DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Consolidated Financial Statements and
Supplementary Information

Years ended September 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
Dana-Farber Cancer Institute, Inc.:

We have audited the accompanying consolidated financial statements of Dana-Farber Cancer Institute, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dana-Farber Cancer Institute, Inc. and its subsidiaries as of September 30, 2021 and 2020, and the results of its operations and changes in net assets, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheets and consolidating statements of operations are presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Boston, Massachusetts
January 24, 2022

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2021 and 2020

(In thousands)

Assets		2021	2020
Current assets:			
Cash and cash equivalents	$	152,196	187,884
Patient accounts receivable, net		174,772	137,868
Contributions receivable, current portion		30,856	39,117
Research receivables		72,312	62,604
Prepaid expenses and other current assets		169,810	137,078
Total current assets		599,946	564,551
Investments		2,427,986	1,688,960
Right of use assets, net – operating leases		373,687	408,111
Property, plant, and equipment, net		1,003,676	1,046,157
Contributions receivable, less current portion		45,202	77,855
Other assets		53,761	78,545
Total assets	$	4,504,258	3,864,179
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	260,190	292,860
Accrued payroll, payroll taxes, and amounts withheld from employee compensation		43,015	35,795
Current portion of long-term debt and finance leases		6,257	5,940
Amounts due to third-party payors		50,808	57,904
Operating lease liabilities, current portion		44,871	43,091
Research advances		131,127	127,047
Total current liabilities		536,268	562,637
Other liabilities:			
Long-term debt and finance leases, less current portion		568,526	577,725
Operating lease liabilities, less current portion		350,066	382,318
Other		149,079	228,157
Total liabilities		1,603,939	1,750,837
Net assets:			
Without donor restrictions		1,310,610	978,673
With donor restrictions		1,589,709	1,134,669
Total net assets		2,900,319	2,113,342
Total liabilities and net assets	$	4,504,258	3,864,179

See accompanying notes to consolidated financial statements.

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2021 and 2020

(In thousands)

		2021	2020
Operating revenues:			
Net patient service revenue	$	1,573,108	1,305,019
Research revenues		551,633	507,542
Unrestricted contributions and bequests		81,979	83,427
Other operating revenues		61,150	60,306
Total operating revenues		2,267,870	1,956,294
Operating expenses:			
Patient service:			
Direct patient care		1,204,817	1,036,448
Depreciation and amortization		52,679	47,693
Interest		1,772	1,941
Total patient service expenses		1,259,268	1,086,082
Research:			
Direct research/restricted gifts		436,142	406,010
Institute supported research		32,624	32,103
Depreciation and amortization		35,325	34,782
Interest		13,559	13,526
Total research expenses		517,650	486,421
General and administrative:			
General and administrative		435,650	391,602
Depreciation and amortization		10,009	8,890
Interest		304	684
Total general and administrative expenses		445,963	401,176
Total operating expenses		2,222,881	1,973,679
Operating income (loss)		44,989	(17,385)
Non operating gains (losses):			
Investment gains, net		227,171	77,327
Loss on refunding		(398)	—
Royalty income, net of expenses		43,676	5,866
Net periodic pension cost, excluding service cost		(110)	(186)
Interest rate swap agreements:			
Net interest paid		(5,655)	(4,765)
Change in fair value		13,723	(11,701)
Total non operating gains		278,407	66,541
Excess of revenues over expenses	$	323,396	49,156

See accompanying notes to consolidated financial statements.

(Continued)

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2021 and 2020

(In thousands)

		2021	2020
Net assets without donor restrictions:			
Excess of revenues over expenses	$	323,396	49,156
Net assets released from restrictions for capital		1,518	4,865
Pension changes other than periodic costs		7,028	(249)
Other		(5)	(5,571)
Increase in net assets without donor restrictions		331,937	48,201
Net assets with donor restrictions:			
Contributions revenue, net of provision for uncollectible pledges		220,281	157,227
Interest and dividend income, net		1,217	148
Realized and unrealized gains on investments, net		348,189	115,183
Net assets released from restrictions for capital		(1,518)	(4,865)
Net assets released from restrictions for operations		(102,917)	(107,817)
Transfers to other institutions		(10,212)	(940)
Increase in net assets with donor restrictions		455,040	158,936
Increase in net assets		786,977	207,137
Net assets at beginning of year		2,113,342	1,906,205
Net assets at end of year	$	2,900,319	2,113,342

See accompanying notes to consolidated financial statements.

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2021 and 2020

(In thousands)

		2021	2020
Operating activities:			
Increase in net assets	$	786,977	207,137
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		98,013	91,365
Net realized and unrealized gains on investments		(576,078)	(193,886)
Pension changes other than periodic costs		(7,028)	249
Restricted contributions and investment income, net of restriction releases for operations		(118,578)	(49,558)
Changes in operating right-of-use assets and lease liabilities, net		3,952	4,833
Transfers to other institutions		10,212	940
Changes in other assets and liabilities		(50,075)	(5,626)
Changes in certain elements of working capital:			
Patient accounts receivable, net		(36,904)	11,422
Research receivables and research advances		(5,628)	(77)
Prepaid expenses and other current assets		(32,732)	(28,194)
Accounts payable and accrued expenses, including employee compensation		(23,514)	168,246
Amounts due to third-party payors		(7,096)	8,746
Net cash provided by operating activities		41,521	215,597
Investing activities:			
Additions to property, plant, and equipment, net		(62,030)	(131,524)
Purchases of investments		(958,886)	(502,647)
Proceeds from sales of investments		795,938	417,310
Changes in assets whose use is limited		4,429	(8)
Net cash used in investing activities		(220,549)	(216,869)
Financing activities:			
Proceeds on line of credit		—	60,000
Payments on line of credit		—	(60,000)
Proceeds from issuance of long-term debt		35,000	—
Payments on extinguishment of long-term debt		(35,000)	—
Payments on long-term debt		(4,295)	(4,755)
Payments on finance lease obligations		(1,645)	(1,347)
Restricted contributions and investment income, net of restriction releases for operations		118,578	49,558
Change in contributions receivable		40,914	(18,839)
Transfers to other institutions		(10,212)	(940)
Net cash provided by financing activities		143,340	23,677
(Decrease) increase in cash and cash equivalents		(35,688)	22,405
Cash and cash equivalents at beginning of year		187,884	165,479
Cash and cash equivalents at end of year	$	152,196	187,884
Noncash financing activities:			
Remeasurement of finance lease	$	—	(4,528)
Noncash investing activities:			
Construction in progress included in accounts payable and accrued expenses		(1,936)	8,974

See accompanying notes to consolidated financial statements.

(1) Corporate Organization

Dana-Farber Cancer Institute, Inc. (the Institute) is a comprehensive cancer center dedicated to basic and clinical cancer research and treatment. The Institute primarily serves patients in the New England region. Dana-Farber, Inc. is a controlled affiliate of the Institute, and is responsible for its investment management activities. In August 2003, the Institute formed the Dana-Farber Trust, Inc. for the purpose of acquiring, holding, developing, managing, maintaining, or disposing of real and personal property for the benefit of the Institute and its affiliated organizations. On July 1, 2014, the Institute acquired Commonwealth Hematology-Oncology (CHO) physician practice, the largest community-based cancer care program in New England with eight sites located throughout eastern Massachusetts. CHO sites operated as Dana-Farber Cancer Care Network, Inc. (DFCCN) physician practices. In April 2021, the Institute closed the remaining site located in Weymouth, Massachusetts, staff and most patients transferred to the Institute. In April 2019, the Institute created Dana-Farber Global Oncology, Inc. (DFGO), an LLC whose sole member is the Institute, through which the Institute is engaging in work in China. In September 2020, DFCI established a wholly owned subsidiary, Binney Street Capital, to advance the Institute's mission to develop novel therapies, improve patient outcomes, and to provide access to under-served communities while generating a new revenue stream.

The Institute's inpatient hospital is physically located within the Brigham & Women's Hospital, Inc. (BWH). The Institute reimburses BWH for related patient care expenses. Net patient service revenue related to the inpatient hospital was $39,467 and $37,023 in 2021 and 2020, respectively.

