



**Memorial Sloan-Kettering Cancer Center**  
**Financial and Statistical Information**  
**For the Six Months Ended June 30, 2010**

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**Memorial Sloan-Kettering Cancer Center**  
**Management's Discussion and Analysis of Financial Performance**  
**For the Period Ended June 30, 2010**

For the six months ended June 30, 2010, Memorial Sloan-Kettering Cancer Center and affiliates had income from operations of \$59.9 million, as compared to \$26.9 million for the same period last year.

Operating revenues increased by 8.8% or \$97.9 million from the same period in 2009. Management attributes a portion of the operating revenue improvement to increases in patient care revenue and grants and contracts revenue. Inpatient days are 1,452 better than last year with continuing improvements in reimbursement rates and a growth in average gross charges per day. Outpatient visits are 3.9% or 9,711 greater than the same period last year. Part of this growth is due to continuing higher volumes at our Basking Ridge New Jersey and Commack Long Island sites due to new physician recruitment.

Operating expenses net of fundraising costs increased by 5.9% or \$64.9 million from the same period in 2009. Compensation and fringe benefit expense increased by 6.6% or \$41.1 million from the same period in 2009, primarily due to wage inflation and the addition of 442.5 full time equivalents needed to staff higher inpatient and outpatient volumes and new facilities. Purchased supplies increased \$24.2 million or 6.8% which includes pharmaceutical costs that increased 10% or \$12.4 million. Interest expense increased by .6 million primarily as a result of the Institution entering into a tax exempt lease program for \$75 million for funding the acquisition of clinical care and research lab equipment.

The Institution's investable assets of \$2.4 billion has a year to date return of -1.5%, which is exclusive of short-term cash equivalents. Our rate of return is reflective of a portfolio that includes 13.2% domestic and 15% global equity, 16.7% fixed income, 25.9% marketable alternative investments, 17.7% private equity and venture capital markets, and 11.5% inflation hedging. Most of the negative performance can be attributable to unrealized market losses.

**Footnotes:**

The audited financial statements for 2009 with 2008 are available on the DacBond website. For the first six months of 2010 there has not been any significant change in operations, application of accounting principles or any other activity that would require an updating to the audited year-end footnote disclosures.

August 5, 2010

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

	Year Ended December 31,					June YTD	
	2005	2006	2007	2008	2009	2009	2010
<b>Operating Revenues</b>							
Patient Care Revenue	\$ 1,249,379	\$ 1,398,393	\$ 1,531,639	\$ 1,606,989	\$ 1,723,313	840,865	920,136
Grants and Contracts	117,428	129,693	149,275	163,352	167,495	82,776	98,187
Contributions Allocated to Operations	74,277	83,538	95,481	108,844	126,250	64,413	61,173
Royalty Income	46,297	44,558	38,302	94,131	62,232	33,325	33,828
Other Income	34,294	39,439	39,902	41,963	43,144	21,282	22,415
Unrestricted Investment Return Allocated to Operations	88,664	116,143	113,131	116,546	103,998	50,695	53,363
Transfer of Board-Designated Annual Royalty Annuitization	17,163	26,083	29,440	33,122	37,158	18,579	20,789
<b>Total Operating Revenues</b>	<b>1,627,502</b>	<b>1,837,847</b>	<b>1,997,170</b>	<b>2,164,947</b>	<b>2,263,590</b>	<b>1,111,935</b>	<b>1,209,891</b>
<b>Operating Expenses</b>							
Compensation & Fringe Benefits	880,565	966,034	1,061,946	1,164,155	1,286,536	623,434	664,624
Purchased Supplies & Services	525,120	594,671	659,488	684,872	757,863	358,821	383,114
Provision for Bad Debts & Assessments	40,506	41,978	13,387	6,823	10,881	7,320	8,387
Depreciation & Amortization	135,143	139,402	157,494	175,870	171,806	81,297	87,747
Interest Expense	24,205	45,463	54,872	59,023	64,997	28,563	27,938
Less Fund Raising Expenses							
Transferred to Non-Operating Income (Expenses)	(29,631)	(28,390)	(33,523)	(36,048)	(40,320)	(14,419)	(21,897)
<b>Total Operating Expenses</b>	<b>1,575,908</b>	<b>1,759,158</b>	<b>1,913,664</b>	<b>2,054,695</b>	<b>2,251,763</b>	<b>1,085,016</b>	<b>1,149,913</b>
<b>Income from Operations</b>	<b>51,594</b>	<b>78,689</b>	<b>83,506</b>	<b>110,252</b>	<b>11,827</b>	<b>26,919</b>	<b>59,978</b>
<b>Non-Operating Income (Expense)</b>							
Contributions Net of Fundraising Expenses and Amount							
Allocated to Operations	917	10,863	(35,096)	19,096	(19,537)	(18,490)	(26,465)
Net Assets Released from Restrictions - Pledge Payments	55,910	70,747	78,333	82,347	73,819	46,336	39,669
Investment Return Net of Allocation to Operations	91,836	133,873	166,834	(772,328)	327,501	88,054	(75,689)
Other nonoperating costs	-	-	-	(6,731)	-	-	-
<b>Total Non-Operating Income (Expense)</b>	<b>148,663</b>	<b>215,483</b>	<b>210,071</b>	<b>(677,616)</b>	<b>381,783</b>	<b>115,900</b>	<b>(62,485)</b>
<b>Board-Designated</b>							
Investment Income and Other Additions	5,358	4,974	6,410	(11,085)	5,749	2,286	(280)
Transfer of Annual Royalty Annuitization	(17,163)	(26,083)	(29,440)	(33,122)	(37,158)	(18,579)	(20,789)
Gain on Sale of Royalty Rights	132,167	-	-	-	-	-	-
<b>Total Board-Designated Income (Expense)</b>	<b>120,362</b>	<b>(21,109)</b>	<b>(23,030)</b>	<b>(44,207)</b>	<b>(31,409)</b>	<b>(16,293)</b>	<b>(21,069)</b>
Provision for Asset Retirement Obligation	-	(19,427)	-	-	-	-	-
Effect of Adoption of Recogniton and Measurement Date							
Provisions of FASB Statement No. 158	-	(85,549)	-	-	-	-	-
Postretirement benefit obligation changes to be recognized in future periods	-	-	45,720	(207,217)	52,728	-	-
<b>Increase (Decrease) in Total Unrestricted Net Assets</b>	<b>\$ 320,619</b>	<b>\$ 168,087</b>	<b>\$ 316,267</b>	<b>\$ (818,788)</b>	<b>\$ 414,929</b>	<b>126,526</b>	<b>(23,576)</b>

