

COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION, AUDIT REPORTS
AND SCHEDULES RELATED TO THE UNIFORM
GUIDANCE

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations
Year Ended December 31, 2022
With Reports of Independent Auditors

Ernst & Young LLP



Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Combined Financial Statements and Supplementary Information, Audit Reports
and Schedules Related to the Uniform Guidance

Year Ended December 31, 2022

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Report of Independent Auditors

The Board of Trustees and Governing Trustees
Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Report on the Audit of the Financial Statements

Opinion

We have audited the combined financial statements of Memorial Sloan Kettering Cancer Center and Affiliated Corporations (the Institution), which comprise the combined balance sheets as of December 31, 2022 and 2021, and the related combined statements of activities without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, based on our audits and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the combined financial position of the Institution at December 31, 2022 and 2021, and the combined results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of MSK Insurance US, Inc., a wholly owned subsidiary, which statements reflect total assets constituting 3.1% and 2.7% and total liabilities constituting 6.1% and 5.9% of the related combined totals as of December 31, 2022 and 2021, respectively, and total revenues constituting 0.1% and 0.1%, respectively, of combined total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for MSK Insurance US, Inc., is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institution, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of MSK Insurance US, Inc. were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institution's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institution's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institution's ability to continue as a going concern for a reasonable period of time.

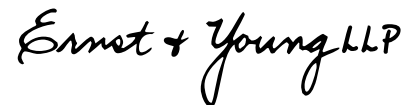
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements or the accompanying Financial Responsibility Supplemental Schedule Related to the U.S. Department of Education Title IV Regulations (the Financial Responsibility Supplemental Schedule) as of and for the year ended December 31, 2022 subsequent to April 4, 2023. The accompanying Schedule of Expenditures of Federal Awards, 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 the accompanying Financial Responsibility Supplemental Schedule are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated April 4, 2023, on our consideration of the Institution's 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 the Institution's 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 the Institution's internal control over financial reporting and compliance.



April 4, 2023, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is August 31, 2023.

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Combined Balance Sheets

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

See notes to combined financial statements.

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Combined Statements of Activities Without Donor Restrictions

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
Undesignated operating revenues		
Hospital care and services	\$ 5,393,762	\$ 5,011,551
Grants and contracts	427,125	411,772
Contributions	183,434	162,290
Net assets released from restrictions	202,595	198,462
Other income	220,422	443,099
Investment earnings supporting operations	203,106	171,191
Total operating revenues	<u>6,630,444</u>	<u>6,398,365</u>
Operating expenses		
Compensation and fringe benefits	3,628,897	3,315,428
Purchased supplies and services	2,689,562	2,312,863
Depreciation and amortization	437,224	422,309
Interest	122,813	112,663
Total operating expenses	<u>6,878,496</u>	<u>6,163,263</u>
(Loss) income from operations	<u>(248,052)</u>	<u>235,102</u>
Nonoperating income and expenses – net		
Investment returns, net of expenses, allocations to operations and amounts recorded in net assets with donor restrictions	(932,091)	996,733
Other components of net periodic benefit credits	69,136	52,238
Other nonoperating income and expenses – net	(10,361)	(12,201)
Total nonoperating income and expenses – net	<u>(873,316)</u>	<u>1,036,770</u>
Change in pension and postretirement benefit obligations other than net periodic benefit credits to be recognized in future periods	70,978	179,470
Transfer of board-designated funds	(10,256)	(47,304)
(Decrease) increase in undesignated net assets	<u>(1,060,646)</u>	<u>1,404,038</u>
Board-designated		
Board-designated philanthropy	–	29,506
Board-designated investment return	–	(88)
Board-designated other additions and transfers	10,256	47,304
Increase in Board-designated net assets	<u>10,256</u>	<u>76,722</u>
(Decrease) increase in net assets without donor restrictions	<u>\$ (1,050,390)</u>	<u>\$ 1,480,760</u>

See notes to combined financial statements.

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Combined Statements of Changes in Net Assets

Years Ended December 31, 2022 and 2021

	Total Without Donor Restrictions	With Donor Restrictions			Total With Donor Restrictions	Total Net Assets
		Time Restricted	Purpose Restricted	Endowments		
<i>(In Thousands)</i>						
Net assets at January 1, 2021	\$ 6,625,438	\$ 667,842	\$ 38,603	\$ 736,658	\$ 1,443,103	\$ 8,068,541
Increase in net assets without donor restrictions	1,480,760	–	–	–	–	1,480,760
Contributions, pledges, and bequests	–	370,356	1,403	12,902	384,661	384,661
Investment return on donor restricted assets	–	85,713	–	3,177	88,890	88,890
Net assets released from restrictions	–	(197,612)	(850)	–	(198,462)	(198,462)
Net asset transfers	–	(7,155)	650	6,505	–	–
Net assets at December 31, 2021	8,106,198	919,144	39,806	759,242	1,718,192	9,824,390
Decrease in net assets without donor restrictions	(1,050,390)	–	–	–	–	(1,050,390)
Contributions, pledges, and bequests	–	263,877	629	4,143	268,649	268,649
Investment return on donor restricted assets	–	(97,088)	–	(2,684)	(99,772)	(99,772)
Net assets released from restrictions	–	(201,709)	(886)	–	(202,595)	(202,595)
Net asset transfers	–	(12,785)	400	12,385	–	–
Net assets at December 31, 2022	\$ 7,055,808	\$ 871,439	\$ 39,949	\$ 773,086	\$ 1,684,474	\$ 8,740,282

See notes to combined financial statements.

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Combined Statements of Cash Flows

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

See notes to combined financial statements.

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Notes to Combined Financial Statements

December 31, 2022

1. Organization and Significant Accounting Policies

The mission of Memorial Sloan Kettering Cancer Center and Affiliated Corporations is to provide leadership in the prevention, treatment and cure of cancer through excellence, vision and cost effectiveness in patient care, outreach programs, research and education. The accompanying financial statements are presented on a combined basis and include the accounts of the following tax exempt, Section 501(c)(3), incorporated affiliates: Memorial Sloan Kettering Cancer Center (the Center), Memorial Hospital for Cancer and Allied Diseases (the Hospital), Sloan Kettering Institute for Cancer Research (the Institute), S.K.I. Realty, Inc., MSK Insurance US, Inc. (MSKI), the Louis V. Gerstner Jr. Graduate School of Biomedical Sciences, Prostate Cancer Clinical Trials Consortium, LLC, and MSK Proton, Inc. All of these entities are collectively referred to as the “Institution”.

The following is a summary of the Institution’s significant accounting policies:

Cash and Cash Equivalents

The Institution considers as cash and cash equivalents, all current investments, cash and certain highly liquid investments with original maturities of less than three months. Amounts within restricted cash include cash and cash equivalents held within assets whose use is limited and represent funds set aside based on contractual arrangements. At December 31, 2022 and 2021, the Institution had cash and investment balances in financial institutions that exceeded the Federal depository insurance limits. Management believes that the credit risk related to these deposits is minimal.

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

	December 31	
	2022	2021
	<i>(In Thousands)</i>	
Cash and cash equivalents	\$ 327,081	\$ 742,469
Restricted cash within assets whose use is limited	130,285	110,496
Total cash, cash equivalents, and restricted cash	<u>\$ 457,366</u>	<u>\$ 852,965</u>

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Notes to Combined Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Investments

Investments in marketable securities are carried at fair value, based on quoted market prices.

Alternative investments are stated in the accompanying combined balance sheets at fair value, which is estimated using the net asset value (NAV) of each alternative investment as a practical expedient. Financial information used by the Institution to evaluate its alternative investments is provided by the investment manager or general partner and may include fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits does not always coincide with the Institution's annual financial statement reporting.

Realized gains or losses on investments sold or redeemed, together with unrealized appreciation or depreciation on investments and investment income, are distributed to all categories of net assets, as appropriate. The total investment return (investment income and realized and unrealized gains and losses) is reflected in the accompanying combined statements of activities without donor restrictions in two portions. The investment earnings supporting operations is determined by application of a 4% normal return to a three-year average market value of investments.

Investment earnings supporting operations consist of the following:

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
Allocation of endowment income	\$ 56,074	\$ 48,865
Allocation of board-designated income	10,306	10,491
Allocation of long-term investment income	136,726	111,835
Total	<u>\$ 203,106</u>	<u>\$ 171,191</u>

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Notes to Combined Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

The investment return classified as nonoperating represents the difference between the actual total investment return and the amount allocated to support operations less amounts recorded in board-designated net assets and in net assets with donor restrictions for endowments. Investment expenses, other than fees paid directly to investment managers, amounted to \$17.9 million and \$17.8 million in 2022 and 2021, respectively, and are included in the combined statements of activities without donor restrictions in investment earnings supporting operations and investment returns, net of expenses, allocations to operations and amounts recorded in net assets with donor restrictions.

Total investment returns, net of investment expenses, consist of the following:

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
Investment income	\$ 77,577	\$ 3,191
Realized gains	706,965	503,571
Unrealized (losses) gains	(1,613,299)	749,964
Total	\$ (828,757)	\$ 1,256,726

Grants and Contracts Revenues

Grants and contracts revenues represent reimbursements of costs incurred in direct support of research and other sponsored activities related to the prevention and treatment of cancer. The Institution contracted with federal, state, and private agencies which are recorded as contributions of approximately \$241.2 million and \$241.0 million for 2022 and 2021, respectively. The Institution records conditional contribution revenue upon performance of the conditions or when the barriers on which they depend, as stated in the contracts, have been substantially met. Additionally, the Institution contracted with industry sponsors which are recorded as exchange transactions of approximately \$185.9 million and \$170.8 million for the years ended 2022 and 2021, respectively. Exchange transactions are recognized as revenue at the amount that reflects the consideration to which the Institution expects to be entitled in exchange for performance under the contract.

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Notes to Combined Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Contributions and Unconditional Promises to Give

Contributions represent the utilization of donor funds intended to support the current period's operations. Contributions of cash and other assets are reported at fair value at the date the assets are received. Unconditional promises to give are recorded at fair value when the gift intent is made known in writing. A receivable and net assets with donor restrictions are recorded at the value of the promises time-discounted at the risk-free rate. Irrevocable trusts are recorded at the point of notification and are recorded as net assets with donor restrictions as determined by the trust instruments. Estates are estimated and recorded at the conclusion of probate.

Total contributions, pledges, trusts, and estates raised through fund raising efforts were approximately \$452.1 million and \$576.5 million for 2022 and 2021, respectively.

The Institution is aware of numerous unconditional promises to give and estimates the year of receipt to the extent possible. At December 31, 2022, the anticipated present value of the receivable is as follows (in thousands):

2023	\$ 149,025
2024	96,808
2025	81,790
2026	44,549
2027	33,854
Thereafter	96,293
	<u>\$ 502,319</u>

The present value discount and allowance for doubtful accounts on unconditional promises to give are approximately \$39.3 million and \$27.4 million at December 31, 2022 and 2021, respectively.

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in fulfilling the Institution's mission. These net assets may be used at the discretion of the Institution's management and Board of Trustees and Governing Trustees (the Board).

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Notes to Combined Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

The Board, through specific action, has created self-imposed limits on certain net assets without donor restrictions. As of December 31, 2022 and 2021, funds have been established for \$578.9 million and \$568.7 million, respectively, to support various strategic initiatives. All board-designated net assets function as endowments and follow the Institution's policy of appropriating for spending an annualized percentage of each fund's value. However, unlike endowments, all board-designated net assets are available for general expenditures with Board approval and will not accumulate investment returns in excess or deficit of the spending rate.

Net Assets With Donor Restrictions

Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Institution or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets are reclassified as net assets without donor restrictions and are reported in the combined financial statements as net assets released from restrictions or as net assets released from restrictions for capital purposes.

Gifts that have been restricted by donors to be maintained by the Institution in perpetuity are reflected in the accompanying combined statements of changes in net assets as endowments within net assets with donor restrictions.

