MEMORIAL SLOAN KETTERING CANCER CENTER

QUARTERLY DISCLOSURE REPORT

UNAUDITED COMBINED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2020

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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

THIS DOCUMENT IS DATED AS OF MAY 8, 2020

MSK has prepared and released this Quarterly Disclosure Report in order to provide certain information regarding its financial and operating performance for March 31, 2020 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
For the Three Months Ended March 31, 2020 and 2019

For the three months ended March 31, 2020, MSK generated an operating loss of $61.9 million compared to an operating income of $65.3 million for the same period in 2019. MSK's net assets without donor restrictions decreased $588.7 million in 2020 compared to an increase of $270.6 million in 2019.

Operating revenues increased by $105.5 million or 8.2% in 2020. Patient revenues increased by 8.5%, however volume reductions in March 2020 due to the Coronavirus Disease 2019 (COVID-19) hindered further revenue growth. Key drivers of reduced volume were surgical procedures and clinic visits. Additionally, grants and contracts revenue decreased 4.7% also due to COVID-19's impact on clinical trials and slowed research. Q1 2020 ended with strong philanthropic revenues driven by Cycle for Survival and revenues were similar year over year.

Operating expenses increased by $232.7 million or 19.0%. Operating expense growth was driven by MSK's increased costs in care and treatment of patients with COVID-19. Additionally, there were start-up costs associated with the opening of the David H. Koch Center for Cancer Care that opened to patients in January, 2020.

The Institution's long-term investable portfolio of $4.1 billion has a year-to-date negative return of (11.6%), which is exclusive of cash and cash equivalents. The rate of return is reflective of a portfolio that includes 14.5% domestic and 15.1% global equity, 10.5% fixed income and cash, 29.6% hedge funds, 5.4% real assets, and 24.9% private equity and venture capital.

Due to the global viral outbreak caused by Coronavirus Disease 2019 (COVID-19) in 2020, there have been resulting effects which have, and will continue to negatively impact the Institution's financial condition. These effects include significant stock market exchange volatility, temporary business closures and event cancellations, supply disruptions and decisions to defer elective procedures and other medical treatments at the Institution. Please refer to Note I in the accompanying footnotes for more information.

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Combined Balance Sheets

	March 31 2020	December 31, 2019
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 837,793**	$ 833,102
Accounts receivable, net	**609,439**	622,098
Pledges, trusts and estates receivable	**107,866**	125,902
Other current assets	**155,814**	235,093
Total current assets	**1,710,912**	1,816,195
Noncurrent assets:		
Assets whose use is limited:		
Construction and debt service funds	**31,286**	84,935
Captive insurance funds	**69,872**	60,900
Employee benefit funds	**83,339**	93,736
Total investments in marketable securities whose use is limited	**184,497**	239,571
Investments – at fair value	**3,883,438**	4,399,849
Property and equipment, net	**4,644,054**	4,655,681
Pledges, trusts and estates receivable	**209,921**	213,077
Other noncurrent assets	**290,752**	297,080
Total noncurrent assets	**9,212,662**	9,805,258
Total assets	**$ 10,923,574**	$ 11,621,453
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 438,626**	$ 429,539
Accrued expenses	**392,947**	437,834
Current portion of operating lease liabilities	**35,528**	35,378
Current portion of long-term debt and finance lease liability	**181,418**	79,766
Total current liabilities	**1,048,519**	982,517
Noncurrent liabilities:		
Long-term debt and finance lease liability, less current portion	**2,466,996**	2,475,905
Operating lease liability, net of current portion	**152,985**	161,937
Other noncurrent liabilities	**949,635**	1,025,754
Total liabilities	**4,618,135**	4,646,113
Net assets:		
Without donor restrictions:		
Undesignated	**4,522,127**	5,110,809
Board-designated	**491,321**	491,377
Total without donor restrictions	**5,013,448**	5,602,186
With donor restrictions	**1,291,991**	1,373,154
Total net assets	**6,305,439**	6,975,340
Total liabilities and net assets	**$ 10,923,574**	$ 11,621,453

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Combined Statements of Activities without Donor Restrictions

