

**This document is dated as of March 13, 2019**

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, 2018**

**Laurie H. Glimcher M.D., President and Chief Executive Officer**  
**James G. Terwilliger, 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, 2018 are presented on a condensed, consolidated basis. The Obligated Group is Dana-Farber Cancer Institute, Inc. and Dana-Farber, Inc.**

## **SPECIAL NOTE CONCERNING ADOPTION OF NEW ACCOUNTING STANDARDS**

On October 1, 2018, Dana-Farber Cancer Institute, Inc. ("DFCI") adopted ASC 606, Revenues from Contracts with Customers, ASU 2016-14, Not for profit Entities (Topic 958): Presentation of Financial Statements and ASU 2018-08, Not-for-profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (collectively the "GAAP Changes"). Consistent with transition guidance in the GAAP Changes, DFCI's balance sheets for periods prior October 1, 2018 have not been retrospectively adjusted to reflect these changes. The comparative results for the first fiscal quarters ending December 31, 2018 and December 31, 2017 presented in this Quarterly Report reflect the GAAP Changes. In addition, in order to provide users of this Quarterly Report with further information to understand the effect of the GAAP Changes, DFCI is providing a management-prepared (unaudited) presentation of the fiscal year ended September 30, 2018 reflecting the GAAP Changes. See "Adoption of New Accounting Standards" herein.

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

First Quarter Ended December 31, 2018

---

For the first three months of fiscal year ("FY") 2019, DFCI recorded a (deficit)/excess of revenues over expenses of (\$1.2) million, compared to \$46.1 million for the first three months of 2018. The (deficit) of revenues over expenses was driven by unfavorable market returns during the first three months of 2019. Income from operations was \$32.8 million, compared to \$33.8 million for the first three months of FY 2018.

Total operating revenue for the first three months of FY 2019 was \$487.2 million, an increase of \$50.2 million, or 11.5 percent, over the same period in FY 2018. Total patient service revenue grew by \$38.0 million, or 13.7 percent. Management attributes this increase largely to patient volume and pharmacy revenue. Research revenues increased by \$8.9 million, or 10.5 percent, over the same period in FY 2018. Management attributes this to increases in funding from commercial agreements, clinical trials, non-government grants, as well as increases in the use of gifts. Unrestricted gifts increased by \$4.3 million from the same period in FY 2018, or 9.0 percent. Management attributes this increase to growth in proceeds from the Pan Mass Challenge and various other events. Operating expenses increased to \$454.4 million, an increase of \$51.2 million, or 12.7 percent. Total patient service expenses increased by \$30.7 million or 14.3 percent from the same period in FY 2018, primarily due to patient volume and pharmacy growth. Total research expenses increased by \$8.1 million or 7.8 percent from the same period in FY 2018 due to increased spending on commercial agreements, clinical trials, non-government grants and gift funds. Total general and administrative expenses increased by \$12.5 million or

14.8 percent from the same period in FY 2018, due primarily to increases in consulting, legal, and salary expenses.

Investment returns for the first three months of FY 2019 were negative in the amount of (\$31.6) million compared to positive returns in the amount of \$13.6 million through the first three months of FY 2018. Investment returns include investment income and realized and unrealized gains or losses. Unfavorable market conditions resulted in negative returns of (6.5) percent through the end of the first quarter of FY19. DFCI's interest rate swap agreements decreased in value to \$5.1 million as compared to a decrease of \$0.2 million over the same period in FY 2018.

DFCI's total assets increased \$200.7 million, or 7.6 percent, over the same period in FY 2018, to \$2.8 billion. Management attributes this increase primarily to positive operating results and fundraising activities. Compared with the same period in FY 2018, unrestricted net assets increased \$125.4 million, or 16.7 percent, to \$877.4 million, (as a result of positive results and the impact of the "Adoption of the new Accounting Standards" described below). Temporarily restricted net assets increased \$4.0 million, or 1.0 percent, to \$653.5 million. Permanently restricted net assets increased \$9.4 million, or 4.7 percent, to \$208.2 million.

Cash and investments increased by \$110.2 million, or 77.3 percent, compared to the first quarter in FY 2018. Days cash on hand increased by 14 days to 241 days compared to the first quarter of FY 2018. Management attributes this increase to positive operating results and cash from prior royalty monetizations.

