivable	363,995	405,563
Other noncurrent assets	<u>57,984</u>	<u>54,324</u>
TOTAL NONCURRENT ASSETS	<u>8,124,638</u>	<u>7,542,271</u>
TOTAL ASSETS	<u>9,647,246</u>	<u>8,977,531</u>

Memorial Sloan Kettering Cancer Center and Affiliated Corporations

Balance Sheets - Combined

June 30, 2015

\$ In Thousands

	CURRENT MONTH	DECEMBER Prior Year
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	275,155	303,016
Accrued expenses	314,861	294,504
Current portion of long term debt	<u>41,920</u>	<u>41,920</u>
TOTAL CURRENT LIABILITIES	631,936	639,440
NONCURRENT LIABILITIES		
Long term debt, less current portion	2,544,161	2,001,769
Other Noncurrent liabilities	<u>979,994</u>	<u>971,459</u>
TOTAL LIABILITIES	<u>4,156,091</u>	<u>3,612,668</u>
NET ASSETS		
Unrestricted	4,000,587	3,845,629
Board Designated	162,125	165,909
Temporarily Restricted	728,056	765,064
Permanently Restricted	<u>600,388</u>	<u>588,262</u>
TOTAL NET ASSETS	<u>5,491,156</u>	<u>5,364,865</u>
TOTAL LIABILITIES AND NET ASSETS	<u>9,647,247</u>	<u>8,977,533</u>

Memorial Sloan Kettering Cancer Center and Affiliated Corporations

Combined Statements of Cash Flow

For the Periods Ended June 30, 2015 and the Year Ended December 31, 2014

\$ In Thousands

	Year to Date	Full Prior Year
Operating activities		
Increase (decrease) in net assets	126,291	220,884
Adjustments to reconcile increase in unrestricted net assets to net cash provided by Operating activities		
Depreciation and amortization	113,862	217,342
Unrealized (gains) losses	25,721	-22,831
Realized (gains) losses	-3,590	-10,841
Temporarily and permanently restricted contributions, pledges and bequests transferred to Operating activities	-43,832	-245,300
Effects of FASB 158	0	224,587
(Increase) decrease in assets:		
Accounts receivable	-32,129	-98,159
Mortgages and other loans receivable	-257	-268
Other current assets	5,201	-3,027
Other noncurrent assets	-3,660	3,361
Pledges, trusts and estates receivable	48,633	-80,834
(Increase) decrease in liabilities:		
Accounts payable and accrued expenses	-7,504	75,861
Other noncurrent liabilities	<u>8,535</u>	<u>11,029</u>
Net Cash (used in) provided by operating activities	<u>237,272</u>	<u>291,806</u>
Investing activities		
Net additions to property and equipment	-434,904	-472,265
Increase in investments, net	-326,706	-60,875
Temporarily and permanently restricted contributions, pledges and bequests transferred to Operating activities	<u>43,832</u>	<u>245,300</u>

Memorial Sloan Kettering Cancer Center and Affiliated Corporations

Combined Statements of Cash Flow

For the Periods Ended June 30, 2015 and the Year Ended December 31, 2014

\$ In Thousands

	Year to Date	Full Prior Year
Net cash used by investing activities	<u>-717,779</u>	<u>-287,840</u>
Financing activities		
New Bond Issue	<u>542,391</u>	<u>-54,341</u>
Net cash provided(used) by financing activities	<u>542,391</u>	<u>-54,341</u>
Net (decrease) increase in cash and cash equivalents	61,884	-50,375
Cash and cash equivalents at the beginning of the period	<u>346,721</u>	<u>397,098</u>
Cash and cash equivalents at the end of the year	<u>408,606</u>	<u>346,722</u>

Memorial Sloan Kettering Cancer Center and Affiliated Corporations
Combined Statements of Changes in Net Assets