The Institution follows the New York Prudent Management of Institutional Funds Act which was enacted on September 17, 2010. The Institution has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while maintaining the historic dollar value of endowment contributions. The Institution classifies as endowments: (a) the original value of the gifts donated, (b) the original value of subsequent gifts, (c) the net realizable value of future payments in accordance with the donor's gift instrument (outstanding pledges, net of applicable discount), and (d) appreciation (depreciation), gains (losses), and income earned on the fund when the donor states that such increases or decreases are to be treated as changes in endowments. The endowment assets are pooled with assets without donor restrictions and invested in various diversified asset classes.

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Notes to Combined Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

The Institution has a policy of appropriating for spending an annualized percentage of each endowment fund's value, with certain exceptions. In establishing this policy, the Institution considered the long-term expected return on its investment portfolio and the impact of inflation. The spending rate appropriated by the Institution was 4% in 2022 and 2021, applied to each endowment fund's value plus its accumulated returns. The accumulated returns were not required by the donor as a change in endowment.

To satisfy its long-term rate-of-return objectives, the Institution relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institution targets a diversified asset allocation (see Note 4) to achieve its long-term return objectives within prudent risk constraints. As a result of fluctuations in the investment markets, 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 Institution to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2022 and 2021.

Changes in donor endowment funds consisted of the following:

	Without Donor Restrictions	Time Restricted	Endowments
	<i>(In Thousands)</i>		
Balance at January 1, 2021	\$ —	\$ 406,654	\$ 736,658
Investment return on donor restricted assets	65,090	85,713	3,177
Contributions	—	—	19,407
Appropriations	(65,090)	—	—
Balance at December 31, 2021	—	492,367	759,242
Investment return on donor restricted assets	66,380	(97,088)	(2,684)
Contributions and net asset transfers	—	—	16,528
Appropriations	(66,380)	—	—
Balance at December 31, 2022	\$ —	\$ 395,279	\$ 773,086

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Notes to Combined Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Included in endowments are amounts that represent the Institution's beneficial interest in certain perpetual trusts which are held by third-party trustees. The beneficial interests in the underlying assets of the perpetual trusts, which consist of equity securities and mutual funds, are included in other noncurrent assets on the combined balance sheets. The fair value at December 31, 2022 and 2021, was approximately \$22.2 million and \$24.9 million, respectively. The change in fair value of the beneficial interest in perpetual trusts held by third parties is included in the change in net assets with donor restrictions.

Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation and amortization. Depreciation on building components and equipment is computed on the straight-line method over the estimated useful service lives. Leasehold improvements are amortized over the lesser of the term of the lease or estimated useful service life, based on the straight-line method.

The carrying value of assets and the related accumulated depreciation or amortization are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations.

All eligible costs incurred for the development of computer software for internal use are capitalized and carried at cost, less accumulated amortization. Amortization of capitalized internal use software cost is based on the straight-line method over the estimated useful life of the software.

Use of Estimates

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

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Notes to Combined Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Tax Status

The entities comprising the Institution are Section 501(c)(3) organizations exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. The entities are also exempt from New York State and City income taxes. Income taxes from unrelated business activities of the tax-exempt entities are not significant to the accompanying combined financial statements.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, loans and certain other instruments, entities will be required to use a new forward looking “expected loss” model that generally will result in earlier recognition of credit losses than under today’s incurred loss model. ASU 2016-13 is effective for annual periods beginning after December 31, 2022. The Institution does not expect this standard to have a material impact on its combined financial statements for the year ended December 31, 2022.

Reclassifications

In the prior year, donor restricted contributions, pledges and bequests transferred from operating activities was presented as cash provided by investing activities within the combined statements of cash flows. This amount is required to be reported as cash provided by financing activities and, accordingly, has been reclassified within the combined statements of cash flows for the year ended December 31, 2021. The reclassification has no impact to the increase in net assets without donor restrictions, net assets, or financial debt covenant ratio calculations for the year ended December 31, 2021.

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Notes to Combined Financial Statements (continued)

2. Community Benefit Programs

Consistent with its mission, the Institution expends significant amounts for the benefit of the worldwide community that is served through its patient care, education and research activities. Listed below are quantifiable benefits provided.

Charity care represents the cost of services provided to patients who cannot afford health care services due to inadequate resources and/or who are uninsured/underinsured. Under the Institution's established policy, a patient is eligible for charity care if their household income is less than 500% of the federal poverty guidelines. Services provided as charity care are not reported as revenue in the combined statements of activities without donor restrictions. The cost of providing charity care is estimated by multiplying the total charges incurred by patients that qualify for charity care by a ratio of historical expenses to charges as derived from the Institution's accounting records.

Additionally, the Institution makes payments into the New York State Public Goods Pool for charity care. For the years ended December 31, 2022 and 2021, such amounts totaled approximately \$10.0 million and \$9.7 million, respectively. Due to changes in the regulations governing the pools, the Institution stopped receiving payments from the pool beginning January 1, 2020.

The Institution provides services to patients who participate in government-sponsored health programs, such as Medicare and Medicaid. Payments received by the Institution for patient services provided under these programs are significantly less than the actual cost of providing such services. Therefore, to the extent Medicare and Medicaid payments are less than the cost of care provided, the uncompensated cost of that care is considered a community benefit.

Research community benefit costs represent the Institution's costs for basic, translational and clinical research.

The Institution is a preeminent provider of health training to health professionals who desire training in the skills necessary to treat cancer patients. The Institution trains physicians, radiology students, nursing students, social work students and individuals looking to create a career in the field of cancer research. The amounts shown below represent costs in excess of amounts reimbursed by third-party payors such as training grant revenues and direct medical education payments from the Medicare and Medicaid program.

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Notes to Combined Financial Statements (continued)

2. Community Benefit Programs (continued)

The following is a summary of the Institution's estimated costs of providing community benefit program services:

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
Charity care	\$ 16,789	\$ 12,385
Unpaid cost of government sponsored health care	841,683	658,084
Research supported by governmental/voluntary agencies	241,204	241,026
Research supported by industrial agreements	185,921	170,746
Research supported by Philanthropic Sources	154,817	142,375
Research supported by Institutional Funds	359,629	279,968
Health training and research education and training	181,384	155,920
Other community benefit programs	19,821	23,092
	\$ 2,001,248	\$ 1,683,596

3. Hospital Care and Services Revenue

Hospital Care and Services Revenue and Accounts Receivable

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

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

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Notes to Combined Financial Statements (continued)

3. Hospital Care and Services Revenue (continued)

The Hospital's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual allowances, discounts, implicit price concessions, and other reductions to the Hospital's standard charges. The Hospital determines the transaction price associated with services provided to patients who have third-party payor coverage based on contractual or formula-driven rates for the services rendered (see description of third-party payor payment programs below). The estimates for contractual allowances and discounts are based on contractual agreements, the Hospital's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the Hospital determines the transaction price associated with services based on charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on the Hospital's historical collection experience for applicable patient portfolios. Patients who meet the Hospital's criteria for charity care are provided care without charge; such amounts are not reported as revenue.

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

As substantially all its performance obligations relate to contracts with a duration of less than one year, the Hospital is not required to disclose the aggregate transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. These unsatisfied or partially unsatisfied performance obligations are primarily related to

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Notes to Combined Financial Statements (continued)

3. Hospital Care and Services Revenue (continued)

inpatient acute care services for patients who remain admitted at the end of the reporting period (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of the Hospital’s in-house patients occurs within days or weeks after the end of the reporting period.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to hospital care and services revenue in the period of the change (see third-party payment programs below). Portfolio collection estimates are updated monthly based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient’s ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2022 and 2021, is not significant.

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

The percent of hospital care and services revenue, by payor, is as follows:

	Year Ended December 31	
	2022	2021
Medicare	31%	31%
Medicaid	2	2
Contracted managed care	65	61
Non-contracted managed care and self-pay	2	6
	100%	100%

Deductibles, copayments, and coinsurance under third-party payment programs, which are the patient’s responsibility, are included within the non-contracted managed care and self-pay category above.

The Hospital provides pharmaceuticals and related support services to patients through a retail and specialty pharmacy. Revenue is recognized at the point in time of the transaction.

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Notes to Combined Financial Statements (continued)

3. Hospital Care and Services Revenue (continued)

Hospital care and services revenue, by line of business, is as follows:

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
Hospital	\$ 4,344,651	\$ 4,052,030
Physician services	741,218	700,431
Retail and specialty pharmacy	307,893	259,090
	<u>\$ 5,393,762</u>	<u>\$ 5,011,551</u>

The Hospital has elected the practical expedient allowed under ASU 2014-09 and does not adjust the expected consideration from patients and third-party payors for the effects of a significant financing component, due to the Hospital's expectation that the period between the time the service is provided to a patient and the time the patient or a third-party payor pays for that service will be one year or less. However, the Hospital does, in certain instances, enter into payment agreements with patients that allow payment terms in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Third-Party Payment Programs

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

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Notes to Combined Financial Statements (continued)

3. Hospital Care and Services Revenue (continued)

Non-Medicare Reimbursement

In New York State, hospitals and all non-Medicare payors, except Medicaid, workers' compensation, and no-fault insurance programs, negotiate hospitals' payment rates. If negotiated rates are not established, payors are billed at hospitals' established charges. Medicaid pays hospital rates promulgated by the New York State Department of Health. The Hospital is exempt from the New York prospective payment system used to reimburse hospitals for inpatient services provided to Medicaid beneficiaries and instead is paid using a cost-based methodology. These payments are based on costs from 2005, updated with trend factors as determined by the New York State Department of Health to 2010. Outpatient services are paid based on a statewide prospective system. Effective for dates of service on or after April 2, 2020 through March 31, 2022, all Medicaid payments received by the Hospital were uniformly reduced by 1.5%. The reduction was eliminated, effective for dates of service on or after April 1, 2022. Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare & Medicaid Services (CMS), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS are not recognized until the Hospital is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates for those payors will continue to be made in future years.

Medicare Reimbursement

The Hospital is exempt from the national prospective payment system used to reimburse hospitals for inpatient services provided to Medicare beneficiaries and instead is paid using a cost-based methodology. These payments are subject to a limit based on average costs from 2004 to 2006 for rate years beginning on or subsequent to January 1, 2007, which are then updated based on annual trend factors calculated by CMS. The Hospital is paid for outpatient services under the national prospective payment system and other methodologies of the Medicare program for certain other services. The outpatient payments are subject to a floor that ensures the Hospital receives a specified percentage of its Medicare defined allowable outpatient costs. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on hospital-specific data.

Memorial Sloan Kettering Cancer Center
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Notes to Combined Financial Statements (continued)

3. Hospital Care and Services Revenue (continued)

The Hospital has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior years' payment rates. The current Medicaid, Medicare and other third-party payor programs are based upon complex laws and regulations that are subject to interpretation. Medicare cost reports, the basis for final settlement with the Medicare program, have been audited by the Medicare Administrative Contractor and settled through the year ended December 31, 2017. Other Medicare cost report years remain open for audit and subsequent settlement, as are certain issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed and additional information is obtained. Changes in these estimates could also affect the amounts reported as the unpaid cost of government sponsored health care (see Note 2). Approximately 0.6% of operating revenues in 2022 and 2.2% of operating revenues in 2021 are due to adjustments of prior year operating revenues. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Hospital is not aware of any allegations of noncompliance that could have a material adverse effect on the combined financial statements and believes that it is in compliance with all applicable laws and regulations.

There are various Federal and State proposals that could, among other things, reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of health care reform by the Federal or State government, cannot presently be determined. Future regulatory changes in Medicare and Medicaid programs could impact the Hospital, positively or negatively. Additionally, Medicare payment rates for various years have been appealed by the Hospital. If the appeals are successful, additional income applicable to those years could be realized.