Net patient accounts receivable increased to \$124.9 million from \$105.3 million compared to the first quarter of FY 2018 primarily due to increased patient volume. Days in accounts receivable increased to 37 days as compared to 35 days in the first quarter of FY 2018.

Prepaid expenses and other current assets increased by \$22.9 million from the first quarter of FY 2018 as a result of an increase in the pharmacy inventory and certain non-patient receivables.

Contributions receivable increased by \$5.7 million compared to the first quarter of FY 2018 primarily as a result of new pledges.

Amounts due to third-party payers increased compared to the first quarter of FY 2018 primarily due to the recording of certain current year estimated settlements.

Research advances have decreased to \$93.4 million from \$102.5 million in the first quarter of FY 2018 as a result of typical research activity as well as the change in the accounting treatment for royalty revenues related to the adoption of ASC 606, (See "Adoption of New Accounting Standards").

Other liabilities increased \$46.2 million compared to the first quarter of 2018 as a result of an increase to deferred revenue associated with royalty monetizations and an increase in the interest rate swap valuation.

**Other:**

**Leadership Transitions**

Susan Paresky, Senior Vice President, Division of Philanthropy retired in December 2018 and was succeeded by Melany Duval. Dorothy Puhy, Executive Vice President and Chief Operating Officer retired in February 2019 and has been succeeded by James Terwilliger.

**Adoption of New Accounting Standards**

The Institute adopted ASC 606, *Revenues from Contracts with Customers*, on October 1, 2018. The cumulative effect of applying the new standard resulted in an increase to the opening balances of unrestricted net assets of \$60.5 million and a corresponding reduction to research advances and temporarily restricted net assets of \$30.4 million and \$30.1 million, respectively, on the Institute's consolidated balance sheet. In accordance with the new standard transition guidance, the FY18 consolidated balance sheet was not retrospectively adjusted to reflect these changes.

The Institute adopted ASU 2016-14, *Not-for-profit entities (Topic 958): Presentation of Financial Statements*, on October 1, 2018, resulting in a change in the presentation of the Institute's consolidated statement of operations and changes in net assets. The change resulted in a functional classification of revenues and expenses including depreciation and interest. For comparative purposes, the FY18 consolidated statement of operations and changes in net assets has been presented in accordance with the new guidance.

The Institute adopted ASU 2018-08, *Not-for-profit entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* on October 1, 2018. The application of the new standard resulted in the recognition of \$14.8 million in contribution revenue within temporarily restricted net assets on the consolidated statement of changes in net assets and a corresponding reduction to research advances on the consolidated balance sheet on October 1, 2018. In accordance with the new standard, the FY18 consolidated statement of changes in net assets and balance sheet were not retrospectively adjusted to reflect these changes.

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

	As Of		As Of	
	December 31		September 30	
(Dollars in thousands)	2018	2017	2018	2017
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 252,738	\$ 142,575	\$ 196,040	\$ 125,379
Patient accounts receivable, net	124,865	105,306	114,134	99,996
Contributions receivable, current portion	12,809	7,153	21,870	14,969
Royalty receivable	2,876	-	5,440	-
Assets whose use is limited, current portion	744	2,499	6,018	9,033
Research receivables	35,868	33,509	35,966	34,712
Prepaid expenses and other current assets	96,448	73,504	99,806	61,324
<b>Total Current Assets</b>	<b>526,348</b>	<b>364,546</b>	<b>479,274</b>	<b>345,413</b>
Investments	1,253,338	1,222,050	1,315,668	1,174,119
Assets whose use is limited by indenture agreement or other, less current portion	12,911	12,766	12,868	12,762
Property, plant and equipment, net	947,208	956,681	956,643	965,591
Contributions receivable, less current portion	47,874	37,518	41,269	29,504
Other assets	55,731	49,147	55,581	48,997
<b>TOTAL ASSETS</b>	<b>\$ 2,843,410</b>	<b>\$ 2,642,708</b>	<b>\$ 2,861,303</b>	<b>\$ 2,576,386</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 128,096	\$ 124,639	\$ 135,725	\$ 142,827
Amounts due to third party payors	61,132	32,551	53,458	42,716
Research advances ( <b>Note 1</b> )	93,384	102,540	125,586	95,979
Current portion of long-term debt	5,572	5,282	5,741	5,422
<b>Total Current Liabilities</b>	<b>288,184</b>	<b>265,012</b>	<b>320,510</b>	<b>286,944</b>
<b>Other Liabilities</b>				
Long-term debt, less current portion	596,891	604,386	601,665	608,731
Other Liabilities	219,258	173,040	213,580	172,076
<b>Total Liabilities</b>	<b>1,104,333</b>	<b>1,042,438</b>	<b>1,135,755</b>	<b>1,067,751</b>
<b>Net Assets</b>				
Unrestricted ( <b>Note 1</b> )	877,378	751,964	817,039	702,810
Temporarily restricted ( <b>Note 1</b> )	653,494	649,476	703,235	612,839
Permanently restricted	208,205	198,830	205,274	192,986
<b>Total Net Assets</b>	<b>1,739,077</b>	<b>1,600,270</b>	<b>1,725,548</b>	<b>1,508,635</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,843,410</b>	<b>\$ 2,642,708</b>	<b>\$ 2,861,303</b>	<b>\$ 2,576,386</b>

