



**Memorial Sloan-Kettering Cancer Center
Financial and Statistical Information
For the Three Months Ended March 31, 2015**

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Memorial Sloan Kettering
Cancer Center

**CERTIFICATE OF COMPLIANCE
For The Three Months Ended 3/31/2015**

**Re: Memorial Sloan-Kettering Cancer Center
Bond Series 1998, 2006 Series 1&2, 2008 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).

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.



5/4/2015

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 Three Months Ended March 31, 2015

For the three months ended March 31, 2015, Memorial Sloan-Kettering Cancer Center and affiliates had income from operations of \$62.1 million, as compared to \$68.4 million for the same period last year.

Operating revenues increased by 7.1% or \$56.1 million from the same period in 2014. Inpatient days are 1,509 higher than in 2014. Outpatient visits are up 5.5% or 7,779. 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 net of fundraising costs increased by 8.6% or \$62.4 million from 2014. Compensation and fringe benefit expense increased by 9.1% or \$39.1 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 \$16.9 million or 7.2%. Pharmaceutical cost, a major component of purchased supplies, increased by \$18.5 million or 20.5% 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 1.8%, 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, 8% fixed income, 32% marketable alternative investments, 19% private equity and venture capital markets, and 9% inflation hedging.

Footnotes:

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

May 10, 2015

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

	Year Ended December 31,					March YTD	
	2010	2011	2012	2013	2014	2014	2015
Operating Revenues							
Patient Care Revenue	\$ 1,854,776	\$ 2,141,421	\$ 2,201,941	\$ 2,367,731	\$ 2,560,457	\$ 614,363	\$ 671,915
Grants and Contracts	186,327	190,948	185,160	202,061	229,562	57,149	54,970
Contributions Allocated to Operations	117,323	130,791	144,497	164,943	183,937	41,393	45,414
Royalty Income	68,663	77,510	78,350	94,058	162,710	41,060	35,092
Other Income	44,874	48,351	51,167	57,150	62,643	14,133	16,311
Unrestricted Investment Return Allocated to Operations	100,389	104,699	75,877	82,028	87,917	21,881	23,933
Transfer of Board-Designated Annual Royalty Annuitization	41,578	46,417	51,709	57,495	15,885	3,971	2,410
Total Operating Revenues	<u>2,413,930</u>	<u>2,740,137</u>	<u>2,788,701</u>	<u>3,025,466</u>	<u>3,303,111</u>	<u>793,950</u>	<u>850,045</u>
Operating Expenses							
Compensation & Fringe Benefits	1,361,032	1,466,667	1,582,212	1,689,501	1,782,477	430,554	469,684
Purchased Supplies & Services	772,968	835,621	879,219	924,691	1,062,601	235,905	252,844
Provision for Bad Debts & Assessments	11,046	18,285	17,541	19,969	35,859	5,824	11,694
Depreciation & Amortization	175,494	195,461	210,810	210,373	217,342	53,219	55,484
Interest Expense	47,931	57,098	54,894	55,039	50,147	12,350	12,551
Less Fund Raising Expenses							
Transferred to Non-Operating Income (Expenses)	(43,926)	(44,665)	(47,305)	(52,470)	(59,627)	(12,362)	(14,334)
Total Operating Expenses	<u>2,324,545</u>	<u>2,528,467</u>	<u>2,697,371</u>	<u>2,847,103</u>	<u>3,088,799</u>	<u>725,490</u>	<u>787,923</u>
Income from Operations	<u>89,385</u>	<u>211,670</u>	<u>91,330</u>	<u>178,363</u>	<u>214,312</u>	<u>68,460</u>	<u>62,122</u>
Non-Operating Income (Expense)							
Contributions Net of Fundraising Expenses and Amount							
Allocated to Operations	(30,052)	(47,102)	(63,548)	(79,070)	(74,767)	(10,167)	(15,947)
Net Assets Released from Restrictions - Pledge Payments	65,442	65,378	96,716	85,813	110,712	24,072	27,908
Investment Return Net of Allocation to Operations	191,324	(126,179)	208,286	292,832	105,502	21,180	38,116
Other nonoperating costs	(3,000)	2,916	(38,000)	25,469	(36,562)	(9,153)	(12,029)
Total Non-Operating Income (Expense)	<u>223,714</u>	<u>(104,987)</u>	<u>203,454</u>	<u>325,044</u>	<u>104,885</u>	<u>25,932</u>	<u>38,048</u>
Board-Designated							
Investment Income and Other Additions	2,951	(590)	2,182	3,323	1,915	235	255
Transfer of Annual Royalty Annuitization	(41,578)	(46,417)	(51,709)	(57,495)	(15,885)	(3,971)	(2,410)
Gain on Sale of Royalty Rights	-	-	-	-	-	-	-
Total Board-Designated Income (Expense)	<u>(38,627)</u>	<u>(47,007)</u>	<u>(49,527)</u>	<u>(54,172)</u>	<u>(13,970)</u>	<u>(3,736)</u>	<u>(2,155)</u>
Postretirement benefit obligation changes to be recognized in future periods	(72,162)	(110,250)	(4,356)	208,351	(224,587)	-	-
Increase (Decrease) in Total Unrestricted Net Assets	<u>\$ 202,310</u>	<u>\$ (50,574)</u>	<u>\$ 240,901</u>	<u>\$ 657,586</u>	<u>\$ 80,640</u>	<u>\$ 90,656</u>	<u>\$ 98,015</u>