**Memorial Sloan-Kettering Cancer Center and Affiliated Corporations**  
**Balance Sheets - Combined**  
**June 30, 2010**  
*\$ In Thousands*

	CURRENT MONTH	DECEMBER Prior Year
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	267,862	204,409
Short term investments (Approximates cost)	<u>101,725</u>	<u>123,175</u>
	<b>369,587</b>	<b>327,584</b>
Patient Accounts Receivable	325,177	305,133
Other Accounts Receivable	57,305	33,745
Pledges, trusts & estates receivable	72,443	93,974
Other current assets	<u>74,747</u>	<u>68,107</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>899,259</u></b>	<b><u>828,543</u></b>
<b>NONCURRENT ASSETS</b>		
<b>ASSETS WHOSE USE IS LIMITED</b>		
Investments in marketable securities:		
Construction, debt service and repair reserve funds	98,790	95,050
Captive insurance reserve funds	29,741	24,988
Employee benefit funds	73,226	78,038
<b>TOTAL ASSETS WHOSE USE IS LIMITED</b>	<b>201,757</b>	<b>198,075</b>
Investments in marketable securities	2,416,974	2,575,369
Investments in other non marketable securities	112,459	112,459
Property & equipment	2,085,594	2,084,775
Mortgages & other loans receivable	28,360	27,272
Pledges, trusts & estates receivable	228,873	212,533
Other noncurrent assets	<u>34,862</u>	<u>29,680</u>
<b>TOTAL NONCURRENT ASSETS</b>	<b><u>5,108,880</u></b>	<b><u>5,240,164</u></b>
<b>TOTAL ASSETS</b>	<b><u>6,008,139</u></b>	<b><u>6,068,707</u></b>

**Memorial Sloan-Kettering Cancer Center and Affiliated Corporations**  
**Balance Sheets - Combined**  
**June 30, 2010**  
*\$ In Thousands*

