



Memorial Sloan Kettering  
Cancer Center™

**MEMORIAL SLOAN KETTERING CANCER CENTER**

**QUARTERLY DISCLOSURE REPORT**

**UNAUDITED COMBINED FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED December 31, 2022**

## **Table of Contents**

Disclosures .....	3
Management's Discussion & Analysis .....	4
Combined Financial Statements .....	6
Notes to Interim Combined Financial Statements .....	10
Debt Compliance Analysis .....	12
Key Patient Statistics and Other Data.....	13
Certificate of Compliance.....	15

## **SPECIAL NOTE CONCERNING FORWARD-LOOKING FINANCIAL STATEMENTS:**

Certain statements in this Quarterly Disclosure Report are forward-looking statements that are based on the beliefs of, and assumptions made by, the management of Memorial Sloan Kettering Cancer Center ("MSK" or the "Institution"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Institution to be materially different from expected future results or performance.

The audited financial statements, which contain a full set of footnotes, are available on the DacBond website, [www.dacbond.com](http://www.dacbond.com)

### **THIS DOCUMENT IS DATED AS OF April 14, 2023**

MSK has prepared and released this Quarterly Disclosure Report in order to provide certain information regarding its financial and operating performance for December 31, 2022 and to meet its continuing disclosure obligations under certain of its financing documents. Except as required by law or by its contractual obligations, MSK undertakes no obligation to update this Quarterly Disclosure Report after its date.

# Memorial Sloan Kettering Cancer Center

## Management's Discussion and Analysis of Financial Performance

**Year ended December 31, 2022 compared to the year ended December 31, 2021**

### Overview

MSK reported an operating loss of \$248.1 M for fiscal year 2022, which was primarily driven by increased labor and supply costs. Like many US healthcare systems and hospitals, MSK faced a combination of challenges that contributed to rising expenses in 2022, including historic inflation rates, the elimination of CARES funding, and the slow resumption of patient volumes. One-time costs associated with reducing leased space and a reduction in workforce also contributed to the operating loss for the year but will facilitate future cost savings. Due to stock market volatility, MSK experienced \$932.0 million of non-operating losses. Investment balances remain approximately \$1.0 billion higher than 2019. Total operating revenues increased compared to the previous year. This year-over-year revenue increase is attributable to growth in patient revenue, grants and contracts, and philanthropic revenue.

### Operating results:

For the year ended December 31, 2022, MSK generated operating losses of \$(248.1) million compared to operating income of \$235.1 million in 2021. In Q4 2022, MSK implemented cost savings initiatives that resulted in a one-time operating cost of \$92.1 million. As part of the initiative, MSK reduced lease space and recorded a one-time impairment of \$58.8 million. Additionally, a reduction in force was implemented and \$33.3 million was recorded in operational expenses that will not continue in 2023. These efforts, including the one-time reorganization costs, will generate future savings and enable MSK to continue to provide excellent patient care.

### Adjusted Operating Cash Flow

MSK's operating cash flow was below expected levels. Taking into consideration one-time extraordinary items, MSK's adjusted operating cash flow for the year ended December 31, 2022 is \$126.6 million or 2.0% compared to \$324.4 million or 5.5% in 2021, as demonstrated in the following chart:

<i>\$ in millions</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Reported Operating (Loss) Income	(248.1)	235.1
CARES Act Funding	(74.3)	(235.4)
One-time research sublicensing milestone	-	(41.3)
One-time reorganization cost	92.1	-
Adjusted Operating Loss	(230.3)	(41.6)
Adjusted EBIDA	126.6	324.4
Adjusted Operating Cash Flow Margin	2.0%	5.5%

## Memorial Sloan Kettering Cancer Center Management's Discussion and Analysis of Financial Performance

### Operating Revenue and Expenses

Total operating revenues increased by \$232.1 million or 3.6%. However, as noted above, certain one-time extraordinary items have been included in revenues. After adjusting for these extraordinary items, operating revenues increased by 7.1%. This increase is primarily driven by a 7.6% increase in patient revenue. Further, grants and contracts revenue increased by \$15.4 million or 3.7% as clinical trials and research activity continues to increase. Philanthropic revenue increased by \$25.7 million or 7.0%.

