KPMG

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Auditors' Reports as Required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and Government Auditing Standards* and Related Information

Year ended September 30, 2020

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Auditors’ Reports as Required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *Government Auditing Standards* and Related Information

Year ended September 30, 2020

Table of Contents

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

Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dana-Farber Cancer Institute, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2020 and 2019, 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 Consolidated 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Subsidiaries as of September 30, 2020 and 2019, and the changes in their operations and net assets, and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, during the year ended September 30, 2020, Dana-Farber Cancer Institute and Subsidiaries adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, as amended. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021 on our consideration of Dana-Farber Cancer Institute, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Dana-Farber Cancer Institute, Inc. and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dana-Farber Cancer Institute, Inc. and Subsidiaries' internal control over financial reporting and compliance.

KPMG LLP

Boston, Massachusetts
January 19, 2021

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2020 and 2019

(In thousands)

Assets		2020	2019
Current assets:			
Cash and cash equivalents	$	187,884	165,479
Patient accounts receivable, net		137,868	149,290
Contributions receivable, current portion		39,117	34,275
Research receivables		62,604	55,163
Prepaid expenses and other current assets		137,078	108,884
Total current assets		564,551	513,091
Investments		1,688,960	1,409,737
Right of use assets, net – operating leases		408,111	—
Property, plant, and equipment, net		1,046,157	1,013,563
Contributions receivable, less current portion		77,855	63,858
Other assets		78,545	88,991
Total assets	$	3,864,179	3,089,240
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	292,860	130,440
Accrued payroll, payroll taxes, and amounts withheld from employee compensation		35,795	29,969
Current portion of long-term debt and finance leases		5,940	6,102
Amounts due to third-party payors		57,904	49,158
Operating lease liabilities, current portion		43,091	—
Research advances		127,047	119,683
Total current liabilities		562,637	335,352
Other liabilities:			
Long-term debt and finance leases, less current portion		577,725	591,231
Operating lease liabilities, less current portion		382,318	—
Other		228,157	256,452
Total liabilities		1,750,837	1,183,035
Net assets:			
Without donor restrictions		978,673	930,472
With donor restrictions		1,134,669	975,733
Total net assets		2,113,342	1,906,205
Total liabilities and net assets	$	3,864,179	3,089,240

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, 2020 and 2019

(In thousands)

		2020	2019
Operating revenues:			
Net patient service revenue	$	1,305,019	1,302,991
Research revenues		507,542	542,805
Unrestricted contributions and bequests		83,427	82,696
Other operating revenues		60,306	31,554
Total operating revenues		1,956,294	1,960,046
Operating expenses:			
Patient service:			
Direct patient care		1,036,448	967,125
Depreciation and amortization		47,693	45,226
Interest		1,941	4,445
Total patient service expenses		1,086,082	1,016,796
Research:			
Direct research/restricted gifts		406,010	442,148
Institute supported research		32,103	34,725
Depreciation and amortization		34,782	34,510
Interest		13,526	16,358
Total research expenses		486,421	527,741
General and administrative:			
General and administrative		391,602	376,094
Depreciation and amortization		8,890	9,004
Interest		684	192
Total general and administrative expenses		401,176	385,290
Total operating expenses		1,973,679	1,929,827
Operating (loss) income		(17,385)	30,219
Nonoperating gains (losses):			
Investment gains, net		77,327	30,591
Loss on extinguishment of long-term debt (note 8)		—	(211)
Royalty income, net of expenses		5,866	23,588
Net periodic pension cost, excluding service cost		(186)	423
Interest rate swap agreements:			
Net interest paid		(4,765)	(3,328)
Change in fair value		(11,701)	(27,192)
Total nonoperating gains		66,541	23,871
Excess of revenues over expenses	$	49,156	54,090

(Continued)

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2020 and 2019

(In thousands)

		2020	2019
Net assets without donor restrictions:			
Excess of revenues over expenses	$	49,156	54,090
Cumulative effect of changes in accounting principle		—	59,244
Net assets released from restrictions for capital		4,865	2,366
Pension changes other than periodic costs		(249)	(4,575)
Other		(5,571)	2,308
Increase in net assets without donor restrictions		48,201	113,433
Net assets with donor restrictions:			
Contributions revenue, net of provision for uncollectible pledges		157,227	165,015
Cumulative effect of changes in accounting principle		—	(17,250)
Interest and dividend income, net		148	5,306
Realized and unrealized gains on investments, net		115,183	51,733
Net assets released from restrictions for capital		(4,865)	(2,366)
Net assets released from restrictions for operations		(107,817)	(133,952)
Transfers to other institutions		(940)	(1,262)
Increase in net assets with donor restrictions		158,936	67,224
Increase in net assets		207,137	180,657
Net assets at beginning of year		1,906,205	1,725,548
Net assets at end of year	$	2,113,342	1,906,205

See accompanying notes to consolidated financial statements.

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2020 and 2019

(In thousands)

		2020	2019
Operating activities:			
Increase in net assets	$	207,137	180,657
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		91,365	88,740
Net realized and unrealized gains on investments		(193,886)	(79,881)
Pension changes other than periodic costs		249	4,575
Restricted contributions and investment income, net of restriction releases for operations		(49,558)	(49,201)
Changes in operating right-of-use assets and lease liabilities, net		4,833	—
Transfers to other institutions		940	1,262
Loss on extinguishment of long-term debt		—	(211)
Changes in other assets and liabilities		(5,626)	10,424
Changes in certain elements of working capital:			
Patient accounts receivable, net		11,422	(35,156)
Research receivables and research advances		(77)	(25,100)
Prepaid expenses and other current assets		(28,194)	(2,917)
Accounts payable and accrued expenses, including employee compensation		168,246	13,692
Amounts due to third-party payors		8,746	(4,300)
Net cash provided by operating activities		215,597	102,584
Investing activities:			
Additions to property, plant, and equipment, net		(131,524)	(127,969)
Purchases of investments		(502,647)	(187,836)
Proceeds from sales of investments		417,310	173,648
Changes in assets whose use is limited		(8)	13,739
Net cash used in investing activities		(216,869)	(128,418)
Financing activities:			
Proceeds on line of credit		60,000	—
Payments on line of credit		(60,000)	—
Proceeds from issuance of long-term debt		—	60,255
Payments on extinguishment of long-term debt		—	(71,025)
Payments of bond issuance costs		—	(1,160)
Payments on long-term debt		(4,755)	(4,160)
Payments on finance lease obligations		(1,347)	(1,582)
Restricted contributions and investment income, net of restriction releases for operations		49,558	49,201
Change in contributions receivable		(18,839)	(34,994)
Transfers to other institutions		(940)	(1,262)
Net cash provided by (used in) financing activities		23,677	(4,727)
Increase (decrease) in cash and cash equivalents		22,405	(30,561)
Cash and cash equivalents at beginning of year		165,479	196,040
Cash and cash equivalents at end of year	$	187,884	165,479
Noncash financing activities:			
Assets acquired pursuant to capital lease (note 9)	$	—	9,112
Remeasurement of finance lease		(4,528)	—
Noncash investing activities:			
Construction in progress included in accounts payable and accrued expenses	$	8,974	10,992

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. The CHO sites now operate as Dana-Farber Cancer Care Network, Inc. (DFCCN) physician practices. 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.

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 $37,023 and $46,655 in 2020 and 2019, 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/Partners CancerCare, Inc. (DF/PCC), a not-for-profit corporation. During the years ended September 30, 2020 and 2019, DF/PCC provided the Institute with $53,472 and $53,226, respectively, in research funding. Among its roles, DF/PCC 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/PCC 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 2019 audited consolidated financial statements of the Institute.

(b) Reclassifications

Certain amounts in the 2019 consolidated financial statements have been reclassified to conform with the 2020 presentation.

(c) New Accounting Pronouncements Implemented

On October 1, 2019, the Institute adopted:

— Accounting Standards Update *(*ASU*) 2016-01, Financial Instruments – Overall (Subtopic 825-10)*, which requires that equity investments be measured at fair value with changes in fair value recognized through excess of revenues over expenses (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). The adoption of this standard resulted in the Institute accounting for certain alternative investments (hedge funds and private equity funds) at fair value with changes in fair value recognized as nonoperating investment income where previously these investments were accounted for using the equity method of accounting with changes in fair value recognized as nonoperating investment income. As a result, the adoption of this standard had no impact on the Institute's consolidated balance sheet or consolidated statement of operations and changes in net assets. However, the adoption of this standard did impact the Institute's fair value disclosures. See note 5.

— ASU 2016-02*, Leases (Topic 842)*, including all supplemental and/or clarifying ASUs, using the modified retrospective method. Prior to the adoption of Topic 842, the Institute accounted for its leases under ASC 840, *Leases (Topic 840)*. Topic 842 requires that lessees recognize right-of-use assets and lease liabilities calculated based on the present value of lease payments for all lease agreements with terms that are greater than twelve months. The distinction in ASC 842 between finance leases and operating leases determines how the leases are measured and presented in the consolidated statement of operations and consolidated statement of cash flows. Additional qualitative and quantitative disclosures are also required. See note 9.

The Institute adopted the following practical expedients and elected the following accounting policies related to this standard:

– Elected not to reassess prior conclusions related to the identification, classification, and accounting for indirect costs for leases that commenced prior to October 1, 2019;

– Elected the short-term lease accounting policy allowing lessees not to recognize right-of-use assets and liabilities for leases with a term of twelve months or less; and

– Elected not to separate lease and non-lease components for certain equipment lease asset categories.

The Institute's portfolio of leases includes assets typically associated with real estate, clinical, research, and diagnostic equipment, administrative equipment, and vehicles. The lease portfolio consists of both operating and finance leases with non-cancelable terms expiring at various dates through 2038. In conjunction with the adoption of Topic 842, the Institute recognized operating lease right-of-use assets of $428,221 and operating lease liabilities of $440,686 as of October 1, 2019. The operating lease right-of-use assets include an adjustment of $12,465 related to deferred rent balances reclassified from other liabilities upon adoption. The Institute's adoption of Topic 842 did not result in a change to the recognition of its existing finance leases.