	CURRENT MONTH	DECEMBER Prior Year
<b>LIABILITIES AND FUND BALANCES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	237,285	266,126
Accrued expenses	272,532	274,263
Current portion of long term debt	<u>39,572</u>	<u>39,726</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>549,388</b>	<b>580,115</b>
<b>NONCURRENT LIABILITIES</b>		
Long term debt, less current portion	1,216,589	1,227,514
Other Noncurrent liabilities	<u>661,985</u>	<u>659,496</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,427,963</u></b>	<b><u>2,467,125</u></b>
<b>NET ASSETS</b>		
Unrestricted	2,490,427	2,493,562
Board Designated	368,225	388,667
Temporarily Restricted	335,511	338,940
Permanently Restricted	<u>386,012</u>	<u>380,413</u>
<b>TOTAL NET ASSETS</b>	<b><u>3,580,175</u></b>	<b><u>3,601,582</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>6,008,137</u></b>	<b><u>6,068,707</u></b>

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

For the Periods Ended June 30, 2010 and the Year Ended December 31, 2009

*\$ In Thousands*

	Current Year	Prior Year
<b>Unrestricted Net Assets</b>		
Net Assets at the Beginning of the Year	2,882,229	2,470,299
(Decrease) Increase in Unrestricted Net Assets	-23,577	411,930
	<u>2,858,653</u>	<u>2,882,229</u>
<b>Temporarily Restricted Net Assets</b>		
Net Assets at the Beginning of the Year	338,940	396,076
Contributions, Pledges and Bequests	36,240	16,683
Net Assets Released from Restrictions	-39,669	-73,819
	<u>335,511</u>	<u>338,940</u>
<b>Permanently Restricted Net Assets</b>		
Net Assets at the Beginning of the Year	380,413	357,538
Contributions, Pledges and Bequests	6,393	5,531
Realized Gain(Loss) on Investment Transactions	596	1,400
Unrealized Gain(Loss) on Investment Transactions	-1,391	15,944
	<u>386,012</u>	<u>380,413</u>

**Memorial Sloan-Kettering Cancer Center and Affiliated Corporations**  
**Combined Statements of Cash Flow**  
For the Periods Ended June 30, 2010 and the Year Ended December 31, 2009  
*\$ In Thousands*

	Year to Date	Full Prior Year
<b>Operating activities</b>		
Increase (decrease) in net assets	-21,407	377,669
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	87,747	171,803
Unrealized (gains) losses	-6,432	-424,203
Realized (gains) losses	92	100,618
Temporarily and permanently restricted contributions, pledges and bequests transferred to operating activities	-42,633	-22,214
Effects of FASB 158	0	-52,728
(Increase) decrease in assets:		
Accounts receivable	-43,604	27,398
Other current assets	-6,640	-20,568
Pledges, trusts and estates receivable	5,191	65,589
Mortgages and other loans receivable	-1,088	1,586
Other noncurrent assets	-5,182	8,430
(Increase) decrease in liabilities:		
Accounts payable and accrued expenses	-30,572	33,086
Other noncurrent liabilities	<u>2,579</u>	<u>61,402</u>
Net cash (used in) provided by operating activities	<u>-61,949</u>	<u>327,867</u>

# Memorial Sloan-Kettering Cancer Center and Affiliated Corporations

## Combined Statements of Cash Flow

For the Periods Ended June 30, 2010 and the Year Ended December 31, 2009

\$ In Thousands

	Year to Date	Full Prior Year
<b>Investing activities</b>		
Net additions to property and equipment	-88,656	-226,045
Increase in investments, net	182,503	-120,745
Temporarily and permanently restricted contributions, pledges and bequests transferred to operating activities	<u>42,633</u>	<u>22,214</u>
Net cash used by investing activities	<u>136,479</u>	<u>-324,576</u>
<b>Financing activities</b>		
Retirement of Tax Exempt Debt	0	-20,135
New Bond Issue	<u>-11,080</u>	<u>61,595</u>
Net cash provided(used) by financing activities	<u>-11,080</u>	<u>41,460</u>
Net (decrease) increase in cash and cash equivalents	63,451	44,751
Cash and cash equivalents at the beginning of the period	<u>204,409</u>	<u>159,658</u>
Cash and cash equivalents at the end of the year	<u>267,860</u>	<u>204,410</u>

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

June 30, 2010

(all amounts except ratios in thousands)