Operating expenses, including one-time costs, increased by \$715.2 million or 11.6%. After adjusting for this one-time cost, operating expenses increased by 10.1%. Operating expense growth was primarily driven by an 8.5% increase in compensation and fringe costs and a 13.7% increase in costs related to purchased supplies and services. The key drivers of the expense growth were increased staffing levels to accommodate planned patient activity and inflationary pressures in both labor and nonlabor costs.

### MSK continues to see patient volumes increase closer to pre-pandemic levels

For the year ended December 31, 2022, clinical volumes have increased compared to the same period in 2021, as patient activity continues to recover from the pandemic. Notable increases in patient volume include increases in outpatient visits and radiology treatments, which are detailed in the following chart:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Outpatient Visits	634,759	581,860
Radiation Oncology Treatments	149,000	142,602
Chemotherapy Treatments	309,283	295,074
Radiology Treatments	684,225	659,966

### Nonoperating results and balance sheet strength:

MSK's net assets without donor restrictions significantly decreased as a result of changes in investment values. This change is demonstrated in the following chart:

<i>\$ in millions</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Revenue	6,630	6,398
Expenses	6,878	6,163
<b>Net Operating (Loss) Income</b>	<b>(248)</b>	<b>235</b>
Investment returns	(932)	997
Other noncurrent items	130	249
<b>(Decrease) increase in net assets</b>	<b>(1,050)</b>	<b>1,481</b>

## **Memorial Sloan Kettering Cancer Center Management's Discussion and Analysis of Financial Performance**

For 2022, the decrease is primarily due to decreased investment performance driven by recent stock market volatility. Despite the negative investment performance, MSK's unrestricted cash and investments totaled \$6.4 billion of which \$1.6 billion was held in working capital and short-term funds. MSK's long-term investable portfolio of \$5.6 billion has a negative year-to-date return of 10.5%, which is exclusive of the working capital above. The rate of return is reflective of a portfolio that includes 10% domestic and 9% global equity, 17% fixed income and cash, 22% hedge funds, 12% real assets, and 30% private equity and venture capital. Days cash on hand remains strong at 343 days.

### **Quarter ended December 31, 2022 compared to quarter ended September 30, 2022**

For the quarter ended December 31, 2022, MSK generated an operating income of \$6.1 million with an operating margin of 0.3%. Taking one-time costs into consideration, adjusted operating income is \$98.2 million with an operating margin of 5.2%. This quarterly increase in operating income is a positive sign compared to an operating loss of \$(116.1) million with a negative operating margin of (7.2)% for the quarter ended September 30, 2022.

Total operating revenues increased by \$268.6 million or 16.6%. This increase is primarily driven by a \$177.8 million or 13.0% increase in patient revenue due to a higher outpatient utilization. Grants & contracts revenue increased by \$10.6 million or 10.0%. Philanthropic revenue increased by \$60.4 million or 91% compared to the third quarter.

Total operating expenses increased by \$146.4 million or 8.5%. Taking the one-time costs into consideration, operating expenses increased \$54.4 million or 3.1%.

### **Quarter ended December 31, 2022 compared to quarter ended December 31, 2021**

For the quarter ended December 31, 2022 MSK generated an operating income of \$6.1 million with an operating margin of 0.3%. Taking the one-time costs into consideration, adjusted operating income is \$98.2 million with an operating margin of 5.2% compared to an adjusted operating income of \$66.9 million with an operating margin of 3.9% for the same quarter in 2021.

Total operating revenues increased by \$164.1 million or 9.3% compared to the same quarter in 2021. This is primarily driven by an increase of \$163.1 million or 11.8% in patient revenue due to higher outpatient volumes.

Total operating expenses increased by \$224.9 million or 13.6%. Taking the one-time costs into consideration, operating expenses increased \$132.8 million or 8.0%.

