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August 15, 2011

Municipal Securities Rulemaking Board  
Electronic Municipal Market Access (EMMA)  
1900 Duke Street, Suite 600  
Alexandria, VA 22314

RE: City of Hope Management Discussion and Analysis (MD&A) and other continuing disclosure for the third quarter ended June 30, 2011 for the 1999 City of Duarte Certificates of Participation (COPS) and the parity debt issued on May 26, 2006. 1999 COPS CUSIP #s 263584CV4, 263584CW2, 263584CX0, 263584CY8, 263584CZ5, 263584DM3, 263584DN1, 263584DA9, 263584DB7, 263584DC5, 263584DD3

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To Whom It May Concern:

Enclosed in this package are the following items:

1. Management Discussion and Analysis for the nine months ended June 30, 2011;
2. Unaudited combining financial statements for the nine months ended June 30, 2011;
3. Statistical information for the nine months ended June 30, 2011

This disclosure information for the nine months ended June 30, 2011, is a required disclosure per the continuing disclosure agreement. The combining condensed financial statements included with this MD&A do not include all of the required disclosures or groupings of accounts required by U.S. Generally Accepted Accounting Principles for the financial statements. Enclosed with this cover letter are both the MD&A and our unaudited nine month combining financial statements.

From time to time, the City of Hope and Affiliates (Affiliates defined as City of Hope National Medical Center, City of Hope Medical Foundation and the Beckman Research Institute of the City of Hope) may discuss forward-looking information. Except for the historical information contained in this release, all forward-looking statements are predictions by our management and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements as they occur and become known over time to be materially different from those expressed or implied by such forward looking statements. Such factors include the City of Hope National Medical Center's third-party contracts; the City of Hope and Affiliates' ability to effectively manage employee compensation, pharmaceuticals, employee health benefits and other operating expenses; competition; changes in healthcare practices; changes in federal or state laws or regulations or the interpretation thereof; reduction in provider payments by governmental payers; disasters; contributions; patent

income that is dependent upon sales of pharmaceuticals with intense market competition and subject to challenge; litigation and numerous other factors impacting the delivery and cost of healthcare and research endeavors.

Any questions or comments on the above information should be addressed to the undersigned by email at [gconner@coh.org](mailto:gconner@coh.org).

Sincerely,

A handwritten signature in black ink, appearing to read "G. F. Conner". The signature is stylized with a large initial "G" and "F" and a cursive "Conner".

Gary F. Conner  
Chief Financial Officer

GFC/vt

cc: Certificates of Participation Holders  
Rating Agencies  
Mr. Michael Keane, Chair, City of Hope Board of Directors Audit Committee  
Mr. Selwyn Isakow, Chair, City of Hope Board of Directors Finance Committee

**Management Discussion and Analysis (MD&A)**  
**Including Liquidity and Capital Sources for**  
**City of Hope (COH) and Affiliates**  
**For the Nine Months Ended June 30, 2011**

**Operating Results**

Combined net operating revenues for the nine months ended June 30, 2011 and 2010, amounted to \$708.6 million and \$666.2 million, respectively. The increase is attributable to the recognition of \$46.4 million during the second quarter from the California Hospital Fee Program.

Combined income from operations for the nine months ended June 30, 2011 and 2010, amounted to \$64.3 million and \$84.6 million, respectively.

Net patient service revenue for the nine months ended June 30, 2011, was \$439.8 million and compares favorably to \$382.1 million in the previous year. Excluding the California Hospital Fee Program receipts from net patient service revenues, 2011 net patient service revenues are \$393.4 million, slightly above prior year by 3%. Inpatient volumes compared to last year continue to lag behind, mainly in the Bone Marrow Transplant (BMT) service line. BMT volumes during the third quarter improved over the previous two quarters by 1%, while not a significant increase, this does translate to more utilization in services within a complicated service line. Outpatient volumes through June are tracking 1.1% ahead of prior year. We believe that some of the declines in patient volumes have been directly attributable to physician involvement in the formation and development of a medical foundation model for health care delivery (discussed later in this MD&A). Much of the negotiations involved physician leaders in several major disciplines where much of the declines have been experienced. We believe that with the finalization of the transaction, volumes will begin to increase and have seen some trending in this direction over the past couple of months.

