

Financial Report

Dear Friends:

Fiscal year 2004 was an important milestone for Cincinnati Children's in many ways. The operational success we are having in pursuit of our vision to become the world's leader in improving child health was closely paralleled by a strong financial performance. This supports our fundamental belief that there is an outstanding business case for quality in health care. Improved quality will lead to improved medical outcomes and also to lower costs and fiscal stability.

In previous annual reports, I have talked about our financial results in terms of a journey. The early part of the journey was marked by a need to leverage our balance sheet strength to provide the capital for intensive investment in our physical plant and intellectual resources. As a result of our investments, we have substantially increased our facilities and our staffing and have expanded our clinical and research programs. Our added capacity gave us the ability to meet the substantial increase in demand for services we experienced during the fiscal year.

Clearly additional investment is needed to ensure that we are meeting all the needs of our patients and families as well as the growing number of health professionals in the US and around the world who refer their patients to us. Our ability to continue to invest depends on ongoing financial stability rooted in outstanding outcomes, lower costs and innovation that is led by enlightened research.

We feel we are well positioned to meet these challenges. Fueled by strong growth in revenues and sustained improvements in productivity and operational efficiency, we have assembled a solid balance sheet and a strong credit rating, and have continuously improved our operating margins over the past five years. This sound base will allow us to continue to invest in improvement, maintain and expand our commitment to the economically disadvantaged and underserved, and to stay on the pace that our vision demands.



Scott J. Hamlin
Senior Vice President, Finance,
and Chief Financial Officer

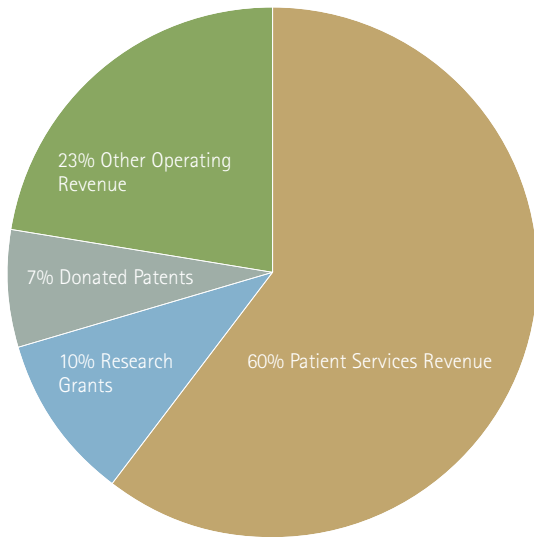
"The operational success we are having in pursuit of our vision to become the world's leader in improving child health was closely paralleled by a strong financial performance."

Scott J. Hamlin, Senior Vice President, Finance, and CFO

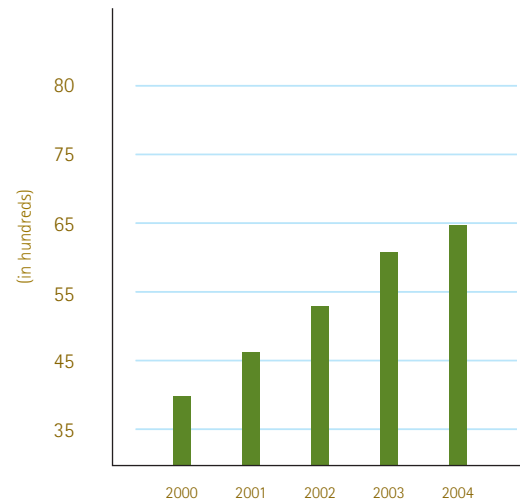
Condensed Balance Sheets

(dollars in thousands)	FY 2004	FY 2003
Assets		
Cash and Cash Equivalents	\$44,646	\$14,432
Patient Accounts Receivable, Net of Allowances for Uncollectible Accounts	86,757	77,178
Other Current Assets	77,725	75,606
Marketable Securities	111,372	84,903
CURRENT ASSETS	320,500	252,119
Plant and Equipment, Net of Accumulated Depreciation	472,104	479,975
Funds Held in Trust	102,169	7,900
Long-term Investments	49,095	48,300
Interest in Net Assets of Supporting Organizations	746,219	645,897
TOTAL ASSETS	\$1,690,087	\$1,434,191
Liabilities and Fund Balance		
Accounts Payable and Net Assets	\$91,524	\$81,429
Current Portion of Long-term Debt	13,269	10,700
CURRENT LIABILITIES	104,793	92,129
Long-term Debt	367,361	279,791
Other Long-term Liabilities	88,428	76,280
Unrestricted Net Assets	253,468	228,176
Temporarily Restricted Net Assets	132,401	113,756
Permanently Restricted Net Assets	743,636	644,059
TOTAL LIABILITIES AND NET ASSETS	\$1,690,087	\$1,434,191

