

**This document is dated as of June 9, 2017**

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS. Certain of the discussions included in the following document may include certain “forward-looking statements” which involve known and unknown risks and uncertainties inherent in the operation of healthcare facilities. Actual actions or results may differ materially from those discussed below. Specific factors that might cause such differences include competition from other healthcare facilities in the service area of Dana-Farber Cancer Institute, federal and state regulations of healthcare providers, and reimbursement policies of the state and federal governments and managed care organizations. In particular, statements preceded by, followed by or that include the words “believes,” “estimates,” “expects,” “anticipates,” “plans,” “intends,” “scheduled” or other similar expressions are or may constitute forward-looking statements.

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

### **DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES\*** **Second Quarter Ended March 31, 2017**

**Laurie H. Glimcher M.D., President and Chief Executive Officer**  
**Dorothy E. Puhy, Executive Vice President and Chief Operating Officer**  
**Michael L. Reney, Chief Financial Officer**

**\*Dana-Farber Cancer Institute, Inc. is the parent corporation of Dana-Farber, Inc., Dana-Farber Trust, Inc. and Dana-Farber Cancer Care Network, Inc. Results for the quarter ended March 31, 2017 are presented on a condensed, consolidated basis.**  
**The Obligated Group is Dana-Farber Cancer Institute, Inc. and Dana-Farber, Inc.**

**Dana-Farber Cancer Institute, Inc. and Subsidiaries**  
**Management's Discussion and Analysis of Financial Condition**  
**and Operating Results**

Second Quarter Ended March 31, 2017

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For the first six months of fiscal year ("FY") 2017, Dana-Farber Cancer Institute, Inc. (DFCI) recorded an excess of revenues over expenses of \$45.3 million, compared to \$23.6 million for the first six months of FY 2016. Income from operations was \$9.4 million, compared to \$27.3 million for the first six months of FY 2016. This decline in operating income reflects the addition of the Longwood Center fixed costs combined with unplanned costs associated with the ongoing CMS review and an unfavorable payer mix.

Total operating revenue for the first six months of FY 2017 was \$762.7 million, an increase of \$80.3 million, or 11.8%, over the same period in FY 2016. Patient care revenue grew by \$44.5 million, or 10.1% over the same period in FY 2016. Management attributes this increase largely to growth in pharmacy as well as patient volume but negatively impacted by a growth in Medicare's payer mix. Research revenues have increased by \$32.6 million, or 18.1%, over the same period in FY 2016. Management attributes this to increases in funding from federal grants, commercial agreements plus additional use of gifts and royalty funds. Unrestricted gifts increased by \$1.2 million, or 2.4% over the same period in FY 2016. Management attributes this increase primarily to growth in proceeds from the Pan Mass Challenge. Operating expenses increased to \$753.3 million, an increase of \$98.3 million, or 15.0% over the same period in FY 2016. General, administrative and plant expenses increased by \$9.3 million, or 5.9% which is largely related to the CMS review. Depreciation expense increased by \$6.7 million, or 15.5% and interest expense increased by \$7.0 million, or 143.9% compared to the prior fiscal year. Management attributes the increase in interest expense to the issuance of the Series N debt as well as the conversion of the Longwood Research Space lease from operating to capital lease treatment. For a discussion of the accounting treatment of the Longwood Research Space Lease, see DFCI's Fourth Quarter Ended 9/30/16 (Unaudited) Report under the heading "Management's Discussion and Analysis of Financial Condition and Operating Results" on file at [emma.msrb.org](http://emma.msrb.org).

Investment returns for the first six months of FY 2017 were \$20.8 million compared to \$7.1 million through the first six months of FY 2016. Investment returns include investment income and realized and unrealized gains or losses. DFCI's interest rate swap agreements increased in value by \$17.7 million as compared to a decrease of \$8.2 million over the same period in FY 2016.

DFCI's total assets increased \$677.9 million, or 33.6%, to \$2.7 billion compared to the second quarter in FY 2016. Management attributes this increase to the conversion of the

Longwood Research Space lease from operating to capital lease treatment as well as to the issuance of the Series N debt which is being held as an Asset Whose Use is Limited until the purchase of the Longwood Research space tentatively scheduled for July 2017. Compared with the second quarter of FY 2016, unrestricted net assets increased \$65.9 million, or 10.2%, to \$713.6 million. Temporarily restricted net assets increased \$39.4 million, or 7.5%, to \$564.4 million. Permanently restricted net assets increased \$10.4 million, or 5.7%, to \$191.9 million.

Cash and investments increased by \$247.2 million, or 24.7%, compared to the second quarter in FY 2016. For the six month period ended March 31, 2017, the endowment's investments experienced a return of 5.7%. Days cash on hand increased by 38 days to 228 days compared to the second quarter of FY 2016. Management attributes this increase to positive investment returns and monetization of a royalty stream, which occurred in July 2016 and resulted in an increase in cash of \$100 million.