For the Periods Ended June 30, 2015 and the Year Ended December 31, 2014

\$ In Thousands

	Current Year	Prior Year
Unrestricted Net Assets		
Net Assets at the Beginning of the Year	4,011,539	3,932,449
(Decrease) Increase in Unrestricted Net Assets	151,174	79,090
	<u>4,162,712</u>	<u>4,011,539</u>
Temporarily Restricted Net Assets		
Net Assets at the Beginning of the Year	765,064	656,236
Contributions, Pledges and Bequests	27,657	181,976
Net Assets Released from Restrictions	-70,237	-110,712
Investment Return on Endowments	5,573	37,564
	<u>728,056</u>	<u>765,064</u>
Permanently Restricted Net Assets		
Net Assets at the Beginning of the Year	588,262	555,296
Contributions, Pledges and Bequests	10,602	25,760
Realized Gain(Loss) on Investment Transactions	3,924	4,525
Unrealized Gain(Loss) on Investment Transactions	-2,400	2,681
	<u>600,388</u>	<u>588,262</u>

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

June 30, 2015

\$000

	6/30/2015 Current	12/31/2014 Last year	12/31/2013 Two Years Ago
DEBT RATIO ANALYSIS			
Debt Ratio			
Cash & Equivalents	408,607	346,721	398,598
Short Term Investments	248,895	243,295	181,381
Assets Whose Use is Limited	197,442	218,949	309,366
Investments	4,568,094	4,246,345	4,123,681
Total Cash & Investments	<u>5,423,038</u>	<u>5,055,310</u>	<u>5,013,026</u>
Permanently Restricted Net Assets	600,388	588,260	555,296
Less Current Restricted Pledges	6,003	10,966	3,396
Less Non-Current Restricted Pledges	12,552	10,652	11,321
PRNA Net of Restricted Pledges	<u>581,833</u>	<u>566,642</u>	<u>540,579</u>
Unrestricted Cash & Investments	4,841,205	4,488,668	4,472,447
LT Debt	2,586,081	2,043,689	2,098,031
	<u>1.87</u>	<u>2.20</u>	<u>2.13</u>
Minimum Debt Ratio Required	<u>0.60</u>	<u>0.60</u>	<u>0.60</u>
	Pass	Pass	Pass
Loss Allowed			
Income (Loss) From Operations *	62,122	214,312	178,363
Less Invest Income Supp Operations	(46,255)	(87,917)	(82,028)
Less Fundraising Costs	(14,334)	(59,627)	(52,470)
Add Contributions Net of Support to Operations	0	(15,140)	(26,600)
Add Net Assets Released from Restrictions	22,605	110,712	85,813
8% of Unrestricted Investments (3 yr avg)	348,708	326,020	291,325
Adjusted Operating Gain (Loss)	<u>372,846</u>	<u>488,360</u>	<u>394,403</u>
Maximum Loss Allowed	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>
	Pass	Pass	Pass
Calculation of 8% of Unrestricted Investments			
Total Cash and Investments	5,423,038	5,055,310	5,013,026
Less: Permanent Net Assets	581,833	566,642	540,579
Less: Assets Whose Use is Limited	197,442	218,949	309,366
Unrestricted Investments	<u>4,643,763</u>	<u>4,269,719</u>	<u>4,163,081</u>
3 yr average	4,358,854	4,075,250	3,641,567
X 8%	348,708	326,020	291,325
	<u>348,708</u>	<u>326,020</u>	<u>291,325</u>
LT Debt to Unrestricted Net Assets Ratio			
Unrestricted net assets	4,841,205	4,488,668	4,472,447
Long-term debt	2,586,081	2,043,689	2,098,031
	<u>0.53</u>	<u>0.46</u>	<u>0.47</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

* Before adoption of a revised philanthropic revenue recognition methodology.

