

**This document is dated as of March 12, 2018**

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\*** **First Quarter Ended December 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, Senior Vice President and 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 December 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**

First Quarter Ended December 31, 2017

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For the first three months of fiscal year ("FY") 2018, Dana-Farber Cancer Institute, Inc. (DFCI) recorded an excess of revenues over expenses of \$46.1 million, compared to \$42.9 million for the first three months of 2017. Income from operations was \$33.8 million, compared to \$22.4 million for the first three months of FY 2017.

Total operating revenue for the first three months of FY 2018 was \$437.0 million, an increase of \$49.8 million, or 12.9 percent, over the same period in FY 2017. Patient care revenue grew by \$40.1 million, or 17.0 percent. Management attributes this increase largely to strong patient volume and growth in pharmacy. Research revenues increased by \$6.6 million, or 6.5 percent, over the same period in FY 2017. Management attributes this increase to increases in funding from clinical trials and commercial agreements and an increase in affiliate billings. Unrestricted gifts increased by \$3.2 million from the same period in FY 2017, or 7.2 percent. Management attributes this increase to growth in proceeds from the Pan Mass Challenge and various events. Operating expenses increased to \$403.1 million, an increase of \$38.4 million, or 10.5 percent. General, administrative and plant expenses increased by \$6.8 million from the same period in FY 2017, or 8.4 percent. Depreciation expense increased by \$1.0 million, or 4.4 percent compared to the same period in the prior fiscal year and interest expense decreased by \$1.3 million, or 20.9 percent compared to the prior fiscal year. Management attributes the decrease in interest expense to the termination of the Longwood Research Space capital lease upon the purchase of the Longwood Research Space condominium in July 2017.

Investment returns for the first three months of FY 2018 were \$13.6 million compared to \$4.4 million through the first three months of FY 2017. Investment returns include investment income and realized and unrealized gains or losses. DFCI's interest rate swap agreements decreased in value by \$0.1 million as compared to an increase of \$17.4 million over the same period in FY 2017.

DFCI's total assets decreased \$25.4 million, or 1.0 percent, to \$2.7 billion over the same period in FY 2017. Management attributes this decrease primarily due to the net impact of the termination of the Longwood Research Space capital lease upon the purchase of the Longwood Research space condominium in July 2017. Compared with the same period in FY 2017, unrestricted net assets increased \$40.8 million, or 5.7 percent, to \$752.0 million. Temporarily restricted net assets increased \$89.4 million, or 16.0 percent, to \$649.5 million compared to the first three months of FY 2017. Management attributes

this increase primarily to strong fund-raising activities throughout this past year. Permanently restricted net assets increased \$8.5 million, or 4.5 percent, to \$198.8 million compared to the first three months of FY 2017.

Cash and investments increased by \$145.1 million, or 11.9 percent, compared to the first quarter in FY 2017. For the three-month period ended December 31, 2017, the endowment's investments experienced a return of 3.1 percent. Days cash on hand increased by 6 days to 227 days compared to the first quarter of FY 2017. Management attributes this increase to positive investment returns.

Net patient accounts receivable decreased to \$105.3 million from \$115.8 million compared to the first quarter of FY 2017 primarily due to the write-off of certain prior year patient accounts resulting from the 2015 implementation of a new electronic medical record and revenue cycle system. Days in accounts receivable decreased to 35 days as compared to 42 days in the first quarter of FY 2017.

Assets whose use is limited decreased by \$231.7 million compared to the first quarter of FY 2017 as a result of the purchase of the Longwood Research Space condominium in July 2017.

Prepaid expenses and other current assets increased by \$14.6 million from the first quarter of FY 2017 as a result of an increase in prepayments related to pharmacy inventories and a receivable due from the Massachusetts Life Sciences Center for a grant related to the Cell Manipulation Core Facility.

Contributions receivable increased by \$9.0 million compared to the first quarter of FY 2017 as a result of new pledges.

Amounts due to third-party payers decreased compared to the first quarter of FY 2017 as a result of settlements with certain payors as well as changes in estimates.

Research advances have increased to \$102.5 million from \$67.0 million in the first quarter of FY 2017 due to growth in clinical trials and non-government grants and a change in accounting treatment for Royalty payments. These Royalty payments were recorded within Temporarily Restricted Net Assets and are now recorded in Research Advances prior to being expensed.