Net patient accounts receivable have increased to \$123.4 million from \$114.3 million compared to the second quarter of FY 2016 because of the growth in patient care revenue. Days in accounts receivable decreased to 44 days as compared to 47 days in the second quarter of FY 2016.

Assets whose use is limited increased by \$229.0 million compared to the second quarter of FY 2016 as a result of the Series N Bond financing. The proceeds from the Series N financing will be used to purchase the Longwood Research Space which is scheduled to occur in calendar 2017.

Property, plant and equipment increased by \$161.6 million compared to the second quarter of FY 2016 as a result of the Institute's exercise of its option to purchase the Longwood Research Space.

There was a decrease compared to the second quarter of FY 2016 in the amounts due to third-party payors as a result of settlements with certain payors as well as changes in estimates.

Research advances have increased to \$73.7 million from \$60.6 million compared to the second quarter of FY 2016 primarily due to growth in clinical trials and commercial agreements.

Long-term debt increased by \$433.1 million as a result of the Series N Bond financing and the conversion of the Longwood Research Space lease to a capital lease. Long-term debt was \$774.9 million at the end of the second quarter of FY 2017, compared to \$341.8 million at the end of the second quarter of FY 2016.

Other liabilities increased by \$64.6 million compared to the second quarter of FY 2016 primarily due to the proceeds from the royalty monetization which are recorded as deferred revenue, and partially offset by an increase in the swap valuation.

**Other Developments:** The U.S. Centers for Medicare and Medicaid Services (“CMS”) and the Massachusetts Department of Public Health (“MA DPH”) have approved DFCI's Plan of Correction related to a Statement of Deficiencies issued by CMS. The deficiencies related primarily to DFCI's oversight and control of its inpatient hospital located at The Brigham & Women's Hospital. DPH, on behalf of itself and CMS, conducted a follow-up survey on June 7 and 8, 2017. DPH reported verbally that it would recommend to CMS that DFCI be considered in full compliance. While final resolution will not occur unless and until CMS makes its final determination and it rescinds the termination date, Management believes this issue is likely to be resolved satisfactorily.

**DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**

	<b>As Of</b>		<b>As Of</b>	
	<b>March 31</b>		<b>September 30</b>	
(Dollars in thousands)	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 145,143	\$ 24,185	\$ 136,127	\$ 29,389
Patient accounts receivable, net	123,398	114,287	113,877	99,513
Contributions receivable, current portion	6,851	6,052	16,325	22,910
Assets whose use is limited, current portion	232,319	3,358	245,318	5,146
Research receivables	31,015	26,337	22,144	26,845
Prepaid expenses and other current assets	62,217	47,544	54,530	46,432
<b>Total Current Assets</b>	<b>600,943</b>	<b>221,763</b>	<b>588,321</b>	<b>230,235</b>
Investments	1,101,953	975,696	1,034,466	950,994
Assets whose use is limited by indenture agreement or other, less current portion	12,801	12,679	12,703	12,666
Property, plant and equipment, net	902,609	740,970	923,299	748,560
Contributions receivable, less current portion	30,795	44,186	28,824	40,469
Other assets	48,159	24,049	48,262	21,305
<b>TOTAL ASSETS</b>	<b>\$ 2,697,260</b>	<b>\$ 2,019,343</b>	<b>\$ 2,635,875</b>	<b>\$ 2,004,229</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 151,879	\$ 92,772	\$ 144,608	\$ 145,986
Amounts due to third party payors	39,340	54,381	43,044	60,045
Research advances	73,733	60,611	62,045	50,566
Current portion of long-term debt	12,094	4,715	14,722	5,458
<b>Total Current Liabilities</b>	<b>277,046</b>	<b>212,479</b>	<b>264,419</b>	<b>262,055</b>
<b>Other Liabilities</b>				
Long-term debt, less current portion	774,861	341,794	782,064	345,769
Other Liabilities	175,452	110,820	195,819	91,946
	<b>950,313</b>	<b>452,614</b>	<b>977,883</b>	<b>437,715</b>
<b>Net Assets</b>				
Unrestricted	713,617	647,726	668,285	612,732
Temporarily restricted	564,346	524,952	540,317	516,907
Permanently restricted	191,938	181,572	184,971	174,820
<b>Total Net Assets</b>	<b>1,469,901</b>	<b>1,354,250</b>	<b>1,393,573</b>	<b>1,304,459</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,697,260</b>	<b>\$ 2,019,343</b>	<b>\$ 2,635,875</b>	<b>\$ 2,004,229</b>

June 2016 early adoption of Accounting Standard Update 2015-03 (ASU). Bond issuance costs reclassified to long-term debt, less current portion from other assets on a comparative basis including second quarter FY16.

**DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES**  
**Consolidated Statement of Operations and Changes in Net Assets**

	Quarter Ended March 31		Six Months Ended March 31		Year Ended September 30	
(Dollars in thousands)	2017	2016	2017	2016	2016	2015
<b>Operating revenues:</b>						
Patient service revenue, net of contractual allowances and discounts	\$ 253,773	\$ 230,781	\$ 491,382	\$ 446,956	\$ 938,141	\$ 780,826
Provision for bad debts	4,249	4,413	5,493	5,545	12,813	7,604
Net Patient service revenues, less provision for bad debts	249,524	226,368	485,889	441,411	925,328	773,222
Research revenues	111,784	93,703	212,333	179,725	386,793	357,625
Unrestricted contributions and bequests	7,172	6,687	51,613	50,423	73,276	69,398
Other operating revenues	7,006	5,879	12,823	10,814	21,130	20,941
<b>Total operating revenues</b>	<b>375,486</b>	<b>332,637</b>	<b>762,658</b>	<b>682,373</b>	<b>1,406,527</b>	<b>1,221,186</b>
<b>Operating expenses:</b>						
Direct research	98,636	79,215	186,723	154,036	337,901	310,721
Direct patient care	171,229	153,250	338,028	295,430	624,564	512,950
General, administrative and plant	86,430	83,954	166,865	157,598	310,624	295,006
Depreciation and amortization	26,379	21,540	49,759	43,075	88,060	72,492
Interest	5,893	2,406	11,928	4,890	15,656	8,018
<b>Total operating expenses</b>	<b>388,567</b>	<b>340,365</b>	<b>753,303</b>	<b>655,029</b>	<b>1,376,805</b>	<b>1,199,187</b>
<b>Operating income</b>	<b>(13,081)</b>	<b>(7,728)</b>	<b>9,355</b>	<b>27,344</b>	<b>29,722</b>	<b>21,999</b>
<b>Investment gains, net</b>	<b>16,436</b>	<b>1,696</b>	<b>20,788</b>	<b>7,090</b>	<b>26,280</b>	<b>(7,345)</b>
<b>Interest rate swap agreement:</b>						
Net interest paid	(1,234)	(1,332)	(2,527)	(2,710)	(5,354)	(5,593)
Change in fair value	291	(8,531)	17,719	(8,165)	(13,836)	(11,238)
Other	-	-	-	-	-	(248)
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	<b>2,412</b>	<b>(15,895)</b>	<b>45,335</b>	<b>23,559</b>	<b>36,812</b>	<b>(2,425)</b>
<b>Other Changes in Net Assets:</b>						
Net unrealized gains (losses) on endowment	-	(1)	-	70	170	(168)
Net assets released from restriction for capital	-	11,362	-	11,362	20,948	13,889
Pension adjustment	-	-	-	-	(2,380)	(5,427)
Other	-	-	-	-	3	-
Increase in unrestricted net assets	2,412	(4,534)	45,335	34,991	55,553	5,869
Increase (decrease) in temporarily restricted net assets	4,287	(26,210)	24,026	8,048	23,410	(21,163)
Increase in permanently restricted net assets	1,631	3,883	6,967	6,752	10,151	7,603
<b>Increase (decrease) in Net Assets</b>	<b>8,330</b>	<b>(26,861)</b>	<b>76,328</b>	<b>49,791</b>	<b>89,114</b>	<b>(7,691)</b>
<b>Net Assets at Beginning of Period</b>	<b>1,461,571</b>	<b>1,381,111</b>	<b>1,393,573</b>	<b>1,304,459</b>	<b>1,304,459</b>	<b>1,312,150</b>
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 1,469,901</b>	<b>\$ 1,354,250</b>	<b>\$ 1,469,901</b>	<b>\$ 1,354,250</b>	<b>\$ 1,393,573</b>	<b>\$ 1,304,459</b>

**DANA-FARBER CANCER INSTITUTE, INC.**

<b>Asset Allocation Summary</b>	<b>As Of March 31</b>		<b>As Of September 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
(Dollars in Thousands)				
U.S. Government Money Market Fund	\$ 2,607	\$ 3,484	\$ 3,864	\$ 8,671
U.S. Government Securities	81,297	69,429	70,172	68,398
U.S. Equity Securities	77,272	61,873	63,704	64,387
U.S. Equity Mutual Funds	126,437	117,023	115,556	108,862
International Equity Securities	61,770	45,591	52,303	48,520
International Equity Mutual Funds	174,667	152,124	161,929	126,733
Alternative Investments*	577,903	526,172	566,938	525,423
<b>Total</b>	<b>\$1,101,953</b>	<b>\$975,696</b>	<b>\$ 1,034,466</b>	<b>\$950,994</b>

\* Alternative investments include investments in private equity funds, partnerships, limited liability companies and other funds, which generally have reduced liquidity.