The Institute, BWH, The General Hospital Corporation (the General) and Mass General Brigham, Inc. (MGB; formerly known as Partners HealthCare System, Inc.) have formed Dana-Farber/Mass General Brigham CancerCare, Inc. (DF/MGBCC; formerly known as Dana-Farber/Partners CancerCare, Inc.)), a not-for-profit corporation. During the years ended September 30, 2021 and 2020, DF/MGBCC provided the Institute with $52,324 and $53,472, respectively, in research funding. Among its roles, DF/MGBCC is responsible for the management of cancer-related clinical trials at the Institute, BWH and the General. The Institute, BWH, and the General provide DF/MGBCC with funds to meet its annual operating and capital needs. At present, the Institute's portion of these funds is not material to the consolidated financial statements.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include the accounts of Dana-Farber Cancer Institute, Inc.; Dana-Farber Cancer Care Network, Inc.; Dana-Farber Global Oncology, Inc.; Dana-Farber, Inc.; and Dana-Farber Trust, Inc.(collectively, the Institute). Intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) applied on a basis consistent with that of the 2020 audited consolidated financial statements of the Institute.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

(c) Cash Equivalents

The Institute considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Short-term highly liquid investments held within the endowment and similar investment pools are classified as investments rather than cash equivalents for purposes of the consolidated statements of cash flows.

(d) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets, with investment gain or loss (including realized and unrealized gains and losses on investments, interest, and dividends) included in the excess of revenues over expenses, unless restricted by donor or law.

Hedge funds and private equity funds consist of investments in limited partnerships and limited liability companies. The Institute accounts for investments in certain U.S. equity funds, hedge funds and private equity funds at fair value, using the net asset value of each fund as a practical expedient, and reports its share of the increase or decrease in the fund's value as investment gain or loss included in the excess of revenues over expenses, unless restricted by donor or law. Carrying values for hedge funds and private equity funds are determined based upon information from the funds' General Partners. The General Partners' estimates and assumptions of fair values of nonmarketable investments may differ significantly from the values that would have been used had a ready market existed, and may also differ significantly from the values at which such investments may be sold, and the differences could be material.

Investment gains (losses) (including realized and unrealized gains and losses on investments, interest, and dividends from all other investments) are reported as nonoperating gains (losses), except for investment income equal to the Institute's spending policy, which is reported as operating income, and other investment income restricted by donor or law.

(e) Assets Whose Use is Limited

Assets whose use is limited represent proceeds from bonds and operations, which are invested and restricted under bond indenture agreements for construction, debt repayment, an investment deposit requirement under a certain bond purchase agreement, and investments placed in trust for payment of self-insured claims. Assets whose use is limited are recorded as other assets in the accompanying consolidated balance sheets.

(f) Contributions

Unconditional promises to give are reported at fair value at the date the promise is recorded. Unconditional contributions receivable, received in writing in amounts of $1,000 or more and payable in regular installments, are recorded at net present value of estimated cash flows. The discounts on these amounts are computed using a risk-free rate applicable in the year in which the promise is received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions are substantially met. Unrestricted and restricted contributions used on a current basis for research, including amounts of institutional support, are recorded as operating revenues. Other restricted contributions are recorded as net assets with donor restrictions.

(g) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, less accumulated depreciation. Donated equipment is recorded at fair value, determined as of the date of donation. Depreciation is computed using the straight-line method at rates intended to amortize the costs of the related assets over their estimated useful lives. Amortization of assets recorded under finance or capital leases is included in depreciation. Equipment purchased under the terms of research grants is charged as a direct research expenditure.

(h) Interest Rate Swap Agreements

The Institute utilizes interest rate swap agreements to reduce risks associated with changes in interest rates. The Institute is exposed to credit loss in the event of nonperformance by the counterparties to its interest rate swap agreements. The Institute is also exposed to the risk that the swap receipts may not offset its variable rate debt service. To the extent these variable interest swap receipts do not equal variable interest payments on the bonds, there will be a net loss or net benefit to the Institute.

The Institute recognizes all derivative instruments as either assets or liabilities in the consolidated balance sheets at their respective fair value with changes in fair value reflected in the consolidated statements of operations and changes in net assets as a component of nonoperating gains (losses).

(i) Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a donor restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as revenues (for noncapital-related items), or as a direct increase to net assets without donor restrictions (for capital-related items).

Net assets with perpetual donor restrictions include assets with restrictions that require investment to provide a perpetual source of income to the Institute. Generally, donors of these assets require the Institute to maintain and invest the original contribution in perpetuity but permit the use of some or all investment returns for general or specific purposes. The Institute has interpreted state law as requiring realized and unrealized gains of these perpetual contributions to be retained in net assets with donor restrictions until appropriated by the board and expended. State law allows the board to appropriate so much of the net appreciation of perpetual contributions as is prudent considering the Institute's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Annually, the board appropriates an amount based upon a spending policy as described in paragraph (l) below.

(j) Operating Revenues and Expenses

Operating income includes revenues generated from direct patient care activities, research activities from grantors and donors, unrestricted contributions, royalties, trademark income, and sundry revenues related to the operation of the Institute's facilities, and all related expenses. The Institute has a spending policy allowing approximately 7.5% of the average market value of certain donor-restricted investments over the past nine quarters to be spent annually to fund operating and capital needs. Investment income equal to the annual spending policy amount on donor-restricted investments whose income is unrestricted is reported in other operating revenue.

(k) Net Patient Service Revenue

Net patient service revenues are recorded at the amounts that reflect the consideration to which the Institute expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others and include an estimate of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Institute bills patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility.

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Institute. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Institute believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Institute measures the performance obligation for inpatient services from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. The Institute's performance obligations related to outpatient services are generally satisfied over a period of one day or less. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Institute does not believe it is required to provide any additional goods or services to the patient. Since all performance obligations relate to contracts with a duration of less than one year, the Institute has elected to apply the optional exemption in ASC 606-10-50-14(a) 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 performance obligations for these contracts will be satisfied when the patient is discharged from the hospital, which generally occurs within days or weeks of the end of the reporting period.

The Institute determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Institute's policy, and/or implicit price concessions provided to uninsured patients. Estimates of contractual adjustments and discounts are based on contractual agreements, its discount policy (or policies), and historical experience. Estimates of implicit price concessions are based on historical collection experience with this class of patients. Any revision in estimates is recognized in the period in which the estimates are revised. Amounts are billed to patients and third-party payors after the performance obligation is satisfied and payment is expected within a reasonable period of time, though settlement may occur well after the healthcare service is provided. See note 11.

Consistent with the Institute's mission, care is provided to patients regardless of their ability to pay. The Institute has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (e.g. copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Institute expects to collect based on its collection history with those patients. Patients who meet the Institute's criteria for charity care are provided care without charge or at amounts less than established rates. The Institute has determined that it has provided sufficient implicit price concessions for these accounts. Price concessions, including charity care, are not reported as revenue.

(l) Research Revenue and Expense

Research revenues include research grants and contracts, license and royalty, and contribution-related income.

Direct and Indirect Research Revenue and Related Expenses:

Research revenues from grants and contracts are accounted for either as an exchange transaction or contribution.

Revenue related to exchange transactions is recognized as the costs are incurred for the purpose specified by the grantor or in accordance with the terms of the agreement. Amounts received related to exchange transactions in advance of incurring the related expenditures are recorded as research advances in the accompanying consolidated balance sheets.

Contributions are either conditional or unconditional based on the award terms. A contribution is considered conditional if the award contains both a specific barrier that must be overcome for the Institute to be entitled to the funds and a right of return of the grantors obligation to provide the promised funds. If both conditions are not present, the award is unconditional. Unconditional contributions are recognized as restricted revenue and released upon expenditure. Contracts that include both a barrier and a right of return (or right of release) are considered conditional contributions and revenue is recognized once the conditions are met.

Performance obligations related to research grants, contracts, gifts and contributions are satisfied over time and recognized using an input method for costs incurred as the research services are performed by the Institute. The transaction price for research revenues related to grants and contracts is based on the contracted award received from third-parties.

Indirect costs related to certain government grants and contracts are reimbursed at fixed rates negotiated with the government agencies.

Royalty and License Revenue

Royalty and license revenue results from the development and commercialization of new technologies.

Royalty and license related revenues are recorded when the sales occur. Performance obligations related to license and royalties are satisfied at a point in time when the Institute transfers the rights to the Institute's intellectual property and as associated variable consideration is no longer constrained. There were no unsatisfied performance obligations related to license and royalties as of September 30, 2021 or 2020. The transaction price for research revenues related to license and royalties is determined based on contractual prices negotiated with the commercial third-parties. The Institute records milestone payments when performance obligations are satisfied.

In accordance with the Institute's policy, royalty and license revenue are distributed to the inventor, the laboratory, the department where the research was performed, and the Institute. The portion distributed to the inventor, laboratory, and department is recorded as research expense on the consolidated statements of operations and changes in net assets when expended. The portion distributed to the Institute is recorded on the consolidated statements of operations and changes in net assets as other operating revenues.

