

Children's Hospital Medical Center and Affiliates

Title 2 U.S. Code of Federal Regulations Part
200 (Uniform Guidance) Reports for the
Year Ended June 30, 2020

CHILDREN'S HOSPITAL MEDICAL CENTER AND AFFILIATES

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets	4-5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-36
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020	37-54
NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020	55
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	56-57
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL REQUIRED BY THE UNIFORM GUIDANCE	58-59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	60-61

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Children's Hospital Medical Center and Affiliates:
Cincinnati, Ohio

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Children's Hospital Medical Center and Affiliates ("Cincinnati Children's and Affiliates"), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cincinnati Children's as of June 30, 2020 and 2019, and the consolidated results of their operations and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020 on our consideration of Cincinnati Children's internal control over financial reporting and 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 Cincinnati Children'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 Cincinnati Children's internal control over financial reporting and compliance.

September 17, 2020

Children's Hospital Medical Center and Affiliates

Consolidated Balance Sheets June 30, 2020 and 2019 (dollars in thousands)

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 274,854	\$ 168,250
Marketable securities	1,028,382	951,245
Cash, cash equivalents and marketable securities	<u>1,303,236</u>	<u>1,119,495</u>
Patient receivables, net	417,654	442,478
Other receivables	134,337	131,959
Inventories and prepaid expenses	47,202	43,238
Total current assets	<u>1,902,429</u>	<u>1,737,170</u>
ASSETS LIMITED AS TO USE - Funds in trust	100,469	10,900
PROPERTY AND EQUIPMENT, net of accumulated depreciation	1,310,805	1,209,042
OPERATING LEASE RIGHT-OF-USE ASSETS	14,802	-
PENSION BENEFIT ASSET	-	20,999
OTHER LONG-TERM ASSETS	52,330	52,449
INTEREST IN NET ASSETS OF SUPPORTING ORGANIZATIONS	3,425,051	3,426,939
Total assets	<u>\$6,805,886</u>	<u>\$6,457,499</u>
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 332,100	\$ 324,599
Current portion of long-term debt and lease obligations	26,509	30,628
Commercial paper	100,000	100,000
Bonds payable subject to remarketing, net	96,774	101,701
Total current liabilities	<u>555,383</u>	<u>556,928</u>
ACCRUED PENSION BENEFIT LIABILITY	78,931	-
SELF-INSURANCE RESERVES	20,666	51,167
LONG-TERM DEBT:		
Tax-exempt bonds payable	358,965	177,064
Taxable bonds payable	397,180	396,998
Notes payable	6,000	65,217
Finance lease obligations	52,250	4,071
Operating lease obligations	12,978	-
OTHER LONG-TERM LIABILITIES	51,117	15,991
Total liabilities	<u>1,533,470</u>	<u>1,267,436</u>
COMMITMENTS AND CONTINGENCIES (Note 11)	-	-
NET ASSETS:		
Without donor restrictions	1,655,768	1,591,424
With donor restrictions	3,616,648	3,598,639
Total net assets	<u>5,272,416</u>	<u>5,190,063</u>
Total liabilities and net assets	<u>\$6,805,886</u>	<u>\$6,457,499</u>

See accompanying notes to consolidated financial statements.

Children's Hospital Medical Center and Affiliates

Consolidated Statements of Operations and Changes in Net Assets For the Years Ended June 30, 2020 and 2019 (dollars in thousands)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES, GAINS AND OTHER SUPPORT:		
Net patient service revenue	\$2,060,167	\$2,120,162
Net assets released from restriction used for operations-		
Grant revenue	186,594	180,895
Other restricted net assets used to support operations	104,907	96,456
Other revenue	220,386	174,330
Total operating revenues, gains and other support	<u>2,572,054</u>	<u>2,571,843</u>
OPERATING EXPENSES:		
Salaries	1,205,925	1,160,601
Employee benefits	324,118	329,821
Supplies, drugs and other	430,167	442,199
Purchased services	249,333	242,678
Depreciation	130,347	129,629
Utilities	19,177	20,929
Interest	24,627	27,106
Total operating expenses	<u>2,383,694</u>	<u>2,352,963</u>
Operating income	188,360	218,880
NONOPERATING GAINS (LOSSES):		
Net investment return	47,673	81,089
Net benefit gain (cost) other than service cost	4,594	(31,836)
Net nonoperating gains	<u>52,267</u>	<u>49,253</u>
Revenue and gains in excess of expenses and losses	240,627	268,133
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Receipts from supporting organizations	3,475	3,889
Net assets released from restrictions used for purchase of property and equipment	968	1,494
Transfers to supporting organizations	(108,625)	(130,000)
Pension and post-retirement health liability adjustment	<u>(80,752)</u>	<u>3,464</u>
Increase in net assets without donor restrictions	\$ 55,693	\$ 146,980

Children's Hospital Medical Center and Affiliates

Consolidated Statements of Operations and Changes in Net Assets For the Years Ended June 30, 2020 and 2019 (dollars in thousands)

	<u>2020</u>	<u>2019</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and investment income-		
Grant receipts	\$ 186,761	\$ 180,535
Gifts, contributions and other income	125,605	106,556
	<u>312,366</u>	<u>287,091</u>
Net assets released from restriction-		
Grant expenditures	(186,594)	(180,895)
Net assets with donor restrictions used to support operations	(104,907)	(96,456)
Net assets with donor restrictions used for purchase of property and equipment	(968)	(1,494)
	<u>(292,469)</u>	<u>(278,845)</u>
(Loss) gain in interest in net assets of supporting organizations	<u>(1,888)</u>	<u>589,558</u>
Increase in net assets with donor restrictions	<u>18,009</u>	<u>597,804</u>
INCREASE IN NET ASSETS	73,702	744,784
NET ASSETS, beginning of year	5,190,063	4,445,279
Cumulative effect of adoption of ASU 2016-02	8,651	-
ADJUSTED NET ASSETS, beginning of year	<u>5,198,714</u>	<u>4,445,279</u>
NET ASSETS, end of year	<u>\$5,272,416</u>	<u>\$5,190,063</u>

See accompanying notes to consolidated financial statements.

Children's Hospital Medical Center and Affiliates

Consolidated Statements of Cash Flows For the Years Ended June 30, 2020 and 2019 (dollars in thousands)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 73,702	\$ 744,784
Adjustments to reconcile increase in net assets to net cash provided by operating activities-		
Depreciation and amortization	128,714	125,822
Loss on disposal of property and equipment	3,550	2,056
Impairment of land	-	1,446
Proceeds from sale of donated securities	2,285	1,042
Receipts from supporting organizations	(3,475)	(3,889)
Contributions to supporting organizations	108,625	130,000
Contributions restricted for purchase of property and equipment	(968)	(1,494)
Loss (gain) in interest in net assets of supporting organizations	1,888	(589,558)
Unrealized and realized gains on marketable securities, net	(24,811)	(48,169)
Loss on interest rate swap	6,022	-
Decrease (increase) in receivables	22,446	(90,938)
(Increase) decrease in inventories and prepaid expenses and other assets	(3,845)	2,146
Decrease in pension benefit asset	99,930	15,276
Increase in accounts payable and accrued expenses	20,179	21,829
Decrease in operating lease obligations	(2,353)	-
(Decrease) Increase in self-insurance reserves and other long-term liabilities	(1,397)	6,434
Net cash provided by operating activities	<u>430,492</u>	<u>316,787</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for property and equipment	(239,886)	(148,758)
Receipts from sale of fixed assets	10	156
Purchases of marketable securities	(2,186,563)	(1,767,495)
Sales and maturities of marketable securities	2,131,953	1,743,036
Cash withdrawn from funds in trust	3,670	1,145
Cash invested in funds in trust	(14,987)	(2,231)
Net cash used in investing activities	<u>(305,803)</u>	<u>(174,147)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of bonds and notes payable	200,000	-
Repayment of bonds, notes payable, and finance lease obligations	(35,651)	(28,668)
Contributions restricted for purchase of property and equipment	968	1,494
Receipts from supporting organizations	3,475	3,889
Contributions to supporting organizations	(108,625)	(130,000)
Net cash provided by (used in) financing activities	<u>60,167</u>	<u>(153,285)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	184,856	(10,645)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	174,391	185,036
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u>\$ 359,247</u>	<u>\$ 174,391</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Capital expenditures in accounts payable and accrued expenses	\$ 23,378	\$ 36,056
Acquisition of property through operating leases	\$ 3,575	\$ -

See accompanying notes to consolidated financial statements.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

(1) Accounting Policies –

- (a) Basis of Consolidation – Children's Hospital Medical Center (Cincinnati Children's), River City Insurance Limited (River City), CHMC Community Health Services Network (CHSN), Burnet Ave LLC (Burnet), TSHCH LLC (TSHCH), DTPM2 LLC, BACE and Avondale Rentals, which are under common management, are included in the accompanying consolidated financial statements and are collectively referred to as Cincinnati Children's. Intercompany transactions and balances have been eliminated.

Cincinnati Children's is an Ohio not-for-profit corporation providing pediatric healthcare services, education, and related research. River City is a captive insurance company and a wholly owned subsidiary of Cincinnati Children's. CHSN is a wholly owned subsidiary of Cincinnati Children's whose purpose is to manage primary care practices in a community setting. Burnet, TSHCH, DTPM2 LLC, BACE and Avondale Rentals are wholly owned subsidiaries of Cincinnati Children's whose purpose is to hold land.

Supporting Organizations – The Children's Hospital (TCH) and Convalescent Hospital for Children and Orphan Asylum (CHCOA) are both Ohio not-for-profit corporations that provide financial support to Cincinnati Children's. Certain endowment funds of these supporting organizations are restricted by the donors for specific operating purposes of Cincinnati Children's and are recorded as Interest in Net Assets of Supporting Organizations in the accompanying Consolidated Balance Sheets. The TCH purpose clause specifies its sole purpose is to support Cincinnati Children's. As discussed below, effective March 27, 2019, CHCOA amended its purpose clause to specify the support of Cincinnati Children's as its sole purpose. Net assets without restriction of both TCH and CHCOA are recorded in Cincinnati Children's consolidated financial statements as an increase in Interest in Net Assets of Supporting Organizations and an increase in Net Assets with Donor Restrictions.

Receipts from such restricted endowment funds and certain other receipts that are designated by the Boards of Trustees of the supporting organizations for specific operating purposes are reflected as a component of restricted gifts and contributions in the accompanying Consolidated Statements of Operations and Changes in Net Assets. Upon utilization in operations, such funds are reflected in the Consolidated Statements of Operations and Changes in Net Assets as other-restricted net assets used to support operations. Changes in the fair value of Interest in Net Assets of Supporting Organizations are recorded as a Gain in Interest in Net Assets of Supporting Organizations in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

Other funds are contributed to Cincinnati Children's as designated by the Boards of the supporting organizations to provide general support and are reflected as receipts from supporting organizations in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

Children’s Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

- (b) Support Received from Supporting Organizations – In general, TCH and CHCOA provide annual support to Cincinnati Children’s that includes the dividend and interest earnings of the respective investment portfolios (net of operational expenses and any donor required reinvestment of income). On occasion, the Supporting Organizations’ Board of Trustees will also make certain pledges of principal without donor restriction in support of key projects or initiatives at Cincinnati Children’s. In January 2020, CHCOA’s Board of Trustees agreed to a gift in the amount of \$36,000 to support the construction of a new facility at the College Hill Campus and programmatic support of Cincinnati Children’s *Pursuing our Potential in Mental Health* initiative. As of June 30, 2020, the conditions of this gift are not satisfied and as such, a receivable is not recorded in the accompanying consolidated financial statements.

The following table details transfers between Cincinnati Children’s and Supporting Organizations in the Consolidated Statements of Operations and Changes in Net Assets:

	<u>2020</u>	<u>2019</u>
Transfers of net assets with donor restrictions included in Gifts, contributions and other income:		
Cincinnati Children's from TCH (1)	\$ 88,274	\$ 80,109
Cincinnati Children's from CHCOA	3,867	3,857
Total	<u>92,141</u>	<u>83,966</u>
Transfers of net assets without donor restrictions included in Receipts from (Transfers to) supporting organizations:		
Cincinnati Children's from TCH	3,475	3,889
Cincinnati Children's to TCH (2)	(108,625)	(130,000)
Total	<u>(105,150)</u>	<u>(126,111)</u>
Receivables at June 30		
Cincinnati Children's from TCH (3)	10,587	10,587
Total	<u>\$ 10,587</u>	<u>\$ 10,587</u>

- (1) In fiscal year 2019, \$1,001 of this transfer was made in support of Thrombotic Microangiopathy research, and \$1,320 of this transfer was made to support the construction of the bone marrow unit in Cincinnati Children’s Critical Care Building.
- (2) The purpose of this transfer was to establish funds designated to support divisional activities and strategic priorities.
- (3) This receivable relates to an expected payment upon the maturity of a life insurance policy.
- (c) Revenue Recognition – In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers,” also referred to as Accounting Standards Codification No. 606 (“ASC 606”). Cincinnati Children’s adopted ASC 606 effective July 1, 2018, using the full retrospective method.

The following revenue streams are subject to the revenue recognition guidance in ASC 606:

	<u>2020</u>	<u>2019</u>
Net patient service revenue	\$2,060,167	\$2,120,162
Other revenue	220,386	174,330
	<u>\$2,280,553</u>	<u>\$2,294,492</u>

Net Patient Services Revenue

Cincinnati Children's net patient services revenue generally relates to contracts with patients in which the performance obligations are to provide health care services to patients. As patients simultaneously receive and consume the benefits of health care provided by Cincinnati Children's, the performance obligations meet the criteria to be satisfied over time. Net patient service revenue is recorded as services are provided. Payment for such services is due fifteen days after the invoice date. Consideration for patient services revenue is variable. Agreements with payers typically provide for payments at amounts less than established charges.

Laws and regulations concerning government programs, including Medicaid and Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from related programs. There can be no assurance that regulatory authorities will not challenge Cincinnati Children's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Cincinnati Children's. In addition, the contracts Cincinnati Children's has with third party payers also provide for retroactive audit and review of claims. At June 30, 2020, Cincinnati Children's has settled all Medicaid cost reports through 2015 and all Medicare cost reports through 2018.