<b>Investment Performance Summary</b>	<b>As Of March 31</b>		<b>As Of September 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
Dana-Farber Portfolio	5.7%	2.3%	8.4%	-2.0%
Investment Committee Custom Benchmark*	4.6%	1.7%	6.3%	-2.0%
S&P 500	10.1%	8.5%	15.4%	-0.6%

\* The custom benchmark is a weighted index return developed for the Institute at the request of the Investment Committee assuming Committee-determined target percentages in the different asset classes (e.g., U.S. equity, non-U.S. equity, fixed income, etc.) and the index return used for each asset class is a broad market benchmark selected by the Committee, (e.g. S&P 500 for U.S. Equities). The exact composition of the custom benchmark shifts over time as the Committee revises the target allocation percentages and selects different benchmarks for each asset class. It was adjusted in January 2015 and January 2016.

**DANA-FARBER CANCER INSTITUTE, INC.**  
**Capitalization for the Obligated Group**

	<b>As Of</b>		<b>As Of</b>	
	<b>March 31</b>		<b>September 30</b>	
(Dollars in Thousands)	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
<b>Long-Term Debt</b>				
Series K Bonds	\$ 79,286	\$ 84,003	\$ 83,145	\$ 86,942
Series L Bonds	184,016	185,000	184,000	183,967
Series M Bonds	50,240	50,860	50,213	50,160
Series N Bonds	278,079	-	278,805	-
South Shore lease obligation	19,226	20,509	19,819	21,182
Milford lease obligation	8,194	8,722	8,461	8,976
Longwood Center lease obligation	167,914	-	172,343	-
<b>Total Long-Term Debt</b>	<b>786,955</b>	<b>349,094</b>	<b>796,786</b>	<b>351,227</b>
<b>Unrestricted Net Assets</b>	<b>731,464</b>	<b>658,668</b>	<b>682,684</b>	<b>620,619</b>
<b>Total Capitalization</b>	<b>\$ 1,518,419</b>	<b>\$ 1,007,762</b>	<b>\$ 1,479,470</b>	<b>\$ 971,846</b>
<b>Total Long-Term Debt as a</b>				
<b>Percent of Total Capitalization</b>	<b>51.8%</b>	<b>34.6%</b>	<b>53.9%</b>	<b>36.1%</b>

The increase in the Long-Term Debt as a Percent of Total Capitalization is the result of the Series N bond financing as well as the conversion of the Longwood Research Space lease to a capital lease.



# **DANA-FARBER CANCER INSTITUTE, INC.**

<b>Days Cash on Hand for the Obligated Group</b> (Dollars in Thousands)	<b>As Of</b>		<b>As Of</b>	
	<b>March 31</b>		<b>September 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
Total Unrestricted Cash Position <sup>1</sup>	\$ 857,053	\$ 611,063	\$ 769,101	\$ 612,918
Average Daily Expenses <sup>2</sup>	3,752	3,219	3,403	2,975
<b>Days Cash On-Hand</b>	<b>228</b>	<b>190</b>	<b>226</b>	<b>206</b>

<sup>1</sup> Unrestricted cash equivalents and marketable securities plus an amount equal to 200% of the donor restricted research funds that have been released from restriction and used for operating expenses during the relevant calculation period, plus temporarily restricted cash and marketable securities that are available for current use but excluding certain items permitted to be excluded under the Master Trust Indenture.

<sup>2</sup> Total operating expenses less extraordinary items, infrequently occurring items or unusual items and the cumulative effect of changes in accounting principles, depreciation and amortization and other non-cash charges divided by the number of days in the period.

<b>Actual and Maximum Debt Service for the Obligated Group</b> (Dollars in Thousands)	<b>Year Ended</b>		<b>Year Ended</b>	
	<b>March 31</b>		<b>September 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
Income Available for Debt Service	147,215	127,294	144,735	123,425
Actual Historical Annual Debt Service	42,265	19,968	30,844	18,807
<b>Actual Historical Debt Service Coverage Ratio</b>	<b>3.48</b>	<b>6.37</b>	<b>4.69</b>	<b>6.56</b>
Income Available for Debt Service	147,215	127,294	144,735	123,425
Pro Forma Maximum Annual Debt Service <sup>1</sup>	51,640	23,895	51,372	24,470
<b>Pro Forma Maximum Debt Service Coverage Ratio</b>	<b>2.85</b>	<b>5.33</b>	<b>2.82</b>	<b>5.04</b>

The increase in both the historical and maximum annual debt service is the result of the Series N bond financing as well as the conversion of the Longwood Research Space lease to a capital lease.

<sup>1</sup> Maximum Annual Debt Service represents the highest total debt service on all long-term indebtedness which is projected to occur in the fiscal year ending 9/30/2027. The debt service requirement for \$150,000 of long-term indebtedness which is covered by interest rate swap agreements is calculated in accordance with the terms of Master Trust Indenture. The Assumed Rate used to calculate debt service for the Series L variable rate bonds is 1.28% and 1.09% for September 30, 2016 and 2015 and 1.4% and 1.19% for March 31, 2017 and 2016, respectively. The Assumed Rate used to calculate debt service for the variable rate capital lease which expires in 2030 is 3.04% and 3.40% for September 30, 2016 and 2015 and 2.27% and 3.36% for March 31, 2017 and 2016, respectively.