Contributions and net revenues from special events for the nine months ended June 30, 2011 and 2010, amounted to \$54.2 million and \$73.1 million, respectively. We believe contributions are down as direct result of continuing negative economic factors affecting charitable giving. Fundraising management continues to focus efforts on major gifts and reducing the costs of fundraising.

Royalty revenue for the nine months ended June 30, 2011 and 2010 amounted to \$146.9 million and \$155.2 million, respectively. Royalty revenues continue to be strong primarily from sales of drugs by Genentech and other licensees of monoclonal antibodies, including Avastin, Rituxan, Herceptin, Erbitux, and others using technology developed at the Beckman Research Institute of the City of Hope ("Beckman"). On December 16, 2010, the U.S. Food and Drug Administration (FDA) recommended removing the breast cancer indication from the label for Avastin based on a finding that it does not provide sufficient benefits to outweigh the risks to breast cancer patients. The action does not affect approvals for use of the drug in treating colon, kidney, brain, and lung cancer. Genentech appealed the FDA's decision; a public hearing was conducted June 28 and 29, 2011 before the FDA's Oncologic Drugs Advisory Committee. At the conclusion of the hearing, the Committee restated the recommendation to remove the breast cancer indication from the Avastin label. The matter now goes to the FDA Commissioner, who will make the final decision. The FDA has not announced when the Commissioner will rule. If upheld, the decision will have a negative impact on future sales, which could be significant. The actual extent of the impact to future royalty revenues is unknown to City of Hope at this time. Avastin was being used off-label before it was granted conditional approval in February

2008 under the FDA's accelerated approval program, and off-label use could resume; in addition, certain insurers have indicated an intention to continue covering the drug for use in treatment of breast cancer.

Extramural grant income and other grant income for the nine months ended June 30, 2011 totaled \$57.2 million compared to \$47.2 million for the nine months ended June 30, 2010. We believe that our scientific research is of the highest quality and is deserving of NIH funding, but there is no guarantee that we will continue receiving the same level of NIH funding in future periods.

On a combined basis, operating expenses for the nine months ended June 30, 2011, are \$644.3 million compared to \$581.6 million in the same period for 2010. Excluding Provider Fee Payments of \$12 million, the change between the two fiscal periods represents a 8.7% increase in expenses primarily related to salaries and wages and professional fees associated with the creation and establishment of a medical foundation.

### **California Hospital Fee Program**

The California Hospital Fee Program (the Program) was signed into law by the Governor of California and became effective on January 1, 2010. Amending legislations, to conform to changes requested by the Centers for Medicare & Medicaid Services (CMS) during the approval process, was signed into law by the Governor of California and became effective September 8, 2010. The primary legislation (AB 1383) and amending legislation (AB 1653) contain two components. The Quality Assurance Fee Act governs the "hospital fee" or "Quality Assurance Fee" (QA Fee) paid by participating hospitals. The Medi-Cal Hospital Provider Stabilization Act governs supplemental Medi-Cal payments (Supplemental Payments) made to providers from the fund. Hospital participation is mandatory with limited exceptions.

As of December 31, 2010, City of Hope had made payments to the California Department of Health Care Services for the QA Fee in the amount of \$9.3 million and had received \$41.9 million in Supplemental Payments which were included in the Medical Center's prepaid expenses and deferred revenue, respectively, in the accompanying unaudited Combining Statements of Financial Position as of that date.

City of Hope also entered into an Enforceable Pledge Agreement with the California Health Foundation and Trust (CHFT) agreeing to make contributions to the CHFT based on a pre-described calculation methodology. The amount agreed to by City of Hope is estimated to be \$2.7 million and will be used by CHFT to support charitable activities at various independent hospitals and hospital/health systems in California, including measures to alleviate distortions, interruptions and disparities potentially resulting from short-term changes in government health care reimbursement programs including the hospital fee to be imposed on hospitals under the Program. As of December 31, 2010, City of Hope had made payments to CHFT totaling \$2.7 million which has been reflected in the Medical Center's prepaid expenses in the accompanying unaudited Combining Statements of Financial Position as of that date.