In accordance with ASC 958, *Presentation of Financial Statements for Not-for-Profit-Entities*, for income designated for future research expenses pursuant to the overall mission of the Institute, the Institute designates a portion of the revenues as board-designated net assets without donor restriction. The funds related to board designated net assets without donor restrictions are included in the nonoperating gain (loss) section of the consolidated statements of operations and changes in net assets as royalty income and will be appropriated for expenses incurred related to research programs for innovative cancer treatment.

(m) Excess of Revenue over Expenses

The consolidated statements of operations and changes in net assets include the excess of revenues over expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from the excess of revenues over expenses, include changes in net assets related to the pension adjustment, and net assets released from restrictions for capital.

(n) Income Taxes

The Institute and all of its affiliates qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code or disregarded entities for tax purposes and are exempt from federal income taxes on related income. The Institute is considered a public charity, qualifying under IRC

(Dollar amounts in thousands)

Section 170(b)(1)(A)(vi), which is an organization that receives substantial support from grants, governmental units, and the public. Dana-Farber Trust, Inc. and Dana-Farber, Inc. are not private foundations, but qualify for public charity status under IRC Section 509(a)(3), as Type I supporting organizations. Dana-Farber, Inc. has a nominal amount of unrelated business income that is not material to the consolidated financial statements. Dana-Farber Cancer Care Network, Inc. has been determined to be a public charity under IRC Section 509(a)(2). The Institute is considered a hospital facility as defined under the Affordable Care Act, because it is subject to hospital licensure requirements in Massachusetts. As a result, the Institute monitors its compliance with the new requirements under Section 501(r) of the Internal Revenue Code for tax-exempt hospitals, although it does not depend on IRC Section 170(b)(1)(a)(iii) for its public charity status but qualifies as a public charity under IRC Section 170(b)(1)(a)(vi) as a publicly supported organization.

(o) Subsequent Events

The Institute evaluates the impact of subsequent events, which are events that occur after the consolidated balance sheet date but before the consolidated financial statements are issued, for potential recognition in the consolidated financial statements as of the balance sheet date. For the year ended September 30, 2021, the Institute evaluated the impact of subsequent events through January 24, 2022, representing the date which the consolidated financial statements were issued. No events have occurred that require disclosure in or adjustment to the consolidated financial statements.

(3) Investments

Investments, which are reported at fair value, consisted of the following as of September 30:

		2021	2020
Donor-restricted for research and capital	$	1,025,227	621,334
Donor-restricted endowment corpus		252,601	227,044
Accumulated realized and unrealized appreciation on endowment funds		226,595	119,348
Board-designated for various purposes		923,563	721,234
	$	2,427,986	1,688,960
U.S. government money market funds	$	5,443	47,007
U.S. government securities		225,118	115,230
U.S. equity securities		139,925	94,979
U.S. equity mutual funds		221,775	186,230
International equity securities		13,623	20,927
International equity mutual funds		435,150	282,109
Hedge funds and private equity funds		1,386,952	942,478
	$	2,427,986	1,688,960

(Continued)

(Dollar amounts in thousands)

Investment income consisted of the following for the years ended September 30:

		2021	2020
Investment income (loss), net	$	499	(1,228)
Realized and unrealized gains		576,078	193,886
	$	576,577	192,658

Investment return was reported as follows in the consolidated statements of operations and changes in net assets for the years ended September 30:

		2021	2020
Excess of revenues over expenses:			
Investment gains, net (nonoperating)	$	227,171	77,327
Changes in net assets with donor restrictions:			
Interest and dividend income, net and realized and unrealized gains, net		349,406	115,331
	$	576,577	192,658

(4) Liquidity and Availability of Resources

Financial assets available within one year of the balance sheet date for general expenditures such as operating expenses and construction costs not financed with debt are as follows:

		2021	2020
Cash and cash equivalents	$	152,196	187,884
Patient accounts receivable, net		174,772	137,868
Research receivables		72,312	62,604
	$	399,280	388,356

In addition, the Institute maintains unrestricted investments of $923,563 and $721,234 as of September 30, 2021 and 2020, respectively, that can be liquidated within one year if needed, subject to liquidity of underlying investments.

(Continued)

In the event of an unanticipated liquidity need, the Institute could also draw upon two lines of credit in the amount of $60,000 each. These lines of credit expire in May 2022.

(5) Fair Value Measurements

Fair value is 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. In order to increase consistency and comparability in fair value measurements, the Institute has implemented a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

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 that 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 Institute utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Institute also considers counterparty credit risk in its assessment of fair value.

(Dollar amounts in thousands)

Financial assets and liabilities carried at fair value as of September 30, 2021 are classified in the table below in one of the categories as described above:

		Level 1	Level 2	Level 3	Fair value investments	Investments at NAV	Total
Investments:							
U.S. government money market funds	$	5,443	—	—	5,443	—	5,443
U.S. government securities		225,118	—	—	225,118	—	225,118
U.S. equity securities		139,925	—	—	139,925	—	139,925
U.S. equity funds		—	—	—	—	221,775	221,775
International equity securities		13,623	—	—	13,623	—	13,623
International equity funds		50,425	—	—	50,425	384,725	435,150
Hedge funds and private equity funds		—	—	—	—	1,386,952	1,386,952
	$	434,534	—	—	434,534	1,993,452	2,427,986
Defined benefit plan assets:							
U.S. government money market fund	$	350	—	—	350	—	350
U.S. government mutual funds		5,574	—	—	5,574	—	5,574
U.S. corporate bond mutual fund		2,398	—	—	2,398	—	2,398
U.S. equity mutual funds		415	—	—	415	—	415
International equity mutual funds		1,360	—	—	1,360	—	1,360
Hedge funds and private equity funds		—	—	—	—	29,640	29,640
	$	10,097	—	—	10,097	29,640	39,737
Liabilities:							
Interest rate swap agreements	$	—	59,630	—	59,630	—	59,630

(Dollar amounts in thousands)

Financial assets and liabilities carried at fair value as of September 30, 2020, are classified in the table below in one of the categories as described above:

	Level 1	Level 2	Level 3	Fair value investments	Investments at NAV	Total
Investments:						
U.S. government money market funds	$ 47,007	—	—	47,007	—	47,007
U.S. government securities	115,230	—	—	115,230	—	115,230
U.S. equity securities	94,979	—	—	94,979	—	94,979
U.S. equity funds	12,748	—	—	12,748	173,482	186,230
International equity securities	20,927	—	—	20,927	—	20,927
International equity funds	40,337	—	—	40,337	241,772	282,109
Hedge funds and private equity funds	—	—	—	—	942,478	942,478
	$ 331,228	—	—	331,228	1,357,732	1,688,960
Assets w hose use is limited by indenture agreement or other (classified as other assets):						
U.S. government securities	$ 29	—	—	29	—	29
U.S. government money market funds	1,126	—	—	1,126	—	1,126
Bank deposit account	1,000	—	—	1,000	—	1,000
U.S. corporate bond mutual fund	3,000	—	—	3,000	—	3,000
	$ 5,155	—	—	5,155	—	5,155
Defined benefit plan assets:						
U.S. government money market fund	$ 388	—	—	388	—	388
U.S. government mutual funds	6,135	—	—	6,135	—	6,135
U.S. corporate bond mutual fund	2,391	—	—	2,391	—	2,391
U.S. equity mutual funds	319	—	—	319	—	319
International equity mutual funds	1,638	—	—	1,638	—	1,638
Hedge funds and private equity funds	—	—	—	—	24,646	24,646
	$ 10,871	—	—	10,871	24,646	35,517
Liabilities:						
Interest rate sw ap agreements	$ —	73,351	—	73,351	—	73,351

The following is a description of the Institute’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. Inputs are obtained from various sources, including market participants, dealers, and brokers. The General Partners’ estimates and assumption of fair values of alternative investments may not be indicative of what management would realize upon disposition or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with methods employed by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting dates.

(Dollar amounts in thousands)

There were no significant transfers between Levels 1 and 2 during the years ended September 30, 2021 and 2020, respectively.

The following tables include a summary of fair values and redemption features related to investments (excluding split interest agreements) for which estimated fair value was based upon NAV for the years ended September 30, 2021 and 2020:

	2021		
	NAV	**Redemption frequency**	**Redemption notice periods**
International equity funds	$ 384,725	Weekly, semi-monthly, monthly	7–60 days
U.S. equity funds	214,822	Quarterly	60 days
Hedge funds and private equity funds	1,386,952	Monthly, quarterly, semi-annually, annually, over 1 year	31–90 days
	1,986,499		
Charitable gift annuities	6,953		
	$ 1,993,452		

	2020		
	NAV	**Redemption frequency**	**Redemption notice periods**
International equity funds	$ 241,772	Weekly, semi-monthly, monthly	7–60 days
U.S. equity funds	167,946	Quarterly	60 days
Hedge funds and private equity funds	942,478	Monthly, quarterly, semi-annually, annually, over 1 year	31–90 days
	1,352,196		
Charitable gift annuities	5,536		
	$ 1,357,732		

Unfunded commitments associated with investments for which fair value was based upon NAV were $225,842 and $208,738 at September 30, 2021 and 2020, respectively.

