



Cornelis van den Berg
Interim Chief Financial Officer

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December 11, 2017

Municipal Securities Rulemaking Board
Electronic Municipal Market Access (EMMA)
1900 Duke Street, Suite 600
Alexandria, VA 22314

DAC Bond
315 East Robinson Street, Suite 300
Orlando, Florida 32801

RE: City of Hope continuing disclosure for the twelve months ended September 30, 2017 for: (1) the Series 2012 A Revenue Bonds through the California Health Facilities Financing Authority issued on November 15, 2012 CUSIP #s 13033LK71, 13033LK89, 13033LK97, 13033LL21, 13033LL39, 13033LL47, 13033LL54, 13033LL62, 13033LL70, 13033LL88, 13033LL96, 13033LM20, 13033LM38, 13033LM46, 13033LM95, 13033LM53, 13033LM79, 13033LM87, 13033LM61, 13033LN29, 13033LN37; (2) City of Hope Direct Obligation Notes, Series 2013 (Taxable) issued on July 25, 2013 (the "Series 2013 Notes") CUSIP # 17858PAA9; and (3) Series 2017 B Variable Rate Revenue Bonds and Series 2017 C Variable Rate Revenue Bonds through the California Health Facilities Financing Authority issued on February 10, 2017.

To Whom It May Concern:

Enclosed in this package are the following items:

1. Unaudited combining financial statements for the year September 30, 2017;

The enclosed disclosure information is informational and comes ahead of the year end audited financial statement disclosures and the Management Discussion and Analysis, which are due 150 days after the fiscal year end.

Any questions or comments on the above information should be addressed to the undersigned by email at cvandenberg@coh.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Cornelis van den Berg", written over a horizontal line.

Cornelis van den Berg
Interim Chief Financial Officer

CvdB/vtm

cc: Rating Agencies
 Mr. Randall Beatty, Chair, City of Hope Board of Directors Audit Committee
 Mr. Ronald Sargeant, Chair, City of Hope Board of Directors Finance Committee

CITY OF HOPE AND AFFILIATES

Consolidated Financial Statements

For the Year Ended September 30, 2017 and 2016

UNAUDITED

City of Hope and Affiliates

Consolidated Statements of Financial Position (In Millions)

	September 2017	September 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 212.1	\$ 121.5
Investments	1,192.0	1,083.2
Self-insurance trust funds	3.3	3.6
Patient accounts receivable	245.1	243.5
Grants and other receivables	66.1	66.3
Due from third party payors	9.8	3.9
Donor-restricted unconditional promises to give, net	49.4	22.3
Prepaid and other	36.7	28.9
Total current assets	1,814.5	1,573.2
Property and equipment, net	861.9	722.7
Other assets:		
Investments	313.8	357.6
Board-designated assets	815.6	715.2
Donor-restricted assets:		
Investments	442.9	345.9
Unconditional promises to give, net	54.0	86.8
Contributions receivable from annuity and split-interest agreements, net	13.6	15.1
Other	3.6	1.6
Intangible assets	6.1	2.8
Other technology	4.6	-
Other long-term assets	53.2	44.9
Total other assets	1,707.4	1,569.9
Total assets	<u>\$ 4,383.8</u>	<u>\$ 3,865.8</u>

City of Hope and Affiliates

Consolidated Statements of Financial Position (In Millions)

	September 2017	September 2016
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 157.1	\$ 139.8
Accrued salaries, wages and employee benefits	68.8	58.3
Long-term debt, current portion	11.6	90.6
Deferred revenue	27.3	23.1
Other	0.8	0.4
Total current liabilities	265.6	312.2
Long-term debt, net of current portion	683.4	618.3
Annuity and split-interest agreement obligations	18.6	17.3
Deferred rent	14.0	10.6
Interest rate swap	10.3	16.9
Other	56.5	38.2
Total liabilities	1,048.4	1,013.5
Net assets:		
Unrestricted	2,788.5	2,395.4
Temporarily restricted	370.8	288.5
Permanently restricted	176.1	168.4
Total net assets	3,335.4	2,852.3
Total liabilities and net assets	\$ 4,383.8	\$ 3,865.8

City of Hope and Affiliates

Consolidated Statements of Activities (In Millions)

Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions (including net special events)	\$ 64.1	\$ 72.8	\$ 7.4	\$ 144.3
Net patient service revenues	1,186.2	-	-	1,186.2
Research grants	135.1	-	-	135.1
Investment income	138.8	13.4	0.2	152.4
Net unrealized gain on investments	154.2	15.1	-	169.3
Royalty and licensing income	398.1	-	-	398.1
Other	23.5	0.2	-	23.7
Total revenues	2,100.0	101.5	7.6	2,209.1
Net assets released from restrictions	44.6	(44.6)	-	-
Total revenues and other increases	2,144.6	56.9	7.6	2,209.1
Expenses:				
Salaries, wages and benefits	613.7	-	-	613.7
Purchased services	274.0	-	-	274.0
Professional fees	145.3	-	-	145.3
Pharmaceuticals and supplies	376.6	-	-	376.6
Equipment rental and maintenance	22.6	-	-	22.6
Interest	27.3	-	-	27.3
Change in FV of interest rate swap	(6.7)	-	-	(6.7)
Depreciation and amortization	119.2	-	-	119.2
Occupancy	24.6	-	-	24.6
Royalty sharing expense	123.0	-	-	123.0
Hospital provider fee	7.6	-	-	7.6
Bad debt	7.4	-	-	7.4
Goodwill impairment	3.9	-	-	3.9
Other	33.9	-	-	33.9
Total expenses	1,772.4	-	-	1,772.4
Changes in net assets	372.2	56.9	7.6	436.7
Unrestricted and restricted contribution from affiliation	20.9	25.4	0.1	46.4
Total changes in net assets	393.1	82.3	7.7	483.1
Net assets, beginning of year	2,395.4	288.5	168.4	2,852.3
Net assets, end of year	\$ 2,788.5	\$ 370.8	\$ 176.1	\$ 3,335.4

City of Hope and Affiliates

Consolidated Statements of Activities (In Millions)

Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions (including net special events)	\$ 53.7	\$ 71.6	\$ 6.0	\$ 131.3
Net patient service revenues	1,119.8	-	-	1,119.8
Research grants	87.8	-	-	87.8
Investment income	80.6	7.8	(0.4)	88.0
Net unrealized gain on investments	99.6	10.0	-	109.6
Royalty income	333.7	-	-	333.7
Other	22.2	0.2	-	22.4
Total revenues	1,797.4	89.6	5.6	1,892.6
Net assets released from restrictions	32.5	(32.5)	-	-
Total revenues and other increases	1,829.9	57.1	5.6	1,892.6
Expenses:				
Salaries, wages and benefits	522.8	-	-	522.8
Purchased services	187.0	-	-	187.0
Professional fees	131.3	-	-	131.3
Pharmaceuticals and supplies	338.9	-	-	338.9
Equipment rental and maintenance	19.4	-	-	19.4
Interest	32.4	-	-	32.4
Change in FV of interest rate swap	5.9	-	-	5.9
Depreciation and amortization	95.1	-	-	95.1
Occupancy	18.4	-	-	18.4
Royalty sharing expense	102.1	-	-	102.1
Hospital provider fee	13.9	-	-	13.9
Bad debt	3.1	-	-	3.1
Other	19.2	-	-	19.2
Total expenses	1,489.5	-	-	1,489.5
Changes in net assets	340.4	57.1	5.6	403.1
Change in donor designation of net assets	-	7.0	(7.0)	-
Net assets, beginning of year	2,055.0	224.4	169.8	2,449.2
Net assets, end of year	\$ 2,395.4	\$ 288.5	\$ 168.4	\$ 2,852.3

City of Hope and Affiliates

Consolidated Statements of Cash Flows (In Millions)

	September 2017	September 2016
Operating activities		
Changes in net assets	\$ 483.1	\$ 403.1
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	118.9	95.1
Amortization of bond issue costs	0.3	0.3
Contribution from affiliation	(46.4)	-
Loss on sale of contributed real property	-	0.1
Loss on disposal of fixed assets	1.2	2.2
Gain on equity based investment holdings	(49.6)	(26.4)
Loss on impairment of intangible assets	3.9	-
Provision for bad debt	7.8	3.1
Net unrealized gain on investments	(180.4)	(109.7)
(Gain) loss from change in value of interest rate swap agreement	(6.7)	5.9
Contribution proceeds restricted for endowment	(5.3)	(4.8)
Changes in assets and liabilities:		
Patient accounts receivable, net	(8.6)	(40.5)
Grants and other receivables	5.8	(17.2)
Unconditional promises to give, net	15.1	(20.4)
Contributions receivable from split-interest agreements	1.5	(7.1)
Contributed real property held for sale	0.5	(2.2)
Other assets	(20.4)	(6.1)
Accounts payable and accrued liabilities	(25.9)	18.5
Accrued salaries, wages, and employee benefits	9.0	4.6
Annuity and split-interest agreement obligations	1.3	0.4
Other liabilities	(1.9)	(2.5)
Net cash provided by operating activities before net purchases of trading investments	303.2	296.4
Net sales (purchases) of trading investments	33.6	(97.6)
Net cash provided by operating activities	336.8	198.8
Investing activities		
Increase in notes receivable	(3.0)	(2.7)
Additions to property and equipment	(200.2)	(85.8)
Proceeds from sale of contributed real property held for sale	0.1	1.0
Cash from Affiliation	10.6	-
Net purchases of alternative investments	(50.9)	(119.7)
Net cash used in investing activities	(243.4)	(207.2)
Financing activities		
Repayment of long-term debt	(65.0)	-
Proceeds from long-term debt borrowing	67.9	-
Principal payments on long-term debt	(11.0)	(8.2)
Contribution proceeds restricted for endowment	5.3	4.8
Net cash used in financing activities	(2.8)	(3.4)
Net increase (decrease) in cash and cash equivalents	90.6	(11.8)
Cash and cash equivalents, beginning of year	121.5	133.3
Cash and cash equivalents, end of year	\$ 212.1	\$ 121.5