On January 20, 2011 CMS gave final approval of the program. Subsequent to the final approval, City of Hope received an additional \$4.5 million in Supplemental Payments. During the second quarter of 2011 City of Hope recognized \$46.4 million in Provider Fee receipts and \$12 million in Provider Fee payments, and reversed the previously recorded deferred revenue and prepaid expenses.

On May 9, 2011, CMS completed its preliminary review of the major components for a six month extension of the hospital fee program for the period January 1, 2011 through June 30, 2011. While this extension is pending final CMS approval City of Hope has received payments and has recorded \$19.3

million in deferred revenue and has paid \$3.6 million in QA fees and CHFT contributions which is recorded as prepaid expenses as of June 30, 2011.

### **Liquidity and Capital Resources**

Days cash on hand for the obligated group, City of Hope and the Medical Center, as defined under the 1999 COPS, which includes temporarily restricted net assets, were 314 days as of June 30, 2011 and 294 days as of September 30, 2010. Consolidated unrestricted days cash on hand were 428 and 412 as of June 30, 2011 and September 30, 2010, respectively.

Consolidated current ratio is 3.78 and 3.97 as of June 30, 2011 and September 30, 2010, respectively and the consolidated quick ratio is 3.68 and 3.90 as of June 30, 2011 and September 30, 2010, respectively.

Total City of Hope and Affiliates combined lines of credit available from a local banking institution amount to \$25 million. There are no outstanding balances on these lines of credit as of June 30, 2011. We are in compliance with all debt covenants for our borrowing agreements as of June 30, 2011.

### **Development of Nonprofit Medical Foundation**

The Board of Directors of City of Hope authorized its management to develop a nonprofit medical foundation (the Foundation) to help move the Center towards a more integrated healthcare delivery system, to continue to enhance the quality of the clinical care provided to its patients and the research it conducts, and to respond to the recent passage of federal health care reform legislation.

City of Hope sought to form the Foundation in collaboration with the medical group that employed more than 90% of the physicians on the Center's medical staff, California Cancer Specialists Medical Group, Inc. (CCSMG). On May 4, 2010, CCSMG filed a lawsuit against City of Hope in Los Angeles Superior Court effectively terminating negotiations with City of Hope. On May 17, 2010, City of Hope filed a verified cross-complaint for declaratory judgment, unfair competition and intentional interference with prospective economic advantage.

On October 22, 2010, the court conducted a hearing on CCSMG's motion for a preliminary injunction, filed August 27, 2010. CCSMG sought in that motion a preliminary injunction restraining City of Hope and its co-defendant Oncology Specialists of COH, P.C. (OSCOH), a competitor of CCSMG, from (i) recruiting any physician under contract with or who is being recruited by CCSMG, based on CCSMG's claim that City of Hope and OSCOH are interfering with CCSMG's prospective economic relations, and (ii) violating the prohibition against the corporate practice of medicine through its relationship with OSCOH. At the conclusion of the hearing, the Court denied CCSMG's motion. On November 15, 2010, CCSMG commenced a direct appeal and filed a petition for writ of mandate and request for immediate injunction appealing from the Court's denial of CCSMG's preliminary injunction motion. On December 2, 2010, the Court of Appeal issued a "summary dismissal" of CCSMG's writ petition and request for immediate injunction.

In late November 2010, City of Hope, CCSMG and OSCOH began negotiations regarding a resolution of the disputes among them and began working together to create a medical foundation, and in December, reached agreement in principle as reflected in a letter of intent. On March 25, 2011, City of Hope and the Foundation signed an agreement to acquire substantially all of the assets of CCSMG. CCSMG's shareholders approved the sale on April 25, 2011. On May 31, 2011, the parties closed the medical foundation transaction, with City of Hope acquiring substantially all of the assets of CCSMG for a cash purchase price of \$43.5 million. We have made a preliminary purchase price allocation of

the acquired assets. The acquired assets included approximately \$.5 million of prepaid expenses and inventory, \$9.5 million of fixed assets, and \$33.5 million of intangible assets, including goodwill.