	Period Ended March 31, 2020	2019
	(In Thousands)	
Undesignated operating revenues		
Hospital care and services	**$ 1,150,360**	$ 1,060,176
Grants and contracts	**87,815**	92,137
Contributions	**68,356**	50,805
Net assets released from restrictions	**14,728**	13,278
Royalty and other income	**34,724**	34,506
Investment returns allocated to operations	**39,589**	39,206
Total operating revenues	**1,395,572**	1,290,108
Operating expenses		
Compensation and fringe benefits	**805,192**	684,256
Purchased supplies and services	**528,059**	453,357
Depreciation and amortization	**100,616**	77,559
Interest	**23,632**	9,632
Total operating expenses	**1,457,499**	1,224,804
(Loss) income from operations	**(61,927)**	65,304
Nonoperating income and expenses, net		
Investment returns, net of expenses, allocation to operations and amounts recorded in net assets with donor restrictions	**(524,468)**	195,126
Other nonoperating income and expenses, net	**(168)**	(2,864)
Total nonoperating income and expenses, net	**(524,636)**	192,262
Change in postretirement benefit obligation to be recognized in future periods	**(2,119)**	(1,063)
(Decrease) Increase in undesignated net assets	**(588,682)**	256,503
Board-designated		
Board-designated philanthropy	**-**	2,335
Board-designated investment return	**(56)**	11,806
(Decrease) Increase in Board-designated net assets	**(56)**	14,141
(Decrease) Increase in net assets without donor restrictions	**$ (588,738)**	$ 270,644

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Combined Statements of Changes in Net Assets

	Total Without Donor Restrictions	With Donor Restrictions: Time Restricted	With Donor Restrictions: Purpose Restricted	With Donor Restrictions: Endowments	Total With Donor Restrictions	Total Net Assets
	(In Thousands)					
Net assets at January 1, 2019	$ 5,029,651	$ 661,963	$ 33,492	$ 702,307	$ 1,397,762	$ 6,427,413
Increase in net assets without donor restrictions	270,644	–	–	–	–	270,644
Contributions, pledges, and bequests	–	10,822	52	7,558	18,432	18,432
Investment return on endowments	–	35,553	–	–	35,553	35,553
Transfers of net assets	–	(3,551)	(449)	4,000	–	–
Net assets released from restrictions	–	(13,278)	–	–	(13,278)	(13,278)
Net assets at March 31, 2019	5,300,295	691,509	33,095	713,865	1,438,469	6,738,764
Net assets at January 1, 2020	**5,602,186**	**620,873**	**34,765**	**717,516**	**1,373,154**	**6,975,340**
Decrease in net assets without donor restrictions	**(588,738)**	**–**	**–**	**–**	**–**	**(588,738)**
Contributions, pledges, and bequests	**–**	**(2,753)**	**1**	**1,157**	**(1,595)**	**(1,595)**
Investment return on endowments	**–**	**(64,840)**	**–**	**–**	**(64,840)**	**(64,840)**
Net assets released from restrictions	**–**	**(14,598)**	**(130)**	**–**	**(14,728)**	**(14,728)**
Transfers of net assets	**–**	**–**	**–**	**–**	**–**	**–**
Net assets at March 31, 2020	**$ 5,013,448**	**$ 538,682**	**$ 34,636**	**$ 718,673**	**$ 1,291,991**	**$ 6,305,439**

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Combined Statements of Cash Flows

	Period Ended March 31	
	2020	**2019**
	(*In Thousands*)	
Operating activities		
Change in net assets	**$ (669,901)**	$ 311,351
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**100,616**	77,559
Equity in earnings of investments, net	**(317)**	28
Unrealized net losses (gains)	**586,254**	(212,636)
Realized net gains	**(22,719)**	(65,806)
Amortization of bond premium and issuance costs	**(1,698)**	(870)
Donor restricted contributions, pledges and bequests transferred to investing activities	**1,595**	(18,432)
Change in postretirement benefit obligation to be recognized in future periods	**2,119**	1,063
Changes in assets:		
Accounts receivable, net	**12,659**	(53,413)
Pledges, trusts and estates receivable	**21,192**	42,126
Other current assets	**79,279**	(13,789)
Other noncurrent assets	**6,645**	(222,275)
Changes in liabilities:		
Accounts payable and accrued expenses	**(25,667)**	2,973
Other noncurrent liabilities	**(87,190)**	191,101
Net cash provided by operating activities	**2,867**	38,980
Investing activities		
Net acquisitions of property and equipment	**(98,972)**	(174,440)
(Decrease) increase in investments, net	**(17,586)**	56,807
Donor restricted contributions, pledges and bequests transferred from operating activities	**(1,595)**	18,432
Net cash used in investing activities	**(118,153)**	(99,201)
Financing activities		
Proceeds from financing	**100,000**	-
Repayment of debt	**(5,559)**	(6,533)
Net cash provided by (used in) financing activities	**94,441**	(6,533)
Net change in cash, cash equivalents, and restricted cash	**(20,845)**	(66,754)
Cash, cash equivalents, and restricted cash at beginning of year	**940,816**	843,052
Cash, cash equivalents, and restricted cash at end of year	**$ 919,971**	$ 776,298

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 of 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 2019 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, 2019 and 2018 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 a number of 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.