	6/30/2010 Current	12/31/2009 Last year	12/31/2008 Two Years Ago
<b>DEBT RATIO ANALYSIS</b>			
<b>Debt Ratio</b>			
Cash & Equivalents	267,862	204,909	159,658
Short Term Investments	101,725	123,175	148,137
Assets Whose Use is Limited	201,757	198,075	198,894
Investments	2,416,974	2,575,369	2,100,300
Total Cash & Investments	<u>2,988,318</u>	<u>3,101,528</u>	<u>2,606,989</u>
Permanently Restricted Net Assets	386,012	380,413	357,538
Less Current Restricted Pledges	3,604	5,314	5,172
Less Non-Current Restricted Pledges	13,900	4,680	6,253
PRNA Net of Restricted Pledges	<u>368,508</u>	<u>370,419</u>	<u>346,113</u>
Unrestricted Cash & Investments	2,619,810	2,731,109	2,260,876
LT Debt	<u>1,256,161</u>	<u>1,267,240</u>	<u>1,225,780</u>
	<u><b>2.09</b></u>	<u><b>2.16</b></u>	<u><b>1.84</b></u>
<b>Minimum Debt Ratio Required</b>	<u>0.60</u>	<u>0.60</u>	<u>0.60</u>
	<b>Pass</b>	<b>Pass</b>	<b>Pass</b>
<b>Loss Allowed</b>			
Income (Loss) From Operations	59,878	11,827	110,253
Less Invest Income Supp Operations	(53,363)	(103,998)	(116,546)
Less Fundraising Costs	(21,897)	(40,320)	(36,048)
Add Contributions Net of Support to Operations	(4,568)	17,783	55,144
Add Net Assets Released from Restrictions	39,669	73,819	82,347
8% of Unrestricted Investments (3 yr avg)	187,015	197,527	200,746
<b>Adjusted Operating Gain (Loss)</b>	<u><b>206,734</b></u>	<u><b>156,638</b></u>	<u><b>295,896</b></u>
<b>Maximum Loss Allowed</b>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>
	<b>Pass</b>	<b>Pass</b>	<b>Pass</b>
<b>Calculation of 8% of Unrestricted Investments</b>			
Total Cash and Investments	2,988,318	3,101,528	2,606,989
Less: Permanent Net Assets	368,508	370,419	346,113
Less: Assets Whose Use is Limited	201,757	198,075	198,894
Unrestricted Investments	<u>2,418,053</u>	<u>2,533,034</u>	<u>2,061,982</u>
3 yr average	2,337,690	2,469,084	2,509,320
X 8%	187,015	197,527	200,746
	<u><b>187,015</b></u>	<u><b>197,527</b></u>	<u><b>200,746</b></u>
<b>LT Debt to Unrestricted Net Assets Ratio</b>			
Unrestricted net assets	2,619,810	2,731,109	2,260,876
Long-term debt	1,256,161	1,267,240	1,225,780
	<u><b>0.48</b></u>	<u><b>0.46</b></u>	<u><b>0.54</b></u>
<b>LT Debt to Unrestricted NA not to exceed</b>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
	<b>Pass</b>	<b>Pass</b>	<b>Pass</b>

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

	Year Ended December 31,					June YTD	
	2005	2006	2007	2008	2009	2009	2010
<b><u>Cash and Donated Securities</u></b>							
Individuals	\$104,462	\$110,237	\$143,084	\$126,122	\$117,952	59,031	64,788
Corporations	12,859	14,035	12,836	14,132	11,819	4,350	9,605
Foundations	25,819	54,115	66,940	51,251	41,450	17,929	14,990
Bequests	38,358	49,005	34,562	123,774 (a)	59,889	27,835	12,119
Total	<u>\$181,498</u>	<u>\$227,392</u>	<u>\$257,422</u>	<u>\$315,279</u>	<u>\$231,110</u>	<u>\$109,145</u>	<u>\$101,502</u>
<b><u>GAAP Basis Philanthropy</u></b>							
Unrestricted (b)	\$162,335	\$193,539	\$172,604	\$246,335	\$217,853	\$60,342	\$96,274
Temporarily Restricted, net of release	26,157	61,453	(12,419) (d)	30,990	(57,136) (d)	(11,610) (d)	(3,429) (d)
Permanently Restricted	10,191	43,737	78,835	1,778 (c)	5,531	1,467	6,393
Total	<u>\$198,683</u>	<u>\$298,729</u>	<u>\$239,020</u>	<u>\$279,103</u>	<u>\$166,248</u>	<u>\$50,199</u>	<u>\$99,238</u>
Fundraising Cost	<u>\$29,631</u>	<u>\$28,390</u>	<u>\$33,523</u>	<u>\$36,048</u>	<u>\$40,320</u>	<u>\$14,419</u>	<u>\$21,897</u>
% of Cost to Accrual Basis Philanthropy	<u>14.9%</u>	<u>9.5%</u>	<u>14.0%</u>	<u>12.9%</u>	<u>24.3%</u>	<u>28.7%</u>	<u>22.1%</u>

(a) Includes a one time bequest of \$79.5 million.