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

	Year Ended December 31,				June YTD	
	2010	2011	2012	2013	2014	2015
<u>Cash and Donated Securities</u>						
Individuals	\$118,159	\$110,073	147,504	154,386	181,178	109,243
Corporations	17,858	12,224	10,976	12,100	12,205	7,114
Foundations	36,470	42,119	40,479	73,572	47,072	25,448
Bequests	36,233	55,575	36,669	37,602	55,074	12,437
Total	<u>\$208,720</u>	<u>\$219,991</u>	<u>\$235,628</u>	<u>\$277,660</u>	<u>\$295,529</u>	<u>\$154,242</u>
<u>GAAP Basis Philanthropy</u>						
Unrestricted (a)	\$196,639	\$193,732	\$224,970	\$224,156	\$279,510	\$116,258
Temporarily Restricted, net of release	30,557	80,422	(18,212) (b)	97,157	71,264	(19,975)
Permanently Restricted	10,470	27,220	24,401	56,687	25,760	10,602
Total	<u>\$237,666</u>	<u>\$301,374</u>	<u>\$231,159</u>	<u>\$378,000</u>	<u>\$376,534</u>	<u>\$106,885</u>
Fundraising Cost	<u>\$43,926</u>	<u>\$44,665</u>	<u>\$47,305</u>	<u>\$52,470</u>	<u>\$59,627</u>	<u>\$27,445</u>
% of Cost to Accrual Basis Philanthropy	<u>18.5%</u>	<u>14.8%</u>	<u>20.5%</u>	<u>13.9%</u>	<u>15.8%</u>	<u>25.7%</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	
	2010	2011	2012	2013	2014	2014	2015
Assets Whose Use is Limited	\$ 151,288	\$ 395,583	\$ 225,169	\$ 309,366	\$ 218,949	\$ 279,693	\$ 197,442
Donor Permanently Restricted *	388,348	411,778	443,702	540,579	566,644	548,617	581,833
Unrestricted	2,933,437	2,836,864	3,906,512	4,248,573	4,355,596	4,283,028	4,728,375
Total	<u>\$3,473,073</u>	<u>\$3,644,225</u>	<u>\$4,575,383</u>	<u>\$5,098,518</u>	<u>\$5,141,189</u>	<u>\$ 5,111,338</u>	<u>\$ 5,507,650</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	
	2010	2011	2012	2013	2014	2014	2015
Licensed Beds	514	514	514	514	514	514	514
Beds in Service	468	470	469	470	473	473	473
Admissions	24,356	24,486	24,598	22,326	22,144	10,946	11,295
Discharges	24,391	24,478	24,544	22,340	22,088	10,847	11,233
Average Length of Stay	5.9	5.7	6.1	6.5	6.6	6.6	6.7
Occupancy Rate (1)	83.7%	82.2%	87.0%	83.0%	84.3%	83.1%	91.5%
Patient Days	143,532	140,990	149,368	144,345	146,855	71,658	75,791
Total Outpatient Visits:	515,835	535,949	541,474	571,922	593,959	292,665	310,522
Manhattan	418,410	432,847	436,510	463,724	480,260	237,860	245,076
Regional Network	97,425	103,102	104,964	108,198	113,699	54,805	65,446
Surgical Cases	19,362	19,374	19,691	20,465	20,419	10,114	10,598
Inpatient	11,303	11,318	11,370	9,577	9,150	4,581	4,572
Outpatient	8,059	8,056	8,321	10,888	11,269	5,533	6,026
Radiation Treatments & Implants:	107,149	112,007	110,765	114,995	117,604	57,968	58,264
Manhattan	59,223	60,393	60,289	61,335	62,375	31,631	29,488
Regional Network	47,926	51,614	50,476	53,660	55,229	26,337	28,776
X-ray Examinations & Special Procedures	362,609	377,360	401,864	420,003	435,501	214,828	232,380
Laboratory Procedures (2)	3,598,627	3,789,977	4,045,623	3,912,345	4,131,382	2,012,151	2,141,224
Full Time Equivalents	11,528.1	11,888.9	12,290.0	12,825.5	13,439.6	13,213.5	13,948.5

(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, 2015

	For the years ended December 31st					June YTD	
	2010	2011	2012	2013	2014	2014	2015
<u>Case Mix Index (1)</u>	1.65	1.71	1.74	1.85	1.88	1.8861	1.8692
<u>Medicare Only CMI</u>	1.66	1.7	1.73	1.83	1.85	1.8501	1.8624
<u>Revenue Distribution (2)</u>							
Medicare	22.4%	25.1%	21.8%	25.6%	25.9%	22.3%	22.8%
Medicaid	2.8%	2.0%	0.9%	1.4%	2.6%	2.5%	2.2%
Commercial, Self Pay & Managed Care non-contracted	12.8%	11.5%	11.4%	8.6%	5.7%	11.8%	10.7%
Managed Care Contracted	62.0%	61.4%	65.9%	64.4%	65.8%	63.4%	64.3%
	100%	100%	100%	100%	100%	100%	100%

(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.