On the same date and as part of the closing of the transaction, City of Hope acquired substantially all of the assets of OSCOH for a purchase price of \$5.6 million. We have made a preliminary purchase price allocation of the acquired assets. The acquired assets included approximately \$.2 million in net accounts receivable and \$5.4 million of intangible assets, including goodwill.

Upon closing, most physicians employed by CCSMG and OSCOH joined together in a new medical group, City of Hope Medical Group, which has signed a long term professional services agreement with the Foundation to provide clinical, teaching, administrative, and research services to the City of Hope entities. Finally, as part of the transaction, City of Hope, CCSMG and OSCOH entered into a settlement agreement and mutual release, and on June 7, 2011, pursuant to the parties' request, the litigation pending between them was dismissed with prejudice.

The range of potential incremental capital and operating commitments in connection with establishing the Foundation are not expected to have a material impact on the financial position of the City of Hope. All costs incurred during 2011 and 2010 in furtherance of creating the framework for and planning for a nonprofit foundation and the cost incurred in connection with the litigation described above, have been expensed as incurred.

**NOTES TO THE COMBINING FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(unaudited)**

**1. Basis of Presentation**

City of Hope, a California nonprofit public benefit corporation, with its principal office located in Los Angeles, California, was formed to be the development organization of City of Hope National Medical Center (Medical Center), City of Hope Medical Foundation (Foundation), and Beckman Research Institute of the City of Hope (Beckman)(collectively, the Affiliated Group). City of Hope management and staff coordinate the fund-raising activities of the many volunteers and donors needed to support the mission of the Affiliated Group related to patient care and research.

The Medical Center, located in Duarte, California, is a California nonprofit public benefit corporation currently operating a 185-bed tertiary referral center with a licensed capacity of 217 beds, treating primarily cancer and other life threatening disease. City of Hope is the sole corporate member of the Medical Center.

The Foundation, located in Duarte, California, is a newly formed, California nonprofit public benefit corporation organized to establish and operate outpatient clinics and other health care facilities and operations for treating cancer, leukemia, heart, blood and lung diseases, diabetes and other metabolic and hereditary disorders. City of Hope is the sole corporate member of the Foundation.

Beckman, also located in Duarte, California, is a California nonprofit public benefit corporation organized to conduct basic medical and scientific research. City of Hope is the sole corporate member of Beckman.

The accompanying unaudited combining financial statements include adjustments that are, in the opinion of management, necessary for a fair presentation of the results of operations for the nine months ended June 30, 2011. All such adjustments are of a normal recurring nature. However, such unaudited financial statements do not include all of the required disclosures or groupings of accounts required by U.S. Generally Accepted Accounting Principles (GAAP), for full annual financial statements. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Although we believe that the disclosures in the financial statements included herein are adequate to make the information presented not misleading, for further information, refer to the audited consolidated financial statements and notes thereto for the year ended September 30, 2010 which are available on the City of Hope website. The results of operations for the nine months ended June 30, 2011 are not necessarily indicative of the results for a full year.

**2. Litigation**

The Affiliated Group from time to time is subject to claims arising in the ordinary course of business. In the opinion of management, with the exception of the matters discussed below, the ultimate resolution of legal proceedings and other claims will not have a material adverse effect on the consolidated financial position, statements of activities or cash flows of the Affiliated Group, or result in a substantial impairment of their operations.

City of Hope has been engaged in various proceedings involving challenges to the validity of U.S. Patent No. 6,331,415, issued December 18, 2001, entitled "Methods of Producing Immunoglobulins, Vectors and Transformed Host Cells for Use Therein" ("Cabilly II"), which City of Hope co-owns with Genentech. Cabilly II accounts for a substantial portion of the City of Hope royalty revenue. The

proceedings include merged reexamination requests filed by two third parties in 2005 before the U.S. Patent & Trademark Office (PTO). Which were resolved favorable for City of Hope and Genentech on May 19, 2009, when the PTO issued a Reexamination Certificate confirming the patentability of all claims of the Cabilly patent, with certain amendments to claims 21 - 32 that do not affect the commercial importance of the patent and suits filed in federal courts by, respectively, Centocor Inc., Glaxo Group Limited and SmithKline Beecham Corporation and Human Genome Sciences, Inc.