Significant concentrations of accounts receivable – net at December 31, 2022, include 40% from government-related programs, 19% from Empire Health Choice and 12% from UnitedHealthcare (36%, 20%, and 11%, respectively, at December 31, 2021).

Memorial Sloan Kettering Cancer Center
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Notes to Combined Financial Statements (continued)

4. Cash, Cash Equivalents, and Investments at Fair Value

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

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

- Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 – Observable inputs are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3 – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

Short-term investments include fixed income corporate bonds and treasury securities valued at quoted market prices.

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

Memorial Sloan Kettering Cancer Center
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Notes to Combined Financial Statements (continued)

4. Cash, Cash Equivalents, and Investments at Fair Value (continued)

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

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

Alternative investments include absolute return funds, long/short funds, global macro funds, inflation hedging funds, U.S. equity funds, international equity funds, venture capital, private equity funds, opportunistic funds, and hard assets. Alternative investment interests generally are structured such that the Institution holds a limited partnership interest. The Institution's ownership structure does not provide for control over the related investees, and the Institution's financial risk is limited to the funded and unfunded commitment for each investment. As of December 31, 2022, the Institution had outstanding commitments to provide additional capital of approximately \$979.0 million to various alternative investment managers.

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

Memorial Sloan Kettering Cancer Center
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Notes to Combined Financial Statements (continued)

4. Cash, Cash Equivalents, and Investments at Fair Value (continued)

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

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

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Notes to Combined Financial Statements (continued)

4. Cash, Cash Equivalents, and Investments at Fair Value (continued)

Financial instruments, other than pension plan assets (see Note 8), carried at fair value as of December 31, 2022, are classified in the table below as described above:

	Level 1	Level 2	Level 3	Total
	<i>(In Thousands)</i>			
Investments measured at fair value				
Cash and cash equivalents	\$ 457,366	\$ —	\$ —	\$ 457,366
Mutual funds	135,222	—	—	135,222
United States-based equity securities	121,641	—	—	121,641
International equity securities	203,353	11,683	—	215,036
Fixed income investments:				
Corporate bonds	841,424	77,378	—	918,802
U.S. government and other	509,133	100,831	—	609,964
Inflation hedging securities	521,192	395	—	521,587
	\$ 2,789,331	\$ 190,287	\$ —	2,979,618
Investments measured at NAV as a practical expedient				
Alternative investments:				
Absolute return funds				616,385
Long/short funds				658,062
Global macro funds				169,697
U.S. equity funds				555,893
International equity funds				345,501
Venture capital				1,304,803
Private equity				525,160
Opportunistic funds				36,575
Hard assets				263,066
Total investments at fair value				\$ 7,454,760

Memorial Sloan Kettering Cancer Center
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Notes to Combined Financial Statements (continued)

4. Cash, Cash Equivalents, and Investments at Fair Value (continued)

Financial instruments, other than pension plan assets (see Note 8), carried at fair value as of December 31, 2021, are classified in the table below as described above:

	Level 1	Level 2	Level 3	Total
	<i>(In Thousands)</i>			
Investments measured at fair value				
Cash and cash equivalents	\$ 852,965	\$ —	\$ —	\$ 852,965
Short term investments	779,324	—	—	779,324
Mutual funds	151,510	—	—	151,510
United States-based equity securities	326,382	—	—	326,382
International equity securities	441,246	—	—	441,246
Fixed income investments:				
Corporate bonds	—	94,599	—	94,599
U.S. government and other	43,620	115,374	—	158,994
Inflation hedging securities	297,943	3,408	—	301,351
	<u>\$ 2,892,990</u>	<u>\$ 213,381</u>	<u>\$ —</u>	<u>3,106,371</u>
Investments measured at NAV as a practical expedient				
Alternative investments:				
Absolute return funds				448,959
Long/short funds				1,142,761
Global macro funds				157,904
Inflation hedging funds				312
U.S. equity funds				907,699
International equity funds				603,445
Venture capital				1,534,942
Private equity				586,043
Opportunistic funds				41,966
Hard assets				217,383
Total investments at fair value				<u>\$ 8,747,785</u>

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

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Notes to Combined Financial Statements (continued)

4. Cash, Cash Equivalents, and Investments at Fair Value (continued)

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

Additionally, the Institution invests in a diversified long-term investment portfolio (the Unified Pool). Although the Institution does not intend to spend from the Unified Pool, other than amounts appropriated for spending as part of its annual budget approval and appropriation process discussed in Note 1, amounts from the Unified Pool could be made available if necessary. However, the Unified Pool contains investments with lock-up provisions that would reduce the total investments available.

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

	December 31	
	2022	2021
	<i>(In Thousands)</i>	
Cash and cash equivalents	\$ 327,081	\$ 742,469
Short-term investments – at fair value	1,225,430	779,324
Accounts receivable – net	691,464	678,647
Pledges, trusts and estates receivable – current portion	149,025	153,698
Investments – at fair value	2,642,747	3,679,682
Undrawn lines of credit	100,000	200,000
	\$ 5,135,747	\$ 6,233,820

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Notes to Combined Financial Statements (continued)

5. Property and Equipment

Property and equipment consists of the following:

	December 31	
	2022	2021
	<i>(In Thousands)</i>	
Land	\$ 423,133	\$ 388,332
Buildings and leasehold improvements	5,919,937	5,508,537
Financing lease right-of-use assets	122,495	297,337
Equipment	2,405,480	2,223,347
Construction-in-progress	250,338	172,277
	9,121,383	8,589,830
Less accumulated depreciation and amortization	4,586,069	4,177,500
	<u>\$ 4,535,314</u>	<u>\$ 4,412,330</u>

In December 2022, the Institution entered into a contract with a third party to purchase specific floors of a Manhattan office building. As part of the purchase agreement, the Institution entered into a joint venture agreement with the same party. The joint venture owns one parcel of land underlying the office building and leases another from a ground lessor. Both members have equal decision-making abilities regarding common areas of the building and the underlying land. The Institution's investment in the joint venture is accounted for using the equity method of accounting and is recorded at \$106.1 million in other noncurrent assets at December 31, 2022. The Institution recorded \$182.1 million at December 31, 2022 as buildings and leasehold improvements for its ownership in the building floors.

The Institution wrote off approximately \$12.8 million and \$0.3 million of fully depreciated assets in 2022 and 2021, respectively. Accumulated amortization for the finance lease right-of-use assets is approximately \$7.1 million and \$15.0 million at December 31, 2022 and 2021, respectively.

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Notes to Combined Financial Statements (continued)

6. Long-Term Debt and Finance Lease Liabilities

Long-term debt and finance lease liabilities consist of the following:

	December 31	
	2022	2021
	<i>(In Thousands)</i>	
DASNY Series 1998, tax-exempt bonds maturing through 2023 at a fixed interest rate of 5.50%	\$ 27,100	\$ 52,700
DASNY Series 2010, tax-exempt bonds maturing through 2023 at a fixed interest rate of 2.18%	6,000	14,000
Series 2011A taxable bonds maturing in 2042 at a fixed interest rate of 5.00%	400,000	400,000
Series 2012A taxable bonds maturing in 2052 at a fixed interest rate of 4.125%	400,000	400,000
Series 2015A taxable bonds maturing in 2055 at a fixed interest rate of 4.20%	550,000	550,000
DASNY Series 2016-1, tax-exempt bonds repaid through 2028 at a fixed interest rate of 1.97%	87,448	91,298
NJEDA Series 2016-2, tax-exempt bonds maturing through 2026 at a fixed rate interest rate of 1.43%	54,375	68,875
DASNY Series 2017-1, tax-exempt bonds maturing through 2047 at various fixed interest rates ranging from 4.00% to 5.00%	280,100	282,870
DASNY Series 2019-1, tax-exempt bonds maturing through 2039 at various fixed interest rates ranging from 2.00% to 5.00%	284,545	284,545
Series 2020 taxable bonds maturing in 2040 and 2050 at fixed interest rates of 2.65% and 2.96%, respectively	500,000	500,000
DASNY Series 2022 1-A and 1-B, tax exempt bonds maturing in 2051 at a fixed interest rate of 4.00%	217,520	—
Series 2022-2, taxable bonds maturing in 2052 and 2062 at fixed interest rates of 4.59% and 4.69%, respectively	200,000	—
DASNY 2022 Series 2, tax-exempt bonds maturing 2026 through 2047 at a conditional fixed interest rate of 3.65%	100,000	—
Finance lease liabilities (<i>Note 10</i>)	119,745	293,541
Unamortized bond premiums, discounts and issuance costs	41,112	63,626
	3,267,945	3,001,455
Less current portion	61,251	59,355
	\$ 3,206,694	\$ 2,942,100

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Notes to Combined Financial Statements (continued)

6. Long-Term Debt and Finance Lease Liabilities (continued)

In June 2022, the Institution issued \$217.5 million of Dormitory Authority of the State of New York (DASNY) Series 2022 1-A and 1-B tax exempt revenue bonds (the 2022 Bonds). The 2022 Bonds will be paid in one bullet maturing in 2051 at a fixed interest rate of 4.00%. An optional redemption at the discretion of DASNY begins in July 2032. The proceeds will be used for hospital equipment and space expansion. The 2022 Bonds were issued at a discount of approximately \$17.5 million.

In August 2022, the Institution issued \$200.0 million of Series 2022-2 taxable bonds, which will be paid in two bullets maturing in 2052 and 2062 at fixed interest rates of 4.59% and 4.69%, respectively. Additionally, the Institution issued \$100.0 million of DASNY 2022 Series 2 tax-exempt revenue bonds (the 2022 Series 2 Bonds), which were privately placed with a bank. Annual repayment will begin July 1, 2026 and the bonds will mature on July 1, 2047, at a fixed interest rate of 3.65%, conditional upon maintenance of the Institution's current bond rating, until January 2035. An optional put at the discretion of the bank begins in January 2035. The interest rate may increase upon certain events, such as significant credit downgrades. The proceeds for both bonds will be used for hospital equipment, space expansion, and renovations.

Annual maturities on all long-term debt, excluding finance lease payments, as of December 31, 2022, for the years 2023 through 2027 are as follows (in thousands):

2023	\$	59,162
2024		26,516
2025		27,002
2026		27,879
2027		64,063

Total interest paid in 2022 and 2021 was approximately \$110.9 million and \$115.4 million, respectively.

Certain of the above debts are secured by a pledge of revenues from certain facilities, bond insurance and springing collateral, which would require the Institution to mortgage a substantial portion of real property if certain financial covenants and ratios are not maintained. The Institution was in compliance with all such financial requirements during 2022 and 2021.

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Notes to Combined Financial Statements (continued)

6. Long-Term Debt and Finance Lease Liabilities (continued)

At December 31, 2022 and 2021, the Institution had unsecured lines of credit available with banks totaling \$100.0 million and \$200.0 million, respectively, with varying renewable terms and interest. There were no amounts drawn at December 31, 2022 and 2021.

7. Other Noncurrent Liabilities

Other noncurrent liabilities consist of the following:

	December 31	
	2022	2021
	<i>(In Thousands)</i>	
Postretirement obligation <i>(Note 8)</i>	\$ 101,100	\$ 142,436
Insurance reserves <i>(Note 9)</i>	315,623	298,156
Deferred compensation <i>(Note 8)</i>	80,178	103,122
Asset retirement obligations	39,209	38,997
Deferred gift annuities	11,679	16,442
Royalty interest liability ^(a)	122,048	132,840
Third-party payor settlements, net of current portion	115,781	–
Other	1,606	1,889
	\$ 787,224	\$ 733,882

^(a) Effective July 1, 2020, the Institution entered into a Revenue Interest Purchase Agreement (RIPA) with a third party. Pursuant to the RIPA, the Institution issued to the third party the right to receive certain royalty amounts (Royalty Interest), specifically 1% of net sales of a certain drug, for each calendar quarter, in exchange for \$156.0 million, which is non-refundable. The third party's rights to receive the Royalty Interest shall terminate on the date on which total payments of \$265.0 million are received unless the RIPA is terminated earlier.