Settlements with third party payers for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing patient care. These settlements are based on the terms of the payment agreement with the payer, correspondence from the payer, and Cincinnati Children's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Estimated settlements are adjusted in future periods as adjustments become known based on new information or as years are settled and no longer subject to such audits, reviews and investigations. Adjustments arising from a change in transaction price were not material in fiscal years 2020 and 2019.

Generally, patients who are covered by third party payers are responsible for related deductibles and coinsurance, which vary in amount. Cincinnati Children's also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. Cincinnati Children's estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by established contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of change.

Consistent with Cincinnati Children's mission, care is provided to patients regardless of their ability to pay. Therefore, Cincinnati Children's has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between the amounts billed to patients and the amounts Cincinnati Children's expects to collect based on its collection history with those patients.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

Patients who meet Cincinnati Children's criteria for charity care are provided care without charge or at amounts less than established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue.

Because the majority of its performance obligations relate to contracts with a duration of less than one year, Cincinnati Children's has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the fiscal year. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the fiscal year. The performance obligations for these contracts are generally completed when patients are discharged, which generally occurs shortly after the end of the fiscal year.

In both fiscal years 2020 and 2019, substantially all of net patient service revenue is derived from third-party payment programs (Medicaid, insurance companies and various managed care agreements). Cincinnati Children's classifies its patients by payer. The following table disaggregates Cincinnati Children's net patient service revenue by payer categories for the fiscal year ended June 30, 2020 and 2019:

	2020		2019	
Commercial insurers	2%	\$ 41,203	2%	\$ 33,565
Managed care	65%	1,339,108	65%	1,383,029
Government (HMO and third party)	25%	515,042	27%	565,035
International	3%	61,805	2%	45,285
Specialty contracts ¹	4%	82,407	3%	71,368
Self-pay	1%	20,602	1%	21,880
		<u>\$2,060,167</u>		<u>\$2,120,162</u>

The following details the percentage of accounts receivable by payer category as of June 30, 2020 and 2019:

	2020	2019
Commercial insurers	3%	1%
Managed care	57%	51%
Government (HMO and third party)	22%	23%
International	9%	16%
Specialty contracts	7%	5%
Self-pay	2%	4%

Other Revenue

Cincinnati Children's other revenue generally relates to contracts with external organizations in which the performance obligations are to provide research services or other various fee-for-service arrangements outside the scope of healthcare services. Relief funds received as a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act are also included in other revenue. See Note 1(s) for further discussion on the COVID-19 Pandemic.

¹ Specialty contracts are single case agreements or contracts for specialty services, such as transplants.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

Revenue from industry contracts and certain government contracts is earned based on performance obligations to provide research services to the external organizations. License and royalty revenue relates to contracts with other organizations in which our performance obligations are to provide intellectual property to the organization. Revenue is also earned for various other contracted fee-for-service arrangements where services are performed for external organizations outside the scope of healthcare services for Cincinnati Children's patients. Performance obligations for industry and government contracts, license and royalty contracts, and various other fee-for-service arrangements are satisfied over time. Consideration is fixed based on contracted price, and there is no significant variable consideration related to these agreements.

- (d) Graduate Medical Education – Cincinnati Children's receives Federal graduate medical education funding, which has resulted in other revenue of \$10,832 and \$10,882 recognized in the accompanying consolidated financial statements for the years ended June 30, 2020 and 2019, respectively.
- (e) Tax Exempt Status – Cincinnati Children's and CHSN are recognized by the Internal Revenue Service as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as charitable organizations qualifying under Section 501(c)(3). River City is a captive insurance company and has no income tax obligations. Burnet, TSHCH, DTPM2 LLC, BACE, and Avondale Rentals are limited liability corporations whose income is taxable to Cincinnati Children's. The income tax provisions recorded in the accompanying consolidated financial statements are immaterial for the years ended June 30, 2020 and 2019.

Cincinnati Children's accounts for income taxes in accordance with Accounting Standards Codification Topic (ASC) 740 "Income Taxes". It is Cincinnati Children's policy to classify the expense related to interest and penalties, if any, to be paid on underpayments of income taxes within other expenses. There were no material penalties or interest recognized in fiscal years 2020 and 2019.

Fiscal years 2017 through 2020 are subject to examination by both the Federal and State tax jurisdictions.

- (f) Cash Equivalents – Cash equivalents consist primarily of money market investments (including money market mutual funds), certificates of deposit and demand deposits. Money market investments have maturities of 90 days or less at the time of purchase. Cash is held primarily in two financial institutions.
- (g) Inventories – Inventories consist primarily of medical supplies and pharmaceuticals and are valued on an average cost method.
- (h) Marketable Securities – Cincinnati Children's accounts for its investments under ASC 958-320 "Not-for-Profit Entities – Investments – Debt Securities" and ASC 958-321 "Not-for-Profit Entities – Investments – Equity Securities." Cincinnati Children's carries its marketable securities at fair value with unrealized gains and losses included in investment income in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

At June 30, 2020 and 2019, Cincinnati Children's marketable securities included 20% and 27% in U.S. Treasury securities, respectively.

- (i) Assets Limited As To Use – Assets limited as to use include funds in trust (Note 6) and are carried at fair value with unrealized gains and losses included in net investment return in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

- (j) Property and Equipment – Property and equipment are stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from three to forty years, as follows:

Land Improvements	3-25 years
Buildings and Building Improvements	5-40 years
Equipment	3-25 years

Cincinnati Children's evaluates long-lived assets under the provisions of ASC 360 "Property Plant and Equipment." During fiscal year 2019, Cincinnati Children's recorded losses of \$1,446 related to impairment of land values based on a fair market value assessment of the estimated sales price Cincinnati Children's would expect to receive upon sale of this land. There were no such losses during fiscal year 2020.

- (k) Leases – Cincinnati Children's leases property and equipment under finance and operating leases. Cincinnati Children's determines if an arrangement is a lease at inception. Right-of-use assets and lease obligations are recognized for leases with terms greater than 12 months based on the net present value of the future minimum lease payments over the lease term at commencement date. When readily determinable, Cincinnati Children's uses the interest rate implicit in the lease to determine the present value of future minimum lease payments. However, most of Cincinnati Children's leases do not have a readily determinable implicit interest rate. For these leases, Cincinnati Children's uses a collateralized incremental borrowing rate based on the period and cash payment stream comparable with that of each lease. The right-of-use asset and lease obligations include a value for options to extend a lease if it is reasonably certain that the option will be exercised.

The current portion of operating lease obligations is included in current portion of long-term debt and lease obligations and the non-current portion is separately broken out as operating lease obligations on the consolidated balance sheets. The related right-of-use assets are included in operating lease right-of-use assets on the consolidated balance sheets. Operating lease expense is recognized on a straight-line basis over the lease term and is included in purchased services in the consolidated statements of operations and changes in net assets.

The current portion of finance lease obligations is included in current portion of long-term debt and lease obligations and the non-current portion is separately broken out as finance lease obligations on the consolidated balance sheets. The related finance lease right-of-use assets are included in property and equipment, net on the consolidated balance sheets. Finance lease right-of-use assets are amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the property or equipment. Such amortization expense is included in depreciation in the consolidated statements of operations and changes in net assets.

- (l) Costs of Borrowing – Interest incurred on borrowed funds, net of interest earned on restricted bond funds, during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. In fiscal years 2020 and 2019, Cincinnati Children's capitalized \$6,201 and \$2,471 of interest related to construction in progress, respectively. Total cash paid for interest was approximately \$30,130 and \$29,523 and in fiscal years 2020 and 2019, respectively.

Deferred bond issuance costs and original issue discounts are amortized using the effective interest method over the period the related obligation is outstanding.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

- (m) Interest Rate Swap Agreement – In fiscal year 2020, Cincinnati Children's entered into an interest rate swap agreement to manage interest rate risk associated with the variable rate 2018Z and 2018AA bonds. The swap agreement is measured at fair value and recognized in the Consolidated Balance Sheets within Other Long-Term Liabilities. Cincinnati Children's recognizes gains and losses from the changes fair value of the interest rate swap agreement as non-operating gains and losses within net investment return on the Consolidated Statements of Operations and Changes in Net Assets.
- (n) Net Asset Classifications – Cincinnati Children's reports its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the organization are classified as net assets without donor restrictions. These net assets may be used at the discretion of management of Cincinnati Children's.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors or supporting organizations are classified as net assets with donor restrictions. Some restrictions are temporary in nature; those restrictions will be met by fulfilling a certain purpose or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the principal be maintained in perpetuity.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

Net assets with donor restrictions are comprised of the following:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Clinical	\$ 36,377	\$ 32,207
Research	89,846	89,267
Education	15,344	14,990
General Administration	16,654	15,271
Fundraising	762	716
Property-specific	5,950	3,903
	<u>164,933</u>	<u>156,354</u>
Subject to expenditure for specified purpose, held at supporting organizations:		
Research	11,874	11,595
Education	876	856
General Administration	3,526	3,445
	<u>16,276</u>	<u>15,896</u>
Subject to expenditure based on Board discretion of the supporting organization, held at supporting organizations	<u>1,648,127</u>	<u>1,572,675</u>
	1,648,127	1,572,675
Investment in perpetuity, the income from which is expendable for specified purpose, held at Cincinnati Children's:		
Clinical	381	110
Research	12,803	3,250
Education	999	-
General Administration	1,887	1,399
Fundraising	6	-
	<u>16,076</u>	<u>4,759</u>
Investment in perpetuity, the income from which is expendable for specified purpose, held at supporting organizations:		
Clinical	34,946	32,920
Research	1,589,092	1,663,928
Education	70,207	71,454
General Administration	60,430	63,729
	<u>1,754,675</u>	<u>1,832,031</u>
Subject to appropriation and expenditure when a specified event occurs:		
Upon death of insured party	16,561	16,924
	<u>16,561</u>	<u>16,924</u>
Total net assets with donor restrictions	<u><u>\$3,616,648</u></u>	<u><u>\$3,598,639</u></u>

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

- (o) Revenue and Gains in Excess of Expenses and Losses – The Consolidated Statements of Operations and Changes in Net Assets include "Revenue and gains in excess of expenses and losses." Changes in unrestricted net assets which are excluded from excess of Revenue and gains in excess of expenses and losses include receipts from supporting organizations, transfers to supporting organizations, pension and post-retirement health liability adjustments, and contributions of long-lived assets (including assets acquired using donor restricted funds).
- (p) Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- (q) New Accounting Pronouncements – In February 2016, the FASB issued ASU 2016-02 “Leases.” ASU 2016-02 introduces a new lessee model that brings substantially all lease obligations and assets onto the balance sheet. Most of the existing lessor principles are retained, but ASU 2016-02 aligns many of those principles with the FASB’s new revenue guidance. Cincinnati Children’s adopted ASU 2016-02 on July 1, 2019, using a modified retrospective approach, and, as such, prior year comparative consolidated financial statements have not been restated to reflect the adoption. Cincinnati Children’s elected the transition package of practical expedients available in ASU 2016-02 whereby, upon adoption, an entity need not reassess expired or existing contracts to determine whether the contracts are or contain leases or to determine lease classification. Cincinnati Children’s additionally elected the short-term lease recognition exemption, a practical expedient which permits a lessee not to recognize on its balance sheet assets and liabilities related to leases whose lease term is twelve months or less. The impact of adoption on the consolidated financial statements resulted in an increase in other noncurrent assets to record right-of-use assets and an increase in other current and noncurrent liabilities to record lease obligations for operating leases of approximately \$13,748 representing the present value of remaining lease payments of the operating leases. Additionally, the notes payable on the Vernon Manor I and Vernon Manor II properties are reclassified as finance lease obligations and revalued using the model provided by the amended guidance, which resulted in a credit to beginning net assets without restriction of \$8,651 for the year ended June 30, 2020. The adoption of ASU 2016-02 did not have a material impact on the consolidated statements of operations and changes in net assets or consolidated statements of cash flows.

In August 2018, the FASB issued ASU 2018-13 “Fair Value Measurement (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement.” The ASU improves the effectiveness of the notes to financial statements through changes to disclosure requirements for fair value measurement. The ASU is effective for fiscal years beginning after December 15, 2019 with retrospective application, and early adoption permitted. The impact of ASU 2018-13 is not expected to have a significant impact on the consolidated financial statements.

In August 2018 the FASB issued Accounting Standards Update (ASU) 2018-15, “Intangibles—Goodwill and Other (Topic 350): Internal-Use Software.” This standard aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years beginning after December 15, 2019, which means that it will be effective for us in the first quarter of our fiscal year beginning July 1, 2020. We do not expect the adoption of ASU 2018-15 to have a material impact on our consolidated financial statements.

Children’s Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

- (r) Reclassifications –The Enabling expenses line item was reclassified to Supplies, drugs and other on Cincinnati Children’s Consolidated Statements of Operations and Changes in Net Assets for the fiscal year ended June 30, 2019 to conform to current year presentation.
- (s) COVID-19 Pandemic – An order was issued by the Ohio Department of Health, effective Wednesday, March 18, 2020, that required all non-essential or elective surgeries and procedures that utilized personal protective equipment (“PPE”) be cancelled. As a result of this order, Cincinnati Children’s experienced a decline in patient volumes which significantly affected financial results for fiscal year 2020. This order was rescinded effective April 30, 2020. On May 1, Cincinnati Children’s began its “Responsible Recovery for Kids” plan, which included the rescheduling of previously cancelled procedures and reopening outpatient clinics in a gradual, thoughtful and safe manner. Cincinnati Children’s experienced a significant decline in inpatient days, outpatient visits and surgical cases during the period the order was in effect. The financial impact of these declines are reflected in the Consolidated Statement of Operations and Changes in Net Assets for fiscal year 2020.

The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was passed by Congress on March 27, 2020 to aid organization and individuals with the economic impacts of COVID-19. Cincinnati Children’s received \$42,404 in relief funds from the Department of Health and Human Services in fiscal year 2020 which is recorded as other revenue in the OPERATING REVENUES, GAINS AND OTHER SUPPORT section of the Consolidated Statements of Operations and Changes in Net Assets for the year ended June 30, 2020.