Memorial Sloan Kettering Cancer Center and Affiliated Corporations
Balance Sheets - Combined
March 31, 2015
\$ In Thousands

	CURRENT MONTH	DECEMBER Prior Year
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	293,533	346,721
Short term investments (Approximates cost)	<u>248,329</u>	<u>243,295</u>
	541,862	590,017
Patient Accounts Receivable	423,034	399,020
Other Accounts Receivable	161,573	176,809
Pledges, trusts & estates receivable	200,484	184,656
Other current assets	<u>71,906</u>	<u>84,759</u>
TOTAL CURRENT ASSETS	<u>1,398,859</u>	<u>1,435,260</u>
NONCURRENT ASSETS		
ASSETS WHOSE USE IS LIMITED		
Investments in marketable securities:		
Construction, debt service and repair reserve funds	39,094	99,672
Captive insurance reserve funds	54,088	46,935
Employee benefit funds	<u>72,921</u>	<u>72,342</u>
TOTAL ASSETS WHOSE USE IS LIMITED	166,103	218,949
Investments at fair value	3,521,791	3,416,601
Investments held for Major Capital Projects	1,177,577	829,744
Investments in non-marketable securities at cost	87,471	85,879
Property & equipment	2,750,521	2,501,314
Mortgages & other loans receivable	30,967	29,897
Pledges, trusts & estates receivable	369,323	405,563
Other noncurrent assets	<u>58,302</u>	<u>54,324</u>
TOTAL NONCURRENT ASSETS	<u>8,162,054</u>	<u>7,542,271</u>
TOTAL ASSETS	<u>9,560,914</u>	<u>8,977,531</u>

Memorial Sloan Kettering Cancer Center and Affiliated Corporations
Balance Sheets - Combined
March 31, 2015
\$ In Thousands

	CURRENT MONTH	DECEMBER Prior Year
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	270,391	303,016
Accrued expenses	273,167	294,504
Current portion of long term debt	<u>41,920</u>	<u>41,920</u>
TOTAL CURRENT LIABILITIES	585,478	639,440
NONCURRENT LIABILITIES		
Long term debt, less current portion	2,546,964	2,001,769
Other Noncurrent liabilities	<u>970,879</u>	<u>971,459</u>
TOTAL LIABILITIES	<u>4,103,320</u>	<u>3,612,668</u>
NET ASSETS		
Unrestricted	3,945,399	3,845,629
Board Designated	164,155	165,909
Temporarily Restricted	755,342	765,064
Permanently Restricted	<u>592,699</u>	<u>588,262</u>
TOTAL NET ASSETS	<u>5,457,595</u>	<u>5,364,865</u>
TOTAL LIABILITIES AND NET ASSETS	<u>9,560,915</u>	<u>8,977,533</u>

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

For the Periods Ended March 31, 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	98,015	79,090
	<u>4,109,554</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	18,186	181,976
Net Assets Released from Restrictions	-27,908	-110,712
Investment Return on Endowments	0	37,564
	<u>755,342</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	3,269	25,760
Realized Gain(Loss) on Investment Transactions	1,631	4,525
Unrealized Gain(Loss) on Investment Transactions	-463	2,681
	<u>592,699</u>	<u>588,262</u>

Memorial Sloan Kettering Cancer Center and Affiliated Corporations
Combined Statements of Cash Flow
For the Periods Ended March 31, 2015 and the Year Ended December 31, 2014
\$ In Thousands