Note B – Use of Estimates

The preparation of the combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make prudent and conservative estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note C - Hospital Care and Services Revenue

Hospital Care and Services Revenue and Accounts Receivable

Hospital care and services revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration (reductions to revenue) in determining a transaction price.

The Hospital uses a portfolio approach to account for categories of patient contracts as a collective group, rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and major payor classes and types of services provided for outpatient revenue. Based on historical collection trends and other analyses, the Hospital believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Hospital's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual allowances, discounts, implicit price concessions, and other reductions to the Hospital's standard charges. The Hospital determines the transaction price associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payor payment programs below). The estimates for contractual allowances and discounts are based on contractual agreements, the Hospital's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the Hospital determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on the Hospital's historical collection experience for

Note C – Hospital Care and Services Revenue (continued)

applicable patient portfolios. Patients who meet the Hospital's criteria for charity care are provided care without charge; such amounts are not reported as revenue.

Generally, the Hospital bills patients and third-party payors several days after the services are performed and/or the patient is discharged. Hospital care and services revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Hospital. Hospital care and services revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The Hospital believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in the Hospital's outpatient and ambulatory care centers. The Hospital measures the performance obligation from admission into the hospital or the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or the completion of the outpatient visit.

As substantially all of its performance obligations relate to contracts with a duration of less than one year, the Hospital has elected to apply the optional exemption provided in ASU 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of the Hospital's in-house patients occurs within days or weeks after the end of the reporting period.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change (see third-party payment programs below). Portfolio collection estimates are updated monthly based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the periods ended March 31, 2020 and 2019 was not significant.

Note C – Hospital Care and Services Revenue (continued)

The Hospital has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, lines of business and timing of when revenue is recognized. Tables providing details of these factors are presented below.

The percent of hospital care and services revenue for the periods ended March 31, 2020 and 2019, by payor, is as follows:

	2020	2019
Medicare	**26%**	24%
Medicaid	**2**	5
Contracted managed care	**5**	6
Non-contracted managed care and self-pay	**67**	65
	100%	100%

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the non-contracted managed care and self-pay category above. The Hospital provides pharmaceuticals and related support services to patients through a retail and specialty pharmacy. Revenue is recognized at the point in time of the transaction.

Hospital care and services revenue for the periods ended March 31, 2020 and 2019 by line of business is as follows (in thousands):

	2020	2019
Hospital	**$ 920,430**	$ 857,328
Physician services	**173,176**	161,574
Retail and specialty pharmacy	**56,754**	41,274
	$ 1,150,360	$ 1,060,176

The Hospital has elected the practical expedient allowed under ASU 2014-09 and does not adjust the expected amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Hospital's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that

Note C – Hospital Care and Services Revenue (continued)

service will be one year or less. However, the Hospital does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Third-Party Payment Programs

Settlements with third-party payors for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Hospital's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Non-Medicare Reimbursement

In New York State, hospitals and all non-Medicare payors, except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospitals' payment rates. If negotiated rates are not established, payors are billed at hospitals' established charges. Medicaid pays hospital rates promulgated by the New York State Department of Health. Payments to the Hospital for Medicaid inpatient services are based on a prospective payment system, with retroactive adjustments. Outpatient services are paid based on a statewide prospective system. Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare & Medicaid Services (CMS), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS are not recognized until the Hospital is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates for those payors will continue to be made in future years.

Note C – Hospital Care and Services Revenue (continued)

Medicare Reimbursement

The Hospital is exempt from the national prospective payment system used to reimburse hospitals for inpatient services provided to Medicare beneficiaries and instead is paid using a cost-based methodology. These payments are subject to a limit that is based on average costs from 2003 to 2006 for rate years beginning on or subsequent to January 1, 2007, which are then updated based on annual trend factors calculated by CMS. The Hospital is paid for outpatient services under the national prospective payment system and other methodologies of the Medicare program for certain other services. The outpatient payments are subject to a floor that ensures the Hospital receives a percentage of its Medicare defined allowable outpatient costs. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on hospital-specific data.

The Hospital has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior years' payment rates. The current Medicaid, Medicare and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through the year ended December 31, 2013. Other years remain open for audit and subsequent settlement, as are numerous issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed and additional information is obtained. Changes in these estimates could also affect the amounts reported as the unpaid cost of government sponsored health care. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Hospital is not aware of any allegations of noncompliance that could have a material adverse effect on the combined financial statements and believes that it is in compliance with all applicable laws and regulations.

There are various Federal and State proposals that could, among other things, reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of health care reform by the Federal or State government, cannot presently be determined. Future changes in Medicare and Medicaid programs could have an impact, positive or negative, on the Hospital. Additionally, Medicare payment rates for various

Note C – Hospital Care and Services Revenue (continued)

years have been appealed by the Hospital. If the appeals are successful, additional income applicable to those years might be realized.