In addition to the distribution of relief funds, the CARES Act also included electable payroll tax credits and deferrals. Cincinnati Children’s elected to delay payment of the employer portion of the Social Security payroll taxes on wages paid beginning March 27, 2020. At June 30, 2020, an other-long term liability of \$17,013 is recorded in the Consolidated Balance Sheet. Half of the total deferred amount is required to be paid by December 31, 2021 and the remaining portion is due by December 31, 2022. A payroll tax credit was also available under the CARES Act for employers that continued to pay their employees while experiencing significant declines in operations caused by government orders or mandates associated with the response to the COVID-19 pandemic. The credit available is determined by the amount of eligible wages and healthcare benefits paid to non-working employees. Through June 30, 2020, Cincinnati Children’s has recognized a credit of \$10,566, which is reflected as a reduction in the respective Salaries and Employee benefits expenses in the Consolidated Statements of Operations and Changes in Net Assets.

(2) Liquidity and Availability –

Financial assets available for general expenditure within one year of the balance sheet date consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 274,854	\$ 168,250
Marketable securities	1,028,382	951,245
Patient receivables, net	417,654	442,478
Other receivables	134,337	131,959
	<u>\$1,855,227</u>	<u>\$1,693,932</u>

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

Cincinnati Children's has cash and cash equivalents, marketable securities (more fully described in Note 4), patient receivables and certain other receivables which are liquid and available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. Cincinnati Children's has other assets limited to use for professional liability, self-insurance health care, debt service, and with donor restrictions which are restricted by the donors to be maintained by the Corporation in perpetuity. These assets limited to use, which are more fully described in Notes 4 and 6, are not available for general expenditure within the next year and are not reflected in the amounts above. Cincinnati Children's has \$197,360 in outstanding obligations for which liquid funds must be available for payment in the event of a failed remarketing. Cincinnati Children's maintains certain balances in cash and investments and has access to a \$100,000 line of credit, as discussed in more detail in Note 9.

Additionally, Cincinnati Children's is required to maintain certain liquidity ratios as outlined in bond covenants. As of June 30, 2020 and 2019, Cincinnati Children's was in compliance with all such covenants.

Cincinnati Children's forecasts its future cash flows and monitors liquidity on a monthly basis.

(3) Reconciliation of Cash, Cash Equivalents, and Restricted Cash –

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Consolidated Statement of Cash Flows for the fiscal years ending June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$274,854	\$168,250
Restricted cash included in other long-term assets	84,393	6,141
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$359,247</u>	<u>\$174,391</u>

(4) Fair Value Measurements –

Cincinnati Children's accounts for its assets and liabilities under ASC 820 "Fair Value Measurements." As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels, which are described below:

Level 1: Quoted Prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date for assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly. These include quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are a few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

Level 3: Unobservable inputs, developed using Cincinnati Children's estimates and assumptions, which reflect those that the market participants would use. Such inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Determining where an asset or liability falls within the hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. In determining fair value, Cincinnati Children's utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers counterparty credit risk in the assessment of fair value.

The table below includes the major categorization for financial instruments on the basis of the nature and risk of the investments at June 30, 2020.

	Level 1	Level 2	Level 3	Total
Marketable Securities:				
U.S. Government and agency securities	\$ -	\$352,525	\$ -	\$352,525
Foreign bonds	-	31,853	-	31,853
Municipal bonds	-	8,338	-	8,338
Common stock	118,316	-	-	118,316
Corporate obligations	-	374,481	-	374,481
Total marketable securities measured in the fair value hierarchy	118,316	767,197	-	885,513
Full discretion fixed income				82,952
High yield corporate obligations				59,917
	<u>118,316</u>	<u>767,197</u>	<u>-</u>	<u>1,028,382</u>
Assets Limited As To Use:				
Money market mutual funds	84,527	-	-	84,527
Common stock	15,942	-	-	15,942
	<u>100,469</u>	<u>-</u>	<u>-</u>	<u>100,469</u>
Deferred Compensation Plans (included in Other Receivables and Other Long-term Assets):				
Common stock	5,967	-	-	5,967
Mutual funds:				
Money market	286	-	-	286
Equity	956	-	-	956
International equity	384	-	-	384
Bond	776	-	-	776
Lifecycle	3,916	-	-	3,916
Variable annuities	-	101	-	101
Guaranteed insurance contract	-	-	1,737	1,737
	<u>12,285</u>	<u>101</u>	<u>1,737</u>	<u>14,123</u>
Derivative Investments (included in Other-Long-term Liabilities):				
Interest rate swap agreement	-	(6,022)	-	(6,022)
Total investments at fair value	<u>\$231,070</u>	<u>\$761,276</u>	<u>\$1,737</u>	<u>\$1,136,952</u>

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

The table below includes the major categorization for financial instruments on the basis of the nature and risk of the investments at June 30, 2019.

	Level 1	Level 2	Level 3	Total
Marketable Securities:				
U.S. Government and agency securities	\$ -	\$392,417	\$ -	\$392,417
Foreign bonds	-	45,699	-	45,699
Municipal bonds	-	3,127	-	3,127
Common stock	130,315	-	-	130,315
Corporate obligations	-	336,504	-	336,504
Total marketable securities measured in the fair value hierarchy	130,315	777,747	-	908,062
Full discretion fixed income				43,006
High yield corporate obligations				177
	130,315	777,747	-	951,245
Assets Limited As To Use:				
Money market mutual funds	4,745	-	-	4,745
Common stock	6,155	-	-	6,155
	10,900	-	-	10,900
Deferred Compensation Plans (included in Other Receivables and Other Long-term Assets):				
Common stock	5,695	-	-	5,695
Mutual funds:				
Money market	43	-	-	43
Equity	1,053	-	-	1,053
International equity	677	-	-	677
Bond	931	-	-	931
Lifecycle	4,288	-	-	4,288
Variable annuities	-	100	-	100
Guaranteed insurance contract	-	-	2,339	2,339
	12,687	100	2,339	15,126
Total investments at fair value	\$153,902	\$777,847	\$ 2,339	\$977,271

The valuation methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management 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 different fair value measurement at the reporting date.

Cincinnati Children's uses quoted market prices in active markets to determine the fair value of common stock and mutual funds; such items are classified as Level 1 in the fair value hierarchy.

Cincinnati Children's primarily bases fair value for investments in fixed income securities, including U.S. government securities, municipal bonds and corporate obligations on a calculation using interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate). Consideration is also given to the counterparty credit rating. Such items are classified as Level 2 in the fair value hierarchy.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

Cincinnati Children's interest rate swap agreement (Note 15) is a derivative instrument valued using the income approach, which uses market inputs to discount future cash flows to a single present amount based on market expectations.

Cincinnati Children's investment in High Yield Corporate Obligations is an investment in a limited liability company whose investment objective is to achieve superior fixed income returns on invested funds through exposure to higher quality, less volatile, high yield debt securities. As set forth in the LLC agreement, the LLC will dissolve on March 29, 2040, but may dissolve earlier under certain conditions. Any Investing Member may elect to withdraw, in whole or in part from the LLC on the last business day of any month or at such other date, as determined by the manager. The High Yield Corporate Obligations is measured at fair value using the net asset value per share practical expedient.

Cincinnati Children's investment in Full Discretion Fixed Income is an investment in a limited liability company whose investment objective is to invest in marketable and non-marketable securities with issue and industry diversification. As set forth in the LLC agreement, the LLC will dissolve on May 22, 2047, but may dissolve earlier under certain conditions. Any Investing Member may elect to withdraw, in whole or in part from the LLC if the Member notifies of intent to withdraw sixty calendar days in advance. The Full Discretion Fixed Income is measured at fair value using the net asset value per share practical expedient.

The guaranteed insurance contract is recorded based on discounted cash flows, which is an approximation of fair value, and is classified as Level 3 based on time restrictions for redemption.

The following is a reconciliation of the roll forward of the fair value measurements using significant unobservable inputs:

	<u>2020</u>	<u>2019</u>
Balance Beginning of Year	\$2,339	\$3,076
Purchases	257	422
Unrealized (losses) gains	(1)	(45)
Sales	(858)	(1,114)
Balance at June 30,	<u>\$1,737</u>	<u>\$2,339</u>
The amount of total losses for the period included in changes in net assets attributable to the change in unrealized losses or gains related to assets still held at June 30,	<u>(\$1)</u>	<u>(\$45)</u>

Cincinnati Children's policy is to recognize transfers in and out as of the actual date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2020 and 2019, there were no material transfers in or out of Levels 1, 2 or 3.

(5) Losses on the Provision of Uncompensated Care –

In accordance with its mission and purpose, Cincinnati Children's maintains a policy of providing medically necessary services to pediatric patients within its primary service area regardless of ability to pay. This primary service area has been defined to include the four counties in Ohio, three counties in Kentucky and one county in Indiana that geographically surround Cincinnati. Under certain circumstances, Cincinnati Children's accepts patients from outside the primary service area regardless of their ability to pay. Cincinnati Children's defines uncompensated care as services rendered to patients whose families' annual

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

income or net worth falls below certain minimum standards. As such, losses absorbed by Cincinnati Children's in rendering services to patients who are covered under governmental programs which are designed to aid low income families (primarily the Medicaid program) are considered uncompensated care.

The following information summarizes uncompensated care provided during the years ended June 30, 2020 and 2019:

CHARGES	2020	2019
Charges under Medicaid and other entitlement programs	\$1,877,045	\$1,909,333
Charity care not eligible for Medicaid assistance, at established charges	29,606	27,270
Other uncollectible self-pay, at established charges	27,404	28,405
Total Medicaid, charity care and other uncollectible self-pay charges	\$1,934,055	\$1,965,008
 COSTS/LOSSES		
Estimated costs to provide uncompensated care	\$817,078	\$ 777,848
Reimbursement from Medicaid programs	(493,257)	(506,161)
Losses on the provision of uncompensated care	(323,821)	(271,687)
Funds received from HCAP and tax levy	31,039	42,447
Losses on provision of uncompensated care net of HCAP and tax levy	\$ (292,782)	\$ (229,240)

The 2020 and 2019 cost amounts reflected in the tables above are calculated using cost to charge ratios calculated from preliminary cost reports because the current year cost report is not yet available. Management does not believe the use of preliminary data would have a material impact on the amounts calculated above.

(6) Funds in Trust –

Cincinnati Children's has certain funds, which are invested and held in trust for various specified purposes. The amounts of such funds, at carrying value, and the specified purposes for which such funds may be used, are set forth below:

	June 30,	
	2020	2019
Self-insurance Funds-		
Professional liability (A)	\$ 160	\$ 160
Employee health and workers' compensation (B)	140	140
Bond interest and principle escrow funds (C)	6,960	5,841
Endowment funds held at Cincinnati Children's (D)	16,076	4,759
Bond proceeds held in trust (E)	77,133	-
	\$100,469	\$10,900

(A) Cincinnati Children's has established an irrevocable trust fund for the payment of professional liability claim settlements. See Note 8 for further discussion of professional liability self-insurance.

(B) Cincinnati Children's has established a trust fund for the payment of claims related to certain self-insured employee health care and other programs.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

(C) Cincinnati Children's maintains bond interest and principle escrow funds as required under the terms of the related bond indentures to hold interest and principle payments until the required payment dates to bondholders.

(D) Cincinnati Children's holds endowment funds related to permanently restricted assets gifted directly to Cincinnati Children's. These funds are invested primarily in equity securities.

(E) Cincinnati Children's maintains bond proceeds as required under the terms of the 2019CC bond indenture for payment of expenditures related to the Critical Care Building construction.

(7) Property and Equipment –

Property and equipment consists of the following:

	June 30,	
	2020	2019
Land	\$ 42,142	\$ 40,430
Land improvements	32,038	32,657
Buildings and building improvements	1,599,462	1,589,770
Equipment	678,044	699,717
Construction in progress	273,169	119,616
	<u>2,624,855</u>	<u>2,482,190</u>
Accumulated depreciation	(1,314,050)	(1,273,148)
Property and equipment, net	<u>\$1,310,805</u>	<u>\$1,209,042</u>

(8) Professional Liability –

Cincinnati Children's insurance program includes a self-insured retention for losses arising out of healthcare professional liability claims. The self-insured retention for the claims that are currently asserted is \$10,000 (\$25,000 in aggregate). Cincinnati Children's annually purchases excess healthcare professional liability insurance on a claim made basis at varying levels.

The actuarial present value of expected costs (including incurred, but not reported claims) for the healthcare professional liability program of \$20,939 and \$51,441 for 2020 and 2019, respectively, has been accrued in the accompanying Consolidated Balance Sheets. Accrued healthcare professional liability losses have been discounted at a rate of 4% at June 30, 2020 and 2019. The costs of Cincinnati Children's healthcare professional liability program, including premiums paid for excess re-insurance, legal fees, settlements, judgments, and other administrative costs are included in Supplies, Drugs and Other in the accompanying Consolidated Statements of Operations and Changes in Net Assets. Accrued losses funding levels are actuarially determined based on management's estimation of potential outstanding loss liabilities, payout patterns, and various other assumptions, and then adjusted to reflect its best estimate of the present value of expected costs for the healthcare professional liability claims. Healthcare professional liability expense was \$12,309 and \$14,325 for fiscal years 2020 and 2019, respectively.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

(9) Debt –

Debt at June 30, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Series 2018BB commercial paper, variable interest (0.14% to 0.15% at June 30, 2020), taxable	\$100,000	\$100,000
Bonds payable:		
Series 2010, 2.27% matured in 2020	-	2,994
Series 2011, 2.18% due through 2023	16,555	24,245
Series 2014S, 3.0% to 5.0% due through 2034, net of unamortized premium of \$3,437 in 2020 and \$4,323 in 2019	98,324	104,448
Series 2014T, 4.268% due 2044, taxable	297,708	297,613
Series 2016X, 5.00%, due through 2032, net of unamortized premium of \$9,540 in 2020 and \$10,313 in 2019	60,687	61,416
Series 2016Y, 2.853% due 2026, taxable	99,472	99,385
Series 2018Z*, variable interest (0.12% at June 30, 2020), due through 2037	38,029	39,964
Series 2018AA*, variable interest (0.13% at June 30, 2020), due through 2037	58,745	61,737
Series 2019CC, 5.0% due through 2049	197,099	-
Notes Payable:		
Term Note Payable, 2.20% due through 2022	12,000	21,000
Note Payable on Vernon Manor Property I, interest at 6.755%	-	21,884
Note Payable on Vernon Manor Property II, interest at 0.898%	-	34,457
Total	<u>978,619</u>	<u>869,143</u>
Less:		
Current portion of bonds and notes payable	(19,700)	(28,163)
Commercial paper notes	(100,000)	(100,000)
Bonds payable subject to remarketing, net	(96,774)	(101,701)
Bonds payable and notes payable - long-term	<u>\$762,145</u>	<u>\$639,279</u>

*Denotes variable rate bonds subject to remarketing agreements

- (a) Bonds Payable – Cincinnati Children's has pledged their gross revenues, as defined, to secure the payment of 2011, 2014S, 2014T, 2016X, 2016Y, 2018Z, 2018AA, and 2019CC bonds. Cincinnati Children's is bound by certain financial covenants included in the bond indentures, direct placement agreements, and related agreements. Among other restrictions is a requirement to maintain a minimum Debt Service Coverage Ratio, as defined in the agreement.