	Year to Date	Full Prior Year
Operating activities		
Increase (decrease) in net assets	92,730	220,884
Adjustments to reconcile increase in unrestricted net assets to net cash provided by Operating activities		
Depreciation and amortization	55,484	217,342
Unrealized (gains) losses	-1,272	-22,831
Realized (gains) losses	-1,370	-10,841
Temporarily and permanently restricted contributions, pledges and bequests transferred to Operating activities	-21,455	-245,300
Effects of FASB 158	0	224,587
(Increase) decrease in assets:		
Accounts receivable	-8,778	-98,159
Mortgages and other loans receivable	-1,070	-268
Other current assets	11,348	-3,027
Other noncurrent assets	-3,979	3,361
Pledges, trusts and estates receivable	20,412	-80,834
(Increase) decrease in liabilities:		
Accounts payable and accrued expenses	-53,962	75,861
Other noncurrent liabilities	-581	11,029
Net Cash (used in) provided by operating activities	<u>87,508</u>	<u>291,806</u>
Investing activities		
Net additions to property and equipment	-304,691	-472,265
Increase in investments, net	-404,160	-60,875
Temporarily and permanently restricted contributions, pledges and bequests transferred to Operating activities	<u>21,455</u>	<u>245,300</u>
Net cash used by investing activities	<u>-687,396</u>	<u>-287,840</u>
Financing activities		
New Bond Issue	545,195	-54,341

Memorial Sloan Kettering Cancer Center and Affiliated Corporations

Combined Statements of Cash Flow

For the Periods Ended March 31, 2015 and the Year Ended December 31, 2014

\$ In Thousands

	Year to Date	Full Prior Year
Net cash provided(used) by financing activities	<u>545,195</u>	<u>-54,341</u>
Net (decrease) increase in cash and cash equivalents	-54,694	-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>292,028</u>	<u>346,722</u>

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

March 31, 2015

\$000

	<u>3/31/2015</u> <u>Current</u>	<u>12/31/2014</u> <u>Last year</u>	<u>12/31/2013</u> <u>Two Years Ago</u>
<u>DEBT RATIO ANALYSIS</u>			
<u>Debt Ratio</u>			
Cash & Equivalents	293,533	346,721	398,598
Short Term Investments	248,329	243,295	181,381
Assets Whose Use is Limited	166,103	218,949	309,366
Investments	4,699,368	4,246,345	4,123,681
Total Cash & Investments	<u>5,407,333</u>	<u>5,055,310</u>	<u>5,013,026</u>
Permanently Restricted Net Assets	592,699	588,260	555,296
Less Current Restricted Pledges	4,638	10,966	3,396
Less Non-Current Restricted Pledges	10,002	10,652	11,321
PRNA Net of Restricted Pledges	<u>578,059</u>	<u>566,642</u>	<u>540,579</u>
Unrestricted Cash & Investments	4,829,274	4,488,668	4,472,447
LT Debt	2,588,884	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
<u>Loss Allowed</u>			
Income (Loss) From Operations	62,122	214,312	178,363
Less Invest Income Supp Operations	(23,933)	(87,917)	(82,028)
Less Fundraising Costs	(14,334)	(59,627)	(52,470)
Add Contributions Net of Support to Operations	(1,613)	(15,140)	(26,600)
Add Net Assets Released from Restrictions	27,908	110,712	85,813
8% of Unrestricted Investments (3 yr avg)	349,226	326,020	291,325
Adjusted Operating Gain (Loss)	<u>399,376</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
<u>Calculation of 8% of Unrestricted Investments</u>			
Total Cash and Investments	5,407,333	5,055,310	5,013,026
Less: Permanent Net Assets	578,059	566,642	540,579
Less: Assets Whose Use is Limited	166,103	218,949	309,366
Unrestricted Investments	4,663,171	4,269,719	4,163,081
3 yr average	4,365,324	4,075,250	3,641,567
X 8%	349,226	326,020	291,325
	<u>349,226</u>	<u>326,020</u>	<u>291,325</u>
<u>LT Debt to Unrestricted Net Assets Ratio</u>			
Unrestricted net assets	4,829,274	4,488,668	4,472,447
Long-term debt	2,588,884	2,043,689	2,098,031
	<u>0.54</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