In connection with the RIPA, the Institution recorded a liability, included in accrued expenses and other noncurrent liabilities in its combined balance sheets. The amounts recorded at December 31, 2022 and 2021, were approximately \$12.8 million and \$13.1 million, respectively, in accrued expenses and approximately \$122.0 million and \$132.8 million, respectively, in other noncurrent

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Notes to Combined Financial Statements (continued)

7. Other Noncurrent Liabilities (continued)

liabilities. The Institution imputes non-cash interest expense associated with this liability using the effective interest rate method. The effective interest rate is calculated based on the rate that would enable the debt to be repaid in full over the anticipated life of the arrangement. The interest rate on this liability may vary during the term of the agreement depending on a number of factors, including the level of actual and forecasted sales. The Institution evaluates the interest rate quarterly based on actual sales and its current sales forecasts utilizing the prospective method. The Institution recorded approximately \$7.9 million and \$5.1 million in interest expense related to this arrangement as of December 31, 2022 and 2021, respectively.

The Center is the certificate holder authorized to issue gift annuities; the liability for all deferred gift annuities issued is recorded within the Center.

8. Retiree Pension and Health Plans

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

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

The Institution makes base contributions to the RSP for eligible employees, which depends on the employee's age (determined as of the preceding December 31). Additionally, the Institution matches voluntary employee contributions made by eligible employees. The Institution's cost for these plans was approximately \$169.5 million and \$166.9 million in 2022 and 2021, respectively.

Memorial Sloan Kettering Cancer Center
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Notes to Combined Financial Statements (continued)

8. Retiree Pension and Health Plans (continued)

The Institution also maintains a trustee defined benefit plan (the Plan). The benefits are based on years of service, the employee's average compensation during the highest five of the last ten years of employment and a pension formula. Effective December 16, 2012, the Plan was amended and frozen to new participants. Effective December 19, 2020, the Plan was amended and frozen for all future benefit accruals.

Beginning December 20, 2020, participants of the Plan are eligible for the Institution's matching contributions under the RSP.

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

Effective January 1, 2016, the Institution provides each Medicare-eligible retiree and spouse with a defined contribution amount that can be used to purchase individual Medicare supplemental coverage. This defined contribution replaces the Institution's hospital and basic medical coverage for all Medicare-eligible participants who retire after December 31, 2006.

The Institution recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of the defined benefit plans in its combined balance sheets. Net unrecognized actuarial gains or losses and net unrecognized prior service credits or costs at the reporting date will be subsequently recognized in the future as net periodic benefit cost pursuant to the Institution's accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic benefit cost in the same periods will be recognized as a component of net assets without donor restrictions. Included in net assets without donor restrictions at December 31, 2022 and 2021, are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service credit of \$18.0 million and \$24.3 million, respectively, and unrecognized actuarial gains of \$178.8 million and \$101.5 million, respectively.

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Notes to Combined Financial Statements (continued)

8. Retiree Pension and Health Plans (continued)

The following tables provide a reconciliation of the change in the benefit obligations and fair value of plan assets and funded status of the Institution's pension and postretirement plans:

	Pension Benefits		Postretirement Health	
	December 31		December 31	
	2022	2021	2022	2021
	<i>(In Thousands)</i>			
Reconciliation of benefit obligations				
Benefit obligations at beginning of year	\$ 1,670,813	\$ 1,753,555	\$ 146,927	\$ 160,248
Service cost	1,800	1,800	3,434	4,085
Interest cost	51,997	50,052	4,590	4,538
Plan participants' contributions	–	–	1,243	1,228
Actuarial gains	(586,765)	(63,361)	(46,390)	(19,223)
Plan settlements	(66,714)	(57,647)	–	–
Benefits paid	(13,844)	(11,097)	(4,413)	(3,949)
Expenses paid	(2,462)	(2,489)	–	–
Benefit obligations at end of year	<u>\$ 1,054,825</u>	<u>\$ 1,670,813</u>	<u>\$ 105,391</u>	<u>\$ 146,927</u>
	<i>(In Thousands)</i>			
	Pension Benefits		Postretirement Health	
	December 31		December 31	
	2022	2021	2022	2021
Reconciliation of fair value of plan assets				
Fair value of plan assets at beginning of year	\$ 1,873,605	\$ 1,741,124	\$ –	\$ –
Actual return on plan assets	(436,454)	203,714	–	–
Employer contributions	–	–	3,170	2,721
Plan participants' contributions	–	–	1,243	1,228
Plan settlements	(66,714)	(57,647)	–	–
Benefits paid	(13,844)	(11,097)	(4,413)	(3,949)
Expenses paid	(2,462)	(2,489)	–	–
Fair value of plan assets at end of year	<u>1,354,131</u>	<u>1,873,605</u>	<u>–</u>	<u>–</u>
Funded (unfunded) status at end of year	<u>\$ 299,306</u>	<u>\$ 202,792</u>	<u>\$ (105,391)</u>	<u>\$ (146,927)</u>
Current portion of obligation	\$ –	\$ –	\$ (4,291)	\$ (4,491)
Noncurrent portion of asset (obligation)	299,306	202,792	(101,100)	(142,436)
Total	<u>\$ 299,306</u>	<u>\$ 202,792</u>	<u>\$ (105,391)</u>	<u>\$ (146,927)</u>

Memorial Sloan Kettering Cancer Center
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Notes to Combined Financial Statements (continued)

8. Retiree Pension and Health Plans (continued)

During the years ended December 31, 2022 and 2021, settlement gains were recognized in conjunction with lump sum payments made to Plan participants. Actuarial gains were primarily due to the increase in the discount rate.

The funded balance of the Institution's pension plans is recorded within other noncurrent assets in the combined balance sheets at December 31, 2022.

The accumulated benefit obligation for the plans as of December 31, 2022 and 2021, was approximately \$1.16 billion and \$1.82 billion, respectively.

The following table provides the components of the net periodic benefit cost for pension and postretirement benefit cost for the plans:

	Pension Benefits		Postretirement Health	
	Year Ended December 31		Year Ended December 31	
	2022	2021	2022	2021
	<i>(In Thousands)</i>			
Components of net periodic benefit (credit) cost				
Service cost	\$ 1,800	\$ 1,800	\$ 3,434	\$ 4,085
Interest cost	51,997	50,052	4,590	4,538
Expected return on assets	(106,030)	(97,497)	–	–
Settlement gain	(13,497)	(4,218)	–	–
Amortization of net (gain) loss	(309)	–	506	2,152
Amortization of prior service credit	–	–	(6,393)	(7,265)
Total net periodic benefit (credit) cost	\$ (66,039)	\$ (49,863)	\$ 2,137	\$ 3,510

Actuarial Assumptions

Weighted-average assumptions used to determine benefit obligations are as follows:

	Pension Benefits		Postretirement Health	
	December 31		December 31	
	2022	2021	2022	2021
Discount rate	5.59%	3.08%	5.60%	3.10%

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Notes to Combined Financial Statements (continued)

8. Retiree Pension and Health Plans (continued)

Weighted-average assumptions used to determine net periodic benefit cost are as follows:

	Pension Benefits		Postretirement Health	
	December 31		December 31	
	2022	2021	2022	2021
Discount rate	3.08%	2.90%	3.10%	2.80%
Expected long-term return on plan assets	5.91	5.69	–	–

The expected return of the portfolio was arrived at using the weighted-average of the expected returns of the underlying benchmark asset classes.

Plan Assets

The following table presents the weighted-average long-term target asset allocations and the percentages of the fair value of pension plan assets as of December 31:

	Target Allocation	Percentage of Plan Assets	
	2022	2022	2021
U.S.-based equity securities	–%	–%	19%
International equity investments	–	–	1
Cash, cash equivalents and fixed income investments	64	56	47
Alternative investments	36	44	33

The Plan assets consist of cash and cash equivalents, fixed income securities, commingled funds, and alternative investments. Alternative investments are listed by their corresponding strategy and holdings include relative value funds, real estate funds, credit funds, private debt, and private equity. In 2022, the investment strategy was changed to reduce risk and volatility in market conditions.

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Notes to Combined Financial Statements (continued)

8. Retiree Pension and Health Plans (continued)

Equities and real estate investment trusts are valued based on the quoted market prices of the securities as reported on national securities exchanges. Fixed income securities are valued based on readily available market quotations received from commercial pricing services. Such pricing services and brokers will generally provide bid-side quotations. Commingled funds are valued based on the NAV of shares held by the pension plan at year end or based on quoted market prices as reported on national securities exchanges, if applicable. Alternative investments are stated at fair value as determined by Morgan Guaranty Trust Company of New York or by the investees. Value may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Generally, fair value is stated at NAV, which reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses.

The financial statements of the investees are audited annually by independent auditors. These investments may indirectly expose the pension plan to securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts and other derivative products. While these financial instruments may contain varying degrees of risk, the pension plan's risk with respect to such transactions is limited to the funded and unfunded commitment for each investment.

Certain Plan assets could have liquidity restrictions that range from several months to ten years for certain alternative investments. Liquidity restrictions may apply to all or portions of a particular invested amount. Unfunded commitments for the alternative investments in the pension plan at December 31, 2022, are approximately \$121.0 million.

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Notes to Combined Financial Statements (continued)

8. Retiree Pension and Health Plans (continued)

Financial instruments of the Plan of the Institution, carried at fair value as of December 31, 2022, are classified in the table below as described in Note 4:

	Level 1	Level 2	Level 3	Total
	<i>(In Thousands)</i>			
Investments measured at fair value				
Cash, cash equivalents, and money market funds	\$ 91,700	\$ –	\$ –	\$ 91,700
Fixed income investments:				
U.S. government and other	221,418	365,740	–	587,158
Private equity funds	–	–	24,721	24,721
	\$ 313,118	\$ 365,740	\$ 24,721	703,579
Investments measured at NAV as a practical expedient				
Commingled funds:				
Fixed income				84,755
Futures				(1,921)
Alternative investments:				
Relative value funds				278
Real estate				52,092
Credit funds				208,471
Private debt				13,900
Private equity funds				292,977
Total investments at fair value				\$ 1,354,131

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Notes to Combined Financial Statements (continued)

8. Retiree Pension and Health Plans (continued)

Financial instruments of the Plan of the Institution, carried at fair value as of December 31, 2021, are classified in the table below as described in Note 4:

	Level 1	Level 2	Level 3	Total
	<i>(In Thousands)</i>			
Investments measured at fair value				
Cash, cash equivalents, and money market funds	\$ 60,327	\$ —	\$ —	\$ 60,327
U.S. equity investments:				
Equity securities	22,389	—	—	22,389
Real estate investment trusts	1,524	—	—	1,524
Fixed income investments:				
U.S. government and other	31,960	—	—	31,960
Private equity funds	—	—	27,021	27,021
	<u>\$ 116,200</u>	<u>\$ —</u>	<u>\$ 27,021</u>	<u>143,221</u>
Investments measured at NAV as a practical expedient				
Commingled funds:				
U.S. equity				328,160
International equity				19,250
Fixed income				787,078
Alternative investments:				
Relative value funds				260
Real estate				41,812
Credit funds				252,603
Private debt				15,385
Private equity funds				285,836
Total investments at fair value				<u>\$ 1,873,605</u>

Memorial Sloan Kettering Cancer Center
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Notes to Combined Financial Statements (continued)

8. Retiree Pension and Health Plans (continued)

Plan Objectives and Guidelines

The overall investment objective of the pension trust fund is to outperform a composite benchmark (an asset-weighted series of market indices used to measure the performance of each asset class) over a market cycle, while maintaining similar risk to the benchmark.