The Institute determines if an arrangement is a lease or contains a lease at inception and performs the initial classification and measurement of its right-of-use assets and lease liabilities at the lease commencement date and thereafter if modified. The lease term includes any renewal options that the Institute is reasonably assured to exercise.

The Institute measures its right-of-use assets and lease liabilities at the lease commencement date based on the present value of the remaining lease payments. Topic 842 provides a practical expedient for lessees that are not public business entities to use a risk-free incremental borrowing rate for their leases when establishing a discount rate. As the Institute is not a public business entity, the Institute will use the risk-free incremental borrowing rate when determining the present value of lease payments, as most of its leases do not provide a readily determinable implicit discount rate.

The majority of leases are comprised of fixed lease payments and lease payments tied to usage which may be subject to variability. The Institute recognizes rental expense for its operating leases on a straight-line basis over the lease term based on the total fixed lease payments, of which $54,004 is included in general and administrative expenses in the consolidated statements of operations for 2020. Variable lease payments are recognized as incurred. Amortization of assets recorded under finance leases is included in depreciation and amortization in the consolidated statements of operations. The interest expense related to finance leases is recognized using the effective interest method and is included within interest expense.

— ASU 2016-18*, Statement of Cash Flows (Topic 230)*, which requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents. The adoption of this standard resulted in no impact on the Institute’s consolidated financial statements.

— ASU 2017-07*, Compensation – Retirement Benefits (Topic 715)*, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Benefit Cost*, which requires that the service cost component of pension cost be presented in the same line item(s) as other employee compensation costs and that the remaining components be presented separately from those line items(s) and outside operations. The Institute adopted this standard retroactively to 2019, which resulted in a $423 reduction of operating income and an increase in nonoperating gains with no impact on the excess of revenues over expenses in the consolidated statement of operations. See note 13.

On October 1, 2018, the Institute adopted ASU 2014-09*, Revenue from Contracts with Customers*, as amended, which replaces most existing revenue recognition guidance in U.S. GAAP and is intended to improve and converge with international standards the financial reporting requirements for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. See note 10. The Institute has elected to adopt the standard using a modified retrospective approach and has applied ASU 2014-09 to customer contracts that were not completed at the date of initial application, on the portfolio basis for assessing revenue

(Continued)

recognition. In accordance with the transition guidance and the Institute's election, the 2018 consolidated balance sheet was not retrospectively adjusted to reflect these changes. Periods prior to adoption have been presented to conform to the net presentation of a single net patient service revenue total in the consolidated statements of operations and changes in net assets. Previously, the consolidated statement of operations and changes in net assets for the year ended September 30, 2018 presented separate lines for net patient service revenue prior to provision for bad debts of $1,178,151, provision for bad debts of $11,537, and net patient service revenue, less provision for bad debts of $1,166,614. The related presentation of "allowances for doubtful accounts" on the consolidated balance sheet has also been eliminated as a result of the adoption of the standard. The cumulative effect of applying ASU 2014-09 resulted in an increase to the opening balances of net assets without donor restrictions of $59.2 million and a corresponding reduction to research advances and net assets with donor restrictions of $29.2 million and $30.0 million, respectively, on the Institute's consolidated balance sheet.

On October 1, 2018, the Institute adopted *ASU 2018-08, Not-for-Profit Entities (Topic 958)*: *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which amends the accounting guidance related to (1) evaluating whether transactions should be accounted for as contributions or exchange transactions, and (2) determining whether a contribution is conditional or unconditional. The cumulative effect of applying ASU 2018-08 resulted in an increase to the opening balances of net assets with donor restrictions on the consolidated statements of operations and changes in net assets and a reduction to research advances of $7.8 million, as well as a $5.0 million increase to contribution receivable on the Institute's consolidated balance sheet. In accordance with the transition requirements, the 2018 consolidated statement of operations and changes in net assets and consolidated balance sheet were not retrospectively adjusted to reflect these changes.

On October 1, 2018, the Institute adopted *ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance replaces the three classes of net assets with two classes (net assets with donor restrictions and net assets without donor restrictions), eliminates the requirement to present or disclose the indirect method reconciliation if using the direct method on the cash flows statement, and requires enhanced disclosures about governing board designations and appropriations, composition of net assets with donor restrictions, management of liquidity, expenses, methods of cost allocation, and underwater endowment funds. There were no material changes to the consolidated balance sheets, statements of operations and changes in net assets, or cash flows as a result of the adoption. Periods prior to adoption have been displayed to conform to the new presentation of a single classification of net assets with donor restrictions.

(d) 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.

(e) 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.

(f) 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, previously reported as alternative investments, consist of investments in limited partnerships and limited liability companies. Except for alternative investments held by the defined benefit pension plan, the Institute, through September 30, 2019, accounted for alternative investments using the equity method of accounting. Beginning on October 1, 2019, the Institute accounts for investments in 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. Alternative investments held by the defined benefit pension plan are held at fair value using net asset value as a practical expedient. Carrying values for alternative investments 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.

(g) 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.

(h) 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

(Continued)

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.

(i) 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.

(j) 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).

(k) 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.

(l) 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.

(m) 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.

(n) 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.

Upon the adoption of ASU 2014-09 on October 1, 2018, 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, 2020 or 2019. 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.

(o) 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.

(p) 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 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.

(Dollar amounts in thousands)

(q) 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, 2020, the Institute evaluated the impact of subsequent events through January 19, 2021, 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 or using the equity method, consisted of the following as of September 30:

		2020	2019
Donor-restricted for research and capital	$	621,334	548,057
Donor-restricted endowment corpus		227,044	211,849
Accumulated realized and unrealized appreciation on endowment funds		119,348	96,606
Board-designated for various purposes		721,234	553,225
	$	1,688,960	1,409,737
U.S. government money market funds	$	47,007	1,106
U.S. government securities		115,230	98,700
U.S. equity securities		94,979	91,841
U.S. equity mutual funds		186,230	170,369
International equity securities		20,927	41,390
International equity mutual funds		282,109	270,886
Hedge funds and private equity funds		942,478	735,445
	$	1,688,960	1,409,737

(Dollar amounts in thousands)

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

		2020	2019
Investment (loss) income, net	$	(1,228)	7,749
Realized and unrealized gains		193,886	79,881
	$	192,658	87,630

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

		2020	2019
Excess of revenues over expenses:			
Investment gains, net (nonoperating)	$	77,327	30,591
Changes in net assets with donor restrictions:			
Interest and dividend income, net and realized and unrealized gains, net		115,331	57,039
	$	192,658	87,630

(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:

		2020	2019
Cash and cash equivalents	$	187,884	165,479
Patient accounts receivable, net		137,868	149,290
Research receivables		62,604	55,163
	$	388,356	369,932

In addition, the Institute maintains unrestricted investments of $721,234 and $553,225 as of September 30, 2020 and 2019, respectively, that can be liquidated within one year if needed, subject to liquidity of underlying investments.

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 April and May of 2021, respectively.

(Continued)

(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, 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 mutual funds	12,748	—	—	12,748	173,482	186,230
International equity securities	20,927	—	—	20,927	—	20,927
International equity mutual 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 whose 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 swap agreements	$ —	73,351	—	73,351	—	73,351

(Dollar amounts in thousands)

Financial assets and liabilities carried at fair value as of September 30, 2019, are classified in the table below in one of the categories as described above:

	Level 1	Level 2	Level 3	Fair value investments	Equity method investments	Total
Investments:						
U.S. government money market funds	$ 1,106	—	—	1,106	—	1,106
U.S. government securities	98,700	—	—	98,700	—	98,700
U.S. equity securities	91,841	—	—	91,841	—	91,841
U.S. equity mutual funds	25,296	—	—	25,296	—	25,296
International equity securities	41,390	—	—	41,390	—	41,390
International equity mutual funds	45,014	—	—	45,014	—	45,014
Alternative investments	—	—	—	—	735,445	735,445
	$ 303,347	—	—	303,347	735,445	1,038,792
Investments at net asset value						370,945
Total investments						$ 1,409,737
Assets whose use is limited by indenture agreement or other (classified as other assets):						
U.S. government securities	$ 10	—	—	10	—	10
U.S. government money market funds	1,137	—	—	1,137	—	1,137
Bank deposit account	1,000	—	—	1,000	—	1,000
U.S. corporate bond mutual fund	3,000	—	—	3,000	—	3,000
	$ 5,147	—	—	5,147	—	5,147
Defined benefit plan assets:						
U.S. government money market fund	$ 1,492	—	—	1,492	—	1,492
U.S. government mutual funds	5,621	—	—	5,621	—	5,621
U.S. corporate bond mutual fund	2,226	—	—	2,226	—	2,226
U.S. equity mutual funds	277	—	—	277	—	277
International equity mutual funds	1,492	—	—	1,492	—	1,492
	$ 11,108	—	—	11,108	—	11,108
Investments at net asset value						24,247
Total defined benefit plan assets						$ 35,355
Liabilities:						
Interest rate swap agreements	$ —	61,650	—	61,650	—	61,650

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.

(Dollar amounts in thousands)

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.

There were no significant transfers between Levels 1 and 2 during the years ended September 30, 2020 and 2019, 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, 2020 and 2019:

	2020		
	NAV	Redemption frequency	Redemption notice periods
International equity mutual funds	$ 241,772	Weekly, semi-monthly, monthly	7–60 days
U.S. equity mutual 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		

	2019		
	NAV	Redemption frequency	Redemption notice periods
International equity mutual funds	$ 225,872	Weekly, semi-monthly, monthly	7–60 days
U.S. equity mutual funds	139,542	Quarterly	60 days
	365,414		
Charitable gift annuities	5,531		
	$ 370,945		

Unfunded commitments associated with investments for which fair value was based upon NAV were $208,738 and $0 at September 30, 2020 and 2019, respectively.