**Note 1:** See "Adoption of New Accounting Standards" on p.4.

**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
	2018	2017	2018
Operating revenues:			
Patient service revenues:			
Net patient service revenues	\$ 314,423	\$ 276,440	\$ 1,166,614
Research revenues:			
Direct grants and contracts	54,799	52,530	219,742
Gift related research revenue	38,206	31,615	148,954
Direct research revenues	93,005	84,145	368,696
Indirect grants/contracts/gifts	21,502	22,968	89,271
Unrestricted endowment spending guideline	191	189	756
Unrestricted gifts	51,944	47,644	77,711
Other operating revenues	6,115	5,573	30,338
Total revenues	487,180	436,959	1,733,386
Operating expenses: <b>(Note 1)</b>			
Patient service:			
Direct patient care	221,847	192,521	820,990
Fringe	10,426	9,226	41,389
Depreciation and amortization	12,178	12,294	44,854
Interest	1,245	979	4,787
Total patient service expense	245,696	215,020	912,020
Research:			
Direct research/restricted gifts	93,005	84,145	368,696
Institute supported research	7,850	8,848	33,361
Fringe	1,092	971	4,559
Depreciation and amortization	9,796	9,753	35,803
Interest	87	26	108
Total research expense	111,830	103,743	442,527
General and administrative:			
General and administrative	84,182	72,835	301,341
Fringe	6,305	5,402	25,356
Depreciation and amortization	2,287	2,370	8,700
Interest	4,073	3,771	15,585
Total general and administrative	96,847	84,378	350,982
Total expenses	454,373	403,140	1,705,529
Operating income	32,809	33,819	27,857
Investment (loss) gain, net	(31,626)	13,570	47,250
Royalty income net of expenses <b>(Note 1)</b>	3,569	-	-
Interest rate swap agreement			
Net interest paid	(843)	(1,106)	(3,973)
Change in fair value	(5,114)	(169)	11,797
Total interest rate swap agreement	(5,957)	(1,274)	7,824
Gain on sale	-	-	23,802
<b>(DEFICIT) EXCESS OF REVENUES OVER EXPENSES</b>	<b>(1,205)</b>	<b>46,115</b>	<b>106,733</b>
<b>Other changes in net assets:</b>			
Net unrealized (loss) on endowment	(7)	-	-
Cumulative effect of changes in accounting principle <b>(Note 1)</b>	59,244	-	-
Net assets released from restriction for capital	-	-	2,252
Pension adjustment	-	-	2,605
Other	2,309	3,039	2,639
Increase in unrestricted net assets	60,340	49,154	114,229
(Decrease) / Increase in temporarily restricted net assets <b>(Note 2)</b>	(49,741)	36,637	90,396
Increase in permanently restricted net assets	2,931	5,844	12,288
<b>Increase in Net Assets</b>	<b>13,530</b>	<b>91,635</b>	<b>216,913</b>
<b>Net Assets at Beginning of Period</b>	<b>1,725,548</b>	<b>1,508,635</b>	<b>1,508,635</b>
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 1,739,078</b>	<b>\$ 1,600,270</b>	<b>\$ 1,725,548</b>