Long-term debt decreased by \$170.9 million compared to the first quarter of FY 2017 as a result of the termination of the Longwood Research Space capital lease.

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

(Dollars in thousands)	As Of		As Of	
	December 31		September 30	
	2017	2016	2017	2016
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 142,575	\$ 161,868	\$ 125,379	\$ 136,127
Patient accounts receivable, net	105,306	115,774	99,996	113,877
Contributions receivable, current portion	7,153	7,237	14,969	16,325
Assets whose use is limited, current portion	2,499	234,238	9,033	245,318
Research receivables	33,509	28,843	34,712	22,144
Prepaid expenses and other current assets	73,504	58,920	61,324	54,530
<b>Total Current Assets</b>	<b>364,546</b>	<b>606,880</b>	<b>345,413</b>	<b>588,321</b>
Investments	1,222,050	1,057,658	1,174,119	1,034,466
Assets whose use is limited by indenture agreement or other, less current portion	12,766	12,716	12,762	12,703
Property, plant and equipment, net	956,681	913,881	965,591	923,299
Contributions receivable, less current portion	37,518	28,568	29,504	28,824
Other assets	49,147	48,411	48,997	48,262
<b>TOTAL ASSETS</b>	<b>\$ 2,642,708</b>	<b>\$ 2,668,114</b>	<b>\$ 2,576,386</b>	<b>\$ 2,635,875</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 124,639	\$ 128,857	\$ 142,827	\$ 144,608
Amounts due to third party payors	32,551	43,348	42,716	43,044
Research advances	102,540	66,950	95,979	62,045
Current portion of long-term debt	5,282	14,693	5,422	14,722
<b>Total Current Liabilities</b>	<b>265,012</b>	<b>253,848</b>	<b>286,944</b>	<b>264,419</b>
<b>Other Liabilities</b>				
Long-term debt, less current portion	604,386	775,248	608,731	782,064
Other Liabilities	173,040	177,447	172,076	195,819
	<b>777,426</b>	<b>952,695</b>	<b>780,807</b>	<b>977,883</b>
<b>Net Assets</b>				
Unrestricted	751,964	711,205	702,810	668,285
Temporarily restricted	649,476	560,060	612,839	540,317
Permanently restricted	198,830	190,306	192,986	184,971
<b>Total Net Assets</b>	<b>1,600,270</b>	<b>1,461,571</b>	<b>1,508,635</b>	<b>1,393,573</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,642,708</b>	<b>\$ 2,668,114</b>	<b>\$ 2,576,386</b>	<b>\$ 2,635,875</b>

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

(Dollars in thousands)	Quarter Ended December 31		Year Ended September 30	
	2017	2016	2017	2016
<b>Operating revenues:</b>				
Patient service revenue, net of contractual allowances and discounts	\$ 280,405	\$ 237,609	\$ 995,241	\$ 938,141
Provision for bad debts	3,965	1,244	4,432	12,813
Net Patient service revenues, less provision for bad debts	276,440	236,365	990,809	925,328
Research revenues	107,112	100,549	434,228	386,793
Unrestricted contributions and bequests	47,645	44,441	75,227	73,276
Other operating revenues	5,762	5,817	24,671	21,130
<b>Total operating revenues</b>	<b>436,959</b>	<b>387,172</b>	<b>1,524,935</b>	<b>1,406,527</b>
<b>Operating expenses:</b>				
Direct research	92,993	88,087	381,229	337,901
Direct patient care	193,742	166,799	717,139	624,564
General, administrative and plant	87,213	80,435	343,204	310,624
Depreciation and amortization	24,416	23,380	97,303	88,060
Interest	4,776	6,035	22,894	15,656
<b>Total operating expenses</b>	<b>403,140</b>	<b>364,736</b>	<b>1,561,769</b>	<b>1,376,805</b>
<b>Operating income/ loss</b>	<b>33,819</b>	<b>22,436</b>	<b>(36,834)</b>	<b>29,722</b>
<b>Investment gains, net</b>	<b>13,571</b>	<b>4,352</b>	<b>46,916</b>	<b>26,280</b>
<b>Interest rate swap agreement:</b>				
Net interest paid	(1,106)	(1,293)	(4,830)	(5,354)
Change in fair value	(169)	17,428	15,997	(13,836)
Other	-	-	-	-
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>46,115</b>	<b>42,923</b>	<b>21,249</b>	<b>36,812</b>
<b>Other Changes in Net Assets:</b>				
Net unrealized gains on endowment	-	-	-	170
Net assets released from restriction for capital	-	-	9,519	20,948
Pension adjustment	-	-	3,757	(2,380)
Other	3,039	-	-	3
Increase in unrestricted net assets	49,154	42,923	34,525	55,553
Increase in temporarily restricted net assets	36,637	19,739	72,522	23,410
Increase in permanently restricted net assets	5,844	5,336	8,015	10,151
<b>Increase in Net Assets</b>	<b>91,635</b>	<b>67,998</b>	<b>115,062</b>	<b>89,114</b>
<b>Net Assets at Beginning of Period</b>	<b>1,508,635</b>	<b>1,393,573</b>	<b>1,393,573</b>	<b>1,304,459</b>
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 1,600,270</b>	<b>\$ 1,461,571</b>	<b>\$ 1,508,635</b>	<b>\$ 1,393,573</b>