(b) Includes pledge payments released from Temporarily Restricted Net Assets

(c) Includes a prior period reclassification of \$24 million which is offset against Unrestricted Net Assets

(d) Includes payments against existing pledges in excess 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	
	2005	2006	2007	2008	2009	2009	2010
<b>Assets Whose Use is Limited</b>	\$ 178,098	\$ 245,900	\$ 282,802	\$ 198,894	\$ 198,075	\$ 194,564	\$ 201,757
<b>Donor Permanently Restricted *</b>	228,286	290,882	386,767	347,605	372,057	356,452	372,892
<b>Unrestricted</b>	2,505,901	2,681,785	2,848,677	2,177,908	2,643,356	2,243,093	2,526,129
<b>Total</b>	<u>\$2,912,285</u>	<u>\$3,218,567</u>	<u>\$3,518,246</u>	<u>\$2,724,407</u>	<u>\$3,213,488</u>	<u>\$ 2,794,109</u>	<u>\$3,100,778</u>

Represents permanently restricted funds that have been received under arrangements stipulated by the donor that prohibit spending the original gift.

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

	Year Ended December 31,					June YTD	
	2005	2006	2007	2008	2009	2009	2010
Licensed Beds	514	514	514	514	514	514	514
Admissions	21,156	21,179	21,868	22,689	23,469	11,654	12,196
Discharges	21,131	21,189	21,866	22,655	23,484	11,561	12,061
Average Length of Stay	6.6	6.5	6.3	6.2	6	6.1	5.9
Occupancy Rate (1)	88.3%	88.1%	87.4%	88.0%	88.5%	89.6%	84.4%
Patient Days	139,301	136,920	137,787	139,847	140,224	70,373	71,825
Total Outpatient Visits:	421,622	431,160	443,831	466,884	500,317	247,792	257,408
Manhattan	351,452	363,458	368,200	384,889	406,024	202,633	208,745
Regional Network	70,170	67,702	75,631	81,995	94,293	45,159	48,663
Screening Visits	31,383	31,198	30,200	28,888	27,369	13,973	11,659
Surgical Cases	16,043	16,329	16,951	18,035	19,233	9,535	9,847
Inpatient	9,838	10,092	10,259	10,718	11,052	5,518	5,744
Outpatient	6,205	6,237	6,692	7,317	8,181	4,017	4,103
Radiation Treatments & Implants:	110,505	103,544	101,922	102,044	105,843	51,274	54,086
Manhattan	62,754	59,369	57,307	58,494	57,856	28,746	30,092
Regional Network	47,751	44,175	44,615	43,550	47,987	22,528	23,994
X-ray Examinations & Special Procedures	291,127	305,404	329,329	346,157	358,052	179,507	178,747
Full Time Equivalents	9,119.9	9,449.1	9,951.2	10,516.3	11,047.8	10,922.9	11,365.4

(1) Based on adjusted bed count

**Memorial Sloan-Kettering Cancer Center  
Case Mix Index and Patient Revenue Distribution  
Year Ended December 31**

						<b>June YTD</b>	
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>2010</u>
<u>Case Mix Index (1)</u>	1.61	1.58	1.68	1.67	1.62	1.6	1.63
 <u>Revenue Distribution (2)</u>							
Medicare	27.8%	26.2%	26.6%	23.7%	25.9%	25.2%	23.1%
Medicaid	5.8%	5.1%	4.2%	3.1%	3.7%	3.4%	2.8%
Commercial, Self Pay & Managed Care non-contracted	31.6%	30.6%	28.1%	12.4%	10.2%	10.4%	12.0%
Managed Care Contracted (4)	<u>34.8%</u>	<u>38.1%</u>	<u>41.1%</u>	<u>60.8%</u>	<u>60.1%</u>	<u>61.0%</u>	<u>62.0%</u>
	100%	100%	100%	100%	100%	100%	100%

(1) The CMI calculation for 2005 - 2006 used a single grouper with each year's respective weights. Since 2007, the grouper and weights applicable at the time of discharge were used in the CMI calculation.

(2) Includes inpatient and outpatient revenue.

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

(4) Beginning with the fourth quarter of 2007 and during 2008, a number of new managed care contracts were signed and implemented with managed care companies previously classified as non-contracted.