The 2018Z and 2018AA tax-exempt bonds are subject to mandatory tender purchase seven days after notice from bondholders and may be remarketed. If the bonds are not remarketed, Cincinnati Children's must repay the bonds. The 2018Z and 2018AA bonds are classified as current liabilities in bonds payable subject to remarketing, net in the accompanying Consolidated Balance Sheets. The interest rates on the 2018Z and 2018AA variable rate bonds are reset weekly by a rate-setting agent.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

In October 2019, Cincinnati Children's issued 2019CC tax-exempt bonds to fund the construction of the Critical Care Building. The obligations bear interest at a fixed rate of 5% and mature in fiscal year 2050.

- (b) Commercial Paper – In February 2018, Cincinnati Children's issued Series 2018BB taxable commercial paper in the original aggregate principal amount of \$100,000 and outstanding at any one time in a principal amount not to exceed \$100,000. The Notes shall mature no later than May 15, 2048. The commercial paper notes have a maximum maturity period of 270 days and are resold at maturity. In the event the notes have not been resold, Cincinnati Children's must repay the notes. The 2018BB commercial paper is classified as current liabilities in the accompanying Consolidated Balance Sheets. The interest rates on the 2018BB commercial paper are reset with each remarketing by a rate-setting agent.
- (c) Future Debt Maturities – The following is a schedule of future debt maturities, excluding discounts/premiums and deferred issuance costs:

2021	\$217,060
2022	20,385
2023	9,125
2024	9,060
2025	9,510
Thereafter	643,585
	<u>\$908,725</u>

- (d) Lines of Credit – In June 2016, Cincinnati Children's entered into a 5-year agreement for a line of credit of \$200,000. The line of credit was cancelled effective January 2020. The line of credit bore interest at the greater of the prime rate, federal funds rate plus .50% or the sum of LIBOR plus 1.00%. There were no draws on the line of credit during fiscal years 2020 and 2019.

In June 2020, Cincinnati Children's entered into a 1-year agreement for a line of credit of \$100,000. The line of credit matures in June 2021. The line of credit bears interest at the greater of the Daily Reset LIBOR Rate or 0.50%. There were no draws on the line of credit during fiscal year 2020.

- (e) Note Payable on Vernon Manor Property I – Cincinnati Children's entered into an agreement with a Developer to renovate and occupy the Vernon Manor property to be used primarily for administrative office space. Additionally, a parking garage was constructed on adjacent property to provide parking for the occupants of the building. As part of the agreement, Cincinnati Children's agreed to make fixed monthly payments over the seventeen-year term of the agreement. In fiscal year 2017, Cincinnati Children's agreed to a four-year extension of the agreement to expire in fiscal year 2032. In fiscal year 2018, the agreement was amended to extend the term of the lease to December 31, 2032. The present value of such fixed payments at June 30, 2019 is \$21,884 using Cincinnati Children's estimated tax-exempt interest rate at the time of the amended agreement of 6.755%. The agreement also calls for variable payments monthly to cover operating expenses for the office building and the parking garage.

Cincinnati Children's adopted ASC 842 as of July 1, 2019. Under this guidance, Vernon Manor I is considered a finance lease obligation and is reclassified as such in the consolidated financial statements for the year ended June 30, 2020.

- (f) Note Payable on Vernon Manor Property II – In November 2015, Cincinnati Children's entered into an agreement with a Developer to build and occupy property to be used primarily for parking and administrative office space. The property is adjacent to the existing Vernon Manor property. As part

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

of the agreement, Cincinnati Children's agreed to make fixed monthly payments over the fifteen-year term of the agreement at commencement of the lease in January 2018. Cincinnati Children's placed total assets in service of \$37,138 for the garage, office space and building improvements. Related notes payable were recorded for \$37,138. The agreement also calls for variable payments monthly to cover operating expenses for the office building and the parking garage.

Cincinnati Children's adopted ASC 842 as of July 1, 2019. Under this guidance, Vernon Manor II is considered a finance lease obligation and is reclassified as such in the consolidated financial statements for the year ended June 30, 2020.

(10) Employee Benefit Plans –

Cincinnati Children's maintains non-contributory retirement plans covering substantially all employees. Among these plans is a defined benefit plan where benefits are based on a formula which reflects years of service and salary levels. Cincinnati Children's funding policy for its defined benefit plan meets the funding standards established by the Employee Retirement Income Security Act of 1974 (ERISA).

Cincinnati Children's investment strategy with respect to pension assets is designed to achieve a moderate level of overall portfolio risk in keeping with desired risk objective, which is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Cincinnati Children's adopted an Investment Policy that adjusts allocations between return-seeking assets and liability-hedging assets based on the funded status of the Plan and prevailing yields. As the funded ratio improves, allocations to liability-hedging assets increase accordingly.

Cincinnati Children's seeks to maintain diversified portfolios and has adopted allocation targets within the return-seeking and liability hedging portfolios as follows:

Return-Seeking Allocation:

Global Equity	60%-80%
Private Equity	5%-15%
Real Estate	5%-15%
Multi-Asset Credit	10%-20%

Liability-Hedging Allocation:

Long Credit	50%-100%
STRIPS (Long Duration Treasury Instruments)	0%-50%

In order to maintain the portfolio's actual asset allocation in line with the target allocations specified above, rebalancing will occur periodically. As of June 30, 2020, Cincinnati Children's made \$126,400 in funding commitments in eleven investment partnerships of which \$104,360 had been funded. Additionally, Cincinnati Children's made \$72,500 in funding commitments in nine real estate investment partnerships of which \$66,910 had been funded. It is anticipated that these commitments will be funded from liquid investments of the plan.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

(Continued on next page)

Cincinnati Children's defined benefit plan investment allocation at the actuarial measurement date of June 30, 2020 and 2019 by asset category is as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	1.8%	3.5%
Corporate bonds	16.4%	15.2%
Government bonds	1.1%	1.3%
Investment Partnerships:		
Equity	4.0%	5.0%
Bond	6.4%	6.9%
Real estate	2.9%	3.2%
Commingled Investment Funds		
Equity	35.8%	32.0%
Bond	19.3%	19.2%
Government	12.3%	13.7%
	<u>100.0%</u>	<u>100.0%</u>

At June 30, 2020, the fair value and its placement in the fair value hierarchy of the underlying assets of the Plan that are required to be measured at fair value are as follows (see Note 4 for further discussion on the fair value hierarchy and fair value principles):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$25,999	\$ -	\$ -	\$25,999
Corporate bonds	-	239,216	-	239,216
Government bonds	-	15,899	-	15,899
Total assets in the fair value hierarchy	<u>25,999</u>	<u>255,115</u>	<u>-</u>	<u>281,114</u>
Investments measured at net asset value ¹ :				
Investment Partnerships:				
Equity				58,171
Bond				92,715
Real Estate				42,510
Commingled Investment Funds:				
Equity				520,228
Bond				280,657
Government				178,829
Total assets at fair value	<u>\$25,999</u>	<u>\$255,115</u>	<u>\$ -</u>	<u>\$1,454,224</u>

¹ Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

At June 30, 2019, the fair value and its placement in the fair value hierarchy of the underlying assets of the Plan that are required to be measured at fair value are as follows (see Note 4 for further discussion on the fair value hierarchy and fair value principles):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$47,971	\$ -	\$ -	\$ 47,971
Corporate bonds	-	206,155	-	206,155
Government bonds	-	17,433	-	17,433
Total assets in the fair value hierarchy	<u>47,971</u>	<u>223,588</u>	<u>-</u>	<u>271,559</u>
Investments measured at net asset value ¹ :				
Investment Partnerships:				
Equity				67,430
Bond				93,881
Real Estate				44,019
Commingled Investment Funds:				
Equity				435,248
Bond				261,441
Government				185,684
Total assets at fair value	<u>\$47,971</u>	<u>\$223,588</u>	<u>\$ -</u>	<u>\$1,359,262</u>

The fair values of Level 1 investments are based on quoted prices in active markets. The fair value for investments in fixed income securities, including U.S. government securities and corporate obligations, is based on a calculation using interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and considers the counterparty credit rating. Such items are classified as Level 2 in the fair value hierarchy. Investments in partnerships – U.S. equities, real estate, and bonds – are valued using the net asset value reported by the managers of the funds and as supported by the unit prices of actual purchase and sale transactions. The investments in investment partnerships generally are associated with liquidation restrictions that may range from 91 days to the life of the fund (up to fifteen years) and may require redemption penalties. Commingled investment funds are private funds for institutional investors valued daily at net asset value. The funds primarily consist of actively traded equity mutual funds, bond mutual funds, and US Treasury STRIPS with daily liquidity and no lockup period.

There were no transfers between levels in fiscal year 2020 or fiscal year 2019.

The following table reflects the weighted average assumptions utilized to determine benefit obligations:

	2020	2019
Discount rate used to determine actuarial present value of the projected benefit obligation	3.33%	3.86%
Assumed rate of increase in compensation levels	3.50%	3.50%
Long-term rate of return	5.50%	6.00%

¹ Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

The following table sets forth the funded status of the plan and amounts recognized in the accompanying Consolidated Balance Sheets as of June 30, 2020 and 2019, utilizing actuarial measurement dates as of June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$1,338,263	\$1,262,060
Service cost	60,340	52,373
Interest cost	50,425	52,303
Other actuarial loss	167,618	113,956
Benefits paid	(83,491)	(17,451)
Settlements	-	(124,978)
Projected benefit obligation at end of year	<u>\$1,533,155</u>	<u>\$1,338,263</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$1,359,262	\$1,298,335
Actual gain on plan assets	141,893	137,984
Employer contributions	36,560	65,372
Benefits paid	(83,491)	(17,451)
Settlements	-	(124,978)
Fair value of plan assets at end of year	<u>1,454,224</u>	<u>1,359,262</u>
Funded status	(78,931)	20,999
Net accrued pension benefit (liability) asset in Consolidated Balance Sheets	<u>\$ (78,931)</u>	<u>\$ 20,999</u>

For the Retirement Plan, the overall actuarial loss in plan obligation of approximately \$168 million is primarily attributable to a decrease in the discount rate between June 30, 2019 and June 30, 2020. The discount rate decrease of 53 basis points resulted in an increase in benefit obligation of approximately \$158 million.

In fiscal year 2019, settlement accounting was required due to lump sum payments totaling approximately \$125 million between July 1, 2018 and June 30, 2019. Under settlement accounting, Cincinnati Children's recorded a one-time charge representing accelerated recognition of certain net losses as of June 30, 2019. The settlement cost of \$38 million was recorded in net benefit cost other than service cost for fiscal year 2019.

In 2020 and 2019, the mortality tables utilized by actuaries to value the pension liability were updated based on current experience. The impact of the change in mortality assumptions is included in other actuarial loss in fiscal years 2020 and 2019.

Amounts included in Unrestricted Net Assets but not yet recognized in pension cost consist of:

	<u>2020</u>	<u>2019</u>
Net actuarial loss	\$477,831	\$409,151
Net prior service credit	(88,792)	(100,543)
	<u>\$389,039</u>	<u>\$308,608</u>

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

The table below reflects the following weighted average assumptions utilized to determine benefit costs were:

	<u>2020</u>	<u>2019</u>
Discount rate used to determine benefit costs	3.86%	4.25%
Assumed rate of increase in compensation levels	3.50%	3.50%
Expected long-term rate of return on plan assets	5.50%	6.00%

The Cincinnati Children's expected long-term rate of return on plan assets is based on the expected average returns based on the portfolio mix of plan assets and is reassessed on an annual basis.

Net periodic pension cost for 2020 and 2019 related to the defined benefit plan consisted of the following components:

	<u>2020</u>	<u>2019</u>
Service cost	\$60,340	\$52,373
Interest cost	50,425	52,303
Return on plan assets	(72,312)	(75,509)
Amortization of prior service credit	(11,751)	(11,751)
Recognized net actuarial loss	29,357	28,856
Settlement loss	-	38,209
Net periodic pension cost	<u>\$56,059</u>	<u>\$84,481</u>

Based on preliminary estimates, we do not expect any required fiscal year 2021 contributions for the qualified defined benefit plan under the current funding regulations.

The accumulated benefit obligation for the pension plan was \$1,462,649 and \$1,287,528 at June 30, 2020 and 2019, respectively.

Cincinnati Children's estimated benefit payments in each of the next five fiscal years and in aggregate for the five fiscal years thereafter are as follows:

2021	\$79,819
2022	71,898
2023	73,492
2024	75,248
2025	77,217
2026-2030	411,345

All other retirement plans maintained by Cincinnati Children's are defined contribution plans. Cincinnati Children's contributions to these plans are generally based on ten percent of salaries up to established ERISA limits. Total expense, net of forfeitures, related to these other plans was approximately \$25,862 and \$24,957 in fiscal years 2020 and 2019, respectively.