On May 20, 2008, Centocor Inc. sued Genentech and City of Hope in the U.S. District Court for the Central District of California challenging, among other things, the validity of the Cabilly II patent. On September 19, 2008, Genentech and City of Hope answered the complaint and filed counterclaims against Centocor, including counterclaims alleging that Centocor was infringing the Cabilly II patent. In addition, Genentech (but not City of Hope) asserted additional counterclaims alleging that various Centocor products infringe certain patents owned by Genentech only. On April 30, 2010, the parties settled the case and it was dismissed. City of Hope made no payment in connection with the settlement.

On October 8, 2009, Glaxo Group Limited and SmithKline Beecham Corporation (jointly, Glaxo) sued Genentech and City of Hope in the U.S. District Court for the Southern District of Florida challenging Cabilly II. On December 16, 2009, Genentech and City of Hope filed a motion to dismiss or in the alternative, transfer the action to the U.S. District Court for the Central District of California. On February 17, 2010, the due date of Glaxo's response to the transfer motion, Glaxo dismissed its complaint without prejudice and re-filed the complaint in the U.S. District Court for the Northern District of California. On March 10, 2010, Genentech and City of Hope filed an answer and counterclaim and a motion to transfer the action to the U.S. District Court for the Central District of California. On April 12, 2010, the Court granted the motion to transfer, and the case is now pending in the Central District of California. On February 14, 2011, the Court conducted a Markman hearing, and on February 23, 2011, the Court issued a Claim Construction Order. On March 21, 2011, Genentech and City of Hope filed an amended answer and counterclaim which, among other things, added as counter-defendants Lonza Biologics plc and Lonza Biologics Inc. (jointly, "Lonza"), which are involved in the manufacture of Arzerra, GSK's accused antibody drug.

On January 25, 2011, Human Genome Sciences (HGS) sued Genentech and City of Hope in the U.S. District for the District Court of Delaware challenging the Cabilly II patent ("HGS I"). HGS is GSK's co-development partner of the antibody drug Bynlysta. HGS filed suit after Genentech and City of Hope gave notice to GSK in the California action of their intention to add HGS as a new defendant and to add Bynlysta as an accused product. On February 10, 2011, Genentech and City of Hope filed a motion to dismiss or, in the alternative, to transfer HGS I to the Central District of California or stay.

On February 18, 2011, HGS filed another suit against Genentech, but not City of Hope, alleging violations of the Sherman Act and related state claims in connection with the settlement of an interference proceeding and subsequent patent prosecution activity before the PTO in connection with Cabilly II ("HGS II"). HGS is seeking, among other things, an order enjoining Genentech from enforcing Cabilly II against HGS. On March 15, 2011, Genentech filed a motion to dismiss or stay HGS II, and a motion to consolidate HGS II with HGS I so that it could be transferred to the Central District as well.

On April 12, 2011, the PTO issued a new Cabilly patent, U.S. Patent No. 7,923,221 entitled "Methods of Making Antibody Heavy and Light Chains Having Specificity for a Desired Antigen" ("Cabilly III"). Genentech and City of Hope are also co-owners of Cabilly III. The application for Cabilly III, filed April 13, 1995, was a continuation of application No. 07/205,419, filed on June 10, 1988, now the Cabilly II patent, which is a continuation of application No. 06/483,457, filed on April 8, 1983, issued as Patent No. 4,816,567 ("Cabilly I"). Cabilly I expired in 2006. Cabilly III is subject to a terminal disclaimer and has the same expiration date as Cabilly II. Also on April 12, 2011, Genentech and City of Hope sued

GSK, Lonza and HGS in the U.S. District Court for the Central District of California for infringing Cabilly III in connection with the manufacture and sale of Arzerra and Bynlysta. Later the same day, HGS filed suit against Genentech and City of Hope in Delaware challenging the validity of Cabilly III ("HGS III"). On April 21, 2011, Genentech and City of Hope filed a motion to dismiss, stay or transfer HGS III to the Central District. In addition, on April 22, 2011, HGS filed a motion for leave to amend the complaint in HGS I to add to that case HGS' challenge to Cabilly III. City of Hope and Genentech filed an opposition to this motion. On May 18, 2011, the Court conducted a hearing on all motions. On July 18, 2011, the Court granted Genentech and City of Hope's motions to transfer HGS I, HGS II, and HGS III to the Central District of California. All other motions were denied without prejudice to renew in the Central District.