Significant concentrations of accounts receivable at March 31, 2020 include 25% from government-related programs, 24% from Empire Health Choice, and 13% from UnitedHealthcare (27%, 22% and 19%, respectively, at December 31, 2019).

Note D – Cash, Cash Equivalents and Investments at Fair Value

The Institution considers as cash and cash equivalents, all current investments, cash and certain highly liquid investments with original maturities of less than three months. Amounts within restricted cash include cash and cash equivalents held within assets whose use is limited and represent funds set aside based on contractual arrangements.

The following is a reconciliation of cash and cash equivalents between the combined balance sheets and combined statements of cash flows:

	March 31 2020	March 31 2019
	(In Thousands)	
Cash and cash equivalents	**$ 837,793**	$ 633,034
Restricted cash within assets whose use is limited	**82,178**	143,264
Total cash, cash equivalents, and restricted cash	**$ 919,971**	$ 776,298

For assets and liabilities required to be measured at fair value, the Institution measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the Institution's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

The Institution follows a valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Note D – Cash, Cash Equivalents and Investments at Fair Value (continued)

- *Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

- *Level 2:* Observable inputs are based on inputs not quoted in active markets, but corroborated by market data.

- *Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Institution uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value. Any investments valued based upon NAV are not subject to classification in the valuation hierarchy.

Mutual funds are valued based on the quoted market prices of the securities as reported on national securities exchanges.

United States-based and international equity securities consist of individually held securities and commingled funds. Individual securities and certain commingled funds are valued based on the quoted market prices of the securities as reported on national securities exchanges. Commingled funds primarily are valued based on the NAV of shares held by the Institution at year end.

Fixed income investments include corporate bonds, U.S. government securities, and commingled funds. Corporate bonds and U.S. government securities are valued based on readily available market quotations received from commercial pricing services. Such pricing services and brokers will generally provide bid-side quotations. Commingled funds are valued based on quoted market prices as reported on national securities exchanges, if applicable, or the NAV of shares held by the Institution at year end.

Alternative investments include absolute return funds, long/short funds, global macro funds, inflation hedging funds, opportunistic funds, hard assets, private equity funds and venture capital. Alternative investment interests generally are structured such that the Institution holds a limited partnership interest. The Institution's ownership structure does not provide for control over the

Note D – Cash, Cash Equivalents and Investments at Fair Value (continued)

related investees and the Institution's financial risk is limited to the funded and unfunded commitment for each investment. As of March 31, 2020, the Institution had outstanding commitments to provide additional capital of approximately $673.9 million to various alternative investment managers.

Individual investment holdings within the alternative investments include nonmarketable and market-traded debt and equity securities and interests in other alternative investments. The Institution may be exposed indirectly to securities lending, short sales of securities and trading in futures and forward contracts, options and other derivative products. Alternative investments often have liquidity restrictions under which the Institution's capital may be divested only at specified times. The Institution's liquidity restrictions range from several months to ten years for certain private equity investments. Liquidity restrictions may apply to all or portions of a particular invested amount.

There is uncertainty in determining fair values of alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings, time lags associated with reporting by the investee companies and the subjective evaluation of liquidity restrictions. As a result, the estimated fair values reported in the accompanying combined balance sheets might differ from the values that would have been used had a ready market for the alternative investment interests existed and there is at least a reasonable possibility that those estimates will change.

The following is a description of the Institution's valuation methodologies for assets measured at fair value. Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Fair value for Level 3 is based on unobservable inputs when little or no market data is available, which include estimates and risk-adjusted value ranges. Inputs are obtained from various sources including market participants, dealers and brokers. The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Institution believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Note D – Cash, Cash Equivalents and Investments at Fair Value (continued)

Financial instruments, other than pension plan assets, carried at fair value as of March 31, 2020, are classified in the table below as described above:

	Level 1	Level 2	Level 3	Total
Investments measured at fair value		*(In Thousands)*		
Cash, cash equivalents, and restricted cash	**$ 919,971**	**$ –**	**$ –**	**$ 919,971**
Mutual funds	**82,334**	**–**	**–**	**82,334**
United States-based equity securities	**126,382**	**219,206**	**–**	**345,588**
International equity securities	**246,045**	**11,513**	**–**	**257,558**
Fixed income investments:				
Corporate bonds	**–**	**84,353**	**–**	**84,353**
U.S. Government and other	**35,061**	**108,943**	**–**	**144,004**
	$ 1,409,793	**$ 424,015**	**$ –**	**1,833,808**
Investments measured at NAV as a practical expedient				
Commingled funds:				
United States-based equity				**254,132**
International equity				**363,409**
Alternative investments:				
Marketable:				
Absolute return funds				**299,711**
Long/short funds				**708,898**
Global macro funds				**202,725**
Inflation hedging funds				**71,146**
Nonmarketable:				
Venture capital				**579,947**
Private equity				**303,150**
Opportunistic funds				**137,704**
Hard assets				**151,098**
Total investments at fair value				**$ 4,905,728**