Cincinnati Children's has a nonqualified deferred compensation plan in which contributions are made to participant-directed investment accounts and deferred for a two-year period. The amounts are at a substantial risk of forfeiture and revert back to the Cincinnati Children's if the employee is not actively employed at the vesting date. Additionally, Cincinnati Children's provides individual nonqualified deferred compensation benefits to key employees with varying terms. The amount of deferred compensation income and expense recognized in fiscal years 2020 and 2019 was \$175 and \$369, respectively. The following table displays the nonqualified deferred compensation plans assets and liabilities as of June 30, 2020 and 2019:

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

	<u>2020</u>	<u>2019</u>
Current portion of nonqualified deferred compensation plans:		
Plan with two-year deferral period	\$ 2,640	\$ 2,205
Plans with varying terms	-	6
Total current (included in other receivables and accounts payable and accrued expenses)	<u>2,640</u>	<u>2,211</u>
Long-term portion of nonqualified deferred compensation plans:		
Plan with two-year deferral period	-	3,893
Plans with varying terms	<u>11,483</u>	<u>9,022</u>
Total long-term (included in other long-term assets and other long-term liabilities)	<u>11,483</u>	<u>12,915</u>
Total assets and liabilities	<u>\$14,123</u>	<u>\$15,126</u>

The postretirement benefit obligations, included within other long-term liabilities, as of June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$1,756	\$1,960
Interest cost	48	69
Actuarial loss (gain)	(41)	28
Benefits paid	<u>(249)</u>	<u>(301)</u>
Benefit obligation at end of year	<u>\$1,514</u>	<u>\$1,756</u>

Amounts included in Unrestricted Net Assets but not yet recognized in postretirement cost consist of:

	<u>2020</u>	<u>2019</u>
Net actuarial loss	\$1,402	\$1,659
Net prior service cost	<u>(144)</u>	<u>(722)</u>
	<u>\$ 1,258</u>	<u>\$ 937</u>

The above table reflects the following weighted average assumptions to determine postretirement obligations:

	<u>2020</u>	<u>2019</u>
Discount rate	1.84%	2.98%

Net periodic cost for 2019 and 2018 related to the medical and dental postretirement benefits consisted of the following components:

	<u>2020</u>	<u>2019</u>
Interest cost	\$ 48	\$ 69
Amortization of unrecognized net gain and prior service credit	<u>(362)</u>	<u>(342)</u>
	<u>\$(314)</u>	<u>\$(273)</u>

For fiscal years 2020 and 2019, the discount rate used to determine the net periodic postretirement costs was 2.98% and 3.82%, respectively.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

Cincinnati Children's expects to make the future benefit payments, which reflect expected future service, as appropriate. The following benefit payments are expected to be paid over each of the next five years and five fiscal years thereafter:

	<u>Payments</u>
2021	\$225
2022	203
2023	182
2024	161
2025	142
2026-2030	469

(11) Commitments and Contingencies –

- (a) Litigation – Cincinnati Children's is engaged from time to time in a variety of litigation and regulatory compliance matters in addition to professional and general liability matters. Management assesses the probable outcome of unresolved litigation and records estimated reserves consistent with ASC No. 450, "Contingencies." After consultation with legal counsel, management believes that all such currently existing matters will be resolved without material adverse impact to the consolidated financial position or results of operations of Cincinnati Children's.
- (b) Laws and Regulations – The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations guide the healthcare industry in many domains such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse to name a few. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, is complex and can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Management believes that Cincinnati Children's is in compliance, in all material respects, with fraud and abuse as well as other applicable government laws and regulations. Cincinnati Children's has recorded reserves for routine regulatory compliance issues and believes these reserves are adequate to cover any potential repayment of previously billed and collected revenue from patient services.
- (c) Capital Commitments – In fiscal year 2018, Cincinnati Children's entered into agreements to build and equip a 633,000 square foot clinical building and renovate 146,000 square feet of existing space. Construction commenced in fiscal year 2018. In fiscal year 2020, Cincinnati Children's Board of Trustees approved expanding the renovation scope to a total of 285,000 square feet. Cincinnati Children's has spent approximately \$321,224 through June 30, 2020 and expects to spend an additional \$364,524 in conjunction with the construction project. The new building will be completed in fiscal year 2022, and the renovation will be completed in fiscal year 2024.

In fiscal year 2020, Cincinnati Children's Board of Trustees approved construction of a replacement facility at the College Hill campus which provides inpatient and outpatient mental health services. The facility is anticipated to be approximately 175,000 square feet. Cincinnati Children's spent \$986 through June 30, 2020 and expects to spend an additional \$89,014 in conjunction with the construction project. The replacement facility is projected to be completed in fiscal year 2023.

Children’s Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

In fiscal year 2020, Cincinnati Children’s Board of Trustees approved the construction of a new ambulatory facility on the eastside of Cincinnati. This project will consolidate two smaller leased facilities into one larger owned facility. Cincinnati Children’s spent \$49 through June 30, 2020 and expects to spend an additional \$34,951. The new facility is projected to be completed in fiscal year 2024.

Cincinnati Children’s has entered into agreements with general contractors for several new construction projects, renovation projects, equipment, and information system technology projects. Cincinnati Children’s has committed to spend approximately \$29,092 in connection with current active projects as of June 30, 2020. The projects are expected to be completed primarily in fiscal year 2021.

- (d) Funding Commitments – During fiscal year 2005, the Board of Trustees of Cincinnati Children’s approved a revocable commitment for up to a \$15,000 non-recourse loan over seven years to Uptown Consortium Inc. Cincinnati Children’s has provided \$12,867 of funding in relation to this commitment through June 30, 2020. Management does not anticipate any additional funding. These funds were used to invest in commercial and residential projects in the uptown area. During fiscal year 2020, none of the loans were repaid. Cincinnati Children’s expects to receive an additional \$5,000 related to the loan.

During fiscal year 2016, the Board of Trustees of Cincinnati Children’s approved a revocable commitment for up to a \$5,000 non-recourse loan over ten years to Uptown Consortium Inc. These funds are to be used to invest in commercial and residential projects in the uptown area. As of June 30, 2020, Cincinnati Children’s has provided \$5,000 of funding in relation to this commitment.

- (e) Investment Commitments – Cincinnati Children’s has made commitments to invest \$25,000 in five limited partnerships that focus on investing in venture capital funds or provide venture capital for companies in the high-growth sectors of the economy, including life sciences, information technology, advanced manufacturing, and healthcare. Cincinnati Children’s has made commitments to invest \$10,794 in eight limited liability companies that focus on investing in early stage venture capital funds regionally and nationally with the goals of making the Cincinnati region the place for entrepreneurs and investors to launch new ideas and driving capital into scalable technology companies in southwest Ohio. Investment values are included in Other Assets in the Consolidated Balance Sheets. Cincinnati Children’s occasionally receives distributions from these investments which reduce investment values.

The following displays the amounts funded and investment values at June 30, 2020 and 2019:

2020	Funded	Value
Investment in Limited Partnerships	\$19,076	\$8,841
Investments in Limited Liability Corporations	7,958	8,540
Total	<u>\$27,034</u>	<u>\$17,381</u>
2019	Funded	Value
Investment in Limited Partnerships	\$18,206	\$ 9,712
Investments in Limited Liability Corporations	7,009	8,404
Total	<u>\$25,215</u>	<u>\$18,116</u>

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

- (12) Leases – Cincinnati Children's leases certain property and equipment. Cincinnati Children's determines if an arrangement is a lease at inception of a contract.

The following table presents expenses recorded related to lease arrangements for the year ended June 30, 2020:

Operating lease expense	\$ 3,236
Finance leases:	
Amortization of right-of-use assets	6,556
Interest on finance lease obligations	1,915
Short-term and variable lease expense	<u>4,494</u>
Total lease expense	\$16,201

Other information related to leases for the year ended June 30, 2020 is as follows:

Supplemental cash flow information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 2,353
Financing cash flows from finance leases	5,621

Weighted average remaining lease term (in years)

Operating leases	8.0
Finance leases	11.8

Weighted average discount rate

Operating leases	3.61%
Finance leases	3.41%

The aggregate future lease payments for operating and finance leases as of June 30, 2020 are as follows:

	<u>Operating</u>	<u>Finance</u>
2021	\$ 2,508	\$ 6,825
2022	2,544	6,622
2023	2,503	5,995
2024	2,372	5,248
2025	1,884	5,248
Thereafter	<u>5,602</u>	<u>40,625</u>
Total lease payments	17,413	70,563
<u>Present values:</u>		
Current lease liabilities	2,004	4,805
Long-term lease liabilities	<u>12,978</u>	<u>52,250</u>
Total lease liabilities	\$14,982	\$57,055
Difference between undiscounted cash flows and discounted cash flows	\$ 2,431	\$13,508

At June 30, 2019, certain equipment leases were classified as capital leases. The leases assets were included in property and equipment, and the capital lease obligations were recorded in current portion of long-term debt and lease obligations and financing lease obligations in the consolidated balance sheets. At June 30, 2019, the aggregate future minimum lease payments totaled \$6,536, with \$2,465 due in fiscal year 2020. Cincinnati Children's did not enter into any new capital leases in fiscal year 2019.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

Other property leases at June 30, 2019 were classified as operating leases and not capitalized. Rental expense related to such leases was approximately \$3,811 in fiscal year 2019.

Future minimum rental commitments under non-cancellable operating leases are as follows:

2020	\$3,339
2021	2,355
2022	1,886
2023	1,774
2024	221
Thereafter	2,337

- (13) Functional Expenses – The cost of providing Cincinnati Children's services are summarized on a functional basis in the following tables. Accordingly, certain costs have been allocated among functions. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
Employee benefits	Full Time Equivalent
Depreciation	Square footage
Utilities	Square footage

The following presents expenses by both their nature and function for the year ended June 30, 2020:

	<u>Clinical</u>	<u>Research</u>	<u>Education</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>TOTAL</u>
Salaries	\$ 771,653	\$182,646	\$54,929	\$4,236	\$192,461	\$1,205,925
Employee benefits	189,805	46,366	14,763	1,254	71,930	324,118
Supplies, drugs and other	333,008	32,113	3,266	581	61,199	430,167
Purchased services	83,223	43,344	2,422	568	119,776	249,333
Depreciation	78,555	27,553	116	349	23,774	130,347
Utilities	11,557	4,054	17	51	3,498	19,177
Interest	-	-	-	-	24,627	24,627
	<u>\$1,467,801</u>	<u>\$336,076</u>	<u>\$75,513</u>	<u>\$7,039</u>	<u>\$497,265</u>	<u>\$2,383,694</u>

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

The following presents expenses by both their nature and function for the year ended June 30, 2019:

	<u>Clinical</u>	<u>Research</u>	<u>Education</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>TOTAL</u>
Salaries	\$ 741,948	\$174,270	\$51,905	\$3,923	\$188,555	\$1,160,601
Employee benefits	193,671	47,560	14,842	1,187	72,561	329,821
Supplies, drugs and other	326,905	42,019	2,914	625	67,692	440,155
Purchased services	74,431	46,736	2,754	1,262	117,495	242,678
Depreciation	73,953	31,500	130	194	23,852	129,629
Utilities	11,940	5,086	21	31	3,851	20,929
Interest	-	-	-	-	27,106	27,106
Enabling expenses	-	-	-	-	2,044	2,044
	<u>\$1,422,848</u>	<u>\$347,171</u>	<u>\$72,566</u>	<u>\$7,222</u>	<u>\$503,156</u>	<u>\$2,352,963</u>

(14) Fair Value of Financial Instruments –

The following methods and assumptions were used by Cincinnati Children's in estimating its fair value disclosures for financial instruments:

Cash and Cash Equivalents – The carrying amounts reported in the Consolidated Balance Sheets approximate fair value.

Accounts Receivable and Accounts Payable – The carrying amounts reported in the Consolidated Balance Sheets approximate fair value because of the relative short maturity of these items.

Marketable Securities and Assets Limited As To Use – The carrying amounts reported in the Consolidated Balance Sheets approximate fair value. Management, with the assistance from the trustee holding the asset, determined the fair value based on published market prices.

(15) Interest Rate Swap Agreement –

In August 2019, Cincinnati Children's entered into a 10-year interest rate swap agreement in which Cincinnati Children's and the counterparty agree to exchange the difference between fixed rate and variable rate interest amounts calculated by reference to specified notational principal amounts during the agreement period. The objective is to manage interest rate risk associated with the variable rate 2018Z and 2018AA bonds. Parties to interest rate swap agreements are subject to market risk for changes in interest rates and risk of credit loss in the event of nonperformance by the counterparty.

The following table summarizes the general terms of Cincinnati Children's fixed payment swap agreement as of June 30, 2020:

<u>Effective</u>	<u>Expiration</u>	<u>Counterparty</u>	<u>Interest Rate Paid</u>	<u>Interest Rate Received</u>	<u>Notational Amount</u>
August 2019	August 2029	Fifth Third Bank	1.38%	USD-SIFMA Municipal Swap Index, 0.12% at June 30 th	\$97,360,000

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019, respectively (dollars in thousands)

The fair value of Cincinnati Children's interest rate swap agreement as of June 30, 2020 is a liability of \$6,022, excluding accrued interest, and is reported within Other Long-Term Liabilities of the Consolidated Balance Sheets. Changes in the fair value of the interest rate swap agreement are reported as non-operating gains and losses within net investment return on the Consolidated Statements of Operations and Changes in Net Assets. The change in fair value was a loss of \$6,022 in fiscal year 2020.

(16) Subsequent Events –

Cincinnati Children's received a subsequent payment under the CARES Act for \$50,000 in August 2020. Management continues to evaluate other available relief opportunities. As of the date of this financial report, the COVID-19 pandemic is ongoing, and management is unable to predict the impact on financial results or operations for fiscal year 2021.

Management reviewed subsequent events through September 17, 2020, the date the consolidated financial statements were issued, noting no changes are required to the consolidated financial statements or footnotes.