(Dollar amounts in thousands)

(6) Property, Plant, and Equipment

Property, plant, and equipment consisted of the following as of September 30:

		2021	2020
Land	$	7,640	7,640
Buildings and improvements		1,596,802	1,470,142
Equipment		455,740	438,629
Construction-in-progress		41,627	134,697
		2,101,809	2,051,108
Less accumulated depreciation		1,098,133	1,004,951
	$	1,003,676	1,046,157

Included within the table above in buildings and improvements are assets recorded under finance leases $41,542 for both September 30, 2021 and 2020, respectively, net of accumulated depreciation of $23,969 and $21,868 as of September 30, 2021 and 2020, respectively. During the years ended September 30, 2021 and 2020, retirements of fully depreciated equipment assets were undertaken, representing $3,067 and $179 of equipment cost and associated accumulated depreciation, respectively.

(7) Contributions

Contributions received and pledged (at net discounted value) were as follows for the years ended September 30:

		2021		
		Cash	Pledges	Total
Unrestricted contributions and bequests	$	81,979	—	81,979
Contributions with donor restrictions		152,947	67,334	220,281
Research gifts for current use		9,227	—	9,227
	$	244,153	67,334	311,487

		2020		
		Cash	Pledges	Total
Unrestricted contributions and bequests	$	83,427	—	83,427
Contributions with donor restrictions		73,491	83,736	157,227
Research gifts for current use		4,912	—	4,912
	$	161,830	83,736	245,566

(Continued)

(Dollar amounts in thousands)

Of the total contributions raised during the years ended September 30, 2021 and 2020, the Jimmy Fund raised $86,901 and $98,700, respectively.

In addition, the Institute was awarded a total of $49,222 and $46,598 in foundation grants for the years ended September 30, 2021 and 2020, respectively.

Gifts in kind totaling $1,996 and $2,212 were recorded by the Institute as both revenue and expense for the years ended September 30, 2021 and 2020, respectively.

Direct fundraising expenses were $41,938 and $38,071 for the years ended September 30, 2021 and 2020, respectively, and were included as a component of general and administrative expenses in the consolidated statements of operations and changes in net assets.

Contributions receivable as of September 30 were as follows:

		2021	2020
Amounts due in less than one year for use in operations	$	36,661	44,807
Amounts due in less than one year for capital use		195	310
Amounts due in one to five years		47,263	79,179
Amounts due in more than five years		10	55
		84,129	124,351
Less discount to net present value *		2,071	1,379
Less allowance for uncollectible pledges		6,000	6,000
	$	76,058	116,972

* (discount rates .09%-.98% based on US Treasury Yield Curve Rates)

(Dollar amounts in thousands)

(8) Long-Term Debt and Finance Lease Obligations

Long-term debt consisted of the following as of September 30:

		2021	2020
Massachusetts Health and Educational Facilities Authority (MHEFA) revenue bonds:			
Series L	$	92,500	185,000
Massachusetts Development Finance Agency (MDFA) revenue bonds:			
Series M		50,860	50,860
Series N		233,195	233,195
Series O		42,080	46,375
Series P		92,500	—
Finance and capital lease obligations (note 9)		22,118	23,763
		533,253	539,193
Unamortized premium		45,902	49,087
Unamortized cost of issuance		(4,372)	(4,615)
		574,783	583,665
Less current portion		6,257	5,940
	$	568,526	577,725

(a) Bonds Payable

On May 22, 2008, the Institute issued, through MHEFA, $185,000 Variable Rate Revenue Bonds, Dana-Farber Cancer Institute Issue, Series L (2008) (Series L-1 and L-2). The Series L bonds are tax-exempt bonds. The proceeds of the bonds were used to: (i) pay bridge financing incurred by the Institute to refund the MHEFA Revenue Bonds, Dana-Farber Cancer Institute Issue, Periodic Auction Reset Securities Series I (2007), and MHEFA Capital Asset Program Loans Series J, (ii) pay MHEFA Capital Asset Program Loans Pool M, and (iii) pay an amount, together with funds provided by the Institute, to fund the cost of issuance of the Series L bonds.

On June 1, 2012, the Institute served a notice of change in mode and mandatory tender to the holders of its Series L-2 bonds. On July 2, 2012, upon such mandatory tender and conversion, the Series L-2 bonds were reissued in two subseries comprised of $57,500 Series L-2A bonds and $35,000 Series L-2B bonds, which were purchased by Century Subsidiary Investments, Inc. III and TD Bank, N.A., respectively. On July 1, 2015, the Institute served a notice of change in mode and mandatory tender to the holders of its Series L-1 bonds. On August 3, 2015, upon such mandatory tender and conversion, the Series L-1 bonds were purchased by DNT Asset Trust, a wholly owned subsidiary of JPMorgan Chase Bank, N.A. The Series L-1 and L-2 bonds were collateralized by irrevocable direct pay letters of credit issued by JPMorgan Chase Bank, N.A. and Bank of America, N.A. that terminated on August 3, 2015 and July 2, 2012, respectively, upon completion of the mandatory tender. On July 28, 2021, the Institute refunded Series L-2A and Series L-2B with $57,500 Series P-1 (2021) and $35,000 Series P-2 (2021), each purchased by Century Subsidiary Investments, Inc. III. The Series L and P bonds bear interest at an average variable rate (1.03% and 1.95% for the years ended September 30, 2021 and 2020, respectively), and mature in varying annual amounts from 2028 to 2046.

On August 7, 2013, the Institute issued, through MDFA, $50,860 Revenue Bonds, Dana-Farber Cancer Institute Issue, Series M (2013). The Series M bonds are federally taxable bonds. The proceeds of the bonds were used to: (i) renovate and fit out approximately 154,100 rentable square feet of leased research space in the Longwood Center, which will be used for high-tech research laboratories, (ii) other corporate purposes, and (iii) pay an amount needed to fund the cost of issuance of the Series M Bonds. The Series M bonds bear interest at a fixed rate of 5.35% and mature December 1, 2028. The bonds were issued at par.

On June 23, 2016, the Institute issued, through MDFA, $233,195 Revenue Bonds, Dana-Farber Cancer Institute Issue, Series N (2016). The Series N bonds are tax-exempt bonds, and were used in July 2017 to: (i) finance the acquisition of approximately 203,000 square feet of research space in the Longwood Center, (ii) finance the partial fit-out of an additional 50,983 square feet of research space under a separate lease at the Longwood Center, (iii) replace a 20-year old HVAC system, (iv) relocate and reconstruct the Institute’s Cell Manipulation Core Facility, (v) payment of cost of issuance and interest during the purchase and construction periods and (vi) various other capital projects. The Series N bonds bear interest at fixed rates of 5.00% and mature in varying annual amounts from 2029 to 2046. The bonds were issued at an original premium of $48,591, which is amortized over the related terms.

On September 3, 2019, the Institute issued, through MDFA, $51,130 Revenue Bonds, Dana-Farber Cancer Institute Issue, Series O (2019) bonds. The Series O bonds are tax-exempt bonds. The proceeds of the bonds were used to: (i) retire the Series K bonds along with funds released from the series K debt service reserve fund and (ii) payment of cost of issuance of the Series O bonds. The Series O bonds bear interest at a fixed rate of 5.0% and mature in varying annual amounts from 2019 to 2035. The bonds were issued at an original premium of $9,125, which is amortized over the related terms.

The Series L, Series M, Series N, Series O, and Series P bonds are equally and ratably collateralized by a lien on the unrestricted gross receipts of the Institute, and a mortgage granted upon the Yawkey Center for Cancer Care, the Richard A. and Susan F. Smith Research Laboratories, the Dana Building, and the Louis B. Mayer Research Laboratories.

The Institute is required to comply with certain financial covenants under its long-term debt agreements.

(Continued)

(Dollar amounts in thousands)

Scheduled maturities and sinking fund requirements for the next five fiscal years are as follows:

2022	$	4,515
2023		4,745
2024		4,985
2025		5,245
2026		5,515

Interest cost on long-term debt and capital lease obligations totaled $17,167 and $19,183 for the years ended September 30, 2021 and 2020, respectively. Of this, $15,635 and $16,151 was reported as interest expense, and $1,532 and $3,032 was capitalized as part of construction-in-progress for the years ended September 30, 2021 and 2020, respectively. Cash paid for interest amounted to $20,463 and $22,094 for the years ended September 30, 2021 and 2020, respectively.