**Note 1:** See "Adoption of New Accounting Standards" on p.4.

**Note 2:** Includes the cumulative effect of the GAAP Changes on Temporarily Restricted Net Assets

ASC 606: decrease of \$30,045

ASU 2018-08: increase of \$14,778

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

<b>Asset Allocation Summary</b>	<b>As Of</b>		<b>As Of</b>	
	<b>December 31</b>		<b>September 30</b>	
(Dollars in Thousands)	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
U.S. Government Money Market Fund	\$ 25,673	\$ 12,104	\$ 7,721	\$ 1,630
U.S. Government Securities	93,883	81,833	92,860	81,689
U.S. Equity Securities	71,451	100,425	80,377	94,769
U.S. Equity Mutual Funds	140,069	145,853	161,398	136,531
International Equity Securities	37,920	85,933	41,301	81,508
International Equity Mutual Funds	244,905	204,071	278,592	194,805
Alternative Investments*	639,437	591,831	653,419	583,187
<b>Total</b>	<b>\$1,253,338</b>	<b>\$ 1,222,050</b>	<b>\$ 1,315,668</b>	<b>\$ 1,174,119</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</b>		<b>As Of</b>	
	<b>December 31</b>		<b>September 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Dana-Farber Portfolio	-6.5%	3.1%	10.0%	12.6%
Investment Committee Custom Benchmark*	-6.2%	2.9%	8.0%	11.4%
S&P 500	-13.5%	6.6%	17.9%	18.6%

\* 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 2016 and December 2018.

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

	<b>As Of</b>		<b>As Of</b>	
	<b>December 31</b>		<b>September 30</b>	
(Dollars in Thousands)	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Long-Term Debt</b>				
Series K Bonds	\$ 70,893	\$ 75,195	\$ 75,087	\$ 79,198
Series L Bonds	184,074	184,042	184,066	184,033
Series M Bonds	50,333	50,280	50,319	50,266
Series N Bonds	275,439	276,969	275,826	277,342
South Shore lease obligation	14,306	15,182	14,529	15,393
Milford lease obligation	7,418	8,000	7,579	7,921
<b>Total Long-Term Debt</b>	<b>602,463</b>	<b>609,668</b>	<b>607,406</b>	<b>614,153</b>
<b>Unrestricted Net Assets</b>	<b>908,695</b>	<b>776,652</b>	<b>846,458</b>	<b>725,850</b>
<b>Total Capitalization</b>	<b>\$ 1,511,158</b>	<b>\$ 1,386,320</b>	<b>\$ 1,453,864</b>	<b>\$ 1,340,003</b>
<b>Total Long-Term Debt as a Percent of Total Capitalization</b>	<b>39.9%</b>	<b>44.0%</b>	<b>41.8%</b>	<b>45.8%</b>



## DANA-FARBER CANCER INSTITUTE, INC.

Days Cash on Hand for the Obligated Group (Dollars in Thousands)	As Of December 31		As Of September 30	
	2018	2017	2018	2017
	Total Unrestricted Cash Position <sup>1</sup>	\$ 1,099,831	\$ 908,431	1,075,895
Average Daily Expenses <sup>2</sup>	4,559	4,002	4,311	3,897
<b>Days Cash On-Hand</b>	<b>241</b>	<b>227</b>	<b>250</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.

Actual and Maximum Debt Service for the Obligated Group (Dollars in Thousands)	Quarter Ended December 31		Year Ended September 30	
	2018	2017	2018	2017
Income Available for Debt Service	188,592	116,221	185,772	106,457
Actual Historical Annual Debt Service	30,446	35,913	29,835	39,515
<b>Actual Historical Debt Service Coverage Ratio</b>	<b>6.19</b>	<b>3.24</b>	<b>6.23</b>	<b>2.69</b>
Income Available for Debt Service	188,592	116,221	185,772	106,457
Pro Forma Maximum Annual Debt Service <sup>1</sup>	37,346	36,229	36,977	35,711
<b>Pro Forma Maximum Debt Service Coverage Ratio</b>	<b>5.05</b>	<b>3.21</b>	<b>5.02</b>	<b>2.98</b>

The improvement in the debt service coverage ratios from September 30, 2017 to September 30, 2018 relates to growth in income available for debt service due to positive operating results for fiscal year ended September 30, 2018.