Memorial Sloan Kettering Cancer Center  
and Affiliated Corporations

Combined Balance Sheets

	December 31, 2022	December 31, 2021
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 327,081	\$ 742,469
Short term investments	1,225,430	779,324
Accounts receivable, net	691,464	678,647
Pledges, trusts and estates receivable	149,025	153,698
Other current assets	205,628	190,002
Total current assets	<u>2,598,628</u>	<u>2,544,140</u>
Noncurrent assets:		
Assets whose use is limited:		
Construction and debt service funds	150,171	66,638
Captive insurance funds	66,568	55,527
Employee benefit funds	93,310	119,926
Total investments in marketable securities whose use is limited	<u>310,049</u>	<u>242,091</u>
Investments – at fair value	5,592,200	6,983,901
Property and equipment, net	4,535,314	4,412,330
Pledges, trusts and estates receivable	353,294	301,807
Other noncurrent assets	623,105	456,983
Total noncurrent assets	<u>11,413,962</u>	<u>12,397,112</u>
Total assets	<u>\$ 14,012,590</u>	<u>\$ 14,941,252</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 380,400	\$ 381,974
Accrued expenses	708,778	847,936
Current portion of operating lease liabilities	29,807	32,836
Current portion of long-term debt and finance lease liability	61,251	59,355
Total current liabilities	<u>1,180,236</u>	<u>1,322,101</u>
Noncurrent liabilities:		
Long-term debt and finance lease liability, less current portion	3,206,694	2,942,100
Operating lease liability, net of current portion	98,154	118,779
Other noncurrent liabilities	787,224	733,882
Total liabilities	<u>5,272,308</u>	<u>5,116,862</u>
Net assets:		
Without donor restrictions:		
Undesignated	6,476,872	7,537,518
Board-designated	578,936	568,680
Total without donor restrictions	<u>7,055,808</u>	<u>8,106,198</u>
With donor restrictions	1,684,474	1,718,192
Total net assets	<u>8,740,282</u>	<u>9,824,390</u>
Total liabilities and net assets	<u>\$ 14,012,590</u>	<u>\$ 14,941,252</u>

Memorial Sloan Kettering Cancer Center  
and Affiliated Corporations

Combined Statements of Activities without Donor Restrictions

	Year Ended December 31,	
	2022	2021
	<i>(In Thousands)</i>	
<b>Undesignated operating revenues</b>		
Hospital care and services	\$ 5,393,762	\$ 5,011,551
Grants and contracts	427,125	411,772
Contributions	183,434	162,290
Net assets released from restrictions	202,595	198,462
Other income	220,422	443,099
Investment earnings supporting operations	203,106	171,191
Total operating revenues	<u>6,630,443</u>	<u>6,398,365</u>
<b>Operating expenses</b>		
Compensation and fringe benefits	3,628,897	3,315,428
Purchased supplies and services	2,689,562	2,312,863
Depreciation and amortization	437,224	422,309
Interest	122,813	112,663
Total operating expenses	<u>6,878,496</u>	<u>6,163,263</u>
(Loss) income from operations	<u>(248,052)</u>	<u>235,102</u>
<b>Nonoperating income and expenses, net</b>		
Investment returns, net of expenses, allocation to operations and amounts recorded in net assets with donor restrictions	(932,091)	996,733
Other components of net periodic benefit costs	69,136	52,238
Other nonoperating income and expenses, net	(10,361)	(12,201)
Total nonoperating income and expenses, net	<u>(873,316)</u>	<u>1,036,770</u>
Change in pension and postretirement benefit obligations other than net periodic benefit credits to be recognized in future periods	70,978	179,470
Transfer of board-designated funds	(10,256)	(47,304)
(Decrease) increase in undesignated net assets	<u>(1,060,646)</u>	<u>1,404,038</u>
<b>Board-designated</b>		
Board-designated philanthropy	-	29,506
Board-designated other additions and transfers	10,256	47,216
Increase in Board-designated net assets	<u>10,256</u>	<u>76,722</u>
(Decrease) increase in net assets without donor restrictions	<u>\$ (1,050,390)</u>	<u>\$ 1,480,760</u>