Because the litigation involving Glaxo, Lonza and HGS is at an early stage, the final outcome of these cases cannot be determined at this time. If the Cabilly II or Cabilly III patent is ultimately declared invalid or unenforceable, royalties under the two Cabilly patents could be significantly reduced or eliminated in the future.

On August 12, 2008, Roberto Crea, PhD (Crea), who formerly worked at City of Hope, filed a complaint in the Los Angeles Superior Court against City of Hope, City of Hope National Medical Center and the Beckman Research Institute of the City of Hope. Crea claimed he was entitled to share in certain revenues that City of Hope received from Genentech. Crea's complaint asserted causes of action for breach of contract, breach of the implied covenant of good faith and fair dealing, breach of fiduciary duty, negligence, conversion, fraudulent concealment, constructive fraud, declaratory relief and accounting. On October 1, 2008, City of Hope removed the case to the United States District Court for the Central District of California. Crea opposed removal, and sought remand to state court. At a hearing on June 8, 2009, the court denied Crea's renewed motion for remand. City of Hope filed a motion to dismiss the complaint, which was later converted to a motion for summary judgment at the Court's direction. The Court conducted a hearing on the motion on July 16, 2009. On October 4, 2010, the court issued a Statement of Decision, ruling, among other things, that all of Crea's causes of action were time-barred by the statutes of limitations. On November 4, 2010, the Court entered judgment and dismissed Crea's action in its entirety. On November 29, 2010, Crea filed a notice of appeal to the Federal Circuit Court of Appeal. On March 23, 2011, Crea filed his appeal brief with the Court of Appeal. On July 1, 2011, City of Hope filed its brief. A hearing on the appeal has not yet been scheduled.

Although Dr. Crea has not specified the exact amount that he claims he is owed, Crea alleges that he is entitled to share in the royalties that Genentech has paid to City of Hope over the years. That amount consists of a total of approximately \$862.5 million. Thus a claim by Dr. Crea to even a small percentage of the revenues could amount to a material claim.

**CITY OF HOPE AND AFFILIATES**

**Combining Financial Statements**

**For the Nine Months Ended June 30, 2011**

**UNAUDITED**





**CITY OF HOPE AND AFFILIATES**  
**Combining Statements of Activities**  
**For the Quarter Ended June 30, 2011 and 2010**  
**(Amounts in Millions)**

	CITY OF HOPE						NATIONAL MEDICAL CENTER						MEDICAL FOUNDATION						BECKMAN RESEARCH INSTITUTE						SUPPORT SERVICES						ELIMINATIONS						COMBINED TOTALS																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
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222	1223	1224	1225	1226	1227	1228	1229	1230	1231	1232	1233	1234	1235	1236	1237	1238	1239	1240	1241	1242	1243	1244	1245	1246	1247	1248	1249	1250	1251	1252	1253	1254	1255	1256	1257	1258	1259	1260	1261	1262	1263	1264	1265	1266	1267	1268	1269	1270	1271	1272	1273	1274	1275	1276	1277	1278	1279	1280	1281	1282	1283	1284	1285	1286	1287	1288	1289	1290	1291	1292	1293	1294	1295	1296	1297	1298	1299	1300	1301	1302	1303	1304	1305	1306	1307	1308	1309	1310	1311	1312	1313	1314	1315	1316	1317	1318	1319	1320	1321	1322	1323	1324	1325	1326	1327	1328	1329	1330	1331	1332	1333	1334	1335	1336	1337	1338	1339	1340	1341	1342	1343	1344	1345	1346	1347	1348	1349	1350	1351	1352	1353	1354	1355	1356	1357	1358	1359	1360	1361	1362	1363	1364	1365	1366	1367	1368	1369	1370	1371	1372	1373	1374	1375	1376	1377	1378	1379	1380	1381	1382	1383	1384	1385	1386	1387	1388	1389	1390	1391	1392	1393	1394	1395	1396	1397	1398	1399	1400	1401	1402	1403	1404	1405	1406	1407	1408	1409	1410	1411	1412	1413	1414	1415	1416	1417	1418	1419	1420	1421	1422	1423	1424	1425	1426	1427	1428	1429	1430	1431	1432	1433	1434	1435	1436	1437	1438	1439	1440	1441	1442	1443	1444