The improvement in the debt service coverage ratios from December 31, 2017 to December 31, 2018 relates to growth in income available for debt service due to positive operating results as well as the elimination of the Longwood Center 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 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 2.43% and 1.62% for September 30, 2018 and 2017 and 2.65% and 1.72% for December 31, 2018 and 2017, respectively. The Assumed Rate used to calculate debt service for the variable rate capital lease that expires in 2030 is 5.35% and 3.49% for September 30, 2018 and 2017 and 5.55% and 4.08% for December 31, 2018 and 2017, respectively.

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

	Quarter Ended December 31		Year Ended September 30	
	2018	2017	2018	2017
<b>OUTPATIENT STATISTICS</b>				
MD Clinic visits <sup>(1)</sup>	88,124	85,547	346,805	328,591
Infusion visits <sup>(1)</sup>	45,810	42,439	176,630	165,792
<b>ANCILLARY STATISTICS</b> (units of service)				
Laboratories	344,079	323,716	1,336,544	1,246,171
Blood Bank	19,810	17,386	70,367	67,889
Pharmacy <sup>(1)(2)</sup>	127,219,945	107,200,250	463,717,720	378,567,492
PET Scans	1,421	1,170	5,445	3,871
Diagnostic Radiology	4,698	4,841	18,731	18,412
Ultrasound	344	363	1,494	1,406
Nuclear Medicine	629	665	2,587	2,725
MRI	2,253	1,422	7,449	7,813
CT Scans	8,103	7,792	32,233	30,245
Radiation Therapy	11,088	10,528	40,190	38,358
Respiratory Therapy/EKG (Treatments)	6,066	5,093	23,277	21,263
<b>INPATIENT STATISTICS</b>				
Licensed Beds	30	30	30	30
Total Admissions	410	321	1,304	1,044
ALOS	6.32	8.00	7.98	9.85
Total Patient Days	2,644	2,570	10,434	10,288
Occupancy Rate	95.9%	93.3%	95.4%	93.7%

**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	
	2018	2017	2018	2017
Medicare	36%	30%	43%	42%
Medicaid	7%	16%	7%	7%
Other	25%	28%	26%	28%
Blue Cross	30%	25%	23%	22%
Self-Pay	2%	1%	1%	1%
Total	100%	100%	100%	100%

Percentage Gross Revenues	Year Ended September 30			
	Inpatient		Outpatient	
	2018	2017	2018	2017
Medicare	35%	31%	43%	40%
Medicaid	10%	9%	7%	7%
Other	33%	36%	27%	28%
Blue Cross	22%	23%	22%	23%
Self-Pay	0%	1%	1%	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	
	2018	2017	2018	2017
<b>Fundraising Contributions</b>				
Unrestricted contributions and bequests	\$ 51,944	\$ 47,645	\$ 77,711	\$ 75,227
Gifts for current use	5,007	5,048	8,375	8,098
Temporarily restricted	57,041	40,193	137,063	116,832
Permanently restricted	2,931	5,844	12,288	9,815
<b>Subtotal</b>	116,923	98,730	235,437	209,972
Non-government Grants	14,896	8,993	44,096	46,391
<b>Total Fundraising Contributions</b>	<b>\$ 131,819</b>	<b>\$ 107,723</b>	<b>\$ 279,533</b>	<b>\$ 256,363</b>
<b>Direct Fundraising Expenses</b>	<b>\$ 8,909</b>	<b>\$ 6,645</b>	<b>\$ 30,659</b>	<b>\$ 30,168</b>
<b>Direct Fundraising Expenses as Percent of Total Fundraising Contributions</b>	7%	6%	11%	12%