Note D – Cash, Cash Equivalents and Investments at Fair Value (continued)

Financial instruments, other than pension plan assets, carried at fair value as of December 31, 2019, are classified in the table below as described above:

	Level 1	Level 2	Level 3	Total
Investments measured at fair value		*(In Thousands)*		
Cash, cash equivalents, and restricted cash	$ 940,816	$ –	$ –	$ 940,816
Mutual funds	92,798	–	–	92,798
United States-based equity securities	159,528	274,264	–	433,792
International equity securities	350,455	14,503	–	364,958
Fixed income investments:				
Corporate bonds	–	62,588	–	62,588
U.S. Government and other	53,371	124,106	–	177,477
	$ 1,596,968	$ 475,461	$ –	2,072,429
Investments measured at NAV as a practical expedient				
Commingled funds:				
United States-based equity				316,962
International equity				394,585
Alternative investments:				
Marketable:				
Absolute return funds				299,790
Long/short funds				821,389
Global macro funds				226,333
Inflation hedging funds				147,447
Nonmarketable:				
Venture capital				601,807
Private equity				300,862
Opportunistic funds				142,256
Hard assets				148,662
Total investments at fair value				$ 5,472,522

Note D – Cash, Cash Equivalents and Investments at Fair Value (continued)

Other financial instruments that are not required to be carried at fair value include debt, pledges and mortgages receivable. Debt, pledges and mortgages receivable are recorded at carrying value, net of applicable discounts in the accompanying combined balance sheets which approximates fair value.

As part of the Institution's liquidity management, it has a practice to structure its financial assets to be available for its operating and capital needs. Working capital requirements are held in cash and cash equivalents and short-term investments. Accounts receivable, net and the current portion of pledges, trusts and estates receivable on the combined balance sheets represent amounts expected to be collected within one year. Investments internally designated for major capital projects represent assets set aside for capital expenditures, but could be made available immediately if necessary. Additionally, to help manage unanticipated liquidity needs, the Institution has committed lines of credit which it could draw upon.

Additionally, the Institution invests in a diversified long-term investment portfolio (the Unified Pool). Although the Institution does not intend to spend from the Unified Pool other than amounts appropriated for spending as part of its annual budget approval and appropriation process, amounts from the Unified Pool could be made available if necessary. However, the Unified Pool contains investments with lock-up provisions that would reduce the total investments that could be made available.

The following represents assets that could be made available within one year:

	March 31 2020	**December 31 2019**
	(*In Thousands*)	
Cash and cash equivalents	**$ 837,793**	$ 833,102
Accounts receivable, net	**609,439**	622,098
Pledges, trusts and estates receivable, current portion	**107,866**	125,902
Investments – at fair value	**2,151,791**	2,904,470
Undrawn lines of credit	**100,000**	200,000
	$ 3,806,889	$ 4,685,572

Note E – Long-Term Debt and Financing Lease

Long-term debt and financing lease consist of the following:

	March 31, 2020	December 31, 2019
	(In Thousands)	
DASNY Series 1998, tax-exempt bonds maturing through 2023 at various fixed interest rates ranging from 5.50% to 5.75%	**$ 100,700**	$ 100,700
DASNY Series 2010, tax-exempt bonds maturing through 2023 at a fixed interest rate of 2.18%	**28,000**	30,000
Series 2011A taxable bonds maturing in 2042 at a fixed interest rate of 5.00%	**400,000**	400,000
DASNY Series 2012, tax-exempt bonds maturing through 2021 at a fixed interest rate of 4.00%	**4,355**	4,355
DASNY 2012 Series 1, tax-exempt bonds maturing through 2021 at various fixed interest rates ranging from 4.00% to 5.00%	**49,045**	49,045
Series 2012A taxable bonds maturing in 2052 at a fixed interest rate of 4.125%	**400,000**	400,000
Series 2015A taxable bonds maturing in 2055 at a fixed interest rate of 4.20%	**550,000**	550,000
DASNY Series 2016-1, tax-exempt bonds repaid through 2028 at a fixed interest rate of 1.97%	**97,845**	98,764
NJEDA Series 2016-2, tax-exempt bonds maturing through 2026 at a fixed rate interest rate of 1.43%	**94,250**	97,874
DASNY Series 2017-1, tax-exempt bonds maturing through 2047 at various fixed interest rates ranging from 4.00% to 5.00%	**288,025**	288,025
DASNY Series 2019-1, tax-exempt bonds maturing through 2039 at various fixed interest rates ranging from 2.00% to 5.00%	**284,545**	284,545
Financing lease liability	**173,984**	173,000
Lines of credit	**100,000**	-
Unamortized bond premiums, discounts and issuance costs	**77,665**	79,363
	2,648,414	2,555,671
Less current portion	**181,418**	79,766
	$ 2,466,996	$ 2,475,905

In March 2020, the Institution drew $100.0 million from its unsecured lines of credit.