Total Operating Revenues \$866,757
(dollars in thousands)



Full-time Employees



Operating Revenues and Expenses

(dollars in thousands)

Operating Revenues

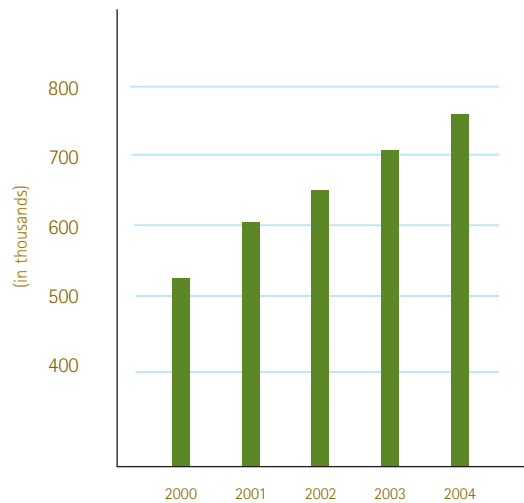
	FY 2004	FY 2003
Net Patient Services Revenue	\$519,799	\$416,656
Research Grants	88,371	75,708
Donated Patents	62,529	-
Other Operating Revenue	196,058	178,426
TOTAL OPERATING REVENUES	\$866,757	\$670,790

Operating Expenses

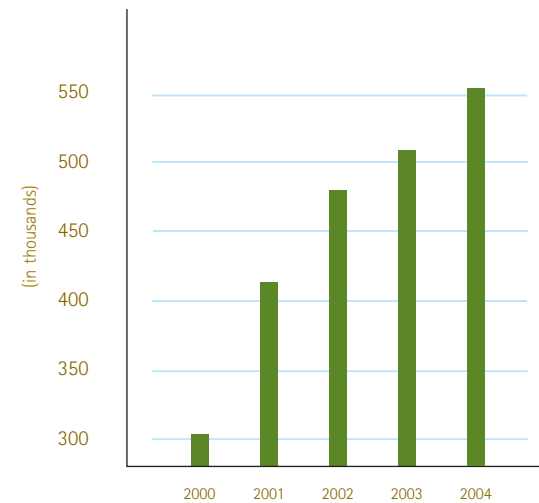
Salaries and Benefits	\$420,731	\$354,529
Services, Supplies, Other	293,955	246,100
Depreciation	59,705	54,435
Interest	10,321	10,254
Research and Development Donated Patents Expense	62,529	-
TOTAL OPERATING EXPENSES	\$847,241	\$665,318

NET OPERATING REVENUES	\$19,516	\$5,472
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Patient Encounters



Specialty Outpatient Visits



Statistical Highlights

	2004	2003	2002	2001	2000
Patients					
Admissions <i>(includes short stays)</i>	23,691	20,574	20,303	20,276	20,120
Average Length of Stay (days)	4.2	4.2	4.3	4.3	4.1
Emergency Department Visits	89,733	84,486	88,774	84,762	83,283
Regional Center for Newborn Intensive Care Admissions	550	512	552	597	645
Patient Encounters	761,482	711,290	660,124	603,488	532,000
Outpatient Visits <i>(includes outpatient centers)</i>					
Primary	33,926	34,075	33,388	32,305	38,264
Specialty	554,925	507,103	479,466	418,825	302,333
Test Referral Center	27,538	26,195	28,476	27,924	28,237
Surgical Procedures					
Inpatient	5,092	4,012	4,104	4,204	4,211
Outpatient <i>(includes outpatient centers)</i>	21,971	19,747	18,812	20,812	19,933
Transplants					
Blood and Marrow	50	45	36	49	50
Heart	5	4	6	6	4
Liver and Small Bowel	33	28	20	26	26
Kidney	13	12	12	23	11
People					
Active Medical Staff	1,113	1,018	1,023	1,039	1,250
Total Employees	7,782	7,207	6,235	5,910	5,424
Full-time Equivalents	6,490	6,019	5,342	4,705	3,993