## Combined Statements of Changes in Net Assets

9

Memorial Sloan Kettering Cancer Center  
and Affiliated Corporations

Combined Statements of Cash Flows

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
<b>Operating activities</b>		
Change in net assets	\$ (1,084,108)	\$ 1,755,849
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	437,224	422,309
Equity in earnings of investments, net	10,934	5,493
Unrealized net losses (gains)	1,613,299	(749,964)
Realized net gains	(706,965)	(503,571)
Amortization of bond premium and issuance costs	(22,514)	(5,807)
Donor restricted contributions, pledges and bequests transferred to financing activities	(268,649)	(384,661)
Change in pension and postretirement benefit obligation other than net periodic benefit credits to be recognized in future periods	(70,978)	(179,470)
Lease impairment	56,000	-
Loss on disposal of property and equipment	12,800	-
Changes in assets:		
Accounts receivable, net	(12,817)	(72,997)
Pledges, trusts and estates receivable	(46,814)	(161,375)
Other current assets	(15,626)	(22,977)
Other noncurrent assets	(233,056)	(200,640)
Changes in liabilities:		
Accounts payable and accrued expenses	(164,747)	70,394
Other noncurrent liabilities	103,483	(74,397)
Net cash used in operating activities	(392,534)	(101,814)
<b>Investing activities</b>		
Net acquisitions of property and equipment	(547,591)	(218,168)
(Decrease) Increase in investments, net	(13,127)	(113,723)
Net cash used in investing activities	(560,718)	(331,891)
<b>Financing activities</b>		
Proceeds from financing	517,520	-
Finance lease payments	(3,734)	(3,236)
Finance lease buy out	(170,062)	-
Repayment of debt	(54,720)	(80,198)
Donor restricted contributions, pledges and bequests transferred from operating activities	268,649	384,661
Net cash provided by financing activities	557,653	301,227
Net change in cash, cash equivalents, and restricted cash	(395,599)	(132,478)
Cash, cash equivalents, and restricted cash at beginning of year	852,965	985,443
Cash, cash equivalents, and restricted cash at end of period	457,366	852,965

Memorial Sloan Kettering Cancer Center  
and Affiliated Corporations

Notes to Unaudited Interim Combined Financial Statements

December 31, 2022

**Note A - Basis of Presentation**

The accompanying financial statements are presented on a combined basis and include the accounts of the following tax exempt, Section 501(c)(3), incorporated affiliates: Memorial Sloan Kettering Cancer Center, Memorial Hospital for Cancer and Allied Diseases (the “Hospital”), Sloan Kettering Institute for Cancer Research, S.K.I. Realty, Inc., MSK Insurance US, Inc., MSK Proton, Inc., Prostate Cancer Clinical Trials Consortium, LLC, Ralph Lauren Center for Cancer Care and Prevention, and the Louis V. Gerstner Jr. Graduate School of Biomedical Sciences. All these entities are collectively referred to as the “Institution”.

The accompanying unaudited combined financial statements have been prepared in accordance with U.S. generally accepted accounting principles applied on a basis consistent with that of the 2021 audited combined financial statements of the Institution. The Institution presumes that users of this unaudited interim combined financial information have read or have access to the Institution’s audited combined financial statements and that the adequacy of additional disclosures needed for a fair presentation may be determined in that context. Information contained in the Institution’s audited combined financial statements for the years ended December 31, 2021 and 2020 is incorporated herein. Footnotes and other disclosures that would substantially duplicate the disclosures contained in the Institution’s most recent audited combined financial statements have been omitted. Accordingly, these unaudited interim combined financial statements do not include all the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all transactions considered necessary for a fair presentation of the results have been included in the accompanying unaudited interim combined financial statements.

Patient volumes and net operating revenue and results are subject to variations caused by several factors. Monthly and periodic operating results are not necessarily representative of operations for a full year for various reasons, including the level of occupancy and other patient volumes, interest rates, fluctuations in financial markets, unusual or infrequent items and other seasonal fluctuations. These same considerations apply to year-to-year comparisons.