The portfolio is diversified to reduce the impact of losses in individual investments in a manner that is responsive to fiduciary standards. Single issuers are limited to 5% of the portfolio's aggregate market value at time of purchase, with the exception of U.S. government and agency securities and commingled funds. The underlying products that comprise a diversified portfolio may have exposure to derivatives which are managed and controlled.

Cash Flows

Contributions: The Institution does not expect to contribute to its pension plan in 2023.

Estimated future benefit payments: The Institution expects to pay the following benefit payments, which reflect expected future service, as appropriate:

	Pension Benefits	Postretirement Health
	<i>(In Thousands)</i>	
2023	\$ 45,759	\$ 4,409
2024	47,055	5,016
2025	50,644	5,717
2026	52,289	6,261
2027	55,850	6,824
2028 to 2032	319,296	38,436

Memorial Sloan Kettering Cancer Center
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Notes to Combined Financial Statements (continued)

9. Insurance Programs

MSKI, a domestic tax-exempt corporation, is the primary insurance company for certain insurable risks of the Institution. The primary coverages provided by MSKI to the Institution are health care professional liability, warranty coverage for covered health care equipment, terrorism and assumed coverage for workers' compensation, general liability, and certain employee benefits of long-term disability and life insurance. The Institution's liability is limited, with catastrophic risk insured by commercial insurance carriers, or in the case of terrorism risk, by the U.S. Government under a formula established by Federal law.

Insurance reserves of MSKI represent estimated unpaid losses and loss adjustment expenses. Such amounts are established using management's estimates based on claims records and independent actuarial reviews and include an amount for the adverse development of reported claims. Adjustments to the estimate of the liability for losses are reflected in earnings in the period in which the adjustment is determined. The insurance reserves are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liability may vary significantly from the amount provided.

The liability amounts recorded as of December 31 are as follows:

	2022	2021
	<i>(In Thousands)</i>	
Estimated unpaid losses and loss adjustment expenses, including losses incurred but not reported	\$ 318,032	\$ 299,101
Actuarially determined present value	315,623	298,156
Discount rate	1.0%–4.0%	1.0%–3.0%

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Notes to Combined Financial Statements (continued)

10. Leases

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

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

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

Memorial Sloan Kettering Cancer Center
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Notes to Combined Financial Statements (continued)

10. Leases (continued)

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

	December 31	
	2022	2021
Lease cost for the year ended December 31:		
Operating lease cost	\$ 33,666	\$ 40,864
Finance lease cost:		
Amortization of right-of-use assets	7,950	8,802
Interest on lease liabilities	5,459	6,123
Total lease cost	\$ 47,075	\$ 55,789
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 37,339	\$ 40,575
Operating cash flows for finance leases	5,459	6,123
Financing cash flows for finance leases	3,734	3,236
Right-of-use assets obtained in non-cash exchange for new finance lease liabilities:	–	122,495
Right-of-use assets obtained in non-cash exchange for new operating lease liabilities:	24,727	–
Change in right-of-use assets resulting from lease modifications and remeasurements:		
Operating lease right-of-use assets	(15,434)	23,492
Finance lease right-of-use assets	–	2,170
Weighted-average remaining lease term – operating leases	6.30 Years	5.93 years
Weighted-average discount rate – operating leases	2.71%	2.59%
Weighted-average remaining lease term – finance leases	28.25 years	28.71 years
Weighted-average discount rate – finance leases	2.34%	2.31%

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Notes to Combined Financial Statements (continued)

10. Leases (continued)

The following table presents the lease-related assets and liabilities:

		December 31	
Combined Balance Sheet Classification		2022	2021
<i>(In Thousands)</i>			
Assets:			
Operating leases	Other noncurrent assets	\$ 69,618	\$ 144,777
Finance leases	Property and equipment – net	<u>115,349</u>	<u>282,299</u>
Total lease assets		<u><u>\$ 184,967</u></u>	<u><u>\$ 427,076</u></u>
Liabilities:			
Current:			
Operating leases	Current portion of operating lease liabilities	\$ 29,807	\$ 32,836
Finance leases	Current portion of long-term debt and finance lease liabilities	<u>2,089</u>	4,636
Noncurrent:			
Operating leases	Operating lease liabilities, less current portion	<u>98,154</u>	118,779
Finance leases	Long-term debt and finance lease liabilities, less current portion	<u>117,656</u>	<u>288,905</u>
Total lease liabilities		<u><u>\$ 247,706</u></u>	<u><u>\$ 445,156</u></u>

Memorial Sloan Kettering Cancer Center
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Notes to Combined Financial Statements (continued)

10. Leases (continued)

The following table reconciles the undiscounted future lease payments to the lease liabilities recorded on the accompanying combined balance sheets at December 31, 2022:

	Operating Leases	Finance Leases
	<i>(In Thousands)</i>	
2023	\$ 33,082	\$ 4,891
2024	28,419	5,058
2025	23,983	5,114
2026	16,408	5,114
2027	9,325	5,280
Thereafter	30,308	142,740
Total lease payments	141,525	168,197
Less imputed interest	13,564	48,452
Total lease obligation	127,961	119,745
Less current portion	29,807	2,089
Long-term portion	\$ 98,154	\$ 117,656

In 2022, the Institution abandoned certain leased properties and recorded an impairment loss and reduction of operating lease right-of-use assets of \$51.7 million. Additionally, the Institution recorded a similar impairment loss of \$4.3 million pertaining to related leasehold improvements.

In August 2022, the Institution purchased a property for \$184.8 million that was previously recorded as a finance lease. This resulted in a reduction of \$170.0 million in finance lease liabilities, as well as a \$159.0 million reduction of finance lease right-of-use assets.

11. Grant Awards

The accompanying combined financial statements do not include amounts related to research grants (or portions thereof) that have been awarded to the Institute for which expenditures have not been incurred or cash has not been received. Such grant awards approximated \$172.5 million and \$119.8 million at December 31, 2022 and 2021, respectively.

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Notes to Combined Financial Statements (continued)

12. Other Noncurrent Assets

Amounts included in other noncurrent assets are as follows:

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
Mortgage loan receivable	\$ 76,449	\$ 55,117
Operating lease right-of-use asset <i>(Note 10)</i>	69,618	144,777
Pension asset <i>(Note 8)</i>	299,306	202,792
Equity in joint ventures	116,301	21,135
Other	61,431	33,162
	\$ 623,105	\$ 456,983

13. Other Income

Other income consists of the following:

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
Royalty income	\$ 50,885	\$ 127,752
Housing and parking	34,530	37,958
Cafeteria and food service	5,971	5,035
Services provided	8,048	7,245
Coronavirus Disease 2019 (COVID-19) relief funding <i>(Note 15)</i>	79,168	236,369
Other	41,820	28,740
	\$ 220,422	\$ 443,099

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Notes to Combined Financial Statements (continued)

14. Commitments and Contingencies

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

In 2022, the Institution entered into an agreement with the intent to purchase residential apartment units. The building is estimated to be completed by December 2024. The Institution made a \$34.1 million refundable deposit recorded in other noncurrent assets as of December 31, 2022. Upon completion of construction, a final payment up to \$37.5 million will be made.

15. Functional Expenses

The functional expenses related to the fulfillment of the Institution’s mission are as follows:

	Patient Care	Research	Education	Fundraising	Management and General	Total
	<i>(In Thousands)</i>					
Year ended December 31, 2022						
Compensation and fringe benefits	\$ 2,895,367	\$ 487,883	\$ 180,686	\$ 46,983	\$ 17,978	\$ 3,628,897
Purchased supplies and services	2,242,110	345,362	40,846	38,721	22,523	2,689,562
Depreciation and amortization	327,509	88,684	15,547	340	5,144	437,224
Interest	103,160	19,642	11	–	–	122,813
Total	\$ 5,568,146	\$ 941,571	\$ 237,090	\$ 86,044	\$ 45,645	\$ 6,878,496

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Notes to Combined Financial Statements (continued)

15. Functional Expenses (continued)

	Patient Care	Research	Education	Fundraising	Management and General	Total
	<i>(In Thousands)</i>					
Year ended December 31, 2021						
Compensation and fringe benefits	\$ 2,665,200	\$ 428,648	\$ 174,930	\$ 40,491	\$ 6,159	\$ 3,315,428
Purchased supplies and services	1,930,013	307,658	28,198	30,917	16,077	2,312,863
Depreciation and amortization	324,813	82,543	10,751	487	3,715	422,309
Interest	97,396	15,267	-	-	-	112,663
Total	\$ 5,017,422	\$ 834,116	\$ 213,879	\$ 71,895	\$ 25,951	\$ 6,163,263

16. COVID-19

In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act authorized funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Relief Fund). Payments from the Relief Fund are to be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the recipient for health care related expenses and/or lost revenues attributable to coronavirus and are not required to be repaid except where Relief Funds received exceed the actual amounts of eligible health care related expenses and/or lost revenues as defined by the U.S. Department of Health and Human Services (HHS), provided the recipients attest to and comply with the terms and conditions. HHS has issued several Post-Payment Notices of Reporting Requirements and published responses to frequently asked questions (FAQs) regarding the Relief Fund distributions.

On December 27, 2020, the Combined Appropriations Act, 2021 (CAA) was signed into law. CAA appropriated additional funding for COVID-19 response and relief through the Relief Fund to reimburse health care entities for health care-related expenses or lost revenues attributable to COVID-19. CAA also provided several changes to the administration of the Relief Fund. For any payment, including both general and targeted distributions, received by an eligible health care provider that is a subsidiary of a parent organization, the parent organization may allocate all or any portion of the distribution among any other eligible subsidiaries. CAA also clarified the methods available to calculate lost revenues.

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Notes to Combined Financial Statements (continued)

16. COVID-19 (continued)

HHS distributions from the Relief Fund include general distributions and targeted distributions to support hospitals in high impact areas and rural providers, for service periods as determined by HHS. Additionally, funds are available to reimburse providers for COVID-19 related treatment of uninsured patients. The recognized revenue has been determined based on applicable accounting guidance, the most recent Post-Payment Notice of Reporting Requirements and FAQs that the Institution has interpreted as being applicable to the accompanying combined financial statements. Management will continue to monitor communications from HHS applicable to the Relief Fund distributions. If unable to attest to or comply with the current or future terms and conditions, the Institution’s ability to retain some or all of the distributions received may be impacted.

The Institution has also received and continues to apply for reimbursement for qualifying expenses under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund. The advances received in 2022 and 2021 relate to project worksheets submitted by the Institution to FEMA under its streamlined submission process. The Institution will be finalizing project worksheets previously submitted to allow for submission of expenses incurred during subsequent periods. The Institution also intends to submit additional applications for funding of costs incurred through the end of the defined period. The ultimate amount that the Institution may be reimbursed is uncertain.

The Institution’s combined COVID-19 relief funding received and recognized in other revenue in the accompanying combined statements of activities without donor restrictions is as follows:

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
HHS COVID Relief Fund	\$ 74,342	\$ 235,331
FEMA funds	4,826	1,038
	<u>\$ 79,168</u>	<u>\$ 236,369</u>

To enhance liquidity, CMS expanded and streamlined the process for its Accelerated and Advance Payment Program, pursuant to which providers could receive advance Medicare disbursements. This program allowed eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers.

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Notes to Combined Financial Statements (continued)

16. COVID-19 (continued)

During April 2020, the Institution received approximately \$421.1 million of expedited payments for future services. Under this program, the Institution continued to submit claims as usual. The advances were subject to recoupment through the provision of Medicare services beginning 12 months after receipt of funding. Recoupment of the advanced payments began in April 2021. The Institution recorded a contract liability within accrued expenses of \$194.3 million in the accompanying combined balance sheets at December 31, 2021. The Institution repaid all remaining balances as of December 31, 2022.