Note F - Leases

The Institution leases certain property and equipment under finance and operating leases. Leases are classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria. Finance leases result in an accounting treatment similar to an acquisition of the asset.

For leases with initial terms greater than a year (or initially, greater than one year remaining under the lease at the date of adoption of ASU 2016-02), the Institution records the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. The Institution's leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the right-of-use assets and liabilities unless the variable lease payments depend on an index or rate or are in substance fixed payments. Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the right-of-use assets and liabilities unless the Institution is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the Institution has elected to use a risk-free discount rate determined using a period comparable with that of the lease term. The Institution has made an accounting policy election not to separate lease components from nonlease components in contracts when determining its lease payments for its asset classes. As such, the Institution accounts for the applicable nonlease components together with the related lease components when determining the right-of-use assets and liabilities.

The Institution has made an accounting policy election not to record leases with an initial term of less than a year as right-of-use assets and liabilities.

Note F – Leases (continued)

The following schedule summarizes information related to the lease assets and liabilities (in thousands):

	March 31, 2020	March 31, 2019
Lease cost:		
Operating lease cost	**$ 10,268**	$ 10,111
Finance lease cost:		
Amortization of right-of-use asset	**1,439**	-
Interest on lease liabilities	**984**	-
Short-term lease cost	**395**	493
Total lease cost	**$ 13,086**	$ 10,604
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**10,088**	9,936
Financing cash flows from finance leases	**-**	-
Right-of-use assets obtained in exchange for new operating lease liabilities:		
Weighted-average remaining lease term – operating leases	**7.63 years**	8.10 years
Weighted-average discount rate – operating leases	**2.59%**	2.60%
Weighted-average remaining lease term – financing leases	**29.67 years**	-
Weighted-average discount rate – financing leases	**2.28%**	-

Note F – Leases (continued)

The following table presents the lease-related assets and liabilities (in thousands):

	Combined Balance Sheet Classification	March 31, 2020	December 31, 2019
Assets:			
Operating leases	Other noncurrent assets	**$ 181,678**	$ 190,659
Finance lease	Property, buildings, and equipment, net	**170,753**	172,192
Total lease assets		**$ 352,431**	$ 362,851
Liabilities:			
Current:			
Operating leases	Current portion of operating leases liabilities	**$ 35,528**	$ 35,378
Finance lease	Current portion of long-term debt and financing lease liability	**2,571**	943
Noncurrent:			
Operating leases	Operating leases liabilities, less current portion	**152,985**	161,937
Finance lease	Long-term debt and financing lease liability, less current portion	**171,413**	172,057
Total lease liabilities		**$ 362,497**	$ 370,315

Note F – Leases (continued)

The following table reconciles the undiscounted lease payments to the lease liabilities recorded on the accompanying combined statement of financial position at March 31, 2020 (in thousands):

	Operating Leases	**Financing Leases**
2020	$ 30,428	$ 4,879
2021	37,166	6,505
2022	34,272	6,505
2023	26,218	6,505
2024	21,889	6,559
Thereafter	59,167	217,837
Total lease payments	209,140	248,790
Less imputed interest	20,627	74,806
Total lease obligation	188,513	173,984
Less current portion	35,528	2,571
Long-term portion	$ 152,985	$ 171,413

In January 2019, the Institution entered into an agreement to lease a building for a 30-year term. The Institution will become liable to make payments upon possession, which is expected to take place in 2021. Total lease payments are expected to be approximately $175.9 million and are excluded from the table above.

Note G– Retiree Pension and Health Plans

The Institution has a retirement annuity plan which provides eligible staff members with retirement income through individual deferred annuity contracts purchased in each participant’s name. In addition, the Institution maintains a nonqualified deferred compensation plan which is used for employer contributions in excess of those allowed by the retirement annuity plan. The effective date of this plan was January 1, 1983 and it has been grandfathered from the changes made by the Tax Reform Act of 1986. The plans’ assets are included in assets whose use is limited in the combined balance sheets and consist of money market and mutual funds. The Institution contributes a fixed percentage of an individual’s compensation to these plans.