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

<b>Asset Allocation Summary</b>	<b>As Of December 31</b>		<b>As Of September 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
(Dollars in Thousands)				
U.S. Government Money Market Fund	\$ 12,104	\$ 4,978	\$ 1,630	\$ 3,864
U.S. Government Securities	81,833	80,817	81,689	70,172
U.S. Equity Securities	100,425	72,048	94,769	63,704
U.S. Equity Mutual Funds	145,853	118,454	136,531	115,556
International Equity Securities	85,933	55,313	81,508	52,303
International Equity Mutual Funds	204,071	161,182	194,805	161,929
Alternative Investments*	591,831	564,866	583,187	566,938
<b>Total</b>	<b>\$1,222,050</b>	<b>\$ 1,057,658</b>	<b>\$ 1,174,119</b>	<b>\$ 1,034,466</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 December 31</b>		<b>As Of September 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Dana-Farber Portfolio	3.1%	0.9%	12.6%	8.4%
Investment Committee Custom Benchmark*	2.9%	0.7%	11.4%	6.3%
S&P 500	6.6%	3.8%	18.6%	15.4%

\* 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**

	As Of December 31		As Of September 30	
	2017	2016	2017	2016
(Dollars in Thousands)				
<b>Long-Term Debt</b>				
Series K Bonds	\$ 75,195	\$ 79,330	\$ 79,198	\$ 83,145
Series L Bonds	184,042	184,008	184,033	184,000
Series M Bonds	50,280	50,227	50,266	50,213
Series N Bonds	276,969	278,445	277,342	278,805
South Shore lease obligation	15,182	19,467	15,393	19,819
Milford lease obligation	8,000	8,328	7,921	8,461
Longwood Center lease obligation*	-	170,136	-	172,343
<b>Total Long-Term Debt</b>	<b>609,668</b>	<b>789,941</b>	<b>614,153</b>	<b>796,786</b>
<b>Unrestricted Net Assets</b>	<b>776,652</b>	<b>727,483</b>	<b>725,850</b>	<b>682,684</b>
<b>Total Capitalization</b>	<b>\$ 1,386,320</b>	<b>\$ 1,517,424</b>	<b>\$ 1,340,003</b>	<b>\$ 1,479,470</b>
<b>Total Long-Term Debt as a Percent of Total Capitalization</b>	<b>44.0%</b>	<b>52.1%</b>	<b>45.8%</b>	<b>53.9%</b>

\*The decrease in the Long-Term Debt as a Percent of Total Capitalization is the result of the termination of the Longwood Research Space capital lease upon the purchase of the Longwood Research Space condominium in July 2017.