**DANA-FARBER CANCER INSTITUTE, INC.**  
**Operational Statistics for the Obligated Group**

	Quarter Ended March 31		Six Months Ended March 31		Year Ended September 30	
	2017	2016	2017	2016	2016	2015
<b>OUTPATIENT STATISTICS</b>						
MD Clinic visits <sup>(1)</sup>	79,611	78,319	160,709	157,867	321,900	309,750
Infusion visits <sup>(1)</sup>	40,876	39,801	82,448	80,178	157,533	149,413
<b>ANCILLARY STATISTICS</b> (units of service)						
Laboratories	278,621	271,416	567,970	544,742	1,134,298	1,069,448
Blood Bank	16,955	13,399	33,746	27,498	64,431	56,896
Pharmacy <sup>(1)(2)</sup>	90,167,029	79,932,158	179,433,274	152,881,797	320,947,215	241,663,006
PET Scans	926	1,286	1,980	2,094	4,347	3,892
Diagnostic Radiology	4,227	2,959	8,798	5,970	12,110	12,202
Ultrasound	327	312	630	587	1,164	1,149
Nuclear Medicine	627	564	1,348	993	2,300	2,094
MRI	1,826	2,084	3,856	3,946	8,211	7,137
CT Scans	7,017	8,004	14,776	14,893	30,399	28,435
Radiation Therapy	9,583	10,705	19,220	21,078	42,160	39,235
Respiratory Therapy/EKG (Treatments)	5,268	5,944	10,294	12,492	23,357	24,687
<b>INPATIENT STATISTICS</b>						
Licensed Beds	30	30	30	30	30	30
Total Admissions	267	307	559	635	1,270	1,251
ALOS	9.98	8.35	8.86	8.46	7.80	7.66
Total Patient Days	2,664	2,563	4,955	5,149	9,912	10,065
Occupancy Rate	96.5%	92.9%	90.8%	93.8%	90.3%	91.9%

**Source: Institute Records**

<sup>1</sup> Includes results of DFCCN

<sup>2</sup> Cost of drugs administered

**DANA-FARBER CANCER INSTITUTE, INC.**  
**Operational Statistics for the Obligated Group**

	Quarter Ended March 31			
	Inpatient		Outpatient	
Percentage Gross Revenues	2017	2016	2017	2016
Medicare	30%	30%	38%	37%
Medicaid	7%	12%	7%	8%
Other	39%	34%	30%	31%
Blue Cross	21%	22%	23%	23%
Self-Pay	3%	2%	2%	1%
Total	100%	100%	100%	100%

	Six Months Ended March 31			
	Inpatient		Outpatient	
Percentage Gross Revenues	2017	2016	2017	2016
Medicare	26%	31%	39%	37%
Medicaid	10%	12%	7%	8%
Other	39%	32%	30%	30%
Blue Cross	23%	24%	23%	23%
Self-Pay	2%	1%	1%	2%
Total	100%	100%	100%	100%

Percentage Gross Revenues	Year Ended September 30			
	Inpatient		Outpatient	
	2016	2015	2016	2015
Medicare	30%	33%	37%	37%
Medicaid	11%	11%	8%	6%
Other	32%	32%	30%	32%
Blue Cross	26%	23%	23%	24%
Self-Pay	1%	1%	2%	1%
Total	100%	100%	100%	100%

**DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES**  
**Fund-Raising Contributions**

(Dollars in thousands)	Quarter Ended		Six Months Ended		Year Ended	
	March 31		March 31		September 30	
	2017	2016	2017	2016	2016	2015
<b>Fundraising Contributions</b>						
Unrestricted contributions and bequests	\$ 7,172	\$ 6,687	\$ 51,613	\$ 50,423	\$ 73,276	\$ 69,398
Gifts for current use	703	551	4,947	4,417	7,711	8,183
Temporarily restricted	16,610	1,185	49,943	45,751	83,365	87,503
Permanently restricted	1,631	3,883	7,067	6,752	10,151	7,603
<b>Subtotal</b>	26,116	12,306	113,570	107,343	174,503	172,687
Non-government Grants	7,664	9,415	15,497	18,842	39,132	37,019
<b>Total Fundraising Contributions</b>	<b>\$ 33,780</b>	<b>\$ 21,721</b>	<b>\$ 129,067</b>	<b>\$ 126,185</b>	<b>\$ 213,635</b>	<b>\$ 209,706</b>
<b>Direct Fundraising Expenses</b>	<b>\$ 7,805</b>	<b>\$ 7,077</b>	<b>\$ 14,358</b>	<b>\$ 13,418</b>	<b>\$ 28,459</b>	<b>\$ 25,166</b>
<b>Direct Fundraising Expenses as Percent of Total Fundraising Contributions</b>	23%	33%	11%	11%	13%	12%

**Notes**

<sup>1</sup> Unrestricted contributions and restricted contributions, used on a current basis, are recorded as operating revenues. Other restricted contributions are recorded as additions to temporarily restricted or permanently restricted assets. Contributions above include those received and pledged. Contributions pledged are reported at net present value.