Effective January 1, 2013, the Institution amended an existing 403(b) plan (composed of the basic plan and the voluntary plan) to have a new plan design and be renamed as the Memorial Sloan Kettering Cancer Center Retirement Savings Plan (the RSP). Under the RSP, all Institution employees will be eligible to make voluntary employee contributions (salary deferrals), subject to IRS limits. Mandatory employee contributions are not required.

The Institution makes base contributions to the RSP for eligible employees, which depend on the employee’s age (determined as of the preceding December 31). Additionally, the Institution matches contributions for voluntary employee contributions made by eligible employees. The Institution’s cost for these plans was approximately $30.3 million and $26.0 million for the three months ended March 31, 2020 and 2019, respectively.

The Institution also maintains a trusteed defined benefit plan (the Plan) for employees not covered by the above retirement annuity plan. The benefits are based on years of service, the employee’s average compensation during the highest five of the last ten years of employment and a pension formula. The Plan has been amended and is frozen to new participants hired on or after December 16, 2012.

The Institution offers retirees and their spouses hospital and basic medical coverage which supplements any available Medicare coverage. The plan pays the balance of charges not paid by Medicare up to Medicare allowable charges. All employees become eligible for postretirement health care if they retire at age 60 or older, with at least 10 years of service, or under age 60 with 30 years of service. The accounting for the health care plans anticipates future retiree contributions increasing by annual health care cost increases plus 2%. Employees hired after December 31, 2006 are required to pay 100% of the coverage cost.

Effective January 1, 2016, the Institution provides each Medicare-eligible retiree and spouse with a defined contribution amount that can be used to purchase individual Medicare supplemental

Note G – Retiree Pension and Health Plans (continued)

coverage. This defined contribution replaces the Institution's hospital and basic medical coverage for all Medicare-eligible participants who retire subsequent to December 31, 2006.

The following table provides the components of the net periodic cost for pension and postretirement benefit cost for the plans for the three-month period ended March 31:

	Pension Benefits		Postretirement Health	
	2020	**2019**	**2020**	**2019**
	(In Thousands)			
Components of net periodic cost				
Service cost	**$ 22,277**	$ 18,014	**$ 816**	$ 845
Interest cost	**16,841**	16,096	**1,150**	1,438
Expected return on assets	**(19,394)**	(16,713)	**–**	–
Amortization of net loss	**5,405**	2,310	**79**	187
Amortization of prior service cost (credit)	**72**	72	**(2,035)**	(2,328)
Total net periodic cost	**$ 25,201**	$ 19,779	**$ 10**	$ 142

Contributions: During the three months ended March 31, 2020, the Institution contributed $96.0 million to the Plan.

Note H – Commitments and Contingencies

The Institution is involved in various litigation and claims that are not considered unusual given the complexity and size of the Institution's business. Management believes that the ultimate resolution of these matters will not have a material impact on the Institution's combined financial statements.

Note I – Subsequent Events

Due to the global viral outbreak caused by Coronavirus Disease 2019 (COVID-19) in 2020, there have been resulting effects which have, and will continue to negatively impact the Institution's financial condition. These effects include significant stock market exchange volatility, temporary business closures and event cancellations, supply disruptions and decisions to defer elective procedures and other medical treatments at the Institution.

Note I – Subsequent Events (continued)

Management continues to closely monitor the operational and financial impact of COVID-19 in many respects and is pursuing opportunities for Federal and any other funding that is or will become available, including from the Federal Coronavirus Aid, Relief and Economic Security Act (CARES Act), the Federal Emergency Management Agency or other sources.

In April 2020, the Institution received approximately $421.0 million from the Centers for Medicare & Medicaid Services under its Accelerated Payment Program. Under this program, the Institution can continue to submit claims as usual, however, at the end of a 120-day period, a recoupment process will begin and every claim submitted by the Institution will be offset to repay the accelerated/advanced payment.

Additionally, through the Paycheck Protection Program and Health Care Enhancement Act for healthcare providers, the Department of Health and Human Services has begun distributing money through the Provider Relief Fund. These payments do not need to be repaid. This funding will be used to support healthcare-related expenses or lost revenue attributable to the COVID-19 pandemic and to ensure uninsured Americans can get treatment for COVID-19. In April 2020, the Institution received approximately $70.0 million from these various relief funds. Additional funding has since become available, for which the Institution has applied for and expects to receive more funding in the future.

While operations have been disrupted, the Institution is currently preparing for the recovery of operations post the COVID-19 crisis. The ultimate impact of these various matters to the Institution and its combined financial condition is presently unknown.