(b) Lines of Credit

As of September 30 2021, the Institute has two $60,000 line of credit commitments, expiring in 2022. In May 2021, the Institute replaced its two-year line of credit with a new $60,000 one-year line of credit and renewed its one-year $60,000 line of credit. These lines of credit expire in May 2022. No amounts were outstanding under these arrangements as of September 30, 2021 and 2020.

(c) Interest Rate Swaps

In connection with the issuance of the 2008 Series L bonds, the Institute amended two interest rate swap agreements of $75,000 each with Morgan Stanley Capital Services, Inc. Under these agreements, the Institute effectively converted this variable rate debt to a fixed rate basis of 3.84% for the term of the bonds.

The Institute reported the fair value of interest rate swap agreements as $59,630 and $73,351 in other liabilities on the consolidated balance sheets as of September 30, 2021 and 2020, respectively. The Institute reported the change in the fair value of the interest rate swap agreements as a nonoperating gain of $13,723 and $11,701 in the accompanying consolidated statements of operations and changes in net assets for the years ended September 30, 2021 and 2020, respectively.

The valuation of the interest rate swaps is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities.

(9) Leases

The Institute's portfolio includes operating leases of assets typically associated with real estate, clinical, research, and diagnostic equipment, administrative equipment, and vehicles. The Institute's portfolio includes two finance leases for certain leased spaces in outpatient satellite clinics. The operating and finance leases generally have 1 to 30 year terms, with one or more renewal options, primarily relating to the real estate leases. The exercise of such lease renewal options is at the Institute's sole discretion, and to the extent the Institute is reasonably certain the Institute will exercise a renewal option, the years related to that option are included in the Institute's determination of the lease term. Certain leases also include options to purchase the leased property at a price that either approximates or exceeds fair value.

(Dollar amounts in thousands)

The components of lease cost is comprised of the following amounts for the years ended September 30:

		2021	2020
Operating lease cost	$	54,878	54,004
Finance lease cost:			
Amortization of right-of-use assets		2,101	2,274
Interest on lease liabilities		1,147	1,183
Total finance lease cost		3,248	3,457
Variable lease cost		25,204	21,742
Total lease cost	$	83,330	79,203

Supplemental consolidated balance sheet information related to leases is as follows at September 30:

	Classification		2021	2020
Assets				
Operating lease	Right of use assets, net – Operating leases	$	373,687	408,111
Finance lease	Property, plant, and equipment, net		17,573	19,674
Total leased assets		$	391,260	427,785
Liabilities				
Current liabilities:				
Operating lease	Operating lease liabilities	$	44,871	43,091
Finance lease	Current portion of long-term debt and finance/capital leases		1,742	1,644
Noncurrent liabilities:				
Operating lease	Operating lease liability, less current portion		350,066	382,318
Finance lease	Long-term debt and finance/capital leases, less current portion		20,376	22,119
Total leased liabilities		$	417,055	449,172

(Dollar amounts in thousands)

The following summarizes additional information related to operating and finance leases as of September 30:

	2021	2020
Weighted average remaining lease term – operating leases	9.3 years	10.0 years
Weighted average remaining lease term – finance leases	14.1 years	15.0 years
Weighted average discount rate – operating leases	1.64 %	1.64 %
Weighted average discount rate – finance leases	4.77 %	4.77 %

Minimum future lease commitments under noncancelable leases are as follows:

	Finance leases	Operating leases
2022	$ 2,760	50,921
2023	2,811	48,146
2024	2,834	47,234
2025	2,851	46,333
2026	2,867	43,706
Thereafter	14,140	191,315
Total future minimum lease payments	28,263	427,655
Less imputed interest	(6,145)	(32,718)
Total lease liabilities	$ 22,118	394,937

Supplemental cash flow information related to operating and finance leases is as follows for the years ended September 30:

	2021	2020
Operating cash flows from operating leases	$ 50,879	49,171
Operating cash flows from finance leases	1,147	1,183
Financing cash flows from finance leases	1,645	1,347
Operating lease assets obtained in exchange for lease obligations	11,430	26,827

(Dollar amounts in thousands)

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following as of September 30:

		2021	2020
Subject to expenditure for specific purpose:			
Research	$	1,105,238	776,766
Capital		210	482
Realized and unrealized gains on perpetual gifts		226,595	119,348
		1,332,043	896,596
Endowments:			
Perpetual in nature:			
Unrestricted as to use of income		7,821	7,596
Restricted as to use of income		249,845	230,477
		257,666	238,073
Total net assets with donor restrictions	$	1,589,709	1,134,669

During the years ended September 30, 2021 and 2020, net assets of $102,238 and 107,025, respectively, were released from donor restrictions to fund research. In addition, $679 and $792, respectively, were released to fund operating needs in accordance with the annual spending policy amount on donor-restricted investments described in note 2. These amounts are included in research revenues and other operating revenues, respectively.

For the years ended September 30, 2021 and 2020, the Institute transferred $10,212 and $940, respectively, to BWH, Harvard University and other institutions in accordance with the terms of certain gifts.

The Institute's endowments consist of numerous individual funds established for a variety of purposes. These endowments consist solely of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Institute requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as donor restricted endowment funds (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the fund, (b) the purpose of the Institute and the donor-restricted endowment fund, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) the investment policies of the Institute, and (g) other resources of the Institute.

(Dollar amounts in thousands)

Endowment net asset composition by type of fund as of September 30, 2021, consisted of the following:

		Accumulated unspent returns	Original Corpus	Total
Donor-restricted endowment funds	$	226,595	252,601	479,196

For the year ended September 30, 2021, the Institute had the following endowment-related activities:

		Accumulated unspent returns	Original corpus	Total
Endowment net assets at September 30, 2020	$	119,348	238,073	357,421
Investment return:				
Investment gains, net		230	—	230
Net realized and unrealized gains on investments		122,007	—	122,007
Total investment return		122,237	—	122,237
Contributions to perpetual endowment		—	14,528	14,528
Amounts appropriated for expenditure/transfer		(14,990)	—	(14,990)
Total change in endowment funds		107,247	14,528	121,775
Endowment net assets at September 30, 2021	$	226,595	252,601	479,196

Endowment net asset composition by type of fund as of September 30, 2020, consisted of the following:

		Accumulated unspent returns	Original Corpus	Total
Donor-restricted endowment funds	$	119,348	238,073	357,421

(Dollar amounts in thousands)

For the year ended September 30, 2020, the Institute had the following endowment-related activities:

		Accumulated unspent returns	Original corpus	Total
Endowment net assets at October 1, 2019	$	96,606	216,414	313,020
Investment return:				
Investment loss, net		(359)	—	(359)
Net realized and unrealized gains on investments		41,402	—	41,402
Total investment return		41,043	—	41,043
Contributions to perpetual endowment		—	21,879	21,879
Amounts appropriated for expenditure/transfer		(18,301)	(220)	(18,521)
Total change in endowment funds		22,742	21,659	44,401
Endowment net assets at September 30, 2020	$	119,348	238,073	357,421

The overall financial objectives of the Institute are to provide a sustainable and increasingly upward trend in the endowment distribution dollars to support the annual operating budget, to preserve and enhance the real (inflation-adjusted) purchasing power of the Institute, and to provide support for capital investment needs as they arise.

The long-term investment objectives of the Institute are to attain an inflation-adjusted or real total return (net of investment management fees) at least equal to the Institute's spending rate, as measured over a full market cycle (or rolling five- to seven-year periods); achieve annualized returns in excess of the strategic policy portfolio blended benchmark, as measured over a full market cycle; and outperform the median return of a pool of endowment funds with broadly similar investment objectives and policies.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Institute to retain as a fund of perpetual duration. There was a $4 deficiency as of September 30,2021 and no deficiency as of September 30, 2020.

(11) Revenue

(a) Patient Service Revenue

The Institute has a reimbursement agreement with various Massachusetts Commercial insurance companies that provide for product-specific payment rates. The Institute also participates in the Medicare Program. This program provides outpatient reimbursement based on Ambulatory Payment Classifications. Cancer centers were granted a hold harmless exemption that allows for a final settlement based on a percentage of actual outpatient costs incurred. Inpatient reimbursement is limited to the lower of cost or a fixed target rate per discharge. The Institute also has an agreement with the Commonwealth of Massachusetts, under the Medicaid program, which provides a predetermined reimbursement per inpatient discharge and a per encounter amount for outpatient services.

(Dollar amounts in thousands)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount in the future. The Institute believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

As described in note 2(m), the transaction price for the Institute's healthcare services is variable due to the existence of price concessions due to various adjustments with insurance, governmental payors, and self-pay patients. The Institute recorded changes in estimates related to prior year settlements and denials, which increased net patient service revenue by $8,773 and $6,203 in 2021 and 2020, respectively.