(Dollar amounts in thousands)

(6) Property, Plant, and Equipment

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

		2020	2019
Land	$	7,640	7,640
Buildings and improvements		1,470,142	1,401,200
Equipment		438,629	415,398
Construction-in-progress		134,697	101,842
		2,051,108	1,926,080
Less accumulated depreciation		1,004,951	912,517
	$	1,046,157	1,013,563

Included within the table above in buildings and improvements are assets recorded under finance leases (under Topic 842) and capital leases (under Topic 840) of $41,542 and $45,859 as of September 30, 2020 and 2019, respectively, net of accumulated depreciation of $21,868 and $19,594 as of September 30, 2020 and 2019, respectively. During the years ended September 30, 2020 and 2019, retirements of fully depreciated equipment assets were undertaken, representing $179 and $635 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:

		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)

		2019		
		Cash	Pledges	Total
Unrestricted contributions and bequests	$	82,696	—	82,696
Contributions with donor restrictions		81,783	83,232	165,015
Research gifts for current use		8,199	—	8,199
	$	172,678	83,232	255,910

Of the total contributions raised during the years ended September 30, 2020 and 2019, the Jimmy Fund raised $98,700 and $97,750, respectively.

In addition, the Institute was awarded a total of $46,598 and $73,706 in foundation grants for the years ended September 30, 2020 and 2019, respectively.

Gifts in kind totaling $2,212 and $1,315 were recorded by the Institute as both revenue and expense for the years ended September 30, 2020 and 2019, respectively.

Direct fundraising expenses were $38,071 and $40,535 for the years ended September 30, 2020 and 2019, respectively, and were included as a component of general and administrative expenses on the consolidated statements of operations and changes in net assets.

Contributions receivable as of September 30 were as follows:

		2020	2019
Amounts due in less than one year for use in operations	$	44,807	35,417
Amounts due in less than one year for capital use		310	1,358
Amounts due in one to five years		79,179	66,207
Amounts due in more than five years		55	50
		124,351	103,032
Less discount to net present value		1,379	2,399
Less allowance for uncollectible pledges		6,000	2,500
	$	116,972	98,133

(Continued)

(Dollar amounts in thousands)

(8) Long-Term Debt and Finance Lease Obligations

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

	2020	2019
Massachusetts Health and Educational Facilities Authority (MHEFA) revenue bonds:		
Series L	$ 185,000	185,000
Massachusetts Development Finance Agency (MDFA) revenue bonds:		
Series M	50,860	50,860
Series N	233,195	233,195
Series O	46,375	51,130
Finance and capital lease obligations (note 9)	23,763	29,638
	539,193	549,823
Unamortized premium	49,087	52,365
Unamortized cost of issuance	(4,615)	(4,855)
	583,665	597,333
Less current portion	5,940	6,102
	$ 577,725	591,231

(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 bonds bear interest at an average variable rate (1.95% and 2.98% for the years ended September 30, 2020 and 2019, respectively), and mature in varying annual amounts from 2028 to 2046. The Series L-1 and L-2 bonds were collateralized by an irrevocable direct pay letter of credit issued by JPMorgan Chase Bank, N.A. that terminated on August 3, 2015 and July 2, 2012, respectively, upon completion of the mandatory tender. The reissued Series L bonds are not required to be collateralized by an irrevocable direct pay letter of credit when in the bank purchase mode.

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 extinguishment of the Series K bonds resulted in a loss of $211.

The Series L, Series M, Series N, and Series O 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 has entered into a bank credit agreement for a revolving line of credit commitment in the amount of $60,000, expiring on April 30, 2021. In May 2020, the Institute entered into an additional bank credit agreement for a revolving line of credit in the amount of $60,000 and an expiration date of May 17, 2021. No amounts were outstanding under these arrangements as of September 30, 2020 and 2019.

(Dollar amounts in thousands)

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

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

2021	$	4,295
2022		4,515
2023		4,745
2024		4,985
2025		5,245

Interest cost on long-term debt and capital lease obligations totaled $19,183 and $23,073 for the years ended September 30, 2020 and 2019, respectively. Of this, $16,151 and $20,995 was reported as interest expense, and $3,032 and $2,079 was capitalized as part of construction-in-progress for the years ended September 30, 2020 and 2019, respectively. Cash paid for interest amounted to $22,094 and $26,108 for the years ended September 30, 2020 and 2019, respectively.

(b) 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 $73,351 and $61,650 in other liabilities on the consolidated balance sheets as of September 30, 2020 and 2019, respectively. The Institute reported the change in the fair value of the interest rate swap agreements as a nonoperating loss of $11,701 and $27,192 in the accompanying consolidated statements of operations and changes in net assets for the years ended September 30, 2020 and 2019, 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 our sole discretion, and to the extent we are reasonably certain we will exercise a renewal option, the years related to that option are included in our 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.

(Continued)

(Dollar amounts in thousands)

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

		2020
Operating lease cost	$	54,004
Finance lease cost:		
Amortization of right-of-use assets		2,274
Interest on lease liabilities		1,183
Total finance lease cost		3,457
Variable lease cost		21,742
Total lease cost	$	79,203

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

	Classification		2020
Assets			
Operating lease	Right of use assets, net – Operating leases	$	408,111
Finance lease	Property, plant, and equipment, net		19,674
Total leased assets		$	427,785
Liabilities			
Current liabilities:			
Operating lease	Operating lease liabilities	$	43,091
Finance lease	Current portion of long-term debt and finance/capital leases		1,644
Noncurrent liabilities:			
Operating lease	Operating lease liability, less current portion		382,318
Finance lease	Long-term debt and finance/capital leases, less current portion		22,119
Total leased liabilities		$	449,172

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

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

(Continued)

(Dollar amounts in thousands)

Minimum future lease commitments under noncancelable leases are as follows:

	Finance leases	Operating leases
2021	$ 2,745	49,645
2022	2,760	48,950
2023	2,811	46,166
2024	2,834	45,314
2025	2,851	44,529
Thereafter	17,008	229,187
Total future minimum lease payments	31,009	463,791
Less imputed interest	(7,246)	(38,382)
Total lease liabilities	$ 23,763	425,409

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

	2020
Operating cash flows from operating leases	$ 49,171
Operating cash flows from finance leases	1,183
Financing cash flows from finance leases	1,347
Operating lease assets obtained in exchange for lease obligations	26,827

Information Prior to the Adoption of Topic 842

The Institute had noncancelable capital and operating leases for certain buildings and equipment. Rent expense under the Institute's operating and other lease contracts approximated $54,000 in 2019.

As of September 30, 2019, the Institute's capital leases included two leases for certain leased spaces in outpatient satellite clinics. Capital leases of $45,859, together with accumulated depreciation of $19,594, as of September 30, 2019 were included as assets within building and improvements of property, plant and equipment, net, as presented at Note 6, Property, Plant and Equipment. Capital lease obligations of $29,638 were included within current portion of long-term debt and capital leases and long-term debt and capital leases, less current portion.

The capital lease that expires in 2030 included interest at an average variable rate of 5.54% for the year ended September 30, 2019. The capital lease that expires in 2028 includes interest at a fixed rate of 4.75%. Interest expense related to the capital leases was $1,130 for the year ended September 30, 2019.

(Dollar amounts in thousands)

Minimum future lease commitments under noncancelable leases are as follows:

	Capital leases	Operating leases
2020	$ 2,732	48,020
2021	2,865	45,998
2022	3,250	43,541
2023	3,306	41,326
2024	3,333	37,586
Thereafter	24,475	267,655
Total future minimum lease payments	39,961	$ 484,126
Less amount representing interest	(10,323)	
Capital lease obligations	$ 29,638	

(10) Net Assets with Donor Restrictions

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

	2020	2019
Subject to expenditure for specific purpose:		
Research	$ 776,766	661,040
Capital	482	1,673
Realized and unrealized gains on perpetual gifts	119,348	96,606
	896,596	759,319
Endowments:		
Perpetual in nature:		
Unrestricted as to use of income	7,596	7,596
Restricted as to use of income	230,477	208,818
	238,073	216,414
Total net assets with donor restrictions	$ 1,134,669	975,733

During the years ended September 30, 2020 and 2019, net assets of $107,025 and $133,952, respectively, were released from donor restrictions to fund research. In addition, $792 and $756, 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.

(Dollar amounts in thousands)

For the years ended September 30, 2020 and 2019, the Institute transferred $940 and $1,262, 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.

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

Endowment net asset composition by type of fund as of September 30, 2019, consisted of the following:

		Accumulated unspent returns	Original corpus	Total
Donor-restricted endowment funds	$	96,606	216,414	313,020

(Dollar amounts in thousands)

For the year ended September 30, 2019, the Institute had the following endowment-related activities:

		Purpose restricted	Perpetually restricted	Total
Endowment net assets at October 1, 2018	$	96,304	205,274	301,578
Investment return:				
Investment income, net		3,252	—	3,252
Net realized and unrealized gains on investments		15,202	—	15,202
Total investment return		18,454	—	18,454
Contributions to perpetual endowment		—	11,140	11,140
Amounts appropriated for expenditure/transfer		(18,152)	—	(18,152)
Total change in endowment funds		302	11,140	11,442
Endowment net assets at September 30, 2019	$	96,606	216,414	313,020

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 are no deficiencies of this nature as of September 30, 2020 and 2019.

(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 $6,203 and $11,283 in 2020 and 2019, respectively.

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

	2020	2019
Medicare	30 %	31 %
Medicaid	6	5
Blue Cross	22	22
Harvard Pilgrim Health care	11	10
Commercial and other	30	31
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:

	2020	2019
Medicare	35 %	30 %
Medicaid	7	10
Blue Cross	16	18
Harvard Pilgrim Health care	6	5
Commercial and other	30	32
Patients	6	5
	100 %	100 %

(Dollar amounts in thousands)

(b) Research Revenues

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

		2020	2019
Federal grants and contracts revenue	$	193,165	180,696
Nonfederal grants and contracts revenue		168,365	155,876
License and royalty revenue		34,074	64,846
Gift revenue		111,938	141,387
Total research revenues	$	507,542	542,805

Conditional contributions as of September 30, 2020 and 2019 approximate $304,000 and $265,000, respectively.