17. Department of Education Title IV Information

During September 2019, the U.S. Department of Education issued regulations, effective for audit reporting filed after June 30, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV regulations. The information as of and for the year ended December 31, 2022 is as follows (in thousands):

Assets

Finance lease right-of-use assets with outstanding debt	\$ 115,350
Property and equipment – net without outstanding debt	4,169,626
Construction-in-progress	250,338
Property and equipment	<u>\$ 4,535,314</u>

Post-employment and pension, net asset	<u>\$ 193,915</u>
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Intangible assets	–
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Liabilities

Long-term debt and finance lease liabilities, pre-implementation	<u>\$ 1,822,718</u>
Long-term debt and finance lease liabilities, post implementation	<u>\$ 1,445,228</u>

Net Assets

Net assets with donor restrictions: time restricted and purpose restricted	<u>\$ 911,388</u>
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Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Notes to Combined Financial Statements (continued)

16. Subsequent Events

Subsequent events have been evaluated through April 4, 2023, which is the date the combined financial statements were issued. No subsequent events have occurred that require disclosure in or adjustment to the combined financial statements.

Supplementary Information

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Financial Responsibility Supplemental Schedule Related to the
U.S. Department of Education Title IV Regulations
(In Thousands)

Year Ended December 31, 2022

Reference to Financial Statements and/or Notes	Ratio Element	Amount
Primary reserve ratio		
Expendable net assets:		
Combined Balance Sheets	Net assets without donor restrictions	\$ 7,055,808
Not applicable	Term endowments with donor restrictions	–
Combined Statements of Changes in Net Assets	Net assets with donor restrictions: time restricted and purpose restricted	911,388
Combined Statements of Changes in Net Assets	Net assets with donor restrictions: restricted in perpetuity	<u>773,086</u>
Combined Balance Sheets	Net assets with donor restrictions	1,684,474
Not applicable	Secured and unsecured related party receivables	–
Note 17. Department of Education Title IV Information	Finance lease right-of-use assets with outstanding debt	115,350
Note 17. Department of Education Title IV Information	Property and equipment – net without outstanding debt	4,169,626
Note 17. Department of Education Title IV Information	Construction-in-progress	<u>250,338</u>
Note 17. Department of Education Title IV Information	Property and equipment – net	4,535,314
Not applicable	Lease right-of-use assets, Pre-implementation*	–
Note 10. Leases	Lease right-of-use assets, Post-implementation*	184,967
Not applicable	Intangible assets	–
Note 17. Department of Education Title IV Information	Post-employment and pension, net asset	193,915

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Financial Responsibility Supplemental Schedule Related to the
U.S. Department of Education Title IV Regulations (continued)
(In Thousands)

Reference to Financial Statements and/or Notes	Ratio Element	Amount
Note 17. Department of Education Title IV Information	Total long-term debt and finance lease liabilities, Pre-implementation*	\$ 1,822,718
Note 17. Department of Education Title IV Information	Long-term debt and finance lease liabilities, Post-implementation*	1,445,227
Note 6. Long-Term Debt and Finance Lease Liabilities	Total long-term debt and finance lease liabilities	<u>3,267,945</u>
Not applicable	Lease right-of-use liabilities, Pre-implementation*	–
Note 10. Leases	Lease Right-of-use liabilities, Post-implementation*	247,706
Total expenses and losses without donor restrictions:		
Combined Statements of Activities Without Donor Restrictions	Total expenses without donor restrictions	6,878,496
Combined Statements of Activities Without Donor Restrictions	Investment returns, net of expenses, allocations to operations and amounts recorded in net assets with donor restrictions	(932,091)
Combined Statements of Activities Without Donor Restrictions	Other non-operating income and expenses – net	(10,361)
Combined Statements of Activities Without Donor Restrictions	Other components of net periodic pension credits	69,136
Equity ratio		
Modified net assets:		
Combined Balance Sheets	Net assets without donor restrictions	7,055,808
Combined Balance Sheets	Net assets with donor restrictions	1,684,474
Not applicable	Intangible assets	–
Not applicable	Due from related organizations, net	–

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Financial Responsibility Supplemental Schedule Related to the
U.S. Department of Education Title IV Regulations (continued)
(In Thousands)

Reference to Financial Statements and/or Notes	Ratio Element	Amount
Modified assets:		
Combined Balance Sheets	Total assets	\$ 14,012,590
Not applicable	Lease right-of-use assets, Pre-implementation*	-
Not applicable	Lease right-of-use liabilities, Pre-implementation*	-
Not applicable	Due from related organizations, net	-
Net income ratio		
Total revenues and gains without donor restrictions:		
Combined Statements of Activities Without Donor Restrictions	Operating revenue	6,630,444
Combined Statements of Activities Without Donor Restrictions	Non-operating gains	-

*As defined by the Department of Education.

Supplementary Information,
Audit Reports and Schedules Related to the
Uniform Guidance

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

Federal Department Program Title	ALN Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
12 Department of Defense						
Military Medical Research and Development	12.420		\$ 12,634,406	\$ –	\$ 12,634,406	\$ 774,291
Pass-Through University of Colorado, Denver	12.420	W81XWH-13-1-0091	33,838	–	33,838	–
Pass-Through Ceramedix Holding, LLC	12.420	W81XWH-20-C-0042	280,917	–	280,917	–
Pass-Through New York University School of Medicine	12.420	W81XWH-20-1-0380	107,401	–	107,401	–
Pass-Through University of Pennsylvania	12.420	W81XWH-21-1-0561	48,724	–	48,724	–
Pass-Through University of Alabama, Birmingham	12.420	W81XWH-17-2-0037	8,960	–	8,960	–
			13,114,246	–	13,114,246	774,291
Uniformed Services University Medical Research Projects						
Pass-Through Henry Jackson Foundation	12.750	HU00012020033	90,382	–	90,382	–
Total Department of Defense			13,204,628	–	13,204,628	774,291
47 National Science Foundation						
Engineering	47.041		10,642	–	10,642	–
Mathematical and Physical Sciences	47.049		14,086	–	14,086	–
Biological Sciences	47.074		151,767	–	151,767	–
Office of International Science and Engineering						
Pass-Through University of Wisconsin, Madison	47.079	OISE-20-66590-1	65,391	–	65,391	–
Total National Science Foundation			241,886	–	241,886	–
84 Department of Education						
Federal Direct Student Loans (Student Financial Assistance Cluster)	84.268		–	15,836	15,836	–
Total Department of Education			–	15,836	15,836	–

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	ALN Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
93 Department of Health & Human Services (HHS)						
Food and Drug Administration – Research	93.103		\$ 103,573	\$ –	\$ 103,573	\$ –
Oral Diseases and Disorders Research	93.121		565,158	–	565,158	113,821
Human Genome Research	93.172		3,966,182	–	3,966,182	84,501
Pass-Through University of California, Berkeley	93.172	RM1-HG009490	72,517	–	72,517	–
Pass-Through New York Genome Center	93.172	RM1-HG011014	192,397	–	192,397	–
			4,231,096	–	4,231,096	84,501
Research and Training in Complementary and Integrative Health	93.213		218,704	–	218,704	–
Research on Healthcare Costs, Quality and Outcomes						
Pass-Through University of California, San Diego	93.226	5R1-8HS026881	211,934	–	211,934	–
Mental Health Research Grants	93.242		695,534	–	695,534	34,782
Pass-Through Icahn School of Medicine at Mount Sinai	93.242	R01-MH129372	56,407	–	56,407	–
			751,941	–	751,941	34,782
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		2,824,314	–	2,824,314	1,664,798
Pass-Through Montana State University	93.286	R01-EB028752	279,931	–	279,931	–
Pass-Through Vanderbilt University Medical Center	93.286	R01-EB027498	26,484	–	26,484	–
Pass-Through Americas Corp.	93.286	R03-EB028829	6,237	–	6,237	–
Pass-Through Washington University in St. Louis	93.286	R01-EB029752	61,016	–	61,016	–
			3,197,982	–	3,197,982	1,664,798
Minority Health and Health Disparities Research	93.307		1,216,132	–	1,216,132	–
Trans-NIH Research Support	93.310		1,384,748	–	1,384,748	175,892

Memorial Sloan Kettering Cancer Center
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Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	ALN Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
National Center for Advancing Translational Sciences						
Pass-Through Clinical & Translational Science Center	93.350	UL1-TR002384	\$ 342,972	\$ –	\$ 342,972	\$ –
Pass-Through Clinical & Translational Science Center	93.350	KL2-TR002385	215,780	–	215,780	–
			558,752	–	558,752	–
Research Infrastructure Programs	93.351		1,227,000	–	1,227,000	–
Pass-Through University of California, San Diego	93.351	R01-OD026219	137,048	–	137,048	–
			1,364,048	–	1,364,048	–
21st Century Cures Act – Beau Biden Cancer Moonshot	93.353		4,087,843	–	4,087,843	356,062
Pass-Through University of Utah	93.353	U54-CA231652	452,129	–	452,129	63,228
Pass-Through University of North Carolina	93.353	U01-CA233046	111,703	–	111,703	–
Pass-Through Dana Farber Cancer Institute	93.353	1U24-CA233243	935,509	–	935,509	–
Pass-Through Dana Farber Cancer Institute	93.353	U54-CA231637	142,847	–	142,847	–
Pass-Through Beckman Research Institute of the City of Hope	93.353	R01-CA249460	20,638	–	20,638	–
Pass-Through Medical University of South Carolina	93.353	U01-CA232491	491,654	–	491,654	–
Pass-Through Dana Farber Cancer Institute	93.353	UM1-CA233080	97,691	–	97,691	–
			6,340,014	–	6,340,014	419,290
Nursing Research	93.361		1,124,102	–	1,124,102	77,956
Cancer Cause and Prevention Research	93.393		19,413,897	–	19,413,897	3,864,939
Pass-Through Johns Hopkins University	93.393	R01-CA154823	1,067	–	1,067	–
Pass-Through Fred Hutchinson Cancer Research Center	93.393	R01-CA206464	24,744	–	24,744	16,778
Pass-Through Weill Medical College of Cornell University	93.393	R01-CA215797	2,166	–	2,166	–
Pass-Through University of New Mexico	93.393	P01-CA206980	315,929	–	315,929	–
Pass-Through University of Pennsylvania	93.393	R01-CA213645	9,318	–	9,318	–
Pass-Through Columbia University	93.393	U01-CA217858	34,010	–	34,010	–
Pass-Through Massachusetts General Hospital	93.393	R01-CA214427	112,210	–	112,210	–
Pass-Through Columbia University	93.393	P01-CA221757	714,808	–	714,808	–
Pass-Through Duke University	93.393	R01-CA134722	88,687	–	88,687	–