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

	Year Ended December 31,					March YTD	
	2010	2011	2012	2013	2014	2014	2015
<u>Cash and Donated Securities</u>							
Individuals	\$118,159	\$110,073	147,504	154,386	181,178	44,039	55,537
Corporations	17,858	12,224	10,976	12,100	12,205	2,498	3,559
Foundations	36,470	42,119	40,479	73,572	47,072	13,332	18,367
Bequests	36,233	55,575	36,669	37,602	55,074	5,490	4,954
Total	<u>\$208,720</u>	<u>\$219,991</u>	<u>\$235,628</u>	<u>\$277,660</u>	<u>\$295,529</u>	<u>\$65,359</u>	<u>\$82,417</u>
<u>GAAP Basis Philanthropy</u>							
Unrestricted (a)	\$196,639	\$193,732	\$224,970	\$224,156	\$279,510	\$67,660	\$71,709
Temporarily Restricted, net of release	30,557	80,422	(18,212) (b)	97,157	71,264	(11,832) (b)	(9,722)
Permanently Restricted	10,470	27,220	24,401	56,687	25,760	3,299	3,269
Total	<u>\$237,666</u>	<u>\$301,374</u>	<u>\$231,159</u>	<u>\$378,000</u>	<u>\$376,534</u>	<u>\$59,127</u>	<u>\$65,256</u>
Fundraising Cost	<u>\$43,926</u>	<u>\$44,665</u>	<u>\$47,305</u>	<u>\$52,470</u>	<u>\$59,627</u>	<u>\$12,362</u>	<u>\$14,334</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>20.9%</u>	<u>22.0%</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,					March YTD	
	2010	2011	2012	2013	2014	2014	2015
Assets Whose Use is Limited	\$ 151,288	\$ 395,583	\$ 225,169	\$ 309,366	\$ 218,949	\$ 266,506	\$ 166,103
Donor Permanently Restricted *	388,348	411,778	443,702	540,579	566,644	543,735	578,059
Unrestricted	2,933,437	2,836,864	3,906,512	4,248,573	4,355,596	4,159,915	4,750,641
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>\$ 4,970,156</u>	<u>\$ 5,494,803</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,					March 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	471	473
Admissions	24,356	24,486	24,598	22,326	22,144	5,395	5,561
Discharges	24,391	24,478	24,544	22,340	22,088	5,296	5,502
Average Length of Stay	5.9	5.7	6.1	6.5	6.6	6.8	6.8
Occupancy Rate (1)	83.7%	82.2%	87.0%	83.0%	84.3%	84.2%	91.4%
Patient Days	143,532	140,990	149,368	144,345	146,855	36,141	37,650
Total Outpatient Visits:	515,835	535,949	541,474	571,922	593,959	140,168	147,947
Manhattan	418,410	432,847	436,510	463,724	480,260	113,941	116,921
Regional Network	97,425	103,102	104,964	108,198	113,699	26,227	31,026
Surgical Cases	19,362	19,374	19,691	20,465	20,419	5,029	5,252
Inpatient	11,303	11,318	11,370	9,577	9,150	2,299	2,303
Outpatient	8,059	8,056	8,321	10,888	11,269	2,730	2,949
Radiation Treatments & Implants:	107,149	112,007	110,765	114,995	117,604	28,265	28,380
Manhattan	59,223	60,393	60,289	61,335	62,375	15,658	14,713
Regional Network	47,926	51,614	50,476	53,660	55,229	12,607	13,667
X-ray Examinations & Special Procedures	362,609	377,360	401,864	420,003	435,501	103,659	112,299
Laboratory Procedures (2)	3,598,627	3,789,977	4,045,623	3,912,345	4,131,382	993,390	1,023,610
Full Time Equivalents	11,528.1	11,888.9	12,290.0	12,825.5	13,439.6	13,100.1	13,870.1

(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
March 31, 2015**

	<u>For the years ended December 31st</u>					<u>March YTD</u>	
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
<u>Case Mix Index (1)</u>	1.65	1.71	1.74	1.85	1.88	1.89	1.88
<u>Medicare Only CMI</u>	1.66	1.7	1.73	1.83	1.85	1.86	1.88
<u>Revenue Distribution (2)</u>							
Medicare	22.4%	25.1%	21.8%	25.6%	25.9%	21.4%	22.7%
Medicaid	2.8%	2.0%	0.9%	1.4%	2.6%	2.8%	2.4%
Commercial, Self Pay & Managed Care non-contracted	12.8%	11.5%	11.4%	8.6%	5.7%	12.4%	10.2%
Managed Care Contracted	<u>62.0%</u>	<u>61.4%</u>	<u>65.9%</u>	<u>64.4%</u>	<u>65.8%</u>	<u>63.4%</u>	<u>64.7%</u>
	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.