Children's Hospital Medical Center and Affiliates
Supplementary Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2020

Gov Agency	Gov Branch	Sub Exp	Fed Exp	Total Exp
Department of Defense	Military Medical Research and Development	\$ -	\$ 24,652.56	\$ 24,652.56
		-	102,086.65	102,086.65
		-	262.25	262.25
		-	21.14	21.14
		-	895.63	895.63
		-	253,100.80	253,100.80
		-	120,748.85	120,748.85
		-	33,509.44	33,509.44
		50,493.51	564,955.47	615,448.98
		-	15,139.80	15,139.80
		-	59,912.89	59,912.89
		32,787.67	188,071.48	220,859.15
		-	17,698.28	17,698.28
		-	219,522.62	219,522.62
		-	286,911.19	286,911.19
		-	138,728.62	138,728.62
		-	166,295.83	166,295.83
		-	198,716.34	198,716.34
		-	21,194.58	21,194.58
	-	18,795.27	18,795.27	
-	31,538.52	31,538.52		
	Military Medical Research and Development Total	83,281.18	2,462,758.21	2,546,039.39
		83,281.18	2,462,758.21	2,546,039.39
Department of Education	Education Research, Development and Dissemination	-	144,999.97	144,999.97
		-	144,999.97	144,999.97
	Research in Special Education	-	337,856.87	337,856.87
		-	322,551.38	322,551.38
		-	660,408.25	660,408.25
		-	805,408.22	805,408.22
Department of Justice	Crime Victim Assistance	-	122,592.08	122,592.08
		-	154,819.37	154,819.37
		-	77,024.12	77,024.12
		-	176,068.71	176,068.71
		-	209,079.62	209,079.62
		-	317,335.28	317,335.28
		-	1,056,919.18	1,056,919.18
		-	1,056,919.18	1,056,919.18
National Science Foundation	Biological Sciences	30,143.56	279,210.79	309,354.35
		30,143.56	279,210.79	309,354.35
		30,143.56	279,210.79	309,354.35
National Endowment for the Humanities	Museums for America	-	18,353.32	18,353.32
		-	18,353.32	18,353.32
		-	18,353.32	18,353.32
Department of Energy		-	122,603.36	122,603.36

Dept of Health and Human Serv

Aging Research

-	71,664.13	71,664.13
-	194,267.49	194,267.49
13,901.97	481,360.63	495,262.60
-	470,035.04	470,035.04
-	104,967.85	104,967.85
11,183.26	218,855.44	230,038.70
-	111,821.55	111,821.55
-	385,459.45	385,459.45
25,085.23	1,772,499.96	1,797,585.19
Allergy, Immunology and Transplantation Research		
-	1,073,227.00	1,073,227.00
-	71,357.57	71,357.57
-	17,099.74	17,099.74
-	93,594.00	93,594.00
-	67,129.16	67,129.16
-	597,409.56	597,409.56
46,150.25	338,627.47	384,777.72
-	18,966.12	18,966.12
-	115.80	115.80
-	231,633.56	231,633.56
-	321,602.45	321,602.45
-	441,105.97	441,105.97
-	417,174.29	417,174.29
-	279,646.63	279,646.63
-	467,714.41	467,714.41
-	307,138.67	307,138.67
-	29,082.66	29,082.66
-	897,377.95	897,377.95
-	18,583.04	18,583.04
-	268,173.91	268,173.91
-	72,274.76	72,274.76
-	36,814.40	36,814.40
-	59,881.27	59,881.27
-	28,508.67	28,508.67
-	379,193.84	379,193.84
-	79,659.12	79,659.12
-	32,474.26	32,474.26
195,295.25	140,798.21	336,093.46
-	76,937.15	76,937.15
8,812.97	199,724.58	208,537.55
-	21,012.72	21,012.72
-	134,371.77	134,371.77
-	270,698.05	270,698.05
-	105,465.94	105,465.94
-	30,925.66	30,925.66
-	8.79	8.79
14,128.28	(128.41)	13,999.87
-	202.66	202.66
-	36.99	36.99
-	53,353.19	53,353.19
-	156,157.04	156,157.04
-	129,467.95	129,467.95
-	219,916.45	219,916.45
-	302,521.68	302,521.68
-	59,147.83	59,147.83
39,005.22	169,724.40	208,729.62
-	401,205.04	401,205.04
-	203,070.29	203,070.29
24,418.95	61,100.29	85,519.24

-	32,446.20	32,446.20
-	42,496.77	42,496.77
-	123,040.42	123,040.42
-	24,275.11	24,275.11
-	139,996.80	139,996.80
-	17,124.62	17,124.62
96,224.00	306,071.64	1,032,291.52
63,018.18	-	-
149,790.63	-	-
19,871.62	-	-
281,428.99	-	-
115,886.46	-	-
324,744.34	2,124,542.00	2,786,113.68
336,827.34	-	-
-	79,929.90	79,929.90
-	1,385,831.67	1,385,831.67
9,703.53	127,770.38	137,473.91
-	234,495.77	234,495.77
-	28,770.59	28,770.59
16,510.13	543,655.38	1,005,616.70
3,177.46	-	-
5,669.81	-	-
55,566.50	-	-
35,523.51	-	-
113,047.48	-	-
153,977.33	-	-
45,713.67	-	-
30,029.62	-	-
2,745.81	-	-
-	65,472.61	65,472.61
-	1,234,427.57	1,234,427.57
-	25,637.21	25,637.21
-	289,385.47	289,385.47
-	402,549.80	402,549.80
-	214,762.23	214,762.23
-	131,105.75	131,105.75
-	5,180,385.97	5,180,385.97
2,187,267.33	22,135,458.41	24,322,725.74
Arthritis, Musculoskeletal and Skin Diseases Research	-	-
-	13,724.02	13,724.02
-	150,962.34	150,962.34
-	35,305.07	35,305.07
1,356.34	649,597.76	650,954.10
-	254,104.51	254,104.51
-	107,938.59	107,938.59
-	434,811.34	434,811.34
106,727.82	971,268.69	1,490,673.64
74,940.45	-	-
182,941.40	-	-
38,175.24	-	-
90,848.23	-	-
4,973.51	-	-
20,798.30	-	-
-	4,378.29	4,378.29
-	314,469.21	314,469.21
19,715.26	457,982.18	477,697.44
-	12,831.14	12,831.14
-	446,007.26	446,007.26
11,137.50	214,213.28	225,350.78
1,194.62	207,764.25	223,363.48

	14,404.61	-	-
	-	44,961.36	44,961.36
	-	2,033.43	2,033.43
	175.00	157,056.67	164,756.67
	4,725.00	-	-
	175.00	-	-
	2,625.00	-	-
	-	206,861.92	206,861.92
	-	174,442.97	174,442.97
	9,463.41	492,145.65	501,609.06
	-	79,636.08	79,636.08
	-	82,117.57	82,117.57
	584,376.69	5,514,613.58	6,098,990.27
Assistance Programs for Chronic Disease Prevention and Control	-	333,742.91	333,742.91
	-	333,742.91	333,742.91
Biomedical Research and Research Training	90,047.49	595,003.54	685,051.03
	-	166,139.53	166,139.53
	-	251,207.99	251,207.99
	17,315.85	344,483.47	361,799.32
	-	406,037.98	406,037.98
	51,540.51	325,505.79	377,046.30
	-	601,518.86	601,518.86
	-	337,806.35	337,806.35
	-	47.90	47.90
	-	270,093.06	270,093.06
	-	168,732.98	168,732.98
	-	102,590.24	102,590.24
	-	106,412.30	106,412.30
	-	323,429.29	323,429.29
	-	89,707.83	89,707.83
	-	140,001.14	140,001.14
	-	443,625.01	443,625.01
	-	419,119.50	419,119.50
	-	281,340.34	281,340.34
	-	29,335.55	29,335.55
	6,641.24	85,656.61	92,297.85
	27,098.08	84,877.98	111,976.06
	-	9,727.38	9,727.38
	102,634.30	116,171.47	224,864.90
	6,059.13	-	-
	-	1,371.21	1,371.21
	-	345,175.32	345,175.32
	1,500.00	540,899.20	576,968.04
	2,500.00	-	-
	2,500.00	-	-
	5,000.00	-	-
	2,000.00	-	-
	3,000.00	-	-
	3,500.00	-	-
	16,068.84	-	-
	-	264,696.24	264,696.24
	-	24,349.00	24,349.00
	337,405.44	6,875,063.06	7,212,468.50
Blood Diseases and Resources Research	-	37,476.00	37,476.00
	-	30,795.61	30,795.61
	-	20,895.03	20,895.03
	-	393,580.05	393,580.05

	-	86,614.95	86,614.95
	-	19,598.46	19,598.46
	-	3,610.27	3,610.27
	-	296,813.30	296,813.30
	29,708.09	401,242.90	430,950.99
	-	342,788.29	342,788.29
	-	706,509.36	706,509.36
	-	1,013.18	1,013.18
	-	39,324.48	39,324.48
	-	204,781.08	204,781.08
	-	759,999.60	759,999.60
	-	7,457.87	7,457.87
	-	(41,279.34)	(41,279.34)
	14,771.96	230,842.03	568,229.28
	61,721.72	-	-
	74,975.88	-	-
	85,662.91	-	-
	51,449.68	-	-
	30,274.10	-	-
	18,531.00	-	-
	-	43,599.12	43,599.12
	-	68,156.16	68,156.16
	367,095.34	3,653,818.40	4,020,913.74
Cancer Biology Research	-	15,504.97	15,504.97
	-	294,508.53	294,508.53
	-	335,684.74	335,684.74
	14,274.47	48,958.43	161,647.94
	18,598.89	-	-
	79,816.15	-	-
	-	379,755.22	379,755.22
	-	382,011.19	382,011.19
	6,554.89	76.78	6,631.67
	-	409,808.78	409,808.78
	-	246,266.18	246,266.18
	-	384,668.76	384,668.76
	7,629.61	63,741.16	71,370.77
	-	69,114.21	69,114.21
	-	449,888.44	449,888.44
	-	182,216.83	182,216.83
	126,874.01	3,262,204.22	3,389,078.23
Cancer Cause and Prevention Research	-	36,126.34	36,126.34
	-	381,833.21	381,833.21
	-	28,614.61	28,614.61
	791.95	438,451.63	439,243.58
	-	457,233.03	457,233.03
	-	77,383.86	77,383.86
	791.95	1,419,642.68	1,420,434.63
Cancer Detection and Diagnosis Research	-	388,628.38	388,628.38
	41,813.80	105,897.56	147,711.36
	41,813.80	494,525.94	536,339.74
Cancer Research Manpower	-	3,466.00	3,466.00
	-	29,242.51	29,242.51
	474.23	126,023.97	126,498.20
	-	148,399.65	148,399.65
	-	42,297.78	42,297.78
	474.23	349,429.91	349,904.14

Cancer Treatment Research	-	304,643.63	304,643.63
	-	27,256.83	27,256.83
	-	365,484.79	365,484.79
	-	617,501.14	617,501.14
	-	73,094.74	73,094.74
	-	15,086.73	15,086.73
	-	154,030.84	154,030.84
	-	13,984.20	13,984.20
	-	16,740.22	16,740.22
	-	167,943.45	167,943.45
	-	104,640.83	104,640.83
	-	378,515.16	378,515.16
	-	211,132.32	211,132.32
	-	72,615.89	72,615.89
	-	2,522,670.77	2,522,670.77
Cardiovascular Diseases Research	-	81,536.68	81,536.68
	-	12,182.40	12,182.40
	-	34,998.49	34,998.49
	-	18,864.23	18,864.23
	-	67,407.57	67,407.57
	-	5,983.24	5,983.24
	-	48,218.32	48,218.32
	-	189,345.89	189,345.89
	-	176,097.13	176,097.13
	-	181,559.19	181,559.19
	-	90,662.06	90,662.06
	-	641.92	641.92
	-	86,752.27	86,752.27
	-	300,764.59	300,764.59
	-	2,293.45	2,293.45
	-	286,282.99	286,282.99
	-	275,722.06	275,722.06
	-	16,587.31	16,587.31
	23,963.74	17,615.50	474,928.34
	560.00	-	-
	1,380.00	-	-
	2,520.00	-	-
	4,950.00	-	-
	46,452.00	-	-
	5,300.00	-	-
	720.00	-	-
	25,225.22	-	-
	31,288.41	-	-
	7,480.00	-	-
	274,599.00	-	-
	32,874.47	-	-
	236,024.47	398,884.89	1,424,470.80
	39,918.85	-	-
	278,373.00	-	-
	293,610.54	-	-
	51,881.00	-	-
	125,778.05	-	-
	-	8,616.22	8,616.22
	-	29,144.95	29,144.95
	7,805.57	(5,684.60)	2,120.97
	-	51,050.88	51,050.88
	-	355,692.91	355,692.91
	28,510.42	470,919.13	499,429.55

-	237,246.02	237,246.02
468,918.38	176,489.92	645,408.30
-	407,326.58	407,326.58
-	84,467.74	84,467.74
-	568,981.73	568,981.73
1,763.50	492,588.72	502,332.77
7,980.55	-	-
-	74,846.23	74,846.23
-	232,901.72	232,901.72
-	12,398.65	12,398.65
-	414,786.29	414,786.29
-	195,379.53	195,379.53
-	438,178.56	438,178.56
-	446,045.33	446,045.33
-	60,320.08	60,320.08
-	370,330.24	370,330.24
-	521,771.98	521,771.98
-	376,533.16	376,533.16
-	57,528.13	57,528.13
-	427,263.72	427,263.72
-	41,108.53	41,108.53
113,946.72	463,451.39	577,398.11
-	343,314.85	343,314.85
-	79,221.27	79,221.27
-	12,060.14	12,060.14
-	148,939.94	148,939.94
-	34,410.29	34,410.29
-	84,246.39	84,246.39
-	149,717.32	149,717.32
-	81,390.55	81,390.55
448,487.43	3,702,054.21	5,829,869.89
254,402.14	-	-
171,543.26	-	-
269,161.66	-	-
65,025.78	-	-
64,020.00	-	-
12,376.45	-	-
329,184.11	-	-
324,392.48	-	-
189,222.37	-	-
-	34,212.00	34,212.00
-	38,028.46	38,028.46
-	2,307.20	2,307.20
12,740.93	172,188.25	184,929.18
19,497.68	204,710.22	243,729.90
19,522.00	-	-
-	24,287.17	24,287.17
55,393.00	24,755.39	124,681.23
302.78	-	-
27,371.21	-	-
16,858.85	-	-
73,163.92	149,473.10	222,637.02
4,464,489.94	14,587,400.67	19,051,890.61
Child Health and Human Development Extramural Research	-	369.61
-	16,334.50	16,334.50
87,752.13	(33,599.89)	265,782.87
30,223.80	-	-
21,441.13	-	-
28,326.18	-	-