**CITY OF HOPE AND AFFILIATES**  
**Combining Statements of Cash Flows**  
**For the Nine Months Ended June 30, 2011**  
**(Amounts in Millions)**

	CITY OF HOPE		NATIONAL MEDICAL CENTER		MEDICAL FOUNDATION		BECKMAN RESEARCH INSTITUTE		COMBINED TOTALS	
	1 June 2011	2 June 2010	3 June 2011	4 June 2010	5 June 2011	6 June 2010	7 June 2011	8 June 2010	9 June 2011	10 June 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>										
A Change in net assets	\$ 74.8	\$ 71.8	\$ 27.6	\$ 6.9	\$ (0.2)	\$ -	\$ 51.6	\$ 16.2	\$ 153.8	\$ 94.9
B Depreciation and amortization	0.4	0.2	25.1	25.5	0.1	-	8.4	6.6	34.0	32.3
C Loss (gain) on sale of contributed real property	(0.5)	(0.1)	-	-	-	-	-	-	(0.5)	(0.1)
D Loss on disposal of fixed assets	-	-	-	0.2	-	-	-	-	-	0.2
E Loss on interest rate swap agreement	-	-	(0.4)	0.3	-	-	(1.9)	1.5	(2.3)	1.8
F Net unrealized (gain) loss on investments	(18.1)	4.6	(4.3)	0.6	-	-	(24.8)	8.1	(47.2)	13.3
Changes in assets and liabilities:										
Decrease (increase) in:										
G Patient accounts receivable	-	-	(4.3)	0.9	(5.6)	-	-	-	(9.9)	0.9
H Grants and other receivables	8.5	4.3	0.1	5.0	-	-	(0.4)	(2.6)	8.2	6.7
I Unconditional promises to give	14.9	(4.5)	-	-	-	-	-	-	14.9	(4.5)
J Other assets	(5.8)	0.4	(2.3)	(3.2)	(4.2)	-	2.0	(4.3)	(10.3)	(7.1)
Increase (decrease) in:										
K Accounts payable and other accrued liabilities	(1.6)	-	(2.5)	(4.6)	3.3	-	(8.4)	(11.1)	(9.2)	(15.7)
L Annuity and split interest obligations	(4.7)	(1.1)	27.7	2.8	7.5	-	3.4	0.6	33.9	(0.6)
M Other liabilities	(5.9)	3.2	39.1	27.5	1.1	-	(21.7)	(1.2)	11.6	29.5
N Total adjustments	67.9	75.0	66.7	34.4	0.9	-	29.9	15.0	165.4	124.4
O Net cash (used in) provided by operating activities	(2.3)	(4.6)	(30.2)	(14.0)	-	-	(11.6)	(20.6)	(44.1)	(39.2)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>										
P Purchases of property, plant & equipment	-	-	-	(1.3)	-	-	-	(9.0)	-	(10.3)
Q Purchases - bond funded	(49.1)	-	-	-	49.1	-	-	-	-	-
R Net asset transfer	-	-	-	-	(48.1)	-	-	-	(48.1)	-
S Assets purchased	1.4	2.3	-	-	-	-	-	-	1.4	2.3
T Proceeds from sale of contributed real property	-	-	-	0.5	-	-	-	-	-	0.5
U Proceeds from sale of property, plant and equipment	-	-	-	-	-	-	-	-	-	-
V Decrease (increase) in contributions receivable from split-interest agreements	0.9	3.5	-	-	-	-	-	-	0.9	3.5
W Decrease (increase) in investments	(140.3)	(22.8)	(19.9)	(2.9)	-	-	(38.9)	(17.4)	(199.1)	(43.1)
X Decrease (increase) in bond trust funds/GE funds	-	-	3.1	4.1	-	-	-	7.1	3.1	11.2
Y Decrease (increase) in contributed real property	(0.5)	(3.1)	-	-	-	-	-	-	(0.5)	(3.1)
Z Decrease (increase) in notes receivable	-	0.1	(0.2)	0.1	-	-	(0.5)	(0.2)	(0.7)	-
AA Decrease (increase) in other assets	-	-	-	-	-	-	-	-	-	-
BB Net cash (used in) provided by investing activities	(189.9)	(24.6)	(47.2)	(13.5)	-	-	(51.0)	(40.1)	(288.1)	(78.2)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>										
DD Repayments on line of credit	-	-	(0.1)	(0.1)	-	-	-	-	(0.1)	(0.1)
EE Proceeds from line of credit	-	-	0.1	0.1	-	-	-	-	0.1	0.1
FF Principal payments on long term debt	-	-	(6.0)	(6.1)	-	-	(1.3)	(0.4)	(7.3)	(6.5)
GG Principal payments on mortgage debt	(0.1)	-	-	-	-	-	-	-	(0.1)	-
HH Net cash (used in) provided by financing activities	(0.1)	-	(6.0)	(6.1)	-	-	(1.3)	(0.4)	(7.4)	(6.5)
II NET INCREASE (DECREASE) IN CASH	(122.1)	50.4	13.5	14.8	0.9	-	(22.4)	(25.5)	(130.1)	39.7
JJ CASH AND INVESTMENTS, beginning	138.8	75.6	37.4	11.5	-	-	38.7	52.3	214.9	139.4
KK CASH AND INVESTMENTS, ending	\$ 16.7	\$ 126.0	\$ 50.9	\$ 26.3	\$ 0.9	\$ -	\$ 16.3	\$ 26.8	\$ 84.8	\$ 179.1