The composition of net patient service revenues for the years ended September 30 are as follows:

	2021	2020
Medicare	34 %	30 %
Medicaid	5	6
Blue Cross	22	22
Harvard Pilgrim Health care	9	11
Commercial and other	29	30
Patients	1	1
	100 %	100 %

The Institute grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows as of September 30:

	2021	2020
Medicare	34 %	35 %
Medicaid	7	7
Blue Cross	19	16
Harvard Pilgrim Health care	5	6
Commercial and other	30	30
Patients	5	6
	100 %	100 %

(Dollar amounts in thousands)

(b) Research Revenues

The composition of research revenues for the years ended September 30 are as follows:

		2021	2020
Federal grants and contracts revenue	$	216,839	193,165
Nonfederal grants and contracts revenue		174,714	168,365
License and royalty revenue		48,615	34,074
Gift revenue		111,465	111,938
Total research revenues	$	551,633	507,542

Conditional contributions as of September 30, 2021 and 2020 approximate $307,000 and $304,000, respectively.

Research receivables and research advances related to grants and contracts are comprised of the following balances as of September 30:

		2021	2020
Research receivables:			
Exchange transactions under 606	$	22,790	22,188
Contributions under ASU 2018-08		49,522	40,416
Total research receivables	$	72,312	62,604
Research advances:			
Exchange transactions under 606	$	99,793	94,742
Contributions under ASU 2018-08		31,334	32,305
Total research advances	$	131,127	127,047

(c) Other Operating Revenues

Other operating revenue includes among other things, management services, rent, royalty and other ancillary Institute services such as parking, cafeteria and gift shop. In addition, other operating revenue includes the Department of Health and Human Services (HHS) Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) Provider Relief Funds operating agreements in 2021. See note 18.

(d) Unrestricted Contributions and Bequests

Unrestricted contributions and bequests represent donations that are given to support the Institute's mission.

(Continued)

(12) Charity Care

(a) Community Benefit

The Institute provides a wide variety of services to the community in order to ensure access to appropriate care for populations in need. The Institute supports services, which target not only the general population, but also particular populations with special health care needs, including the poor, the elderly, children, and minority populations. Supported services include various clinics, health screening programs, health education programs, and support area groups operated in the local area. The Institute works actively with other service providers to ensure the development of an effective community health network. The Institute also participates in activities designed to foster a vital local economic and civic environment.

(b) Uncompensated Care

The Commonwealth of Massachusetts operates a “health safety net” to reimburse hospitals for the cost of uncompensated care, defined as charity care, and bad debts associated with emergency services. Amounts are paid to the health safety net based on a percentage of assessed payor charges.

Payments from the health safety net are determined on a per visit or discharge basis according to Medicare reimbursement rates adjusted for overall shortfalls in the statewide funding for the health safety net.

(c) Charity Care

The Institute provides care without charge or at amounts less than established rates to patients who meet certain criteria under the Institute’s charity care policies. Because the Institute does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. During the years ended September 30, 2021 and 2020, the Institute provided $12,865 and $10,900, respectively, at standard charges of charity care. The cost of this charity care was $4,797 and $4,089. In addition, the Institute had net payments to the Commonwealth of Massachusetts “health safety net” of $16,907 and $17,051 for the years ended September 30, 2021 and 2020, respectively. The equivalent percentage of charity care patients to all patients served was approximately 0.3% in 2021 and 0.3% in 2020. Such amounts and percentages are determined using charges foregone based on established rates. The cost of charity care is estimated using the cost-to-charge ratio for the Institute.

(13) Pension Plans

(a) Defined Contribution Plan

Substantially all employees are covered by a defined contribution plan to which the Institute contributes a fixed percentage of employees’ salaries. The amounts contributed for the years ended September 30, 2021 and 2020, were $24,945 and $32,432, respectively.

(Dollar amounts in thousands)

(b) Defined Benefit Pension Plan

(i) Obligations and Funded Status

The Institute has a defined benefit pension plan, which was frozen for years of service credited through June 30, 1992. The Board of Trustees of the Institute adopted a resolution to freeze the salary component of the defined benefit pension plan effective March 31, 2010. On September 30, 2010, as a result of this resolution, the plan liabilities were remeasured. The elimination of future salary increases was calculated as a prior service credit related to these employees of $3,295 and is being amortized over the future working lifetime of the current active population.

Unrecognized actuarial losses of $16,507 and $23,401 are included in net assets without restrictions as of September 30, 2021 and 2020, respectively. The actuarial loss included in net assets without restrictions and expected to be recognized in net periodic pension cost during the year ending September 30, 2022 is $692.

The following table summarizes information about the funded status of the plan as of September 30:

		2021	2020
Projected benefit obligation at beginning of year	$	42,769	41,972
Interest cost		925	1,133
Net benefit payments and transfers		(2,611)	(2,402)
Actuarial losses		(676)	2,066
Projected benefit obligation at end of year		40,407	42,769
Fair value of plan assets at beginning of year		35,517	35,355
Actual return on plan assets		7,025	2,757
Net benefit payments and expenses		(2,805)	(2,595)
Fair value of plan assets at end of year		39,737	35,517
Funded status of the plan	$	(670)	(7,252)

The funded status of the plan is recorded within other liabilities on the consolidated balance sheets.

The measurement date for the Institute’s fiscal 2021 consolidated financial statements is September 30, 2021.

The accumulated benefit obligation was $40,407 and $42,769 as of September 30, 2021 and 2020, respectively.

(Continued)

(Dollar amounts in thousands)

(c) Net Periodic Pension Cost (Income)

Net periodic pension cost (income) consists of the following for the years ended September 30:

		2021	2020
Interest cost	$	925	1,133
Service cost		200	200
Expected return on plan assets		(2,265)	(2,419)
Settlements		621	731
Net amortization and deferral		832	741
Net periodic pension cost	$	313	386

The service component of net periodic pension cost is included in the appropriate functional expense line item, together with other compensation-related expenses. The components of net periodic pension cost other than the service cost component are included as "pension cost, excluding service cost" as a component of nonoperating gains in the accompanying consolidated statements of operations and changes in net assets.

(d) Assumptions

Assumptions used to measure the projected benefit obligation and net periodic pension cost include the following as of September 30:

	2021	2020
Discount rate (projected benefit obligation)	2.60 %	2.34 %
Discount rate (net periodic pension cost)	2.34	2.98
Expected long-term return on plan assets	7.00	7.40
Average increase in compensation levels	N/A	N/A

The expected rate of return on plan assets was determined based on the expected return of each asset class using a model that estimates returns over at least a 20-year period without regard to current market valuations.

(Dollar amounts in thousands)

(e) Plan Assets

The Institute's pension plan asset allocations as of September 30, by asset category, are as follows:

	2021	2020
U.S. government money market fund	1 %	1 %
U.S. government mutual funds	14	17
U.S. corporate bond mutual funds	6	7
U.S. equity mutual funds	40	36
International equity mutual funds	24	23
Alternative investments	15	16
	100 %	100 %

Pension plan assets are managed by outside managers with a long-term outlook. Long-term investment results are measured over rolling periods of three to five years. The investment objective for plan assets is to achieve a total annual return, net of fees, that meaningfully exceeds the returns possible in the index markets by investing passively in index funds.

Assets invested in the defined benefit pension plan are reported at fair value. Debt and equity securities with readily determinable values are carried at fair value as determined based on independent published sources. Alternative investments, as described in note 2, are stated at fair value using net asset value as a practical expedient.

(f) Contributions

The Institute did not make a contribution to its pension plan during the year ended September 30, 2021 and does not expect to contribute to its pension plan in 2022.

(g) Estimated Future Benefit Payments

Benefit payments are expected to approximate the following:

2022	$	2,836
2023		2,903
2024		2,772
2025		2,248
2026		2,800
2027–2031		10,858

(14) Concentrations of Credit Risk

Financial instruments that potentially subject the Institute to concentration of credit risk consist of cash and cash equivalents, patient accounts receivable, research receivables, contributions receivable, certain investments and interest rate swaps.

The Institute maintains its cash accounts at various financial institutions. As of September 30, 2021, the Institute had cash balances of $152,196 in uninsured accounts. The Institute has not experienced any losses in such accounts and evaluates the creditworthiness of the financial institutions with which it conducts business. Management believes the Institute is not exposed to any significant credit risk with respect to its cash balances.

Contributions receivable are due from multiple donors. The Institute assesses the credit risk for pledges based on history and the financial wherewithal of donors, most of whom are individuals or organizations well known to the Institute.