**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, 2018

(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	\$ 252,691	\$ 47	-	\$ 252,738
Patient accounts receivable, net	121,994	2,871	-	124,865
Contributions receivable, current portion	12,809	-	-	12,809
Royalty receivable	2,876	-	-	2,876
Assets whose use is limited, current portion	744	-	-	744
Research receivables	35,868	-	-	35,868
Prepaid expenses and other current assets	131,516	508	(35,576)	96,448
<b>Total Current Assets</b>	<b>558,498</b>	<b>3,426</b>	<b>(35,576)</b>	<b>526,348</b>
Investments	1,253,338	-	-	1,253,338
Assets whose use is limited by indenture agreement or other, less current portion	12,911	-	-	12,911
Property, plant and equipment, net	946,371	837	-	947,208
Contributions receivable, less current portion	47,874	-	-	47,874
Other assets	55,731	-	-	55,731
<b>TOTAL ASSETS</b>	<b>\$2,874,723</b>	<b>\$ 4,263</b>	<b>\$ (35,576)</b>	<b>\$ 2,843,410</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	128,176	35,496	(35,576)	128,096
Amounts due to third party payors	61,132	-	-	61,132
Research advances ( <b>Note 1</b> )	93,384	-	-	93,384
Current portion of long-term debt	5,572	-	-	5,572
<b>Total Current Liabilities</b>	<b>288,264</b>	<b>35,496</b>	<b>(35,576)</b>	<b>288,184</b>
<b>Other Liabilities</b>				
Long-term debt, less current portion	596,891	-	-	596,891
Other Liabilities	219,258	-	-	219,258
<b>Total Liabilities</b>	<b>816,149</b>	<b>-</b>	<b>-</b>	<b>816,149</b>
<b>Net Assets</b>				
Unrestricted ( <b>Note 1</b> )	908,695	(31,317)	-	877,378
Temporarily restricted ( <b>Note 1</b> )	653,410	84	-	653,494
Permanently restricted	208,205	-	-	208,205
<b>Total Net Assets</b>	<b>1,770,310</b>	<b>(31,233)</b>	<b>-</b>	<b>1,739,077</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$2,874,723</b>	<b>\$ 4,263</b>	<b>\$ (35,576)</b>	<b>\$ 2,843,410</b>

**Note 1:** See "Adoption of New Accounting Standards" on p. 4.

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

Quarter Ended December 31, 2018

(Dollars in thousands)	Dana-Farber			
	Obligated	Cancer Care	Eliminations and	Consolidated
	Group	Network, Inc.	Reclassifications	
Operating revenues:				
Patient service revenues:				
Net patient service revenues	305,569	8,854	-	314,423
Research revenues:				
Direct grants and contracts	54,799	-	-	54,799
Gift related research revenue	38,193	14	-	38,206
Direct research revenues	92,992	14	-	93,005
Indirect grants/contracts/gifts	21,502	-	-	21,502
Unrestricted endowment spending guideline	191	-	-	191
Unrestricted gifts	51,944	-	-	51,944
Other operating revenues	6,115	-	-	6,115
Total revenues	478,313	8,868	-	487,180
Operating expenses: <b>(Note 1)</b>				
Patient service:				
Direct patient care	212,027	9,820	-	221,847
Fringe	9,972	454	-	10,426
Depreciation and amortization	12,178	-	-	12,178
Interest	1,245	-	-	1,245
Total patient service expense	235,422	10,274	-	245,696
Research:				
Direct research/restricted gifts	92,992	14	-	93,005
Institute supported research	7,850	-	-	7,850
Fringe	1,092	-	-	1,092
Depreciation and amortization	9,796	-	-	9,796
Interest	87	-	-	87
Total research expense	111,817	14	-	111,830
General and administrative:				
General and administrative	83,869	313	-	84,182
Fringe	6,257	48	-	6,305
Depreciation and amortization	2,170	117	-	2,287
Interest	4,073	-	-	4,073
Total general and administrative	96,369	478	-	96,847
Total expenses	443,608	10,766	-	454,374
Operating income (loss)	34,705	(1,898)	-	32,809
Investment (loss), net	(31,626)	-	-	(31,626)
Royalty income net of expenses <b>(Note 1)</b>	3,569	-	-	3,569
Interest rate swap agreement				
Net interest paid	(843)	-	-	(843)
Change in fair value	(5,114)	-	-	(5,114)
Total interest rate swap agreement	(5,957)	-	-	(5,957)
Gain on sale	-	-	-	-
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	691	(1,898)	-	(1,206)
<b>Other changes in net assets:</b>				
Net unrealized (loss) on endowment	(7)	-	-	(7)
Cumulative effect of changes in accounting principle <b>(Note 1)</b>	59,244	-	-	59,244
Net assets released from restriction for capital	-	-	-	-
Pension adjustment	-	-	-	-
Other	2,309	-	-	2,309
Increase in unrestricted net assets	62,237	(1,898)	-	60,340
Decrease in temporarily restricted net assets <b>(Note 2)</b>	(49,729)	(12)	-	(49,741)
Increase in permanently restricted net assets	2,931	-	-	2,931
<b>Increase in Net Assets</b>	15,439	(1,910)	-	13,530
<b>Net Assets at Beginning of Period</b>	1,754,873	(29,324)	-	1,725,549
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 1,770,312</b>	<b>\$ (31,234)</b>	<b>\$ -</b>	<b>\$ 1,739,078</b>