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

		2020	2019
Research receivables:			
Exchange transaction under 606	$	22,188	19,423
Contributions under ASU 2018-08		40,416	35,740
Total research receivables	$	62,604	55,163
Research advances:			
Exchange transaction under 606	$	94,742	92,511
Contributions under ASU 2018-08		32,305	27,172
Total research advances	$	127,047	119,683

(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 2020. See note 18.

(d) Unrestricted Contributions and Bequests

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

(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, 2020 and 2019, the Institute provided $10,900 and $11,200, respectively, at standard charges of charity care. The cost of this charity care was $4,089 and $4,079. In addition, the Institute had net payments to the Commonwealth of Massachusetts “health safety net” of $17,051 and $17,559 for the years ended September 30, 2020 and 2019, respectively. The equivalent percentage of charity care patients to all patients served was approximately 0.3% in 2020 and 1.0% in 2019. 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, 2020 and 2019, were $32,432 and $32,441, 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 $23,401 and $23,152 are included in net assets without restrictions as of September 30, 2020 and 2019, 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, 2021 is $746.

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

		2020	2019
Projected benefit obligation at beginning of year	$	41,972	38,008
Interest cost		1,133	1,452
Net benefit payments and transfers		(2,402)	(1,569)
Actuarial losses		2,066	4,081
Projected benefit obligation at end of year	$	42,769	41,972
Fair value of plan assets at beginning of year	$	35,355	35,818
Actual return on plan assets		2,757	1,290
Net benefit payments and expenses		(2,595)	(1,753)
Fair value of plan assets at end of year		35,517	35,355
Funded status of the plan	$	(7,252)	(6,617)

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

The measurement date for the Institute's fiscal 2020 consolidated financial statements is September 30, 2020.

The accumulated benefit obligation was $42,769 and $41,972 as of September 30, 2020 and 2019, respectively.

(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:

		2020	2019
Interest cost	$	1,133	1,452
Service cost		200	275
Expected return on plan assets		(2,419)	(2,456)
Settlements		731	—
Net amortization and deferral		741	581
Net periodic pension cost (income)	$	386	(148)

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:

	2020	2019
Discount rate (projected benefit obligation)	2.34 %	2.98 %
Discount rate (net periodic pension cost)	2.98	4.14
Expected long-term return on plan assets	7.40	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.

(Continued)

(Dollar amounts in thousands)

(e) Plan Assets

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

	2020	2019
U.S. government money market fund	1 %	4 %
U.S. government mutual funds	17	16
U.S. corporate bond mutual funds	7	7
U.S. equity mutual funds	36	34
International equity mutual funds	23	23
Alternative investments	16	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, 2020. It does not expect to contribute to its pension plan in 2021.

(g) Estimated Future Benefit Payments

Benefit payments are expected to approximate the following:

2021	$	2,911
2022		2,776
2023		2,829
2024		2,747
2025		2,232
2026–2030		11,662

(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, 2020, the Institute had cash balances of $187,884 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, 2020 and 2019. The discounted liability for unasserted claims as of September 30, 2020 and 2019, was $2,979 and $1,399, respectively. The Institute has recorded anticipated insurance recoveries and estimated liabilities for asserted medical malpractice claims of $10,385 and $10,306 as of September 30, 2020 and 2019, 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.

(Continued)

(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 $35,658 and $20,206 was recognized during the years ended September 30, 2020 and 2019, respectively. There is $33,814 in deferred revenue as of September 30, 2020.

In 2018 the Institute entered into two monetizations. These were related to PD-L1 Europe and Rydapt. Income of $8,709 and $6,255, related to the Rydapt monetization, was recognized during the years ended September 30, 2020 and 2019, respectively. There is $34,000 related to the PD-L1 Europe transaction, and $8,843 related to the Rydapt transaction in deferred revenue as of September 30, 2020.

In 2019 the Institute entered into one monetization. This was related to PD-L1 Japan. There is $34,000 related to the PD-L1 Japan transaction in deferred revenue as of September 30, 2020.

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, 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

(Dollar amounts in thousands)

Expenses by both their nature and their function for the year ended September 30, 2019 are as follows:

		Patient service	Research	General and administrative	Total
Salaries	$	199,222	175,628	125,221	500,071
Fringe benefits		46,645	45,842	28,630	121,117
Supplies and other		721,258	255,403	222,243	1,198,904
Depreciation and amortization		45,226	34,510	9,004	88,740
Interest		4,445	16,358	192	20,995
	$	1,016,796	527,741	385,290	1,929,827

(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, 2020. 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. In fiscal year 2020, the Institute received approximately $24 million in PHSS Emergency Fund general distributions, which have been recognized as other operating revenue in the consolidated statement of operations and changes in net assets for the year ended September 30, 2020.

(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, 2020, 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 sheet as of September 30, 2020. As of September 30, 2020, 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, 2020, the Institute deferred $14,136, which is recorded within other long-term liabilities on the 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 2020 suspension, the CARES Act extends the sequestration revenue reduction by one year through 2030. The impact on the Institute in fiscal year 2020 was not material.

SUPPLEMENTARY INFORMATION

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Supplementary Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal Agency	Federal Program	Pass Through Grantor	Program Title	CFDA	Pass-Through Grantor Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
Research and Development Cluster:							
Department of Energy	Department of Energy		Conservation Research and Development	81.086	DE-EE0008310	$ 347,566	210,966
	Department of Energy Total					347,566	210,966
Department of Energy Total						347,566	210,966
Department of Veterans Affairs	Department of Veterans Affairs	Harvard School of Public Health	NIH Contract	CONTRACT	36C24E18D0048	42,508	—
		VA Palo Alto Health Care System	Research & Development	64.054	36C26119P1448	89,363	—
	Department of Veterans Affairs Total					131,871	—
Department of Veterans Affairs Total						131,871	—
National Science Foundation	National Science Foundation		Mathematical and Physical Sciences	47.049		149,023	—
		Columbia University	Engineering Grants	47.041	CBET 1743420	23,563	—
	National Science Foundation Total					172,586	—
National Science Foundation Total						172,586	—
U.S. Department of Defense	Department of the Navy, Office of the Chief of Naval Research		Basic and Applied Scientific Research Dept of Defense	12.300		355,439	51,673
	Department of the Navy, Office of the Chief of Naval Research Total					355,439	51,673
	U.S. Army Medical Command		Military Medical Research & Development	12.420		6,665,129	177,337
		Boston Children's Hospital	Military Medical Research & Development	12.420	W81XWH1820056	51,938	—
		Boston VA Medical Center	Military Medical Research & Development	12.420	W81XWH-17-1-0217	156,246	—
		Broad Institute	Military Medical Research & Development	12.420	W81XWH-18-1-0809	10,483	—
		Massachusetts General Hospital	Military Medical Research & Development	12.420	W81XWH1910058	21,711	—
		Massachusetts Institute of Technology	Military Medical Research & Development	12.420	W81XWH-14-1-0240	342,392	—
		Mayo Clinic College of Medicine	Military Medical Research & Development	12.420	W81XWH-15-1-0293	264	—
		Memorial Sloan-Kettering Cancer Center	Military Medical Research & Development	12.420	W81XWH-18-1-0200	26,322	—
		The Johns Hopkins University	Military Medical Research & Development	12.420	W81XWH-17-1-0425	16,758	—
		UMASS Medical School	Military Medical Research & Development	12.420	W81XWH-15-1-0317	202,993	—
		University of Alabama – Birmingham	Military Medical Research & Development	12.420	W81XWH-16-2-0038	31,411	—
		University of California – San Francisco	Military Medical Research & Development	12.420	W81XWH-18-1-0489	5,735	—
		University of Melbourne	Military Medical Research & Development	12.420	W81XWH-15-1-0160	4	—
		Washington University	Military Medical Research & Development	12.420	W81XWH1810084	28,476	—
		Weill Medical College Cornell University	Military Medical Research & Development	12.420	W81XH1910403	39,543	—
					W81XWH1910566	10,027	—
					W81XWH1910666	27,219	—
	U.S. Army Medical Command Total					7,636,651	177,337
U.S. Department of Defense Total						7,992,090	229,010
U.S. Department of Health and Human Services	Agency for Healthcare Research and Quality		Research on Healthcare Costs, Quality & Outcomes	93.226		93,761	—
		Harvard Medical School	Research on Healthcare Costs, Quality & Outcomes	93.226	1R01HS026498-01	18,751	—
					5R01HS026498-02	16,880	—
		National Bureau of Economic Research,Inc	Research on Healthcare Costs, Quality & Outcomes	93.226	5U19HS024072-04	(1)	—
					5U19HS024072-05	38,557	—
	Agency for Healthcare Research and Quality Total					167,948	—
	Centers for Disease Control and Prevention		Cntrs for Disease Control- Investigations & Tech'l Assistanc	93.283		36,801	—
			Occupational Safety & Health Program	93.262		604,317	—
		Brigham & Women's Hospital	Occupational Safety & Health Program	93.262	5R01OH009803-09	25,468	—
		Harvard School of Public Health	Occupational Safety & Health Program	93.262	2U19OH008861-12	(30)	—
					5U19OH008861-12	(3)	—
					5U19OH008861-13	252,134	—
					5U19OH008861-13-00	174,504	—
					5U19OH008861-14	37,685	—
			Prevention of Disease, Disability, and Death by Infec	93.084	6NU38PS004644-02-05	618	—
	Centers for Disease Control and Prevention Total					1,131,494	—
	Food and Drug Administration	New York Medical College	Food & Drug Administration – Research	93.103	5R01FD004090-06	492	—
					5R01FD004090-07	12,160	—
	Food and Drug Administration Total					12,652	—
	National Institute of Health		21st Century Cures Act – Beau Biden Cancer Moonshot	93.353		17,970,678	7,434,926
			Aging Research	93.866		1,470,818	1,053,161
			Allergy, Immunology & Transplantation Research	93.855		9,703,045	1,926,814
			Biomedical Research and Research Training	93.859		3,033,481	235,631
			Blood Diseases & Resources Research	93.839		1,601,995	406,439
			Cancer Biology Research	93.396		18,484,869	2,017,654
			Cancer Cause & Prevention Research	93.393		17,709,378	4,289,921
			Cancer Centers Support Grants	93.397		25,903,318	7,484,100
			Cancer Control	93.399		1,536,742	20,624
			Cancer Detection & Diagnosis Research	93.394		5,774,085	1,922,563
			Cancer Research Manpower	93.398		7,113,477	95,012
			Cancer Treatment Research	93.395		30,415,387	7,811,856
			Child Health and Human Development Extramural Research	93.865		506,759	—
			Diabetes, Endocrinology & Metabolism Research	93.847		6,154,133	238,837
			Discovery & Applied Res for Tech Innovations	93.286		29,049	—
			Drug Abuse and Addiction Research Programs	93.279		801,042	—
			Extramural Res Prgms in Neurosciences & Neurological Disease	93.853		976,242	210,626
			Human Genome Research	93.172		1,720,866	116,702
			Mental Health Research Grants	93.242		507,345	—