## Supplementary Information

See Annual Report filings for comparative annual consolidating financial statements contained in the Supplementary Information section of Audited Financial Statements. Restated annual consolidated financial statements presented in this current filing have been updated from what was presented in the Annual Report for ASU 2015-03 which reclassifies bond issuance costs from other assets to long-term debt, less current portion.

**DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES**  
**Consolidating Balance Sheets**

**As Of March 31, 2017**

	<b>Obligated Group</b>	<b>Dana-Farber Cancer Care Network, Inc.</b>	<b>Eliminations and Reclassifications</b>	<b>Consolidated</b>
(Dollars in thousands)				
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 144,996	\$ 147		\$ 145,143
Patient accounts receivable, net	120,700	2,698		123,398
Contributions receivable, current portion	6,851			6,851
Assets whose use is limited, current portion	232,319			232,319
Research receivables	31,015			31,015
Prepaid expenses and other current assets	84,203	861	\$ (22,847)	62,217
<b>Total Current Assets</b>	<b>620,084</b>	<b>3,706</b>	<b>(22,847)</b>	<b>600,943</b>
Investments	1,101,953			1,101,953
Assets whose use is limited by indenture agreement or other, less current portion	12,801			12,801
Property, plant and equipment, net	900,919	1,690		902,609
Contributions receivable, less current portion	30,795			30,795
Other assets	48,159			48,159
<b>TOTAL ASSETS</b>	<b>\$2,714,711</b>	<b>\$ 5,396</b>	<b>\$ (22,847)</b>	<b>\$ 2,697,260</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 151,635	\$ 23,091	\$ (22,847)	\$ 151,879
Amounts due to third party payors	39,340			39,340
Research advances	73,733			73,733
Current portion of long-term debt	12,094			12,094
<b>Total Current Liabilities</b>	<b>276,802</b>	<b>23,091</b>	<b>(22,847)</b>	<b>277,046</b>
<b>Other Liabilities</b>				
Long-term debt, less current portion	774,861			774,861
Other Liabilities	175,452			175,452
	950,313	-	-	950,313
<b>Net Assets</b>				
Unrestricted	731,464	(17,847)		713,617
Temporarily restricted	564,194	152		564,346
Permanently restricted	191,938			191,938
<b>Total Net Assets</b>	<b>1,487,596</b>	<b>(17,695)</b>	<b>-</b>	<b>1,469,901</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$2,714,711</b>	<b>\$ 5,396</b>	<b>\$ (22,847)</b>	<b>\$ 2,697,260</b>

**DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES**  
**Consolidating Statement of Operations and Changes in Net Assets**

**Six Months Ended March 31, 2017**

(Dollars in thousands)

	<b>Obligated Group</b>	<b>Dana-Farber Cancer Care Network, Inc.</b>	<b>Eliminations and Reclassifications</b>	<b>Consolidated</b>
<b>Operating revenues:</b>				
Patient service revenues, net of contractual allowances and discounts	\$ 473,821	\$ 17,561		\$ 491,382
Provision for bad debts	5,493			5,493
Net patient service revenue, less provision for bad debts	468,328	17,561	-	485,889
Research revenues	212,328	5		212,333
Unrestricted contributions and bequests	51,613			51,613
Other operating revenues	12,823			12,823
<b>Total operating revenues</b>	<b>745,092</b>	<b>17,566</b>	<b>-</b>	<b>762,658</b>
<b>Operating expenses:</b>				
Direct research	186,718	5		186,723
Direct patient care	318,708	19,320		338,028
General, administrative and plant	165,436	1,429		166,865
Depreciation and amortization	49,503	256		49,759
Interest	11,928			11,928
<b>Total operating expenses</b>	<b>732,293</b>	<b>21,010</b>	<b>-</b>	<b>753,303</b>
<b>Operating income</b>	<b>12,799</b>	<b>(3,444)</b>	<b>-</b>	<b>9,355</b>
<b>Investment gains (losses), net</b>	<b>20,788</b>			<b>20,788</b>
<b>Interest rate swap agreement:</b>				
Net interest paid	(2,527)			(2,527)
Change in fair value	17,719			17,719
Other				
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>48,779</b>	<b>(3,444)</b>	<b>-</b>	<b>45,335</b>
<b>Other Changes in Net Assets:</b>				
Net unrealized gain/(loss) on endowment	-			-
Net assets released from restriction for capital	-			-
Pension adjustment				-
Other				-
Increase in unrestricted net assets	48,779	(3,444)	-	45,335
Increase in temporarily restricted net assets	24,020	6		24,026
Increase in permanently restricted net assets	6,967			6,967
<b>Increase in Net Assets</b>	<b>79,766</b>	<b>(3,438)</b>	<b>-</b>	<b>76,328</b>
<b>Net Assets at Beginning of Period</b>	<b>1,407,830</b>	<b>(14,257)</b>		<b>1,393,573</b>
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 1,487,596</b>	<b>\$ (17,695)</b>	<b>-</b>	<b>\$ 1,469,901</b>

**DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES**  
**Consolidating Statement of Operations and Changes in Net Assets**

Quarter Ended March 31, 2017

	Obligated Group	Dana-Farber Cancer Care Network, Inc.	Eliminations and Reclassifications	Consolidated
(Dollars in thousands)				
<b>Operating revenues:</b>				
Patient service revenues, net of contractual allowances and discounts	\$ 245,122	\$ 8,651		\$ 253,773
Provision for bad debts	4,249	-		4,249
Net patient service revenue, less provision for bad debts	240,873	8,651	-	249,524
Research revenues	111,780	4		111,784
Unrestricted contributions and bequests	7,172			7,172
Other operating revenues	7,006			7,006
<b>Total operating revenues</b>	<b>366,831</b>	<b>8,655</b>	<b>-</b>	<b>375,486</b>
<b>Operating expenses:</b>				
Direct research	98,632	4		98,636
Direct patient care	161,840	9,389		171,229
General, administrative and plant	85,726	704		86,430
Depreciation and amortization	26,252	127		26,379
Interest	5,893			5,893
<b>Total operating expenses</b>	<b>378,343</b>	<b>10,224</b>	<b>-</b>	<b>388,567</b>
<b>Operating income</b>	<b>(11,512)</b>	<b>(1,569)</b>	<b>-</b>	<b>(13,081)</b>
<b>Investment gains (losses), net</b>	<b>16,436</b>			<b>16,436</b>
<b>Interest rate swap agreement:</b>				
Net interest paid	(1,234)			(1,234)
Change in fair value	291			291
Other				
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>3,981</b>	<b>(1,569)</b>	<b>-</b>	<b>2,412</b>
<b>Other Changes in Net Assets:</b>				
Net unrealized gain/(loss) on endowment	-			-
Net assets released from restriction for capital	-			-
Pension adjustment	-			-
Other	-			-
Increase in unrestricted net assets	3,981	(1,569)	-	2,412
Increase in temporarily restricted net assets	4,295	(8)		4,287
Increase in permanently restricted net assets	1,631			1,631
<b>Increase in Net Assets</b>	<b>9,907</b>	<b>(1,577)</b>	<b>-</b>	<b>8,330</b>
<b>Net Assets at Beginning of Period</b>	<b>1,477,689</b>	<b>(16,118)</b>		<b>1,461,571</b>
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 1,487,596</b>	<b>\$ (17,695)</b>	<b>-</b>	<b>\$ 1,469,901</b>



**DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES**  
**Consolidating Balance Sheet**

**As Of March 31, 2016**

	<b>Obligated Group</b>	<b>Dana-Farber Cancer Care Network, Inc.</b>	<b>Eliminations and Reclassifications</b>	<b>Consolidated</b>
(Dollars in thousands)				
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 24,138	\$ 47		\$ 24,185
Patient accounts receivable, net	110,429	3,858		114,287
Contributions receivable, less current portion	6,052			6,052
Assets whose use is limited, current portion	3,358			3,358
Research receivables	26,337			26,337
Prepaid expenses and other current assets	66,282	491	\$ (16,645)	50,128
<b>Total Current Assets</b>	<b>236,596</b>	<b>4,396</b>	<b>(16,645)</b>	<b>224,347</b>
Investments	975,696			975,696
Assets whose use is limited by indenture agreement or other, less current portion	12,679			12,679
Property, plant and equipment, net	738,820	2,150		740,970
Contributions receivable, less current portion	44,186			44,186
Other assets	24,049			24,049
<b>TOTAL ASSETS</b>	<b>\$ 2,032,026</b>	<b>\$ 6,546</b>	<b>\$ (16,645)</b>	<b>\$ 2,021,927</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 92,037	\$ 17,380	\$ (16,645)	\$ 92,772
Amounts due to third party payors	54,381			54,381
Research advances	60,611			60,611
Current portion of long-term debt	4,715			4,715
<b>Total Current Liabilities</b>	<b>211,744</b>	<b>17,380</b>	<b>(16,645)</b>	<b>212,479</b>
<b>Other Liabilities</b>				
Long-term debt, less current portion	344,378			344,378
Other Liabilities	110,820			110,820
	455,198	-	-	455,198
<b>Net Assets</b>				
Unrestricted	658,668	(10,942)		647,726
Temporarily restricted	524,844	108		524,952
Permanently restricted	181,572			181,572
<b>Total Net Assets</b>	<b>1,365,084</b>	<b>(10,834)</b>	<b>-</b>	<b>1,354,250</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,032,026</b>	<b>\$ 6,546</b>	<b>\$ (16,645)</b>	<b>\$ 2,021,927</b>

**DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES**  
**Consolidating Statement of Operations and Changes in Net Assets**