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	ALN Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Cancer Cause and Prevention Research (continued)						
Pass-Through University of Rochester	93.393	R01-CA231014	\$ 12,433	\$ -	\$ 12,433	\$ -
Pass-Through Duke University	93.393	R01-CA244172	232,119	-	232,119	-
Pass-Through Georgetown University	93.393	R01-CA242750	37,158	-	37,158	-
Pass-Through Saint Jude Children's Research Hospital	93.393	U54-CA243124	219,229	-	219,229	-
Pass-Through Duke University	93.393	R01-CA235677	189,953	-	189,953	-
Pass-Through Georgetown University	93.393	R01-CA246589	77,246	-	77,246	-
Pass-Through Rutgers, the State University of New Jersey	93.393	R37-CA240807	189,657	-	189,657	-
Pass-Through Albert Einstein College of Medicine	93.393	R01-CA240646	40,447	-	40,447	-
Pass-Through Kaiser Foundation Research Institute	93.393	R01-CA241409	131,282	-	131,282	-
Pass-Through Fred Hutchinson Cancer Research Center	93.393	R01-CA253975	61,411	-	61,411	-
Pass-Through University of North Carolina	93.393	R01-CA233524	275,624	-	275,624	-
Pass-Through Stanford University	93.393	R01-CA232754	195,911	-	195,911	-
Pass-Through Indiana University	93.393	R01-CA157823	144,299	-	144,299	-
Pass-Through Hunter College	93.393	R01-CA239603	40,682	-	40,682	-
Pass-Through Dartmouth-Hitchcock Clinic	93.393	R01-CA243449	55,675	-	55,675	-
Pass-Through The Ohio State University	93.393	R01-CA237213	12,108	-	12,108	-
Pass-Through Washington University in St. Louis	93.393	R37-CA246175	34,885	-	34,885	9,315
Pass-Through University of Chicago	93.393	R01-CA255269	56,891	-	56,891	-
Pass-Through Johns Hopkins University	93.393	U01-CA247283	11,150	-	11,150	-
Pass-Through Weill Medical College of Cornell University	93.393	R01-CA244500	43,996	-	43,996	-
Pass-Through Brigham and Women's Hospital	93.393	U01-CA250476	272,971	-	272,971	-
Pass-Through Fred Hutchinson Cancer Research Center	93.393	U01-CA246659	21,241	-	21,241	-
Pass-Through The Regents of the University of California	93.393	R21-CA-261628	44,044	-	44,044	-
Pass-Through Columbia University	93.393	U01-CA265729	62,951	-	62,951	-
Pass-Through Dana Farber Cancer Institute	93.393	U01-CA246648	50,108	-	50,108	-
Pass-Through Kaiser Foundation Research Institute	93.393	R01-CA262015	34,446	-	34,446	-
Pass-Through New York University	93.393	R01-CA249981	45,939	-	45,939	-
Pass-Through The Ohio State University	93.393	R01-CA255323	147,665	-	147,665	-
Pass-Through University of Arizona	93.393	R01-CA262719	6,027	-	6,027	-

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	ALN Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Cancer Cause and Prevention Research (continued)						
Pass-Through Weill Medical College of Cornell University	93.393	R37-CA229861	\$ 47,888	\$ –	\$ 47,888	\$ –
Pass-Through International Agency for Research on Cancer – World Health Organization	93.393	U01-CA257679	105,608	–	105,608	–
			23,617,880	–	23,617,880	3,891,032
Cancer Detection and Diagnosis Research	93.394		18,201,274	–	18,201,274	1,779,786
Pass-Through Weill Medical College of Cornell University	93.394	R01-CA218513	46,613	–	46,613	–
Pass-Through GE Global Research	93.394	R01-CA208179	69,422	–	69,422	–
Pass-Through Icahn School of Medicine at Mount Sinai	93.394	R01-CA220234	194,812	–	194,812	–
Pass-Through University of California, San Francisco	93.394	5R01-CA227466	230,012	–	230,012	–
Pass-Through New York University School of Medicine	93.394	R01-CA213448	525,756	–	525,756	–
Pass-Through Columbia University	93.394	R01-CA240759	424,449	–	424,449	–
Pass-Through Summit Biomedical Imaging, LLC	93.394	R42-CA254776	327,921	–	327,921	–
Pass-Through City College of New York	93.394	R01-CA247910	184,923	–	184,923	–
Pass-Through Icahn School of Medicine at Mount Sinai	93.394	R01-CA244948	167,079	–	167,079	–
Pass-Through Columbia University	93.394	R01-CA257333	24,497	–	24,497	–
Pass-Through Duke University	93.394	R01-CA248491	33,583	–	33,583	–
Pass-Through ECOG-ACRIN Cancer Research Group	93.394	U24-CA196172	27,000	–	27,000	–
Pass-Through New York University School of Medicine	93.394	U01-CA214195	11,500	–	11,500	–
Pass-Through New York University School of Medicine	93.394	UG3-CA239861	114,491	–	114,491	–
Pass-Through University of Michigan	93.394	R01-CA190299	28,872	–	28,872	–
Pass-Through Johns Hopkins University	93.394	1R21-CA252530	5,310	–	5,310	–
			20,617,514	–	20,617,514	1,779,786
Cancer Treatment Research	93.395		28,571,575	–	28,571,575	518,406
Pass-Through NRG Oncology Foundation	93.395	U10-CA180868	45,696	–	45,696	–
Pass-Through Saint Jude Children’s Research Hospital	93.395	UM1-CA081457	411,408	–	411,408	–
Pass-Through Icahn School of Medicine at Mount Sinai	93.395	R01-CA207446	117,444	–	117,444	–
Pass-Through Mayo Clinic Rochester	93.395	U10-CA180882	69,964	–	69,964	–

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	ALN Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Cancer Treatment Research (continued)						
Pass-Through Rutgers, the State University of New Jersey	93.395	R01-CA219689	\$ 61,801	\$ -	\$ 61,801	\$ -
Pass-Through University of Texas MD Anderson Cancer Center	93.395	R01-CA191222	7,767	-	7,767	-
Pass-Through Rutgers, the State University of New Jersey	93.395	R01-CA220568	241,107	-	241,107	17,400
Pass-Through Rutgers, the State University of New Jersey	93.395	R01-CA233897	51,120	-	51,120	-
Pass-Through Emory University	93.395	UG1-CA233259	98,268	-	98,268	-
Pass-Through ECOG-ACRIN Cancer Research Group	93.395	U10-CA180820	47,059	-	47,059	-
Pass-Through Icahn School of Medicine at Mount Sinai	93.395	P01-CA108671	528,803	-	528,803	-
Pass-Through University of Kentucky Research Foundation	93.395	R01-CA247365	258,869	-	258,869	-
Pass-Through National Childhood Cancer Foundation	93.395	U10-CA98543	156,420	-	156,420	-
Pass-Through ECOG-ACRIN Cancer Research Group	93.395	U01-CA180820	22,711	-	22,711	-
Pass-Through New York University School of Medicine	93.395	U01-CA213359	72,367	-	72,367	-
Pass-Through Johns Hopkins University	93.395	2UM1-CA186691	223,337	-	223,337	-
Pass-Through Icahn School of Medicine Mount Sinai	93.395	1U01-DK124165	120,601	-	120,601	-
Pass-Through Emmes Company, LLC	93.395	UM1-CA121947	202,566	-	202,566	-
Pass-Through Weill Medical College of Cornell University	93.395	R01-CA241758	232,806	-	232,806	-
Pass-Through Weill Medical College of Cornell University	93.395	R01-CA241758	60,336	-	60,336	-
Pass-Through University of Virginia	93.395	P01-CA171983	117,209	-	117,209	-
Pass-Through Oregon Health and Science University	93.395	U10-CA180888	146,351	-	146,351	-
Pass-Through Icahn School of Medicine at Mount Sinai	93.395	R01-CA249204	309,904	-	309,904	-
Pass-Through Cleveland Clinic	93.395	R35-CA232097	27,919	-	27,919	-
Pass-Through New York University School of Medicine	93.395	R01-CA245005	69,059	-	69,059	-
Pass-Through Saint Jude Children's Research Hospital	93.395	2U24-CA055727	7,209	-	7,209	-
Pass-Through Beckman Research Institute of the City of Hope	93.395	R01-CA253545	4,332	-	4,332	-
Pass-Through Columbia University	93.395	R01-CA212086	21,325	-	21,325	-
Pass-Through Public Health Institute	93.395	U10-CA180886	57,761	-	57,761	-
Pass-Through Public Health Institute	93.395	UM1-CA228823	29,235	-	29,235	-

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	ALN Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Cancer Treatment Research (continued)						
Pass-Through Texas Tech University Health Sciences Center	93.395	U01-CA263988	\$ 28,116	\$ –	\$ 28,116	\$ –
Pass-Through Weill Medical College of Cornell University	93.395	R01-CA233896	61,490	–	61,490	–
			32,481,935	–	32,481,935	535,806
Cancer Biology Research						
Pass-Through Columbia University	93.396	P01-CA087497	22,614,269	–	22,614,269	2,042,556
Pass-Through University of Pennsylvania	93.396	R01-CA158301	65,615	–	65,615	–
Pass-Through New York University School of Medicine	93.396	R01-CA216421	36	–	36	–
Pass-Through Cold Spring Harbor Laboratory	93.396	P01-CA013106	80,778	–	80,778	–
Pass-Through Icahn School of Medicine at Mount Sinai	93.396	R01-CA225231	611,450	–	611,450	–
Pass-Through Columbia University	93.396	U01-CA225431	299,625	–	299,625	–
Pass-Through Weill Medical College of Cornell University	93.396	R01-CA229773	72,620	–	72,620	–
Pass-Through University of Texas MD Anderson Cancer Center	93.396	U01-CA224044	41,524	–	41,524	–
Pass-Through Weill Medical College of Cornell University	93.396	R01-CA186702	178,413	–	178,413	–
Pass-Through Dana Farber Cancer Institute	93.396	P01-CA233412	265,222	–	265,222	–
Pass-Through Moffitt Cancer Center	93.396	R01-CA234021	124,295	–	124,295	–
Pass-Through Weill Medical College of Cornell University	93.396	R01-CA242069	97,695	–	97,695	–
Pass-Through Massachusetts General Hospital	93.396	5R01-CA240924	2,061	–	2,061	–
Pass-Through Weill Medical College of Cornell University	93.396	R01-CA256188	199,883	–	199,883	–
Pass-Through University of Texas MD Anderson Cancer Center	93.396	R01-CA258226	443,906	–	443,906	–
Pass-Through Jackson Laboratory	93.396	U01-AG077925	94,973	–	94,973	–
Pass-Through Icahn School of Medicine at Mount Sinai	93.396	R01-CA260711	389,864	–	389,864	–
			2,708	–	2,708	–

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	ALN Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Cancer Biology Research (continued)						
Pass-Through Icahn School of Medicine at Mount Sinai	93.396	R01-CA271331	\$ 2,031	\$ -	\$ 2,031	\$ -
Pass-Through New York University School of Medicine	93.396	U01-CA260432	49,939	-	49,939	-
			25,636,907	-	25,636,907	2,042,556
Cancer Centers Support Grants	93.397		27,164,742	-	27,164,742	658,059
Pass-Through Indiana University	93.397	U54-CA196519	649,652	-	649,652	-
Pass-Through Dana Farber Cancer Institute	93.397	2P50-CA127003	28,509	-	28,509	-
			27,842,903	-	27,842,903	658,059
Cancer Research Manpower	93.398		11,262,659	-	11,262,659	54,225
Pass-Through University of Texas MD Anderson Cancer Center	93.398	R25-CA240113	4,637	-	4,637	-
Pass-Through Rockefeller University	93.398	K08-CA248966	128,327	-	128,327	-
Pass-Through Weill Medical College of Cornell University	93.398	T32-CA062948	171,094	-	171,094	-
			11,566,717	-	11,566,717	54,225
Cancer Control						
Pass-Through Alliance for Clinical Trials in Oncology	93.399	7UG1-CA189823	76,958	-	76,958	-
Pass-Through Physical Sciences, Inc.	93.399	R44-CA240040	33,135	-	33,135	-
			110,093	-	110,093	-
Cardiovascular Diseases Research						
Pass-Through New York University School of Medicine	93.837	R01-HL123340	137,308	-	137,308	-
Pass-Through Beckman Research Institute of the City of Hope	93.837	R01-HL150069	35,904	-	35,904	-
Pass-Through University of Pennsylvania	93.837	R01-HL152707	38,947	-	38,947	-
			212,159	-	212,159	-