(Continued)

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Supplementary Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal Agency	Federal Program	Pass Through Grantor	Program Title	CFDA	Pass-Through Grantor Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
			Microbiology & Infectious Diseases Research	93.856		$ 671,020	455,835
			Nursing Research	93.361		1,074,293	422,234
			Oral Diseases & Disorders Research	93.121		828,107	100,200
			Research & Training in Complementary & Alternative Medicine	93.213		404,162	—
			Trans-NIH Research Support	93.310		1,401,979	41,602
			Vision Research	93.867		117,809	—
		Benaroya Research Institute at Virginia	Allergy, Immunology & Transplantation Research	93.855	5UM1AI09565-06	124,029	—
					5UM1AI109565-04	(1,210)	—
		Beth Israel Deaconess Medical Center	Blood Diseases & Resources Research	93.839	5R34HL135226-03	6,142	—
			Cancer Biology Research	93.396	1R01CA238263-01	2,972	—
					2P01CA163227-06A1	477,537	—
					5P01CA163227-05	(1)	—
					5P01CA163227-07	272,780	—
					5R01CA229784-02	226	—
					5R01CA232372-01	9,229	—
					5U01CA199252-01	6,153	—
					U01CA215798	6,153	—
			Cancer Cause & Prevention Research	93.393	5R01CA136512-09	58,228	—
			Cancer Centers Support Grants	93.397	5 P50 CA101942-14	46,750	—
					5P50CA101942	61,096	—
					5P50CA101942-14	(7,248)	—
					5P50CA101942-15	548,041	—
			Cancer Detection & Diagnosis Research	93.394	5P50CA101942-15	55,812	—
			Cancer Treatment Research	93.395	1U01CA236489-01	153,554	—
					5R01CA142874-09	2,834	—
					5R01CA205153-03	24,378	—
					5R01CA205153-04	208,206	—
					5R01CA212649-02	(259)	—
					5R01CA212649-03	26,822	—
					5R01CA212649-04	47,007	—
					5U01CA236489-02	36,640	—
					U01CA236489	32,901	—
			Heart & Vascular Diseases Research	93.837	4U01HL069294-16	16,806	—
					5T32HL007374-40	47,793	—
			Research & Training in Complementary & Alternative Medicine	93.213	5T32AT000051-20	48,432	—
					5T32AT000051-21	12,750	—
		Boston Children’s Hospital	Blood Diseases & Resources Research	93.839	5DP2HL137300-02	8,796	—
					5R01HL137848-03	13,010	—
					5T32HL007574-36	12	—
					5T32HL007574-37	200,528	—
					5T32HL007574-38	135,513	—
					T32HL007574	55,880	—
			Cancer Biology Research	93.396	5R01CA193651-04	(1)	—
					5R01CA193651-05	8,963	—
			Cancer Detection & Diagnosis Research	93.394	5RC2DK122533-02	21,239	—
			Cancer Treatment Research	93.395	1R01CA227576-01	(1)	—
					5R01CA227576-02	16,210	—
			Diabetes, Endocrinology & Metabolism Research	93.847	1R01DK121945-01	34,381	—
					1RC2DK122533-01	94,176	—
					5P30DK034854-34	35,325	—
					5R01DK121945-02	19,879	—
			Heart & Vascular Diseases Research	93.837	1R01HL146634-01	6,654	—
					5R01HL138571-02	(539)	—
			National Center for Advancing Translational Sciences	93.350	5U01TR001814-04	38,921	—
					5UL1TR002541-02	28,684	—
			NIH Contract	CONTRACT	75N93019C00044	21,378	—
		Boston Medical Center	National Center for Advancing Translational Sciences	93.350	5U01TR002070-03	59,477	—
					5U01TR002070-04	32,088	—
		Boston University	Cancer Cause & Prevention Research	93.393	5U01CA187508-04	(1,689)	—
		Boston University School of Medicine	21st Century Cures Act – Beau Biden Cancer Moonshot	93.353	5U2CCA233238-02	47,242	—
					5U2CCA233238-03	12,419	—
		Brigham & Women’s Hospital	Aging Research	93.866	4R33AG057388-03	12,205	—
					4R33AG057388-04	6,426	—
			Allergy, Immunology & Transplantation Research	93.855	5U19AI111224-02	(176)	—
			Biomedical Research and Research Training	93.859	5R35GM127131-02	37,418	—
					R35GM127131	(16,585)	—
			Blood Diseases & Resources Research	93.839	5T32EB016652-04	3,938	—
					5T32HL116324-03	40,607	—
					5T32HL116324-05	43,531	—
					5T32HL116324-07	40,333	—
					T323HL116324-06	54,295	—
					T32HL116324-06	225,394	—
			Cancer Biology Research	93.396	2P01CA120964-11A1	13	—
					3R01CA124633-12S1	125,061	—
					5P01CA120964-12	24,682	—
					5R01CA190383-03	13,641	—
			Cancer Cause & Prevention Research	93.393	1R01CA236546-01A1	29,834	—
					2P01CA163205-06A1	(13,780)	—
					2U01CA176726-07	11,281	—
					5P01CA087969-19	134,635	—
					5P01CA087969-20	18,460	—
					5P01CA163205-07	158,451	—

(Continued)

Federal Agency	Federal Program	Pass Through Grantor	Program Title	CFDA	Pass-Through Grantor Identifying Number		Federal Expenditures	Expenditures Passed Through to Subrecipients
					5R01CA236546-02	$	49	—
					5R37CA227190-02		83,870	—
					5R37CA227190-03		137,680	—
					5U01CA209414-03		14,179	—
					5U01CA214846-03		7,971	—
			Cancer Centers Support Grants	93.397	1P50CA206963-01A		(61)	—
					2P50CA16562-06A1		21,199	—
					2P50CA165962-06A1		640,072	—
					5P01CA066996-19		(803)	—
					5P01CA066996-20		(39,003)	—
					5P50CA165962-07		103,002	—
					5P50CA206963-02		6	—
					CA165962		43,896	—
			Cancer Detection & Diagnosis Research	93.394	1R01CA235589-01A1		12,067	—
					5R01CA203636-03A1		4,973	—
					5R01CA203636-04		16,123	—
					5R01CA235589-02		1,010	—
			Cancer Treatment Research	93.395	1R01CA236702-01		1,102	—
					2U10 CA180821		89,228	—
					2U10CA180821-06		4,770	—
					3U10CA180821-06S1		726,572	—
					5P01CA036996-20		(35,916)	—
					5P01CA066996-20		49,168	—
					5R01CA236702-02		5,502	—
					5U10CA180821-02		128,415	—
					5U10CA180821-07S2		1,133,919	—
			Drug Abuse and Addiction Research Programs	93.279	5R61DA047038-02		40,779	—
					5R61DA047038-03		8,915	—
			Heart & Vascular Diseases Research	93.837	5R01HL130563-04		9,499	—
					5-R01HL130563-04		15,651	—
			Human Genome Research	93.172	5U01HG007890-06		10,300	—
			Nursing Research	93.361	5R01NR014502-05		18,282	—
			Oral Diseases & Disorders Research	93.121	1R01DE028336-01A1		20,344	—
		Broad Institute	Cancer Biology Research	93.396	R35CA242457		49,229	—
					U01CA199253		83,513	—
			Cancer Detection & Diagnosis Research	93.394	5R33CA202820-02		11,783	—
					5U24CA210978-02		(23)	—
					5U24CA210978-03		6,731	—
					5U24CA210978-04		51,987	—
					5U24CA210978-05		4,209	—
			Cancer Treatment Research	93.395	5R01CA219943-02		(17,042)	—
					5R01CA219943-03		154,361	—
					5R01CA222218-02		4,508	—
					5R01CA222218-03		391	—
			Heart & Vascular Diseases Research	93.837	U54HL127366		32,820	—
			NIH Contract	CONTRACT	HHSN2612015000031		898	—
					HHSN261201500031		235,075	—
					HHSN261201600031		15,571	—
					IDIQ17X149		622,531	—
			Trans-NIH Research Support	93.310	U01HG008699		7,169	—
		California Institute of Technology	Trans-NIH Research Support	93.310	5UG3HL145609-02		96,567	—
		Cedars-Sinai Medical Center	Cancer Cause & Prevention Research	93.393	5R01CA211707-03		86,729	—
					5R01CA211707-04		128,003	—
		CEDES-Center of Study of State and Society	21st Century Cures Act – Beau Biden Cancer Moonshot	93.353	5R01CA218306-02		1,213	—
					5R01CA218306-03		16,039	—
		Children’s Hospital of Los Angeles	Cancer Treatment Research	93.395	5P01CA217959-02		31	—
					5P01CA217959-03		68,832	—
		Children’s Hospital of Philadelphia	Cancer Cause & Prevention Research	93.393	5R01CA180692-04		(61)	—
					5R01CA180692-05		124,293	—
			Cancer Treatment Research	93.395	1UM1CA228823-01		58,046	—
					2U10CA180886-06		269,957	—
					3U10CA180886-06S1		2,525	—
					4UM1CA097452-15		4,039	—
					5U10CA180886-03		25,085	—
					5U10CA180886-04S1		429	—
			NIH Contract	CONTRACT	N02-CM-62212		4,950	—
			Nursing Research	93.361	5R01NR016223-04		61,893	—
					5R01NR016223-05		29,110	—
		City of Hope	Cancer Cause & Prevention Research	93.393	1R01CA242218-01		254,664	—
					5R21CA242218-02		24,015	—
		Columbia University	Cancer Biology Research	93.396	501CA098101-18		7,584	—
					5P01CA098101-18		110,152	—
					7P01CA098101-17		230,355	—
			Cancer Cause & Prevention Research	93.393	5R35CA210088-03		26,812	—
					5R35CA210088-04		17,099	—
					7R01CA140574-10		(5,792)	—
			Cancer Centers Support Grants	93.397	5U54CA163004-07		(142)	—
					5U54CA163004-08		20,384	—
					5U54CA163004-09		2,747	—
			Cancer Detection & Diagnosis Research	93.394	1UH2CA218149-01A1		9,228	—
			Cancer Treatment Research	93.395	5R01CA212086-03		18,100	—
					5R01CA212086-04		3,714	—