5,876.29	-	-
102,222.76	-	-
23,540.47	-	-
-	315,974.97	315,974.97
-	140,229.28	140,229.28
-	26,310.34	26,310.34
176,493.72	1,012,330.84	1,198,824.56
10,000.00	-	-
-	6,914.00	6,914.00
566,359.42	1,262,922.82	1,829,282.24
-	344,176.44	344,176.44
13,476.19	187,825.87	494,272.69
19,425.96	-	-
203,759.00	-	-
69,785.67	-	-
-	15,918.90	15,918.90
2,571.14	142,175.69	151,547.83
6,801.00	-	-
-	146,127.12	146,127.12
7,987.94	453,868.20	497,913.09
36,056.95	-	-
14,253.22	469,629.71	536,035.36
34,386.85	-	-
17,765.58	-	-
27,752.18	425,998.02	553,853.33
82,590.00	-	-
17,513.13	-	-
-	48,985.42	48,985.42
-	53,948.37	53,948.37
-	95,600.51	95,600.51
19,432.60	352,582.98	444,031.85
(183.82)	-	-
52,845.35	-	-
19,354.74	-	-
-	306,101.02	306,101.02
-	343,248.96	343,248.96
-	1,885.11	1,885.11
-	54,530.67	54,530.67
-	52,379.27	52,379.27
336,600.71	134,022.80	470,623.51
-	47,397.93	47,397.93
8,331.95	218,845.65	227,177.60
-	61,350.02	61,350.02
-	125,864.49	125,864.49
-	58,065.68	58,065.68
-	117,432.50	117,432.50
-	8,738.13	8,738.13
149,957.67	678,369.28	828,326.95
54,611.60	731,473.54	804,835.52
18,750.38	-	-
-	118,331.79	118,331.79
-	342,259.52	342,259.52
118,927.62	260,458.72	433,482.36
7,443.95	-	-
46,652.07	-	-
-	163,334.96	163,334.96
-	300,889.07	300,889.07
-	104,934.91	104,934.91
-	85,972.37	85,972.37
-	9,907.23	9,907.23

16,033.23	50,769.97	66,803.20
95,243.72	122,105.48	217,349.20
10,969.05	43,122.64	54,091.69
2,410.90	(6,463.61)	(4,052.71)
3,641.64	23,500.68	27,142.32
-	67,741.99	67,741.99
-	19,726.69	19,726.69
-	135,526.61	135,526.61
-	227,004.05	227,004.05
12,501.79	145,448.54	157,950.33
-	228,593.96	228,593.96
7,001.00	217,797.56	224,798.56
-	115,956.46	115,956.46
-	215,082.96	215,082.96
25,019.43	183,909.73	208,929.16
-	28,831.61	28,831.61
-	237,056.87	237,056.87
-	130,554.04	130,554.04
-	35,574.10	35,574.10
94,458.06	190,844.81	285,302.87
-	297,675.04	297,675.04
-	258,008.20	258,008.20
-	30,427.42	30,427.42
-	1,546.19	1,546.19
-	202,145.24	202,145.24
-	231,219.62	231,219.62
2,706,364.35	13,244,124.17	15,950,488.52
Developmental Disabilities Basic Support and Advocacy Grants	16,500.00	108,611.23
	-	11,286.38
Developmental Disabilities Basic Support and Advocacy Grants Total	16,500.00	119,897.61
Diabetes, Digestive, and Kidney Diseases Extramural Research	-	28,837.06
	-	38,565.08
	-	38,508.66
	-	167,216.87
	-	89,390.23
	-	179,507.99
	-	1,042,817.89
	13,760.63	976,698.97
	35,591.91	714,096.87
	-	485,669.84
	108.15	159,938.50
	1,286.67	-
	25,581.02	549,281.63
	13,463.02	-
	48,832.81	323,187.58
	-	5,457.17
	-	342,094.18
	8,526.00	465,629.99
	-	274,412.85
	-	488,421.04
	-	76,971.98
	-	283,457.79
	-	20,476.71
	-	395,786.38
	-	28,592.26
	1,938.59	(23,482.91)
	-	8,660.14
	-	77,545.62

-	198,098.94	198,098.94
-	410,291.59	410,291.59
-	317,402.18	317,402.18
-	351,071.09	351,071.09
-	7,364.47	7,364.47
489,411.03	246,082.31	735,493.34
-	132,254.84	132,254.84
-	3,120.00	3,120.00
8,315.95	681,955.71	708,076.18
17,804.52	-	-
-	318.40	318.40
7,926.90	3,349.68	11,276.58
-	405,224.10	405,224.10
9,597.82	277,547.81	287,145.63
-	325,795.87	325,795.87
-	12,461.12	12,461.12
-	499,771.90	499,771.90
-	288,474.72	288,474.72
-	414,695.84	414,695.84
-	247,073.93	247,073.93
-	16,619.30	16,619.30
-	171,549.04	171,549.04
-	326,592.82	326,592.82
-	412,632.92	412,632.92
-	86,376.77	86,376.77
28,070.33	224,760.39	252,830.72
-	28,202.59	28,202.59
-	74,399.24	74,399.24
-	110,314.57	110,314.57
-	8,867.69	8,867.69
-	129,077.66	129,077.66
68,807.09	126,756.14	206,189.06
10,625.83	-	-
-	79,500.00	79,500.00
-	25,414.25	25,414.25
-	11,547.97	11,547.97
-	153,288.14	153,288.14
-	523,417.12	523,417.12
-	317,182.41	317,182.41
-	32,731.39	32,731.39
-	150,177.29	150,177.29
-	487,862.80	487,862.80
-	73,197.60	73,197.60
68,122.54	300,978.13	369,100.67
-	48,569.04	48,569.04
-	20,044.56	20,044.56
-	55,745.31	55,745.31
-	266,858.97	266,858.97
349,391.89	552,925.96	1,136,886.87
234,569.02	-	-
-	382,559.65	382,559.65
-	594,915.52	594,915.52
Diabetes, Digestive, and Kidney Diseases Extramural Research Total	1,441,731.72	17,853,160.11
		19,294,891.83
-	40,230.90	40,230.90
Disabilities Prevention Total	-	40,230.90
Discovery and Applied Research for Technological Innovations to Improve Human Health	-	89,769.97
-	99,929.38	99,929.38
-	174,923.86	174,923.86

Discovery and Applied Research for Technological Innovations to Improve Human Heal	-	364,623.21	364,623.21
Drug Abuse and Addiction Research Programs	-	369,246.46	369,246.46
	-	193,010.87	193,010.87
	-	14,049.90	14,049.90
	-	432,141.97	432,141.97
	-	35,187.69	35,187.69
	13,626.35	147,189.99	160,816.34
	-	42,818.63	42,818.63
	-	62,868.68	62,868.68
	-	28,002.95	28,002.95
Drug Abuse and Addiction Research Programs Total	13,626.35	1,324,517.14	1,338,143.49
Emergency Medical Services for Children	255,905.11	353,549.74	794,784.59
	185,329.74		
Emergency Medical Services for Children Total	441,234.85	353,549.74	794,784.59
Environmental Health	-	27,709.54	27,709.54
	-	58.96	58.96
	-	6,939.81	6,939.81
	-	207,636.14	207,636.14
	-	29,365.05	29,365.05
	55,051.87	602,499.95	657,551.82
	371,010.49	232,734.23	610,773.55
	7,028.83	-	
	-	190,994.49	190,994.49
	-	88,514.59	88,514.59
	-	117,251.06	117,251.06
	-	2,384.06	2,384.06
	19,827.37	244,600.92	264,428.29
	-	13,398.31	13,398.31
	-	72,452.82	72,452.82
	-	214,291.66	214,291.66
	-	52,970.72	52,970.72
	-	29,537.53	29,537.53
	-	94,720.75	94,720.75
	-	184,788.19	184,788.19
	-	52,700.41	52,700.41
	207,519.78	124,753.20	332,272.98
Environmental Health Total	660,438.34	2,590,302.39	3,250,740.73
Extramural Research Programs in the Neurosciences and Neurological Disorders	-	414,862.53	414,862.53
	-	200,990.21	200,990.21
	-	112,856.81	112,856.81
	-	9,666.73	9,666.73
	-	44,786.35	44,786.35
	141,806.58	646,111.93	787,918.51
	68,220.91	290,073.30	358,294.21
	-	428,789.96	428,789.96
	-	373,550.41	373,550.41
	-	445,632.41	445,632.41
	-	284,170.64	284,170.64
	-	177,191.27	177,191.27
	28,152.80	402,346.05	430,498.85
	-	6,146.72	6,146.72
	-	1,302.92	1,302.92
	-	251,270.63	251,270.63
	74,296.00	229,462.68	303,758.68
	-	267,771.20	267,771.20
	-	3,336.09	3,336.09

-	386,346.26	386,346.26
-	109,929.43	109,929.43
-	464,892.54	464,892.54
800.00	472,181.36	577,045.73
14,639.25	-	-
60.00	-	-
7,570.58	-	-
4,355.87	-	-
2,906.47	-	-
11,136.70	-	-
50,764.50	-	-
2,622.00	-	-
8,399.00	-	-
1,610.00	-	-
-	211,043.52	211,043.52
-	14,798.46	14,798.46
-	320,330.14	320,330.14
9,193.02	244,451.63	253,644.65
10,975.52	382,052.58	393,028.10
-	54,837.66	54,837.66
-	33,142.88	33,142.88
-	562,942.51	562,942.51
-	77,192.54	77,192.54
-	138,377.66	138,377.66
-	190,355.96	190,355.96
-	947.15	947.15
-	359,834.36	359,834.36
-	10,772.23	10,772.23
-	21,353.13	21,353.13
-	450,288.85	450,288.85
-	160,543.64	160,543.64
-	55,033.92	55,033.92
-	348,976.33	348,976.33
-	139,429.31	139,429.31
-	85,190.10	85,190.10
-	69,642.28	69,642.28
-	167,535.15	167,535.15
9,550.25	186,520.63	196,070.88
-	135,787.37	135,787.37
-	166,782.54	166,782.54
-	16,051.62	16,051.62
-	417,489.54	417,489.54
-	355,962.45	355,962.45
-	213,586.53	213,586.53
-	218,512.60	218,512.60
-	39,137.50	39,137.50
-	86,748.06	86,748.06
-	23,519.52	23,519.52
-	154,792.25	154,792.25
-	24,604.86	24,604.86
Extramural Research Programs in the Neurosciences and Neurological Disorders Total	447,059.45	12,162,235.89
Food and Drug Administration_Research	320.03	320.03
-	75,981.33	75,981.33
-	105,354.68	105,354.68
-	5,500.00	5,500.00
-	95,867.59	95,867.59
Food and Drug Administration_Research Total	283,023.63	283,023.63
Grants for Training in Primary Care Medicine and Dentistry	75,190.83	75,190.83

		75,190.83	75,190.83
Grants for Training in Primary Care Medicine and Dentistry Total			
Lung Diseases Research	-	28,378.83	28,378.83
	-	176,199.58	176,199.58
	-	154,513.28	154,513.28
	-	150,570.69	150,570.69
	-	113,773.86	113,773.86
	-	26,136.74	26,136.74
	-	49,077.08	49,077.08
	-	1,460.27	1,460.27
	130,378.70	303,010.63	433,389.33
	-	183,930.38	183,930.38
	-	26.50	26.50
	-	730,922.52	730,922.52
	-	527,632.16	527,632.16
	8,991.53	262,374.60	304,031.35
	32,665.22	-	-
	-	13,084.75	13,084.75
	-	425,299.37	425,299.37
	60,195.00	469,023.31	529,218.31
	-	498,977.99	498,977.99
	33,480.00	416,333.24	449,813.24
	-	10,401.01	10,401.01
	-	439,860.42	439,860.42
	8,573.24	671,563.66	680,136.90
	-	59,358.83	59,358.83
	-	108,682.06	108,682.06
	-	27,793.86	27,793.86
	-	346,201.57	346,201.57
	-	115,198.93	115,198.93
	-	148,079.31	148,079.31
	-	30,183.41	30,183.41
	-	86.97	86.97
	-	139,309.60	139,309.60
	35,530.00	326,860.64	1,133,409.90
	338,980.60	-	-
	25,738.06	-	-
	10,085.40	-	-
	361,971.56	-	-
	34,243.64	-	-
	-	39,449.37	39,449.37
	6,336.92	658,972.03	752,023.41
	9,810.00	-	-
	76,904.46	-	-
	62,689.21	470,931.75	533,620.96
	-	37,700.11	37,700.11
Lung Diseases Research Total	1,236,573.54	8,161,359.31	9,397,932.85
Maternal and Child Health Federal Consolidated Programs	-	24,596.60	24,596.60
	-	621,503.81	621,503.81
	-	284,351.63	284,351.63
	-	23,408.10	23,408.10
Maternal and Child Health Federal Consolidated Programs Total	-	953,860.14	953,860.14
Medical Assistance Program	20,835.32	(64,405.63)	39,315.58
	4,843.00	-	-
	25,361.00	-	-
	18,342.95	-	-
	26,904.44	-	-
	7,434.50	-	-