**Six Months Ended March 31, 2016**

(Dollars in thousands)

	<b>Obligated Group</b>	<b>Dana-Farber Cancer Care Network, Inc.</b>	<b>Eliminations and Reclassifications</b>	<b>Consolidated</b>
<b>Operating revenues:</b>				
Patient service revenues, net of contractual allowances and discounts	\$ 426,888	\$ 20,068		\$ 446,956
Provision for bad debts	5,545			5,545
Net patient service revenue, less provision for bad debts	421,343	20,068	-	441,411
Research revenues	179,722	3		179,725
Unrestricted contributions and bequests	50,423			50,423
Other operating revenues	10,814			10,814
<b>Total operating revenues</b>	<b>662,302</b>	<b>20,071</b>	<b>-</b>	<b>682,373</b>
<b>Operating expenses:</b>				
Direct research	154,033	3		154,036
Direct patient care	274,233	21,197		295,430
General, administrative and plant	155,913	1,685		157,598
Depreciation and amortization	42,831	244		43,075
Interest	4,890			4,890
<b>Total operating expenses</b>	<b>631,900</b>	<b>23,129</b>	<b>-</b>	<b>655,029</b>
<b>Operating income</b>	<b>30,402</b>	<b>(3,058)</b>	<b>-</b>	<b>27,344</b>
<b>Investment gains (losses), net</b>	<b>7,090</b>			<b>7,090</b>
<b>Interest rate swap agreement:</b>				
Net interest paid	(2,710)			(2,710)
Change in fair value	(8,165)			(8,165)
Other				
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>26,617</b>	<b>(3,058)</b>	<b>-</b>	<b>23,559</b>
<b>Other Changes in Net Assets:</b>				
Net unrealized gain/(loss) on endowment	70			70
Net assets released from restriction for capital	11,362			11,362
Pension adjustment				-
Other				-
Increase in unrestricted net assets	38,049	(3,058)	-	34,991
Increase in temporarily restricted net assets	7,940	108		8,048
Increase in permanently restricted net assets	6,752			6,752
<b>Increase in Net Assets</b>	<b>52,741</b>	<b>(2,950)</b>	<b>-</b>	<b>49,791</b>
<b>Net Assets at Beginning of Period</b>	<b>1,312,343</b>	<b>(7,884)</b>		<b>1,304,459</b>
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 1,365,084</b>	<b>\$ (10,834)</b>	<b>-</b>	<b>\$ 1,354,250</b>

**DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES**  
**Consolidating Statement of Operations and Changes in Net Assets**

Quarter Ended March 31, 2016

(Dollars in thousands)

	Obligated Group	Dana-Farber Cancer Care Network, Inc.	Eliminations and Reclassifications	Consolidated
<b>Operating revenues:</b>				
Patient service revenues, net of contractual allowances and discounts	\$ 221,239	\$ 9,542		\$ 230,781
Provision for bad debts	4,413			4,413
Net patient service revenue, less provision for bad debts	216,826	9,542	-	226,368
Research revenues	93,700	3		93,703
Unrestricted contributions and bequests	6,687			6,687
Other operating revenues	5,879			5,879
<b>Total operating revenues</b>	<b>323,092</b>	<b>9,545</b>	<b>-</b>	<b>332,637</b>
<b>Operating expenses:</b>				
Direct research	79,212	3		79,215
Direct patient care	142,776	10,474		153,250
General, administrative and plant	83,181	773		83,954
Depreciation and amortization	21,416	124		21,540
Interest	2,406			2,406
<b>Total operating expenses</b>	<b>328,991</b>	<b>11,374</b>	<b>-</b>	<b>340,365</b>
<b>Operating income</b>	<b>(5,899)</b>	<b>(1,829)</b>	<b>-</b>	<b>(7,728)</b>
<b>Investment gains (losses), net</b>	<b>1,696</b>			<b>1,696</b>
<b>Interest rate swap agreement:</b>				
Net interest paid	(1,332)			(1,332)
Change in fair value	(8,531)			(8,531)
Other				
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>(14,066)</b>	<b>(1,829)</b>	<b>-</b>	<b>(15,895)</b>
<b>Other Changes in Net Assets:</b>				
Net unrealized gain/(loss) on endowment	(1)			(1)
Net assets released from restriction for capital	11,362			11,362
Pension adjustment				-
Other				-
Increase in unrestricted net assets	(2,705)	(1,829)	-	(4,534)
Increase in temporarily restricted net assets	(26,221)	11		(26,210)
Increase in permanently restricted net assets	3,883			3,883
<b>Increase in Net Assets</b>	<b>(25,043)</b>	<b>(1,818)</b>	<b>-</b>	<b>(26,861)</b>
<b>Net Assets at Beginning of Period</b>	<b>1,390,127</b>	<b>(9,016)</b>		<b>1,381,111</b>
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 1,365,084</b>	<b>\$ (10,834)</b>	<b>-</b>	<b>\$ 1,354,250</b>