**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>December 31</b>		<b>September 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Total Unrestricted Cash Position <sup>1</sup>	\$ 908,431	\$ 795,701	\$ 879,509	\$ 769,101
Average Daily Expenses <sup>2</sup>	4,002	3,595	3,897	3,403
<b>Days Cash On-Hand</b>	<b>227</b>	<b>221</b>	<b>226</b>	<b>226</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>4 Quarters Ended</b>		<b>Year Ended</b>	
	<b>December 31</b>		<b>September 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Income Available for Debt Service	116,221	141,061	106,457	144,735
Actual Historical Annual Debt Service	35,913	36,744	39,515	30,844
<b>Actual Historical Debt Service Coverage Ratio</b>	<b>3.24</b>	<b>3.84</b>	<b>2.69</b>	<b>4.69</b>
Income Available for Debt Service	116,221	141,061	106,457	144,735
Pro Forma Maximum Annual Debt Service <sup>1</sup>	36,229	51,657	35,711	51,372
<b>Pro Forma Maximum Debt Service Coverage Ratio</b>	<b>3.21</b>	<b>2.73</b>	<b>2.98</b>	<b>2.82</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 that is projected to occur in the fiscal year ending September 30, 2027. The debt service requirement for \$150,000 of long-term indebtedness that 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 1.62% and 1.28% for September 30, 2017 and 2016 and 1.72% and 1.34% for December 31, 2017 and 2016, respectively. The Assumed Rate used to calculate debt service for the variable rate capital lease that expires in 2030 is 3.49% and 3.04% for September 30, 2017 and 2016 and 4.08% and 2.86% for December 31, 2017 and 2016, respectively.



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

	Quarter Ended December 31		Year Ended September 30	
	2017	2016	2017	2016
<b>OUTPATIENT STATISTICS</b>				
MD Clinic visits <sup>(1)</sup>	85,364	81,089	328,591	321,900
Infusion visits <sup>(1)</sup>	42,362	41,617	165,792	164,112
<b>ANCILLARY STATISTICS</b> (units of service)				
Laboratories	323,716	289,349	1,246,171	1,134,298
Blood Bank	17,386	16,791	67,889	64,431
Pharmacy <sup>(1)(2)</sup>	107,200,250	89,267,674	378,567,492	320,933,689
PET Scans	1,170	1,054	3,871	4,347
Diagnostic Radiology	4,841	4,569	18,412	12,110
Ultrasound	363	303	1,406	1,164
Nuclear Medicine	665	721	2,725	2,300
MRI	1,422	2,030	7,813	8,211
CT Scans	7,792	7,759	30,245	30,399
Radiation Therapy	10,528	9,637	38,358	42,160
Respiratory Therapy/EKG (Treatments)	5,093	5,026	21,263	23,357
<b>INPATIENT STATISTICS</b>				
Licensed Beds	30	30	30	30
Total Admissions	321	292	1,044	1,280
ALOS	8.08	7.92	9.85	7.86
Total Patient Days	2,593	2,313	10,288	10,059
Occupancy Rate	94.1%	84.1%	93.7%	91.6%

**Source: Institute Records**

<sup>1</sup> Includes results of Dana Farber Cancer Care Network

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

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

Percentage Gross Revenues	Quarter Ended December 31			
	Inpatient		Outpatient	
	2017	2016	2017	2016
Medicare	30%	22%	42%	39%
Medicaid	16%	15%	7%	7%
Other	28%	37%	28%	30%
Blue Cross	25%	25%	22%	23%
Self-Pay	1%	1%	1%	1%
Total	100%	100%	100%	100%

Percentage Gross Revenues	Year Ended September 30			
	Inpatient		Outpatient	
	2017	2016	2017	2016
Medicare	31%	30%	40%	37%
Medicaid	9%	11%	7%	8%
Other	36%	32%	28%	30%
Blue Cross	23%	26%	23%	23%
Self-Pay	1%	1%	2%	2%
Total	100%	100%	100%	100%

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

(Dollars in thousands)	Quarter Ended		Year Ended	
	December 31		September 30	
	2017	2016	2017	2016
<b>Fundraising Contributions</b>				
Unrestricted contributions and bequests	\$ 47,645	\$ 44,441	\$ 75,227	\$ 73,276
Gifts for current use	5,048	4,244	8,098	7,711
Temporarily restricted	40,193	33,333	116,832	83,365
Permanently restricted	5,844	5,436	9,815	10,151
<b>Subtotal</b>	98,730	87,454	209,972	174,503
Non-government Grants	8,993	7,833	46,391	39,132
<b>Total Fundraising Contributions</b>	<b>\$ 107,723</b>	<b>\$ 95,287</b>	<b>\$ 256,363</b>	<b>\$ 213,635</b>
<b>Direct Fundraising Expenses</b>	<b>\$ 6,645</b>	<b>\$ 6,553</b>	<b>\$ 30,168</b>	<b>\$ 28,459</b>
<b>Direct Fundraising Expenses as Percent of Total Fundraising Contributions</b>	6%	7%	12%	13%

**Notes**

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 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.