(Continued)

Federal Agency	Federal Program	Pass Through Grantor	Program Title	CFDA	Pass-Through Grantor Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
		Cornell University	Allergy, Immunology & Transplantation Research	93.855	1R01AI146165-01A1	$ 95,248	—
		Drexell University	Biomedical Research and Research Training	93.859	2 P01 GM056550-22	(5,186)	—
					2P01AI150471-23	342,555	—
					5P01AI150471-24	17,307	—
		Duke University	Cancer Cause & Prevention Research	93.393	5U2CA2233254-03	14,722	—
					5U2CCA233254-02	30,606	—
		ECOG-ACRIN Medical Research Foundation	Cancer Control	93.399	2UG1CA189828-06	326,771	—
					5UG1CA189828-07	122,175	—
		ECOG-ACRIN Medical Research Foundation	Cancer Detection & Diagnosis Research	93.394	5U25CA196172-05	30,924	—
		Emory University	Allergy, Immunology & Transplantation Research	93.855	4R37AI112787-06	46,497	—
					5R37AI112787-04	(1)	—
					5R37AI112787-05	629	—
					5R37AL112787-07	23,004	—
					5U19AI090023-09	547	—
			Cancer Cause & Prevention Research	93.393	5U01HL128566-04	(16,699)	—
			Heart & Vascular Diseases Research	93.837	5U01HL128566-05	(3,947)	—
		Florida International University	Cancer Biology Research	93.396	1U01CA225730-01A1	114,321	—
					5U01CA225730-02	82,688	—
		Fox Chase Cancer Center	Cancer Treatment Research	93.395	5R44CA156781-05	100,808	—
		Fred Hutchinson Cancer Research Center	21st Century Cures Act – Beau Biden Cancer Moonshot	93.353	5UM1CA154967-08	5,393	—
			Cancer Cause & Prevention Research	93.393	5R01CA211996-03	21,268	—
					5R01CA211996-04	16,325	—
			Cancer Detection & Diagnosis Research	93.394	1U24CA230144-01	7,642	—
					5U24CA230144-02	42,116	—
					5U24CA230144-03	3,725	—
			Heart & Vascular Diseases Research	93.837	4P01HL110787-05	(323)	—
		Georgetown University	Cancer Cause & Prevention Research	93.393	5U01CA199218-04	(18,660)	—
					5U01CA199218-05	188,899	—
		Harvard Medical School	21st Century Cures Act – Beau Biden Cancer Moonshot	93.353	5U2CCA233280-02	6,714	—
					5U2CCA233280-03	560	—
			Aging Research	93.866	5T32AG000222-28	20,976	—
			Allergy, Immunology & Transplantation Research	93.855	1R01AI146152-01A1	53,725	—
					2P30AI060354-16	21,907	—
					51U19AI133524-02	115	—
					5P01AI056299-015	(65,573)	—
					5P01AI056299-16	197,787	—
					5P01AI112521-04	(1)	—
					5P01AI112521-05	(26)	—
					5P30AI060354-15	9,983	—
					5P30AI060354-16	104,941	—
					5P30AI060354-17	21,577	—
					5R01AI026077-04	5,389	—
					5U19AI109740-05	(1)	—
					5U19AI133524-03	20,833	—
					P01AI039671	20,710	—
			Biomedical Research and Research Training	93.859	1R01GM120574-04	5,436	—
					2R01GM056663-21	8,342	—
					2U41HG003751-12S1	11,882	—
					5R01GM046498-28	5,575	—
					5R01GM046498-29	7,509	—
					5R01GM056663-22	6,459	—
					5R01GM106303-03	(507)	—
					5R01GM120574-05	1,868	—
					5R01GM129026-02	16,332	—
					5R01HL098316	31,949	—
					5R01HL098316-02	32,077	—
					5U41HG003751-13	17,115	—
					R01GM129026	3,266	—
			Blood Diseases & Resources Research	93.839	5R01HL131768-05	58,057	—
					5R01HL131768-06	9,526	—
			Cancer Cause & Prevention Research	93.393	5 R21 CA220147-03	51,719	—
					5U01CA200059-05	38,298	—
					5UL1TR001102-05	(296)	—
			Cancer Centers Support Grants	93.397	5U54CA225088-02	28,008	—
					5U54CA225088-03	28,789	—
			Cancer Detection & Diagnosis Research	93.394	5KL2TR002542-03	48,945	—
					5L1TR001857-05	8,218	—
					5UL1TR002541-03	61,365	—
			Cancer Research Manpower	93.398	5K24CA181510-05	6,101	—
			Human Genome Research	93.172	5U41HG006623-08	(4,229)	—
			Medical Library Assistance	93.879	5T15LM007092-29	13,365	—
			National Center for Advancing Translational Sciences	93.350	5 UL1 TR002541-02	83,629	—
					5KL2TR002542-02	65,123	—
					5L1TR001857-04	18,193	—
					5UL1TR001102-04	(15,360)	—
					5UL1TR002541-02	118,557	—
					UL1TR002541-03	66,418	—
			Trans-NIH Recovery Act Research Support	93.701	5UL1TR002541-03	15,406	—
					5ULTR002541-02	36,922	—
			Trans-NIH Research Support	93.310	5U54HL127365-06	94,668	—
		Harvard School of Public Health	21st Century Cures Act – Beau Biden Cancer Moonshot	93.353	1P50CA244433-01	53,355	—
					5P50CA244433-02	5,305	—

(Continued)

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Supplementary Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal Agency	Federal Program	Pass Through Grantor	Program Title	CFDA	Pass-Through Grantor Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
			Cancer Biology Research	93.396	1R35CA220523-01A1	$ 632	—
					5R35CA220523-02	(6,157)	—
			Cancer Cause & Prevention Research	93.393	1R01CA224545-01A	25,684	—
					1R21CA242940-01	40,549	—
					5R21CA222940-02	6,512	—
					5R21CA242940-02	12,372	—
					5U01CA209414-02	(1)	—
					5U01CA209414-03	7,263	—
					5U01CA209414-04	41,576	—
			Cancer Research Manpower	93.398	2T32CA009001-44	16,668	—
					2T32CA057711-26	22,460	—
			Environmental Health	93.113	1R01ES028033-01A1	6,723	—
					5R01ES028033-03	39,412	—
					5U01ES029520-02	73,663	—
			Extramural Res Prgms in Neurosciences & Neurological Disease	93.853	R01NS098023	4,201	—
		Harvard University	Allergy, Immunology & Transplantation Research	93.855	2P30AI060354-16	386,896	—
					5P30AI060354-17	52,285	—
			Biomedical Research and Research Training	93.859	1P01GM099117-01	101,790	—
			Research & Training in Complementary & Alternative Medicine	93.213	5R33CA225344-02	(199)	—
		Indiana University	Cancer Treatment Research	93.395	5R01CA224342-02	11,618	—
					5R01CA224342-03	13,021	—
		Institute for Clinical Effectiveness	Cancer Centers Support Grants	93.397	5P50CA217231-02	(1)	—
					5P50CA217231-03	(3,221)	—
		Joslin Diabetes Center	Diabetes, Endocrinology & Metabolism Research	93.847	5P30DK036836-33	49,809	—
					5P30DK036836-44	24,101	—
		Kaiser Foundation Research Institute	Human Genome Research	93.172	5U01HG00792-07	18,785	—
					5U01HG00792-08	12,421	—
		Kaiser Permanente	Cancer Biology Research	93.396	5UM1CA221939-02	9,168	—
					5UM1CA221939-03	21,371	—
			Cancer Detection & Diagnosis Research	93.394	5R01CA206196-03	71,955	—
					5R01CA206196-04	31,432	—
		Klesis LLC	Cancer Treatment Research	93.395	HHSN26120180002C	(4,423)	—
		Leidos Biomedical Research, Inc.	NIH Contract	CONTRACT	LBR 19X016Q TO-01	(2,173)	—
					LBR 19X016Q TO-02	464,508	—
		Massachusetts General Hospital	Allergy, Immunology & Transplantation Research	93.855	2 U19 AI082630-11	118,690	—
			Cancer Cause & Prevention Research	93.393	1R21CA234708-01A1	96,620	—
					5R01CA137178-10	43,907	—
					5R21CA234708-02	18,951	—
			Cancer Centers Support Grants	93.397	5P50CA165962-05	(1)	—
			Cancer Detection & Diagnosis Research	93.394	1R01CA237133-01A1	42,539	—
					1R01CA244975-01	83,514	—
					5R01CA227156-02	132,103	—
					5R01CA227156-03	77,261	—
					5R01CA237133-02	12,911	—
					5R21CA220253-02	83,603	—
					5U01CA182367-04	(11,030)	—
					5U01CA182367-05	44,800	—
					5U19AI082630-12	6,443	—
					5UH2CA207355-02	4,380	—
			Cancer Research Manpower	93.398	2T32CA071345-21A1	296,548	—
					2T32CA071345-22	108,267	—
					5K12CA090354-18	169,799	—
					5K12CA090354-19	100,711	—
					5T32CA071345-22	112,340	—
					KL2CA090354	(1)	—
			Cancer Treatment Research	93.395	1P01CA240239-01	15,450	—
					2P01CA163222-06	76,041	—
					5P01CA163222-07	107,965	—
					5P01CA240239-02	2,979	—
					5R01CA193970-04	1,811	—
					5R01CA193970-05	8,791	—
					5R01CA211238-03	12,061	—
					5R01CA229851-02	12,576	—
					5R01CA229851-03	10,066	—
					U01CA220323	5,233	—
			Discovery & Applied Res for Tech Innovations	93.286	5R01EB020613-04	31,082	—
					5R01EB022077-04	(54,234)	—
					R01EB017722	15,057	—
			Heart & Vascular Diseases Research	93.837	2T32HL007208-41	25,316	—
					5R01HL130539-04	43,645	—
					5R01HL130539-05	21,539	—
					5T32HL007208-31	5,465	—
			Nursing Research	93.361	5R01NR016694-03	69,125	—
					5R01NR016694-04	105,018	—
			Vision Research	93.867	2K12CA087723-01	63,245	—
					5K12CA087723-17	125,300	—
		Massachusetts Institute of Technology	Allergy, Immunology & Transplantation Research	93.855	1U01AI074575-01	(1,508)	—
			Cancer Biology Research	93.396	5U01CA214381-02	(16,642)	—
					5U01CA214381-03	233,329	—
					5U01CA214381-04	16,217	—
					5U01CA215798-03	17,832	—
					5U01CA215798-04	102,460	—