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	ALN Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Blood Diseases and Resources Research	93.839		\$ 2,677,716	\$ –	\$ 2,677,716	\$ 354,166
Pass-Through Fred Hutchinson Cancer Research Center	93.839	R01-HL128239	201,456	–	201,456	–
Pass-Through Weill Medical College of Cornell University	93.839	K23-HL127223	19,184	–	19,184	–
Pass-Through Weill Medical College of Cornell University	93.839	R01-HL157387	83,123	–	83,123	–
Pass-Through Weill Medical College of Cornell University	93.839	R01-HL145283	53,902	–	53,902	–
			3,035,381	–	3,035,381	354,166
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		841,444	–	841,444	32,451
Pass-Through New York University School of Medicine	93.846	R01-AR068966	22,218	–	22,218	–
Pass-Through National Jewish Health	93.846	U01-AR077511	516,233	–	516,233	–
Pass-Through New York University School of Medicine	93.846	1R01-AR076328	56,166	–	56,166	–
			1,436,061	–	1,436,061	32,451
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		1,892,939	–	1,892,939	–
Pass-Through University of Utah	93.847	R01-DK122001	107,980	–	107,980	–
Pass-Through Columbia University	93.847	R01-DK115694	90,507	–	90,507	–
Pass-Through Baylor College of Medicine	93.847	P01-DK056492	23,737	–	23,737	–
Pass-Through The University of Chicago	93.847	5R01-DK015070	15,137	–	15,137	–
Pass-Through University of Utah	93.847	R01-DK129299	275,571	–	275,571	–
			2,405,871	–	2,405,871	–
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		4,251,810	–	4,251,810	556,489
Pass-Through New York University School of Medicine	93.853	R01-NS108491	118,662	–	118,662	–
Pass-Through Icahn School of Medicine at Mount Sinai	93.853	R01-NS110847	72,569	–	72,569	–
Pass-Through Rockefeller University	93.853	R01-NS072381	183,364	–	183,364	–
Pass-Through University of Miami	93.853	U24-NS120858	72,481	–	72,481	–

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	ALN Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Extramural Research Programs in the Neurosciences and Neurological Disorders (continued)						
Pass-Through Weill Medical College of Cornell University	93.853	R21-NS126094	\$ 52,390	\$ –	\$ 52,390	\$ –
			4,751,276	–	4,751,276	556,489
Allergy and Infectious Diseases Research	93.855		15,712,815	–	15,712,815	2,791,759
Pass-Through Fred Hutchinson Cancer Research Center	93.855	U01-AI069197	37,549	–	37,549	–
Pass-Through University of Minnesota	93.855	R01-AI034495	46,081	–	46,081	–
Pass-Through Ceramedix Holding, LLC	93.855	R44-AI106283	38,283	–	38,283	–
Pass-Through Rockefeller University	93.855	R01-AI141507	228,213	–	228,213	–
Pass-Through Weill Medical College of Cornell University	93.855	R25-AI140472	243,399	–	243,399	–
Pass-Through Icahn School of Medicine at Mount Sinai	93.855	5R01-AI081848	8,527	–	8,527	–
Pass-Through Weill Medical College of Cornell University	93.855	R56-AI152764	9,895	–	9,895	–
Pass-Through The Ohio State University	93.855	R01-AI153829	19,063	–	19,063	–
Pass-Through Weill Medical College of Cornell University	93.855	U19-AI162568	647,420	–	647,420	–
Pass-Through University of Utah	93.855	R01-AI136963	166,061	–	166,061	–
Pass-Through Hackensack Meridian Health	93.855	1U19AI171401	387,523	–	387,523	–
Pass-Through Rockefeller University	93.855	R01-AI158676	85,005	–	85,005	–
Pass-Through University of Minnesota	93.855	R37-AI034495	13,346	–	13,346	–
			17,643,180	–	17,643,180	2,791,759
Biomedical Research and Research Training	93.859		15,821,988	–	15,821,988	–
Pass-Through University of California, Irvine	93.859	R01-GM124270	18,232	–	18,232	–
Pass-Through Rutgers, the State University of New Jersey	93.859	R01-GM123330	40,313	–	40,313	–
Pass-Through University of Colorado, Boulder	93.859	R01-GM132386	69,078	–	69,078	–
Pass-Through Stanford University	93.859	R01-GM140090	9,028	–	9,028	–
Pass-Through Weill Medical College of Cornell University	93.859	R01-GM145864	16,694	–	16,694	–
			15,975,333	–	15,975,333	–

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	ALN Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Child Health and Human Development Extramural Research	93.865		\$ 1,246,621	\$ -	\$ 1,246,621	\$ -
Pass-Through University of Alabama, Birmingham	93.865	R01-HD095897	28,028	-	28,028	-
Pass-Through Yale University	93.865	R01-HD053112	11,829	-	11,829	-
			1,286,478	-	1,286,478	-
Aging Research	93.866		4,895,529	-	4,895,529	1,513,236
Pass-Through University of Arizona	93.866	P01-AG052359	89,059	-	89,059	-
Pass-Through Rutgers, the State University of New Jersey	93.866	R01-AG063937	38,360	-	38,360	-
Pass-Through Jackson Laboratory	93.866	R01-AG069010	44,973	-	44,973	-
Pass-Through Georgetown University	93.866	R01-AG068193	48,501	-	48,501	-
Pass-Through Weill Medical College of Cornell University	93.866	R21-AG071433	97,190	-	97,190	-
Pass-Through Stony Brook University	93.866	R21-AG075087	92,834	-	92,834	-
Pass-Through University of California, Los Angeles	93.866	R56-AG068086	72,446	-	72,446	-
Pass-Through Weill Medical College of Cornell University	93.866	R01-AG070501	58,773	-	58,773	-
			5,437,665	-	5,437,665	1,513,236
Vision Research						
Pass-Through Michigan State University	93.867	R01-EY030766	136,656	-	136,656	-
Health and Human Services Grants and Contracts/Other						
Pass-Through Fred Hutchinson Cancer Research Center	93.RD	HHSN272201600015C	9,901	-	9,901	-
Pass-Through Leidos Biomedical Research	93.RD	HHSN26100072	1,074	-	1,074	-
Pass-Through SRI International	93.RD	75N93020D00011	17,069	-	17,069	-
			28,044	-	28,044	-
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		-	236,596,932	236,596,932	-
National Bioterrorism Hospital Preparedness Program						
Pass-Through Greater New York Hospital Foundation	93.889	U3REP190597	-	10,667	10,667	-
Total Department of Health & Human Services (HHS)			215,490,237	236,607,599	452,097,836	16,780,605

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	ALN Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
97 U.S. Department of Homeland Security COVID-19 Disaster Grants – Public Assistance (Presidentially Declared disasters) Pass-Through New York State Division of Homeland Security and Emergency Services	97.036	176618	\$ –	\$ 4,826,345	\$ 4,826,345	\$ –
Total Department of Homeland Security			–	4,826,345	4,826,345	–
Total Expenditures of Federal Awards			\$ 228,936,751	\$ 241,449,780	\$ 470,386,531	\$ 17,554,898

See accompanying notes.

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Memorial Sloan Kettering Cancer Center and Affiliated Corporations (the Institution) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). For purposes of the Schedule, federal awards include any assistance provided by a federal agency directly or indirectly in the form of grants, contracts, cooperative agreements, loan and loan guarantees, or other non-cash assistance. In accordance with applicable requirements, certain programs may be presented in a fiscal period based on the program-specific guidance (see Notes 4 and 5). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the presentation of, the combined financial statements of the Institution.

Direct and indirect costs are charged to awards in accordance with cost principles contained in the United States Department of Health and Human Services *Cost Principles for Hospitals* at 45 CFR Part 75 Appendix IX for awards subject to the Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

2. Indirect Cost Rate

The Uniform Guidance provides for a 10% de minimis indirect cost rate election; however, the Institution did not make this election and uses a negotiated indirect cost rate.

3. Categorization of Expenditures

The Schedule reflects federal expenditures for all individual grants that were active during the year. The categorization of expenditures by program included in the Schedule is based on the *Assistance Listings*. Changes in the categorization of expenditures occur based on revisions to the *Assistance Listings*, which are issued periodically.

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Notes to Schedule of Expenditures of Federal Awards (continued)

4. COVID-19 – Provider Relief Fund

In accordance with the U.S. Department of Health and Human Services’ requirements specific to Federal Assistance Listing Number 93.498, COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution, the amount presented on the Schedule for the year ended December 31, 2022 for Federal Assistance Listing Number 93.498 relates to Provider Relief Fund and ARP (collectively, PRF) payments received from January 1, 2021 through December 31, 2021 used for lost revenues for the period January 1, 2020 through December 31, 2022. The amounts presented reconcile to the PRF information previously reported to the Health Resources and Services Administration (HRSA) for PRF Reporting Periods 3 and 4 as follows:

Name of Reporting Entity for HRSA Reporting Period 3 and 4 Provider Relief Fund Report	Reporting Entity Tax Identification Number (TIN)	Reporting Period	Type of Distribution	Total Other PRF Payments Applied to Unreimbursed Expenses Attributable to COVID-19	Total Other PRF / ARP Payments Applied to Lost Revenues	Total Amount Reported on the Accompanying Schedule for the Year Ended December 31, 2022
Memorial Hospital for Cancer and Allied Diseases	131624082	3	General	–	\$ 228,609,627	\$ 228,609,627
		4	General	–	7,839,724	7,839,724
	Various	4	American Rescue Plan	–	147,581	147,581
Total PRF Activity for the year ended December 31, 2022					<u>\$ 236,596,932</u>	<u>\$ 236,596,932</u>

In 2021, the Institution received approximately \$236.6 million in PRF payments on a combined basis. The lost revenues incurred by the Institution during the period of availability for PRF Reporting Period 3 (January 1, 2020 through June 30, 2022) and PRF Reporting Period 4 (January 1, 2020 through December 31, 2022) are in excess of the general and ARP distributions received from January 1, 2021 through December 31, 2021 and, therefore, the amounts presented in the table above and on the accompanying Schedule are limited to the amount of such distributions. The Institution also received PRF payments subsequent to December 31, 2021, which are required to be reported in subsequent HRSA PRF Reporting Periods and, accordingly, pursuant to the requirements specific to Federal Assistance Listing Number 93.498, activity related to such payments is excluded from the accompanying Schedule.

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Notes to Schedule of Expenditures of Federal Awards (continued)

5. Federal Emergency Management Agency: Disaster Grants

The Institution has applied for reimbursement for qualifying expenses under the Federal Emergency Management Agency (FEMA) COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters) program (Federal Assistance Listing Number 97.036). In 2020, the Institution submitted project worksheets totaling approximately \$9.7 million under FEMA’s expedited claim submission process. These project worksheets were approved for reimbursement under FEMA’s expedited approval process. For expedited submissions, FEMA approves 50% of the total project worksheet value. As a result, costs totaling approximately \$4.8 million incurred during 2020 are included on the accompanying Schedule for the year ended December 31, 2022.

Other FEMA project worksheets have been submitted by the Institution but were not approved in 2022. The Institution will continue to finalize the project worksheets previously submitted to FEMA and intends to submit additional applications for funding for costs incurred; however, the ultimate amount that the Institution may be reimbursed is uncertain.

Report of Independent Auditors 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 and Governing Trustees
Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

We have audited, 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 (*Government Auditing Standards*), the financial statements of Memorial Sloan Kettering Cancer Center and Affiliated Corporations (the Institution), which comprise the combined balance sheets as of December 31, 2022, and the related combined statements of activities without donor restrictions, changes in net assets, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated April 4, 2023. Our report includes a reference to other auditors who audited the financial statements of MSK Insurance US, Inc. as described in our report on the Institution's financial statements. The financial statements of MSK Insurance US, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or compliance and other matters associated with MSK Insurance US, Inc. or that are reported on separately by those auditors who audited the financial statements of MSK Insurance US, Inc.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Institution's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institution's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institution's 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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.

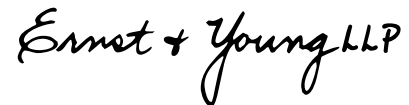
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institution's combined financial statements are free of 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 financial statements. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April 4, 2023



Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees and Governing Trustees
Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Report of Independent Auditors on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited Memorial Sloan Kettering Cancer Center and Affiliated Corporations' (the Institution) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Institution's major federal programs for the year ended December 31, 2022. The Institution's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institution complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Institution and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Institution's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Institution's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Institution's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Institution's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Institution's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Institution's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Institution's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Ernst + Young LLP

August 31, 2023

Memorial Sloan Kettering Cancer Center
and Affiliated Corporations

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

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