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

As of December 31, 2017

(Dollars in thousands)	Obligated Group	Dana-Farber Cancer Care Network, Inc.	Eliminations and Reclassifications	Consolidated
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 142,505	\$ 70		\$ 142,575
Patient accounts receivable, net	102,960	2,346		105,306
Contributions receivable, current portion	7,153			7,153
Assets whose use is limited, current portion	2,499			2,499
Research receivables	33,509			33,509
Prepaid expenses and other current assets	101,140	1,118	(28,754)	73,504
<b>Total Current Assets</b>	<b>389,766</b>	<b>3,534</b>	<b>(28,754)</b>	<b>364,546</b>
Investments	1,222,050			1,222,050
Assets whose use is limited by indenture agreement or other, less current portion	12,766			12,766
Property, plant and equipment, net	955,395	1,286		956,681
Contributions receivable, less current portion	37,518			37,518
Other assets	49,147			49,147
<b>TOTAL ASSETS</b>	<b>\$2,666,642</b>	<b>\$ 4,820</b>	<b>\$ (28,754)</b>	<b>\$ 2,642,708</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	124,027	29,366	(28,754)	124,639
Amounts due to third party payors	32,551			32,551
Research advances	102,540			102,540
Current portion of long-term debt	5,282			5,282
<b>Total Current Liabilities</b>	<b>264,400</b>	<b>29,366</b>	<b>(28,754)</b>	<b>265,012</b>
<b>Other Liabilities</b>				
Long-term debt, less current portion	604,386			604,386
Other Liabilities	173,040			173,040
	777,426	-	-	777,426
<b>Net Assets</b>				
Unrestricted	776,652	(24,688)		751,964
Temporarily restricted	649,334	142		649,476
Permanently restricted	198,830			198,830
<b>Total Net Assets</b>	<b>1,624,816</b>	<b>(24,546)</b>	<b>-</b>	<b>1,600,270</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$2,666,642</b>	<b>\$ 4,820</b>	<b>\$ (28,754)</b>	<b>\$ 2,642,708</b>

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

Quarter Ended December 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	\$ 271,364	\$ 9,041		\$ 280,405
Provision for bad debts	3,965			3,965
Net patient service revenue, less provision for bad debts	267,399	9,041	-	276,440
Research revenues	107,106	6		107,112
Unrestricted contributions and bequests	47,645			47,645
Other operating revenues	5,762			5,762
<b>Total operating revenues</b>	<b>427,912</b>	<b>9,047</b>	<b>-</b>	<b>436,959</b>
<b>Operating expenses:</b>				
Direct research	92,987	6		92,993
Direct patient care	183,521	10,221		193,742
General, administrative and plant	86,863	350		87,213
Depreciation and amortization	24,298	118		24,416
Interest	4,776			4,776
<b>Total operating expenses</b>	<b>392,445</b>	<b>10,695</b>	<b>-</b>	<b>403,140</b>
<b>Operating income</b>	<b>35,467</b>	<b>(1,648)</b>	<b>-</b>	<b>33,819</b>
<b>Investment gains (losses), net</b>	<b>13,571</b>			<b>13,571</b>
<b>Interest rate swap agreement:</b>				
Net interest paid	(1,106)			(1,106)
Change in fair value	(169)			(169)
Other				
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>47,763</b>	<b>(1,648)</b>	<b>-</b>	<b>46,115</b>
<b>Other Changes in Net Assets:</b>				
Net unrealized gain/(loss) on endowment	-			-
Net assets released from restriction for capital	-			-
Pension adjustment				-
Other	3,039			3,039
Increase in unrestricted net assets	50,802	(1,648)	-	49,154
Increase in temporarily restricted net assets	36,640	(3)		36,637
Increase in permanently restricted net assets	5,844			5,844
<b>Increase in Net Assets</b>	<b>93,286</b>	<b>(1,651)</b>	<b>-</b>	<b>91,635</b>
<b>Net Assets at Beginning of Period</b>	<b>1,531,530</b>	<b>(22,895)</b>		<b>1,508,635</b>
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 1,624,816</b>	<b>\$ (24,546)</b>	<b>-</b>	<b>\$ 1,600,270</b>