Investments, which include government and agency securities, stocks and corporate bonds, and private partnerships and other investments are not concentrated in any corporation or industry or with a single counterparty. The reported values of alternative investments may differ significantly from the values that would have been used had a ready market for those securities existed. These instruments may contain elements of both credit and market risk.

The Institute minimizes the credit risk it is exposed to under interest rate swap agreements by monitoring the counterparty credit rating on a monthly basis.

(15) Contingencies

(a) Medical Malpractice

The Institute insures its medical malpractice risks under a claims-made policy issued by a multiprovider captive insurance company, of which the Institute is a 10% owner. Premiums are accrued based on the captive insurance company's experience to date. The Institute provides reserves (in addition to those maintained by its affiliated insurance company) for claims incurred but not reported to the insurance company at the consolidated balance sheet date. These reserves have been estimated by consulting actuaries on a discounted basis using a discount rate of 3% as of September 30, 2021 and 2020. The discounted liability for unasserted claims as of September 30, 2021 and 2020, was $2,692 and $2,979, respectively. The Institute has recorded anticipated insurance recoveries and estimated liabilities for asserted medical malpractice claims of $10,709 and $10,385 as of September 30, 2021 and 2020, respectively and are reported on the consolidated balance sheet as other liabilities.

(b) Legal Matters

The Institute is subject to complaints, claims, and litigation, which have risen in the normal course of business. In addition, the healthcare industry as a whole is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at the time. Government investigations and allegations concerning possible violations by healthcare providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services.

(Dollar amounts in thousands)

(16) Royalty Monetizations

On July 29, 2016, the Institute executed a Royalty Purchase Agreement with the Canada Pension Plan Investment Board (CPPIB), whereby the Institute will distribute all future royalty payments under three license agreements to CPPIB in return for a $100,000 upfront payment (the payment). The payment was recorded as deferred revenue, a component of other liabilities on the consolidated balance sheet, and will be recognized as income by the Institute when royalty payments are received over the remaining five-year patent duration. Income of $33,814 and $35,658 was recognized during the years ended September 30, 2021 and 2020, respectively. There is $0 in deferred revenue as of September 30, 2021.

In 2018 the Institute entered into two monetizations. These were related to PD-L1 Europe and Rydapt. Income of $8,843 and $8,709, related to the Rydapt monetization, was recognized during the years ended September 30, 2021 and 2020, respectively. There is $25,024 related to the PD-L1 Europe transaction, and $0 related to the Rydapt transaction in deferred revenue as of September 30, 2021.

In 2019 the Institute entered into one monetization. This was related to PD-L1 Japan. There is $25,835 related to the PD-L1 Japan transaction in deferred revenue as of September 30, 2021.

Deferred revenue related to royalty monetizations is reported as a component of other liabilities on the consolidated balance sheets.

(17) Functional Expenses

The consolidated statements of operations presents expense by functional classification. The Institute also summarizes its expenses by natural classification. Salaries, supplies and other expenses are classified based on the type of service provided or performed. Fringe benefits are allocated based on salary expense. Depreciation and amortization is allocated based on services supported by the related assets. Interest is allocated by the assets supported by the related debt.

Expenses by both their nature and their function for the year ended September 30, 2021 are as follows:

		Patient service	Research	General and administrative	Total
Salaries	$	245,332	193,139	150,912	589,383
Fringe benefits		53,349	44,108	30,238	127,695
Supplies and other		906,136	231,519	254,500	1,392,155
Depreciation and amortization		52,679	35,325	10,009	98,013
Interest		1,772	13,559	304	15,635
	$	1,259,268	517,650	445,963	2,222,881

(Dollar amounts in thousands)

Expenses by both their nature and their function for the year ended September 30, 2020 are as follows:

	Patient service	Research	General and administrative	Total
Salaries	$ 219,950	187,723	128,916	536,589
Fringe benefits	50,955	49,375	30,275	130,605
Supplies and other	765,543	201,015	232,411	1,198,969
Depreciation and amortization	47,693	34,782	8,890	91,365
Interest	1,941	13,526	684	16,151
	$ 1,086,082	486,421	401,176	1,973,679

(18) COVID-19 Pandemic

In January 2020, the Secretary of the U.S. Department of Health and Human Services (HHS) declared a national public health emergency due to COVID-19 and in March 2020, it was declared a pandemic by the World Health Organization. To contain the spread and impact of COVID-19, and to mitigate the burden on the healthcare system, federal, state and local authorities implemented various restrictive measures, including significant limitations on business activity, travel bans, promotion of physical distancing, mandated quarantines, and shelter-in-place orders. Beginning in mid-March 2020, the Institute began to see a decrease in patient volume that continued through September 30, 2021. Management attributes these decreases, which have been offset partially by the transition to telehealth visits, to stay-at-home advisories and travel restrictions. The Institute expects patient volumes and revenues to be negatively impacted until the effects of the pandemic begin to subside and the economy begins to stabilize.

(a) Public Health and Social Services Emergency Fund (PHSS Emergency Fund)

Federal and state governments passed legislation, promulgated regulations, and took other administrative actions intended to assist healthcare providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief included the CARES Act, which was enacted on March 27, 2020, and the Paycheck Protection Program and Health Care Enhancement Act (PPPHCE Act), which was enacted on April 14, 2020.

Payments from the PHSS Emergency Fund are not subject to repayment so long as providers attest to certain terms and conditions required by HHS, including, among other things, that the funds are being used for lost operating revenues and COVID-related expenses, limitations on balance billing, and agreeing that PHSS Emergency Funds will not be used to reimburse expenses or losses that other sources are obligated to reimburse. Payments are recognized as revenue when there is reasonable assurance that the terms and conditions associated with the distributions have been met. The Institute received approximately $23 million and $24 million in PHSS Emergency Fund general distributions for the years ended September 30, 2021 and 2020, respectively. The distributions have been recognized as other operating revenue in the consolidated statement of operations and changes in net assets.

(Continued)

(b) Medicare Accelerated and Advance Payment Program

In addition, the CARES Act expanded the Medicare Accelerated and Advance Payment Program, which allows for eligible health care facilities to request up to six months of advance Medicare payments. Such accelerated payments are interest free for twelve months for most acute care hospitals. CMS will begin to apply claims for services provided to Medicare beneficiaries against the advance payments received by hospitals and other eligible health care facilities approximately after 120 days following receipt of the advance payments. As of September 30, 2021, the Institute had received approximately $133 million of payments under this program. Amounts received represent contract liabilities under ASC 606 and are recorded within accounts payable and accrued expenses on the consolidated balance sheets and amounted to $95 million and $133 million as of September 30, 2021 and 2020. As of September 30, 2021, the terms and conditions in effect prescribed that any outstanding balance remaining after twelve months from the date of receipt must be repaid or may be subject to interest. In October 2020, the terms and conditions were revised whereby recoupment is extended to twenty-nine months from the date of receipt, at which time remaining unpaid amounts are subject to interest of 4%.

(c) Deferral of Certain Payroll Taxes

The CARES Act provided for deferred payment of the employer portion of social security taxes through December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. As of September 30, 2021, the Institute had deferred $19,784, of which $9,892 was recorded within accrued payroll, payroll taxes, and amounts withheld from employee compensation and $9,892 was recorded within other liabilities in the accompanying consolidated balance sheet. The Institute had deferred $14,136 as of September 30, 2020, which was recorded within other liabilities in the accompanying consolidated balance sheet.

(d) Other Provisions

The CARES Act also revised Medicare policies in order to temporarily boost Medicare reimbursement and allow for added regulatory flexibility, effective May 1, 2020, the annual 2% sequestration revenue reduction in Medicare fee-for-service and Medicare Advantage payments to hospitals, physicians and other providers was suspended until December 31, 2020. The 2% sequestration revenue reduction is scheduled to resume in calendar year 2021. In order to offset the added expense of the 2021 suspension, the CARES Act extends the sequestration revenue reduction by one year through 2030. The impact on the Institute in fiscal year 2021 was not material.