**Note 1:** See "Adoption of New Accounting Standards" on p.4.

**Note 2:** Includes the cumulative effect of the GAAP Changes on Temporarily Restricted Net Assets

ASC 606: decrease of \$30,045

ASU 2018-08: increase of \$14,778

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

As Of 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>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
Royalty receivable				-
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
<b>Total Liabilities</b>	<b>1,041,826</b>	<b>29,366</b>	<b>(28,754)</b>	<b>1,042,438</b>
<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>				
<b>Patient service revenues:</b>				
Net patient service revenues	267,399	9,041	-	276,440
<b>Research revenues:</b>				
Direct grants and contracts	52,530	-	-	52,530
Gift related research revenue	31,609	6	-	31,615
Direct research revenues	84,139	6	-	84,145
Indirect grants/contracts/gifts	22,968	-	-	22,968
Unrestricted endowment spending guideline	189	-	-	189
Unrestricted gifts	47,645	-	-	47,645
Other operating revenues	5,573	-	-	5,573
<b>Total revenues</b>	<b>427,913</b>	<b>9,047</b>	<b>-</b>	<b>436,960</b>
<b>Operating expenses: (Note 1)</b>				
<b>Patient service:</b>				
Direct patient care	182,748	9,773	-	192,521
Fringe	8,778	448	-	9,226
Depreciation and amortization	12,294	-	-	12,294
Interest	979	-	-	979
<b>Total patient service expense</b>	<b>204,799</b>	<b>10,221</b>	<b>-</b>	<b>215,020</b>
<b>Research:</b>				
Direct research/restricted gifts	84,139	6	-	84,145
Institute supported research	8,848	-	-	8,848
Fringe	971	-	-	971
Depreciation and amortization	9,752	-	-	9,752
Interest	26	-	-	26
<b>Total research expense</b>	<b>103,736</b>	<b>6</b>	<b>-</b>	<b>103,742</b>
<b>General and administrative</b>				
General and administrative	72,529	306	-	72,835
Fringe	5,358	44	-	5,402
Depreciation and amortization	2,252	118	-	2,370
Interest	3,771	-	-	3,771
<b>Total general and administrative</b>	<b>83,910</b>	<b>468</b>	<b>-</b>	<b>84,378</b>
<b>Total expenses</b>	<b>392,445</b>	<b>10,695</b>	<b>-</b>	<b>403,140</b>
<b>Operating income/(loss)</b>	<b>35,468</b>	<b>(1,648)</b>	<b>-</b>	<b>33,820</b>
Investment income, net	13,570	-	-	13,570
Royalty income net of expenses (Note 1)	-	-	-	-
<b>Interest rate swap agreement</b>				
Net interest paid	(1,106)	-	-	(1,106)
Change in fair value	(169)	-	-	(169)
<b>Total interest rate swap agreement</b>	<b>(1,275)</b>	<b>-</b>	<b>-</b>	<b>(1,275)</b>
Gain on sale	-	-	-	-
<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	-	-	-	-
Cumulative effect of changes in accounting principle (Note 1)	-	-	-	-
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>-</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>

Note 1: See "Adoption of New Accounting Standards" on p.4.