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

As Of December 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>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 161,633	\$ 235		\$ 161,868
Patient accounts receivable, net	113,231	2,543		115,774
Contributions receivable, current portion	7,237			7,237
Assets whose use is limited, current portion	234,238			234,238
Research receivables	28,843			28,843
Prepaid expenses and other current assets	79,230	700	(21,010)	58,920
<b>Total Current Assets</b>	<b>624,412</b>	<b>3,478</b>	<b>(21,010)</b>	<b>606,880</b>
Investments	1,057,658			1,057,658
Assets whose use is limited by indenture agreement or other, less current portion	12,716			12,716
Property, plant and equipment, net	912,065	1,816		913,881
Contributions receivable, less current portion	28,568			28,568
Other assets	48,411			48,411
<b>TOTAL ASSETS</b>	<b>\$2,683,830</b>	<b>\$ 5,294</b>	<b>\$ (21,010)</b>	<b>\$ 2,668,114</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 128,455	\$ 21,412	\$ (21,010)	\$ 128,857
Amounts due to third party payors	43,348			43,348
Research advances	66,950			66,950
Current portion of long-term debt	14,693			14,693
<b>Total Current Liabilities</b>	<b>253,446</b>	<b>21,412</b>	<b>(21,010)</b>	<b>253,848</b>
<b>Other Liabilities</b>				
Long-term debt, less current portion	775,248			775,248
Other Liabilities	177,447			177,447
	952,695	-	-	952,695
<b>Net Assets</b>				
Unrestricted	727,483	(16,278)		711,205
Temporarily restricted	559,900	160		560,060
Permanently restricted	190,306			190,306
<b>Total Net Assets</b>	<b>1,477,689</b>	<b>(16,118)</b>	<b>-</b>	<b>1,461,571</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$2,683,830</b>	<b>\$ 5,294</b>	<b>\$ (21,010)</b>	<b>\$ 2,668,114</b>

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

Quarter Ended December 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	\$ 228,699	\$ 8,910		\$ 237,609
Provision for bad debts	1,244	-		1,244
Net patient service revenue, less provision for bad debts	227,455	8,910	-	236,365
Research revenues	100,548	1		100,549
Unrestricted contributions and bequests	44,441			44,441
Other operating revenues	5,817			5,817
<b>Total operating revenues</b>	<b>378,261</b>	<b>8,911</b>	<b>-</b>	<b>387,172</b>
<b>Operating expenses:</b>				
Direct research	88,086	1		88,087
Direct patient care	156,868	9,931		166,799
General, administrative and plant	79,710	725		80,435
Depreciation and amortization	23,251	129		23,380
Interest	6,035			6,035
<b>Total operating expenses</b>	<b>353,950</b>	<b>10,786</b>	<b>-</b>	<b>364,736</b>
<b>Operating income</b>	<b>24,311</b>	<b>(1,875)</b>	<b>-</b>	<b>22,436</b>
<b>Investment gains (losses), net</b>	<b>4,352</b>			<b>4,352</b>
<b>Interest rate swap agreement:</b>				
Net interest paid	(1,293)			(1,293)
Change in fair value	17,428			17,428
Other				
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>44,798</b>	<b>(1,875)</b>	<b>-</b>	<b>42,923</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	44,798	(1,875)	-	42,923
Increase in temporarily restricted net assets	19,725	14		19,739
Increase in permanently restricted net assets	5,336			5,336
<b>Increase in Net Assets</b>	<b>69,859</b>	<b>(1,861)</b>	<b>-</b>	<b>67,998</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>\$ 1,477,689</b>	<b>\$ (16,118)</b>	<b>-</b>	<b>\$ 1,461,571</b>