	10,609.56	(16,893.93)	22,590.43
	26,386.18	-	-
	1,001.72	-	-
	1,486.90	-	-
	-	121,884.02	121,884.02
	16,358.95	149,790.70	166,149.65
	19,842.00	467,894.06	618,006.19
	18,513.65	-	-
	7,666.00	-	-
	22,268.09	-	-
	72,045.59	-	-
	9,776.80	-	-
	9,638.90	250,630.37	286,940.90
	19,990.00	-	-
	5,776.81	-	-
	904.82	-	-
Medical Assistance Program Total	345,987.18	908,899.59	1,254,886.77
Medical Library Assistance	40,747.00	69,274.24	161,437.24
	51,416.00	-	-
	-	452,049.89	452,049.89
Medical Library Assistance Total	92,163.00	521,324.13	613,487.13
Mental Health Research Grants	-	6,088.38	6,088.38
	-	114,158.30	114,158.30
	-	187,444.73	187,444.73
	58,511.64	584,795.79	643,307.43
	-	7,602.47	7,602.47
	59,495.14	404,401.71	463,896.85
	-	66,152.46	66,152.46
	-	133,181.83	133,181.83
	27,827.37	629,698.80	657,526.17
	-	30,702.70	30,702.70
	-	1,439.66	1,439.66
	-	31,319.30	31,319.30
	-	213,475.77	213,475.77
	30,612.54	192,667.79	249,790.88
	26,510.55	-	-
	-	10,051.62	10,051.62
	-	85,237.60	85,237.60
	-	1,938.97	1,938.97
	-	66,204.43	66,204.43
	-	243,808.47	243,808.47
Mental Health Research Grants Total	202,957.24	3,010,370.78	3,213,328.02
National Bioterrorism Hospital Preparedness Program	-	29,189.09	29,189.09
National Bioterrorism Hospital Preparedness Program Total	-	29,189.09	29,189.09
National Center on Sleep Disorders Research	-	118,163.35	118,163.35
	-	111,444.53	111,444.53
	-	1,095.14	1,095.14
	-	19,332.70	19,332.70
	-	57,712.38	57,712.38
	-	57,056.94	57,056.94
National Center on Sleep Disorders Research Total	-	364,805.04	364,805.04
National Research Service Award in Primary Care Medicine	-	385,584.09	385,584.09
National Research Service Award in Primary Care Medicine Total	-	385,584.09	385,584.09
Nursing Research	-	156,809.51	156,809.51

	141,193.05	410,977.39	552,170.44
	-	53,877.32	53,877.32
	-	79,945.97	79,945.97
	-	277,172.00	277,172.00
	79,823.19	380,401.06	699,739.54
	90,946.06	-	-
	78,274.14	-	-
	20,441.28	-	-
	18,728.80	-	-
	31,125.01	-	-
	-	27,140.11	27,140.11
	76,662.00	108,133.67	204,948.40
	19,176.16		
	976.57		
Nursing Research Total	557,346.26	1,494,457.03	2,051,803.29
Oral Diseases and Disorders Research	-	46,204.52	46,204.52
	-	208,720.88	208,720.88
	-	97,828.70	97,828.70
	-	61,054.85	61,054.85
	-	618,402.04	618,402.04
	-	175,658.96	175,658.96
	35,419.95	1,015,841.14	1,051,261.09
Oral Diseases and Disorders Research Total	35,419.95	2,223,711.09	2,259,131.04
Poison Center Support and Enhancement Grant Program	-	340,272.22	340,272.22
Poison Center Support and Enhancement Grant Program Total	-	340,272.22	340,272.22
Research on Healthcare Costs, Quality and Outcomes	-	123,838.69	123,838.69
	-	146,395.33	146,395.33
	-	146,380.57	146,380.57
	-	115,001.94	115,001.94
	69,008.55	24,876.82	113,429.43
	19,544.06	-	-
	-	12,380.10	12,380.10
	-	4,316.39	4,316.39
	-	363,430.69	363,430.69
	96,700.00	553,919.95	717,275.26
	31,636.35	-	-
	35,018.96	-	-
	-	26,462.08	26,462.08
	-	14,016.72	14,016.72
	-	30,426.19	30,426.19
Research on Healthcare Costs, Quality and Outcomes Total	251,907.92	1,561,445.47	1,813,353.39
Research Related to Deafness and Communication Disorders	-	475,894.72	475,894.72
	-	84,838.40	84,838.40
	-	21,522.76	21,522.76
	-	70,884.65	70,884.65
	29,677.04	5,485.81	35,162.85
	8,050.23	61,079.08	69,129.31
Research Related to Deafness and Communication Disorders Total	37,727.27	719,705.42	757,432.69
Sickle Cell Treatment Demonstration Program	41,982.20	499,805.49	697,718.50
	48,926.89	-	-
	33,817.46	-	-
	3,725.15	-	-
	29,345.56	-	-
	40,115.75	-	-
Sickle Cell Treatment Demonstration Program Total	197,913.01	499,805.49	697,718.50

Training and Clinical Skills Improvement Projects	-	30.20	30.20
	247,905.98	2,419,559.95	2,667,465.93
Training and Clinical Skills Improvement Projects Total	247,905.98	2,419,590.15	2,667,496.13
Trans-NIH Research Support	-	718,439.28	718,439.28
	-	84,458.88	84,458.88
	-	80,231.25	80,231.25
	-	36,753.93	36,753.93
	-	25,475.08	25,475.08
	-	810,859.85	810,859.85
	-	74,453.99	74,453.99
Trans-NIH Research Support Total	-	1,830,672.26	1,830,672.26
University Centers for Excellence in Developmental Disabilities Educ, Research, & Service	-	32,067.11	32,067.11
	-	36,237.54	36,237.54
	-	526,713.03	526,713.03
University Centers for Excellence in Developmental Disabilities Education, Research, a	-	595,017.68	595,017.68
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	-	53,391.92	53,391.92
	-	58,807.81	58,807.81
	-	210,989.20	210,989.20
ACL National Institute on Disability, Independent Living, and Rehabilitation Research T	-	323,188.93	323,188.93
	-	8,418.19	8,418.19
Paralysis Resource Center State Pilot Program Total	-	8,418.19	8,418.19
Vision Research	90,641.06	252,015.34	342,656.40
	-	242,287.12	242,287.12
	48,931.86	313,647.34	362,579.20
	-	16,392.63	16,392.63
	41,313.79	242,096.67	292,646.42
	9,235.96	-	-
Vision Research Total	190,122.67	1,066,439.10	1,256,561.77
Human Genome Research	-	5,292.49	5,292.49
	-	104,191.42	104,191.42
	-	313,079.59	313,079.59
	-	1,416.96	1,416.96
	-	688,168.76	688,168.76
Human Genome Research Total	-	1,112,149.22	1,112,149.22
National Center for Advancing Translational Sciences	-	76,360.57	76,360.57
	-	73,716.58	73,716.58
	-	79,538.49	79,538.49
	-	4,171,334.29	4,171,334.29
	17,545.97	272,724.95	290,270.92
	-	439,540.02	439,540.02
	-	44,007.60	44,007.60
National Center for Advancing Translational Sciences Total	17,545.97	5,157,222.50	5,174,768.47
Occupational Safety and Health Program	-	20,993.54	20,993.54
Occupational Safety and Health Program Total	-	20,993.54	20,993.54
Research and Training in Complementary and Alternative Medicine	-	513,947.28	513,947.28
	-	69,418.85	69,418.85
Research and Training in Complementary and Alternative Medicine Total	-	583,366.13	583,366.13
Health Program for Toxic Substances and Disease Registry	-	25,140.16	25,140.16
Health Program for Toxic Substances and Disease Registry Total	-	25,140.16	25,140.16

Microbiology and Infectious Diseases Research	-	191,683.87	191,683.87
	-	181,670.82	181,670.82
Microbiology and Infectious Diseases Research Total	-	373,354.69	373,354.69
Healthy Start Initiative	16,314.63	652,239.21	668,553.84
Healthy Start Initiative Total	16,314.63	652,239.21	668,553.84
Affordable Care Act (ACA) Family to Family Health Information Centers	-	98,260.55	98,260.55
Affordable Care Act (ACA) Family to Family Health Information Centers Total	-	98,260.55	98,260.55
Community Programs to Improve Minority Health Grant Program	8,000.00	9,250.72	17,250.72
Community Programs to Improve Minority Health Grant Program Total	8,000.00	9,250.72	17,250.72
Rare Disorders: Research, Surveillance, Health Promotion, and Education	-	113,852.41	113,852.41
	-	34,238.60	34,238.60
Rare Disorders: Research, Surveillance, Health Promotion, and Education Total	-	148,091.01	148,091.01
Blood Disorder Program: Prevention, Surveillance and Research	-	30,387.17	30,387.17
Blood Disorder Program: Prevention, Surveillance and Research Total	-	30,387.17	30,387.17
21st Century Cures Act - Beau Biden Cancer Moonshot	21,979.48	219,780.25	241,759.73
21st Century Cures Act - Beau Biden Cancer Moonshot Total	21,979.48	219,780.25	241,759.73
Minority Health and Health Disparities Research	44,785.80	511,076.87	569,657.81
	13,795.14	-	
	18,779.00	61,125.48	93,417.48
	13,513.00	-	
Minority Health and Health Disparities Research Total	90,872.94	572,202.35	663,075.29
Block Grants for Prevention and Treatment of Substance Abuse	-	2,372.91	2,372.91
	-	49,999.17	49,999.17
Block Grants for Prevention and Treatment of Substance Abuse Total	-	52,372.08	52,372.08
Birth Defects and Developmental Disabilities - Prevention and Surveillance	-	258,519.50	258,519.50
Birth Defects and Developmental Disabilities - Prevention and Surveillance Total	-	258,519.50	258,519.50
Developmental Disabilities Projects of National Significance	50,004.48	92,870.11	265,020.38
	12,500.00	-	
	12,500.00	-	
	12,446.20	-	
	15,424.78	-	
	49,097.93	-	
	20,176.88	-	
Developmental Disabilities Projects of National Significance Total	172,150.27	92,870.11	265,020.38
National Research Service Awards_Health Services Research Training	-	126,292.87	126,292.87
National Research Service Awards_Health Services Research Training Total	-	126,292.87	126,292.87
Research Infrastructure Programs	-	49,961.34	49,961.34
Research Infrastructure Programs Total	-	49,961.34	49,961.34
Dept of Health and Human Serv Total	17,585,516.33	148,332,494.73	165,918,011.06
Dept of Housing and Urban Dev			
Healthy Homes Technical Studies Grants	-	30,666.55	30,666.55
Healthy Homes Technical Studies Grants Total	-	30,666.55	30,666.55
Lead Technical Studies Grants	-	83,037.79	83,037.79
Lead Technical Studies Grants Total	-	83,037.79	83,037.79

Dept of Housing and Urban Dev Total	-	113,704.34	113,704.34
Office of Personnel Management	Intergovernmental Personnel Act (IPA) Mobility Program	-	79.40
		-	72.20
		-	23,689.81
		-	16,931.26
		-	9,225.83
		-	2,153.70
		-	61,248.35
		-	25,801.16
		-	47,450.37
		-	72,426.35
	Intergovernmental Personnel Act (IPA) Mobility Program Total	-	259,078.43
Office of Personnel Management Total		-	259,078.43
		-	327,132.58
Grand Total		\$ 17,698,941.07	\$ 153,849,327.29
		\$ 171,548,268.36	

CHILDREN'S HOSPITAL MEDICAL CENTER AND AFFILIATES

NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

1. SCOPE OF AUDIT

All federal grant operations of Cincinnati Children's are included in the scope of Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Single audits under the Uniform Guidance are performed in accordance with the provisions of the Office of Management and Budget (OMB)'s Compliance Supplement for Single Audits of Higher Learning Institutions and other Non-Profit Institutions (the "Compliance Supplement"). The Department of Health and Human Services has been designated as Cincinnati Children's cognizant agency for the Single audit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Cincinnati Children's under programs of the federal government for the year ended June 30, 2020 and is presented on the accrual basis of accounting. This is consistent with the basis of accounting used in the preparation of the basic consolidated financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance*. Because the Schedule presents only a selected portion of the operations of Cincinnati Children's, it is not intended to and does not present the financial position, changes in net assets or cash flows of Cincinnati Children's. Cincinnati Children's did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Net Asset Balances — Negative amounts represent grants with deficit balances which were closed during fiscal 2020.

3. DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

Cincinnati Children's received donated personal protective equipment from the federal government during the year ended June 30, 2020 whose fair market value at the time of receipt was estimated at \$35,233.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Children's Hospital Medical Center and Affiliates
Cincinnati, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated balance sheets as of June 30, 2020, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended, and the related notes to the consolidated financial statements which collectively comprise Children's Hospital Medical Center and Affiliates ("Cincinnati Children's") consolidated financial statements and have issued our report thereon dated September 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Cincinnati Children'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cincinnati Children's internal control. Accordingly, we do not express an opinion on the effectiveness of Cincinnati Children'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cincinnati Children's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Cincinnati Children's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cincinnati Children's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 17, 2020

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Children's Hospital Medical Center and Affiliates
Cincinnati, Ohio

Report on Compliance for Each Major Federal Program

We have audited Children's Hospital Medical Center and Affiliates ("Cincinnati Children's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cincinnati Children's major federal programs for the year ended June 30, 2020. Cincinnati Children's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cincinnati Children's compliance.

Opinion on Each Major Federal Program

In our opinion, Cincinnati Children's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Cincinnati Children's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cincinnati Children's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cincinnati Children's internal control over compliance.

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

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

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

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

We have audited the consolidated financial statements of Cincinnati Children's as of and for the year ended June 30, 2020, and have issued our report thereon dated September 17, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

January 22, 2021

CHILDREN'S HOSPITAL MEDICAL CENTER AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

PART I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards:

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
Various	Research and Development*

* Cincinnati Children's has determined that its entire research and development program inclusive of all research and development grant activity should be considered clustered and as such, constitutes one major program.

Dollar threshold used to distinguish between Type A and Type B programs? \$ 3,000,000
 Research and Development program tested as a single Type A program

Auditee qualified as low-risk auditee? X Yes No

CHILDREN'S HOSPITAL MEDICAL CENTER AND AFFILIATES

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

PART II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

PART III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None