**City of Hope National Medical Center  
FY 2011 Selected Statistics with Comparisons to Budget and Last Year**

	October	November	December	January	February	March	April	May	June	July	August	September	YTD
<u>Admits:</u>													
Current Year Actual	486	509	451	515	487	511	504	504	527				4,494
Current Year Budget	509	522	467	529	474	543	531	555	536				4,666
Last Year Actual	515	517	498	510	522	533	540	513	536				4,684
<u>Referrals:</u>													
Current Year Actual	646	597	605	706	602	640	591	599	707				5,693
Current Year Budget	728	613	615	760	666	787	759	679	661				6,268
Last Year Actual	714	601	603	745	653	772	744	666	648				6,146
<u>Inpatient Days:</u>													
Current Year Actual	4,464	4,416	4,100	4,570	4,431	4,455	4,491	5,111	4,890				40,928
Current Year Budget	4,589	4,705	4,211	4,771	4,275	4,896	4,790	5,002	4,831				42,070
Last Year Actual	4,655	4,772	4,270	4,840	4,335	4,966	4,858	5,074	4,899				42,669
<u>Outpatient Visits:</u>													
Current Year Actual	9,819	10,029	9,338	10,569	9,320	10,631	9,649	10,313	10,577				90,245
Current Year Budget	9,919	9,925	9,926	9,924	9,923	9,929	9,919	9,928	9,925				89,318
Last Year Actual	9,611	9,779	9,551	9,664	9,487	10,723	10,073	10,037	10,385				89,310
<u>Surgery Cases:</u>													
Current Year Actual	577	547	526	549	554	605	580	560	617				5,115
Current Year Budget	579	593	534	601	542	616	603	629	608				5,305
Last Year Actual	560	572	557	538	589	696	603	566	618				5,299
<u>Days in A/R:**</u>													
Current Year Actual	71	72	76	77	79	74	74	76	69				
<u>Days in A/P (no LOC):</u>													
Current Year Actual	52	47	46	52	51	55	55	53	54				

\*\* Based on net revenue to net patient accounts receivable.