Certain amounts in the accompanying unaudited interim combined financial statements are projections based on amounts that are only updated annually and are therefore projected for interim financial reporting purposes. Such amounts and estimates are subject to change and are evaluated by the Institution periodically and on an annual basis.

**MEMORIAL SLOAN KETTERING CANCER CENTER**  
**DEBT COMPLIANCE ANALYSIS**  
**December 31, 2022**  
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	<u>12/31/2022</u>	<u>12/31/2021</u>
<b><u>DEBT RATIO ANALYSIS</u></b>		
<b><u>Debt Ratio</u></b>		
Cash & Equivalents	327,081	742,469
Short Term Investments	1,225,430	779,324
Assets Whose Use is Limited	310,049	242,091
Investments	<u>5,592,200</u>	<u>6,983,901</u>
Total Cash & Investments	<b>7,454,760</b>	<b>8,747,785</b>
Endowments	<b>773,086</b>	<b>759,242</b>
Unrestricted Cash & Investments	6,681,674	7,988,543
Long Term Debt & Financing Lease Liability	<u>3,267,945</u>	<u>3,001,455</u>
	<b>2.04</b>	<b>2.66</b>
<b>Minimum Debt Ratio Required</b>	<u>0.60</u>	<u>0.60</u>
	<b>Pass</b>	<b>Pass</b>
<b><u>Loss Allowed</u></b>		
Income (Loss) From Operations	(248,052)	235,102
Less: Investment Earnings Supporting Operations	(203,106)	(171,191)
Add: Board-Designated Income	0	(88)
Add: 8% of Unrestricted Investments (3 yr avg)	<u>551,286</u>	<u>501,788</u>
<b>Adjusted Operating Income</b>	<b>100,128</b>	<b>565,611</b>
<b>Maximum Loss Allowed</b>	<u>(50,000)</u>	<u>(50,000)</u>
	<b>Pass</b>	<b>Pass</b>
<b><u>Calculation of 8% of Unrestricted Investments</u></b>		
Total Cash and Investments	7,454,760	8,747,785
Less: Endowments, net of Endowment Pledges	773,086	759,242
Less: Assets Whose Use is Limited	<u>310,049</u>	<u>242,091</u>
Unrestricted Investments	6,371,625	7,746,452
3 yr average	6,891,080	6,272,350
X 8%	<u>551,286</u>	<u>501,788</u>
	<b>551,286</b>	<b>501,788</b>
<b><u>LT Debt to Net Assets Without Donor Restrictions</u></b>		
Net Assets Without Donor Restrictions	7,055,808	8,106,197
Long Term Debt & Financing Lease Liability	<u>3,267,945</u>	<u>3,001,455</u>
	<b>0.46</b>	<b>0.37</b>
<b>LT Debt to Net Assets Without Donor Restrictions not to exceed</b>	<u>2.00</u>	<u>2.00</u>
	<b>Pass</b>	<b>Pass</b>
<b><u>LT Debt to Unrestricted Cash &amp; Investments Ratio</u></b>		
Unrestricted Cash & Investments	6,681,674	7,988,543
Long Term Debt & Financing Lease Liability	<u>3,267,945</u>	<u>3,001,455</u>
	<b>0.49</b>	<b>0.38</b>
<b>LT Debt to Unrestricted Cash Ratio not to exceed</b>	<u>2.00</u>	<u>2.00</u>
	<b>Pass</b>	<b>Pass</b>