(Continued)

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Supplementary Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal Agency	Federal Program	Pass Through Grantor	Program Title	CFDA	Pass-Through Grantor Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
			Cancer Centers Support Grants	93.397	5 U54 CA217377-02	$ (2)	—
					5 U54 CA217377-03	111,535	—
					5U54CA217377-03	265,504	—
					5U54CA217377-04	221,514	—
			Cancer Detection & Diagnosis Research	93.394	5 U54 CA217377-04	21,881	—
					5R01CA220468-02	(2,529)	—
					5R01CA220468-03	23,928	—
					5R01CA220468-04	1,105	—
					5U54CA217377-04	27,215	—
		Mayo Clinic College of Medicine	Cancer Treatment Research	93.395	2UG1CA189823-06	101,397	—
					5UG1CA189823-05	(59,262)	—
		Mayo Foundation	Cancer Detection & Diagnosis Research	93.394	5R01CA193541-05	21,915	—
		Medical College of Wisconcin	Cancer Treatment Research	93.395	5R01CA184798-05	(69)	—
					5R01CA184798-06	3,843	—
			Heart & Vascular Diseases Research	93.837	5U01HL128568-05	20,358	—
		Memorial Sloan-Kettering Cancer Center	Cancer Biology Research	93.396	5U24CA220457-03	205,372	—
			Cancer Cause & Prevention Research	93.393	1P01CA228696-01A1	193,632	—
					5P01CA226869-02	14,399	—
					5P01CA228696-02	20,385	—
					BD526835	242,245	—
			Cancer Centers Support Grants	93.397	5R01HL129472-05	2,513	—
			Cancer Treatment Research	93.395	5U01CA202939-03	20,096	—
		Moffitt Cancer Center	Cancer Treatment Research	93.395	1R01CA233601-01A1	43,635	—
		Mount Sinai School of Medicine	Cancer Cause & Prevention Research	93.393	5R01CA202956-04	8,213	—
		National Marrow Donor Program	Blood Diseases & Resources Research	93.839	1U01HL69249-01	16,640	—
					5U01HL069249-13	20,212	—
					5U10HL069249-13	3,200	—
			Heart & Vascular Diseases Research	93.837	5U10HL069249-12	1,280	—
		New York University Grossman School of Medicine	Cancer Treatment Research	93.395	5R01CA205150-04	(11,165)	—
					5U01CA213333-04	188,932	—
		Northeastern University	Biomedical Research and Research Training	93.859	5R01GM120272-03	(6,597)	—
					5R01GM120272-04	21,671	—
					5R01GM121612-02	(11,370)	—
					5R01GM121612-03	21,318	—
					5R01GM121612-04	742	—
			Cancer Biology Research	93.396	1R01CA233978-01A1	137,229	—
			Cancer Research Manpower	93.398	2R25CA174650-06	13,441	—
					5R25CA174650-07	4,441	—
		Northwestern University	Cancer Cause & Prevention Research	93.393	1R01CA218436-01	(848)	—
					5R01CA218436-02	(104)	—
					5R01CA218436-03	22,915	—
					NWU	9,430	—
			Medical Library Assistance	93.879	1R21LM013097-01	21,206	—
					5R21LM013097-02	10,631	—
		NRG Oncology Foundation Inc	Cancer Control	93.399	2UG1CA189867-06	44,530	—
					5UG1CA189867-07	4,652	—
			Cancer Treatment Research	93.395	5U10CA180868-06	(7,827)	—
		Ohio State University	Cancer Detection & Diagnosis Research	93.394	UG1CA233338	54,757	—
			Cancer Treatment Research	93.395	5U10CA180861-05	(1)	—
					UG1CA233338	177,999	—
		Oregon Health Sciences University	Blood Diseases & Resources Research	93.839	2P01HL048546-21A1	757	—
					5P01HL048546-22	(4,280)	—
					5P01HL048546-23	(1,726)	—
					5P01HL04854624	119,401	—
					5P01HL048546-24	341,430	—
			Cancer Centers Support Grants	93.397	5U54CA209988-03	21,998	—
			Cancer Detection & Diagnosis Research	93.394	3U10CA180888-07S1	6,533	—
			Cancer Treatment Research	93.395	3U10CA180888-06S1	32,727	—
			National Center for Research Resources	93.389	5P01HL048546-24A1	169,982	—
		Pediatric Blood & Marrow Transplant Co	Heart & Vascular Diseases Research	93.837	5U54AI082973-08	(17)	—
		Pennsylvania State University	Trans-NIH Research Support	93.310	1R01AI145057-01	3,645	—
					5R01AI145057-02	286,136	—
		Research Institute at Nationwide Children	Cancer Cause & Prevention Research	93.393	5R01CA172723-03	(454)	—
		Rockefeller University	21st Century Cures Act – Beau Biden Cancer Moonshot	93.353	1U54CA243126-01	61,425	—
					5U54CA243126-02	12,709	—
			Cancer Cause & Prevention Research	93.393	5R01CA204639-04	75,778	—
					5R01CA204639-05	80,953	—
		Roswell Park Cancer Institute	Cancer Biology Research	93.396	5R01CA207757-02	(1)	—
					5R01CA207757-03	(151)	—
					5R01CA207757-04	151,871	—
			Cancer Cause & Prevention Research	93.393	1R01CA234162-01A1	62,625	—
			Human Genome Research	93.172	5U41HG004059-15	105,134	—
					5U41HG004059-16	63,765	—
		Rush Univerisity	Cancer Biology Research	93.396	5R01CA225993-03	15,173	—
					7R01CA225993-02	20,230	—
		Rutgers	Biomedical Research and Research Training	93.859	1R01GM129066-01A1	45,184	—
					5R01GM129066-02	18,739	—
			Cancer Cause & Prevention Research	93.393	5R01CA149705-09	48,451	—
		Schripps Research Institute	Biomedical Research and Research Training	93.859	5U54GM103368-07	(14,869)	—
					5U54GM103368-08	302,505	—
					5U54GM103368-09	27,709	—
		St. Jude Research Children’s Hospital	Cancer Cause & Prevention Research	93.393	1R01CA216391-01A1	(1)	—

(Continued)