SUPPLEMENTARY INFORMATION

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Consolidating Balance Sheet

September 30, 2021

(In thousands)

Assets		Dana-Farber Cancer Institute, Inc.	Dana-Farber Cancer Care Network, Inc.	Dana-Farber Global Oncology, Inc.	Eliminations and Reclassifications	Dana-Farber Cancer Institute, Inc. and Subsidiaries
Current assets:						
Cash and cash equivalents	$	148,704	93	3,399	—	152,196
Patient accounts receivable		174,772	—	—	—	174,772
Contributions receivable, current portion		30,856	—	—	—	30,856
Research receivables		72,312	—	—	—	72,312
Prepaid expenses and other current assets		215,394	—	228	(45,812)	169,810
Total current assets		642,038	93	3,627	(45,812)	599,946
Investments		2,427,986	—	—	—	2,427,986
Right of use assets, net – operating leases		373,687	—	—	—	373,687
Property, plant, and equipment, net		1,003,676	—	—	—	1,003,676
Contributions receivable, less current portion		45,202	—	—	—	45,202
Other assets		53,761	—	—	—	53,761
Total assets	$	4,546,350	93	3,627	(45,812)	4,504,258
Liabilities and Net Assets (Deficiency)						
Current liabilities:						
Accounts payable and accrued expenses	$	259,797	43,844	2,361	(45,812)	260,190
Accrued payroll, payroll taxes, and amounts withheld from employee compensation		43,015	—	—	—	43,015
Current portion of long-term debt and finance leases		6,257	—	—	—	6,257
Amounts due to third-party payors		50,808	—	—	—	50,808
Operating lease liabilities, current portion		44,871	—	—	—	44,871
Research advances		131,127	—	—	—	131,127
Total current liabilities		535,875	43,844	2,361	(45,812)	536,268
Other liabilities:						
Long-term debt and finance leases, less current portion		568,526	—	—	—	568,526
Operating lease liabilities, less current portion		350,066	—	—	—	350,066
Other		149,079	—	—	—	149,079
Total liabilities		1,603,546	43,844	2,361	(45,812)	1,603,939
Net assets (deficiency):						
Without donor restrictions		1,353,170	(43,826)	1,266	—	1,310,610
With donor restrictions		1,589,634	75	—	—	1,589,709
Total net assets		2,942,804	(43,751)	1,266	—	2,900,319
Total liabilities and net assets (deficiency)	$	4,546,350	93	3,627	(45,812)	4,504,258

See accompanying independent auditors' report.

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Consolidating Statement of Operations

Year ended September 30, 2021

(In thousands)

	Dana-Farber Cancer Institute, Inc.	Dana-Farber Cancer Care Network, Inc.	Dana-Farber Global Oncology, Inc.	Eliminations and Reclassifications	Dana-Farber Cancer Institute, Inc. and Subsidiaries
Operating revenues:					
Net patient service revenue	$ 1,564,180	8,928	—	—	1,573,108
Research revenues	551,631	2	—	—	551,633
Unrestricted contributions and bequests	81,979	—	—	—	81,979
Other operating revenues	60,951	504	(305)	—	61,150
Total operating revenues	2,258,741	9,434	(305)	—	2,267,870
Operating expenses:					
Patient service:					
Direct patient care	1,194,024	10,793	—	—	1,204,817
Depreciation and amortization	52,679	—	—	—	52,679
Interest	1,772	—	—	—	1,772
Total patient service expenses	1,248,475	10,793	—	—	1,259,268
Research:					
Direct research/restricted gifts	436,140	2	—	—	436,142
Institute supported research	32,624	—	—	—	32,624
Depreciation and amortization	35,325	—	—	—	35,325
Interest	13,559	—	—	—	13,559
Total research expenses	517,648	2	—	—	517,650
General and administrative:					
General and administrative	434,761	384	505	—	435,650
Depreciation and amortization	9,910	99	—	—	10,009
Interest	304	—	—	—	304
Total general and administrative expenses	444,975	483	505	—	445,963
Total operating expenses	2,211,098	11,278	505	—	2,222,881
Operating income (loss)	47,643	(1,844)	(810)	—	44,989
Non operating gains/(losses):					
Investment gains, net	227,171	—	—	—	227,171
Loss on refunding	(398)				(398)
Royalty income, net of expenses	43,676	—	—	—	43,676
Net periodic pension cost, excluding service cost	(110)	—	—	—	(110)
Interest rate swap agreement:					
Net interest paid	(5,655)	—	—	—	(5,655)
Change in fair value	13,723	—	—	—	13,723
Total non operating gains	278,407	—	—	—	278,407
Excess (deficit) of revenues over expenses	$ 326,050	(1,844)	(810)	—	323,396

See accompanying independent auditors' report.

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Consolidating Balance Sheet

September 30, 2020

(In thousands)

Assets		Dana-Farber Cancer Institute, Inc.	Dana-Farber Cancer Care Network, Inc.	Eliminations and Reclassifications	Dana-Farber Global Oncology, Inc.	Dana-Farber Cancer Institute, Inc. and Subsidiaries
Current assets:						
Cash and cash equivalents	$	181,691	3,458	2,735	—	187,884
Patient accounts receivable		136,936	932	—	—	137,868
Contributions receivable, current portion		39,117	—	—	—	39,117
Research receivables		62,604	—	—	—	62,604
Prepaid expenses and other current assets		183,250	(255)	—	(45,917)	137,078
Total current assets		603,598	4,135	2,735	(45,917)	564,551
Investments		1,688,960	—	—	—	1,688,960
Right of use assets, net – operating leases		408,111	—	—	—	408,111
Property, plant, and equipment, net		1,046,046	111	—	—	1,046,157
Contributions receivable, less current portion		77,855	—	—	—	77,855
Other assets		78,545	—	—	—	78,545
Total assets	$	3,903,115	4,246	2,735	(45,917)	3,864,179
Liabilities and Net Assets (Deficiency)						
Current liabilities:						
Accounts payable and accrued expenses	$	291,964	46,155	658	(45,917)	292,860
Accrued payroll, payroll taxes, and amounts withheld from employee compensation		35,795	—	—	—	35,795
Current portion of long-term debt and capital leases		5,940	—	—	—	5,940
Amounts due to third-party payors		57,904	—	—	—	57,904
Operating lease liabilities, current portion		43,091	—	—	—	43,091
Research advances		127,047	—	—	—	127,047
Total current liabilities		561,741	46,155	658	(45,917)	562,637
Other liabilities:						
Long-term debt and capital leases, less current portion		577,725	—	—	—	577,725
Operating lease liabilities, less current portion		382,318	—	—	—	382,318
Other		228,157	—	—	—	228,157
Total liabilities		1,749,941	46,155	658	(45,917)	1,750,837
Net assets (deficiency):						
Without donor restrictions		1,018,579	(41,983)	2,077	—	978,673
With donor restrictions		1,134,595	74	—	—	1,134,669
Total net assets		2,153,174	(41,909)	2,077	—	2,113,342
Total liabilities and net assets (deficiency)	$	3,903,115	4,246	2,735	(45,917)	3,864,179

See accompanying independent auditors’ report.

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Consolidating Statement of Operations

Year ended September 30, 2020

(In thousands)

	Dana-Farber Cancer Institute, Inc.	Dana-Farber Cancer Care Network, Inc.	Dana-Farber Global Oncology, Inc.	Eliminations and Reclassifications	Dana-Farber Cancer Institute, Inc. and Subsidiaries
Operating revenues:					
Net patient service revenue	$ 1,282,162	22,857	—	—	1,305,019
Research revenues	507,537	5	—	—	507,542
Unrestricted contributions and bequests	83,427	—	—	—	83,427
Other operating revenues	56,894	731	2,681	—	60,306
Total operating revenues	1,930,020	23,593	2,681	—	1,956,294
Operating expenses:					
Patient service:					
Direct patient care	1,010,399	26,049	—	—	1,036,448
Depreciation and amortization	47,693	—	—	—	47,693
Interest	1,941	—	—	—	1,941
Total patient service expenses	1,060,033	26,049	—	—	1,086,082
Research:					
Direct research/restricted gifts	406,005	5	—	—	406,010
Institute supported research	32,103	—	—	—	32,103
Depreciation and amortization	34,782	—	—	—	34,782
Interest	13,526	—	—	—	13,526
Total research expenses	486,416	5	—	—	486,421
General and administrative:					
General and administrative	389,914	1,084	604	—	391,602
Depreciation and amortization	8,763	127	—	—	8,890
Interest	684	—	—	—	684
Total general and administrative expenses	399,361	1,211	604	—	401,176
Total operating expenses	1,945,810	27,265	604	—	1,973,679
Operating (loss) income	(15,790)	(3,672)	2,077	—	(17,385)
Non operating gains/(losses):					
Investment gains, net	77,327	—	—	—	77,327
Royalty income, net of expenses	5,866	—	—	—	5,866
Net periodic pension cost, excluding service cost	(186)	—	—	—	(186)
Interest rate swap agreement:					
Net interest paid	(4,765)	—	—	—	(4,765)
Change in fair value	(11,701)	—	—	—	(11,701)
Total non operating gains	66,541	—	—	—	66,541
Excess (deficit) of revenues over expenses	$ 50,751	(3,672)	2,077	—	49,156

See accompanying independent auditors’ report.