MEMORIAL SLOAN KETTERING CANCER CENTER
DEBT COMPLIANCE ANALYSIS
March 31, 2020
$000

DEBT RATIO ANALYSIS	**3/31/2020**	**12/31/2019**
Debt Ratio		
Cash & Equivalents	837,793	833,102
Assets Whose Use is Limited	184,497	239,571
Investments	3,883,438	4,399,849
Total Cash & Investments	**4,905,728**	**5,472,522**
Endowments	718,673	717,516
Less: Current Endowment Pledges	7,041	7,796
Less: Non-Current Endowment Pledges	7,547	8,518
Endowments net of Endowment Pledges	**704,085**	**701,202**
Unrestricted Cash & Investments	4,201,643	4,771,320
Long Term Debt & Financing Lease Liability	2,648,414	2,555,671
	1.59	**1.87**
Minimum Debt Ratio Required	0.60	0.60
	Pass	**Pass**
Loss Allowed		
Income (Loss) From Operations	(61,927)	194,479
Less: Investment Income Supporting Operations	(39,589)	(162,445)
Add: Board-Designated Income	(56)	70,517
Add: Net Assets Released from Restrictions -Capital	0	75,000
Add: 8% of Unrestricted Investments (3 yr avg)	335,817	349,094
Adjusted Operating Income (Loss)	**234,245**	**526,645**
Maximum Loss Allowed	(50,000)	(50,000)
	Pass	**Pass**
Calculation of 8% of Unrestricted Investments		
Total Cash and Investments	4,905,728	5,472,522
Less: Endowments, net of Endowment Pledges	704,085	701,202
Less: Assets Whose Use is Limited	184,497	239,571
Unrestricted Investments	4,017,146	4,531,749
3 yr average	4,197,717	4,363,671
X 8%	335,817	349,094
	335,817	**349,094**
LT Debt to Net Assets Without Donor Restrictions		
Net Assets Without Donor Restrictions	5,013,448	5,602,186
Long Term Debt & Financing Lease Liability	2,648,414	2,555,671
	0.53	**0.46**
LT Debt to Net Assets Without Donor Restrictions not to exceed	2.00	2.00
	Pass	**Pass**
LT Debt to Unrestricted Cash & Investments Ratio		
Unrestricted cash and investments	4,201,643	4,771,320
Long Term Debt & Financing Lease Liability	2,648,414	2,555,671
	0.63	**0.54**
LT Debt to Unrestricted Cash Ratio not to exceed	2.00	2.00
	Pass	**Pass**

Memorial Sloan Kettering Cancer Center
Key Patient Statistics and Other Data

	Period Ended March 31, 2020	Period Ended March 31, 2019	Year Ended December 31, 2019
Licensed Beds	514	514	514
Beds in Service	514	498	498
Admissions	6,162	6,379	25,595
Discharges	6,194	6,333	25,617
Average Length of Stay	7.1	6.7	6.8
Occupancy Rate (1)	92.7%	95.6%	95.6%
Patient Days	43,137	42,501	173,729
Surgical Cases	7,692	7,619	30,811
Inpatient	2,593	2,726	10,710
Outpatient	5,099	4,893	20,101
Total Outpatient Visits:	195,918	200,878	839,073
Manhattan	127,118	135,981	562,224
Regional Network	68,800	64,897	276,849
Chemotherapy treatments	73,102	68,146	289,904
Manhattan	33,792	34,821	143,964
Regional Network	39,310	33,325	145,940
Radiology	150,604	125,664	631,174
Manhattan	93,228	77,496	407,159
Regional Network	57,376	48,168	224,015
Radiation Oncology	41,407	38,002	160,421
Manhattan	14,854	14,873	59,600
Regional Network	26,553	23,129	100,821
Full Time Equivalents	20,724	18,605	19,412

(1) Based on adjusted bed count

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

	Period Ended March 31, 2020	Period Ended March 31, 2019	Year Ended December 31, 2019
Case Mix Index (1)	2.17	2.04	2.10
Medicare Only CMI	2.13	1.99	2.05
Revenue Distribution (2)			
Medicare	26.2%	23.9%	27.5%
Medicaid	1.7%	5.0%	1.7%
Commercial, Self Pay & Managed Care non-contracted	5.3%	5.9%	1.5%
Managed Care Contracted	66.8%	65.2%	69.3%
	100%	100%	100%

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

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

Memorial Sloan Kettering
Cancer Center

CERTIFICATE OF COMPLIANCE
For The Period Ended March 31, 2020

Re: Memorial Sloan Kettering Cancer Center
Bond Series 1998, 2010 Series 1, 2012 and 2012 Series-1, 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 Senior Vice President Finance 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.

5/6/2020

Signature **Date**

Mark Svenningson
Print Name

Senior Vice President Finance
Title