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Supplementary Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal Agency	Federal Program	Pass Through Grantor	Program Title	CFDA	Pass-Through Grantor Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
					1U54CA243124-01	$ 205,397	—
					5R01CA216391-02	146,669	—
					5R01CA216391-03	142,532	—
		The Johns Hopkins University	Cancer Cause & Prevention Research	93.393	5U01CA210170-04	39,533	—
					5U01CA210170-05	14,883	—
			Cancer Treatment Research	93.395	5UM1CA137443-10 REVISED	64,616	—
					UM1CA137443-08	271	—
		The University of Tennessee	Nursing Research	93.361	5R01NR017848-02	38,353	—
					5R01NR017848-03	14,857	—
		U.Kansas Center for Research Inc.	Allergy, Immunology & Transplantation Research	93.855	5 R01 AI125093-03	(789)	—
					5 R01 AI125093-04	159,614	—
		UMASS Medical School	Human Genome Research	93.172	1U24HG009446-01	(382)	—
					5R01HG009446-03	31,387	—
					5R01HG009446-04	50,214	—
					5U24HG009446-04	56,189	—
					5UHG009446-03	26,244	—
		University of California – Los Angeles	Cancer Treatment Research	93.395	5R01CA200977-04	82,274	—
					5R01CA200977-05	27,947	—
					5R01CA213133-03	15,936	—
		University of Alabama – Birmingham	Allergy, Immunology & Transplantation Research	93.855	1U19AI142737-01	76,337	—
			Cancer Centers Support Grants	93.397	2 P50 CA107399-11A1	583	—
					5P50CA107399-12	43,488	—
		University of California – San Francisco	Cancer Detection & Diagnosis Research	93.394	1R01CA240582-01A1	18,352	—
			Extramural Res Prgms in Neurosciences & Neurological Disease	93.853	5R01NS088355-05	156,216	—
			Mental Health Research Grants	93.242	5R01MH115676-02	147,589	—
		University of California – San Diego	Biomedical Research and Research Training	93.859	5P41GM103504-10	126,422	—
		University of California – Santa Cruz	Human Genome Research	93.172	1U01HG010971-01	65,084	—
					5U01HG010971-02	15,249	—
		University of Colorado	Heart & Vascular Diseases Research	93.837	2R01HL127240-05	34,535	—
					5R01HL127240-06	3,422	—
		University of Louisville Hospital	Allergy, Immunology & Transplantation Research	93.855	1R21AI142590-01	(13,903)	—
					5R21AI142590-02	44,038	—
		University of Michigan	Cancer Centers Support Grants	93.397	5U54CA163059-07	(71)	—
					5U54CA163059-08	4,307	—
					5U54CA163059-09	1,553	—
			Cancer Detection & Diagnosis Research	93.394	5U01CA086400-19	21,386	—
					5U01CA086400-20	22,714	—
					U01CA086400	24,017	—
		University of Minnesota	Child Health and Human Development Extramural Research	93.865	5U54HD093540-03	157,251	—
					5U54HD093540-04	114,728	—
		University of North Carolina	Cancer Detection & Diagnosis Research	93.394	5R01CA201225-05	22,936	—
			Cancer Treatment Research	93.395	5R01CA199064-03	(2,128)	—
					5R01CA199064-04	(717)	—
					5R01CA201225-03	(1,698)	—
					5R01CA201225-04	59,389	—
		University of Pittsburgh	Biomedical Research and Research Training	93.859	5P50AI150481-14	41,912	—
					5P50GM08225-12	(1)	—
					5P50GM08225-13	253,831	—
			Cancer Treatment Research	93.395	2P50GM082251-11	(1)	—
		University of Puerto Rico	Extramural Research Restoration Program	93.663	3R25MD010399-04S1	11,171	—
			Trans-NIH Research Support	93.310	5R25MD010399-02	(5,278)	—
					5R25MD010399-04	(923)	—
		University of Texas at Dallas	Cancer Detection & Diagnosis Research	93.394	5R01CA222900-03	43,409	—
					5U01CA230694-03	27,323	—
		University of Texas, MD Anderson Cancer	Cancer Cause & Prevention Research	93.393	1R01CA239342-01	10,448	—
					5R01CA239342-02	6,603	—
			Cancer Treatment Research	93.395	HHSN26101200034L	19,790	—
			Cntrs for Res & Demonstration for Hlth Promotino & Dis Prev	93.135	00006260	291	—
					HHSN26120120034I	54,355	—
			NIH Contract	CONTRACT	HHSN261201200034I	32,335	—
					HHSN261201200341	2,904	—
		University of Virginia – Charlotte	Cancer Biology Research	93.396	5R24OD023697-03	251,311	—
		UT Southwestern Medical Center	Cancer Detection & Diagnosis Research	93.394	5U01CA230694-04	509	—
		Vanderbuilt University	Allergy, Immunology & Transplantation Research	93.855	5R01AI136301-02	129,241	—
					5R01AI136301-03	399,495	—
			Cancer Cause & Prevention Research	93.393	5R01CA225005-02	8,419	—
		Washington University	Human Genome Research	93.172	1U41HG010972-01	82,803	—
					5U41HG010972-02	15,267	—
		Weill Medical College Cornell University	Cancer Biology Research	93.396	1R01CA230913-01A1	27,172	—
					5R01CA230913-02	6,835	—
			Cancer Centers Support Grants	93.397	5P50CA211024-02	(1)	—
					5P50CA211024-03	313,459	—
					5P50CA211024-04	29,361	—
		Whitehead Institute	Cancer Biology Research	93.396	5P01CA080111-20	43,988	—
			Cancer Treatment Research	93.395	5P01CA080111-20	27,858	—
		Wyss Institute at Harvard University	21st Century Cures Act – Beau Biden Cancer Moonshot	93.353	1U54CA244726-01	326,612	—
					5U54CA244726-02	347	—
					U54CA244726	64,557	—
			Biomedical Research and Research Training	93.859	1R01GM131401-01	(3,000)	—
					5R01GM131401-02	32,316	—
			Cancer Biology Research	93.396	5U01CA21436-03	72,077	—
					5U01CA21436-04	109,895	—

(Continued)

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Supplementary Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal Agency	Federal Program	Pass Through Grantor	Program Title	CFDA	Pass-Through Grantor Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
		Yale University	Allergy, Immunology & Transplantation Research	93.855	5P01AI039671-22	$ 44,024	—
					5R01CA169141-07	3,186	—
			Cancer Treatment Research	93.395	5R01CA207753-04	22,000	—
			Lung Diseases Research	93.838	5R01CA118553-03	97,363	—
	National Institute of Health Total					182,660,126	36,284,737
U.S. Department of Health and Human Services Total						183,972,220	36,284,737
Grand Total						$ 192,616,333	36,724,713

See accompanying notes to supplementary scheudle of expenditures of federal awards.

(1) Definition of Reporting Entity

The accompanying Supplementary Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal awards of Dana-Farber Cancer Institute, Inc. and Subsidiaries (the Institute). All federal awards received directly from federal agencies, as well as federal awards passed through other agencies, are included on the Schedule. The Schedule also denotes awards passed through from the Institute to other nonfederal subrecipient organizations.

(2) Basis of Presentation

The accounting and reporting policies of the Institute are set forth below:

Basis of Presentation

The Schedule is prepared on the accrual basis of accounting.

(3) Indirect Costs

Indirect costs are charged to federal grants and contracts at federally approved predetermined rates. The predetermined rate for the year ended September 30, 2020 was 77%. Indirect costs recovered are included in reported federal expenditures. The Institute has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

Exhibit II

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Dana-Farber Cancer Institute, Inc. and Subsidiaries, which comprise the consolidated balance sheet as of September 30, 2020, the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Dana-Farber Cancer Institute, Inc. and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dana-Farber Cancer Institute, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Dana-Farber Cancer Institute, Inc. and Subsidiaries' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dana-Farber Cancer Institute, Inc. and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Dana-Farber Cancer Institute, Inc. and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dana-Farber Cancer Institute, Inc. and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Boston, Massachusetts
January 19, 2021

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

Exhibit III

Independent Auditors' Report on Compliance for Major Federal Program; Report on Internal Control Over Compliance; and Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Major Federal Program

We have audited Dana-Farber Cancer Institute, Inc. and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Dana-Farber Cancer Institute, Inc. and Subsidiaries' major federal program for the year ended September 30, 2020. Dana-Farber Cancer Institute, Inc. and Subsidiaries' major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Dana-Farber Cancer Institute, Inc. and Subsidiaries' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dana-Farber Cancer Institute, Inc. and Subsidiaries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for Dana-Farber Cancer Institute, Inc. and Subsidiaries' major federal program. However, our audit does not provide a legal determination of Dana-Farber Cancer Institute, Inc. and Subsidiaries' compliance.

Opinion on Major Federal Program

In our opinion, Dana-Farber Cancer Institute, Inc. and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of Dana-Farber Cancer Institute, Inc. and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dana-Farber Cancer Institute, Inc.

and Subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dana-Farber Cancer Institute, Inc. and Subsidiaries' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Dana-Farber Cancer Institute, Inc. and Subsidiaries as of and for the year ended September 30, 2020 and have issued our report thereon dated January 19, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the Uniform Guidance, 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 in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

Boston, Massachusetts
May 11, 2021

DANA-FARBER CANCER INSTITUTE, INC. AND SUBSIDIARIES

Schedule of Findings and Questioned Costs

Year ended September 30, 2020

(1) Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued on whether the consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles: Unmodified

Internal control over financial reporting:

- Material weaknesses? ______ Yes __X__ No
- Significant deficiencies? ______ Yes __X__ None reported

Noncompliance material to consolidated financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major program:

- Material weaknesses? ______ Yes __X__ No
- Significant deficiencies? ______ Yes __X__ None reported

Type of auditors' report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of Uniform Guidance? ______ Yes __X__ No

Identification of Major Program

Identification of Major Program	CFDA #
Research and Development Cluster	Various

Dollar threshold used to distinguish between Type A and Type B programs: $3,000,000

Auditee qualified as low-risk auditee? ______ Yes __X__ No

(2) Findings Relating to the Consolidated Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None

Dana-Farber Cancer Institute, Inc.
Summary Schedule of Status of Prior Year Audit Finding
Year ended September 30, 2020

2019-001: Completeness of Equipment Inventory
Cluster: Research and Development Cluster
Grantor: Department of Health and Human Services/National Institutes of Health
Program Name: Research and Development Cluster
Federal Award Year: October 1, 2018 through September 30, 2019
CFDA Numbers: See accompanying Schedule of Expenditures of Federal Awards
Contact person: Patrick Fahey, Valeria Leite

Criteria or Requirement

A physical inventory of property must be taken, and the results reconciled with the property records at least once every two years (2 CFR section 200.313(d)(2)). Further, records for real property and equipment acquired with Federal funds must be retained for three years after final disposition (2 CFR section 200.333(c)).

Recommendation

We recommend that the Dana-Farber Cancer Institute, (DFCI), (1) perform a complete inventory count of equipment acquired with Federal funds as required by 2 CFR section 200.313(d)(2) and (2) develop and implement formal written policies related to the periodic inventory of equipment acquired with Federal funds and Federal record retention policies as required by 2 CFR section 200.333(c).

Status: Corrected. A comprehensive inventory count of equipment acquired with Federal funds was completed in FY 2020. The revision of our Federal Assets policy to carve out the inventory of our federal assets has been completed and now includes the record retention requirement under the disposal section. the equipment form will also be retained as required.

DFCI will continue to leverage the PeopleSoft Asset Management module to maintain record keeping. This module allows DFCI to track active, in service assets purchased for Federal projects. The Asset Management module also allows us to have an online tracking of the asset number, description and location of the federal asset.

Communication to the research community and to other key stakeholders concerning the Audit finding and the Corrective Action plan has been conducted in various forums. This information was communicated and shared through email and focused meeting discussions.

A job Aid has also been created for the Asset Management team aiming to standardize operational practices during the inventory process, the ongoing maintenance of data elements, and the upkeep of specific documents within the Asset Management Module.