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

	<b>Period Ended December 31, 2022</b>	<b>Year Ended December 31, 2021</b>
Licensed Beds	514	514
Beds in Service	514	514
Admissions	23,751	24,142
Discharges	23,763	24,166
Average Length of Stay	7.2	7.1
Occupancy Rate (1)	90.7%	91.3%
Patient Days	170,102	171,355
Surgical Cases	26,504	26,798
Manhattan	25,201	25,592
Regional Network	1,303	1,206
Total Clinic Visits:	634,759	581,860
Manhattan	366,424	340,450
Regional Network	268,335	241,410
Telemedicine Visits	297,130	322,883
Chemotherapy treatments	309,283	295,074
Manhattan	124,074	121,216
Regional Network	185,209	173,858
Radiology	684,225	659,966
Manhattan	366,424	359,917
Regional Network	317,801	300,049
Radiation Oncology	149,000	142,602
Manhattan	44,233	43,496
Regional Network	104,767	99,106
Full Time Equivalents	21,877	21,223

**Memorial Sloan Kettering Cancer Center  
Case Mix Index and Patient Revenue Distribution**

	<b>Period Ended December 31, 2022</b>	<b>Period Ended December 31, 2021</b>
<u>Case Mix Index (1)</u>	2.51	2.38
<u>Medicare Only CMI</u>	2.47	2.37
<u>Revenue Distribution (2)</u>		
Medicare	31%	31%
Medicaid	2%	2%
Non-contracted commercial and self pay	2%	6%
Contracted commercial	<u>64%</u>	<u>61%</u>
	100%	100%

(1) The grouper and weights applicable at the time of discharge were used in the CMI calculation. This CMI is for the total Hospital.

(2) Includes net inpatient, outpatient, and medical practice revenue



**CERTIFICATE OF COMPLIANCE**  
**For The Period Ended December 31, 2022**

**Re: Memorial Sloan Kettering Cancer Center**  
**Bond Series 1998, 2010, 2015 Series 1, 2016 Series 1, 2016 Series 2, 2017 Series 1,**  
**and 2019 Series 1**

The undersigned hereby certifies as follows:

1. I am the Vice President Finance, Controller of Memorial Sloan Kettering Cancer Center, herein after referred to as the Institution, and I am authorized to sign this certificate.
2. I have read the Loan Agreements, and Tax Certificates executed on behalf of the Institution in connection with the referenced Bond issues.
3. By virtue of my position at the Institution I would expect to become aware in the ordinary course of business of any breach of the terms, conditions and covenants contained in the Loan Agreements or Tax Certificates.
4. To the best of knowledge, there has not been and is not now existing any breach of any of the terms, conditions or covenants contained in the Loan Agreements or Tax Certificates.
5. The Institution has not received an insurance payment, eminent domain award or property damage award for any part of the Project or Mortgaged Property.
6. Except as permitted by the Loan Agreements or Tax Certificates executed in connection with the issuances of the Bonds or as subsequently consented to by the Authority and any other parties required to consent thereto, (1) the Institution owns, occupies and uses for its tax exempt purposes all of the Project(s) financed with the proceeds of the referenced Bond issue(s); (2) no other party has the right to use or occupy any portion of such Project(s); (3) the Institution receives no payment from any party or parties for occupying all or any part of such Project(s); (4) the Institution has not entered into any contract for the management of any part of the Project(s) by another party or person. (Payment does not include fees from students for occupying dormitory rooms and fees from staff members for occupying staff housing).
7. The Institution has not received any correspondence from the Internal Revenue Service questioning its tax-exempt status and hereby reaffirms its status as a not-for-profit

corporation that is exempt from federal income tax pursuant to Section 501 (c)(3) of the Internal Revenue Code or as a tax exempt governmental entity.

8. The Institution has implemented adequate policies and procedures to enable the Institution to comply with any reporting requirements of the Internal Revenue Service applicable to the Bonds, including but not limited to Schedule K (Form 990).
9. To the best of my knowledge, the Institution has not granted or permitted any liens against the Mortgaged Property or leases of any part thereof except those which were filed prior to, or in connection, with the issuance of the Bonds or those which were subsequently consented to by the Authority and any other parties required to consent thereto.

Kevin Malarkey Apr 13, 2023  
Kevin Malarkey (Apr 13, 2023 12:52 EDT)

**Signature**

**Date**

**Kevin Malarkey**

**Print Name**

**Vice President Finance, Controller**  
**Title**