

Children's Hospital Medical Center and Affiliates

Office of Management and Budget
Circular A-133 Reports For The
Year Ended June 30, 2013

CHILDREN'S HOSPITAL MEDICAL CENTER AND AFFILIATES

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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"), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, 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. The consolidated financial statements include the accounts of Children's Hospital Medical Center and the affiliated entities as discussed in Note 1(a). These entities are under common ownership and management.

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 Children's Hospital Medical Center and Affiliates as of June 30, 2013 and 2012, 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.

Emphasis-of-Matter

As discussed in Note 1 to the consolidated financial statements, Cincinnati Children's adopted the presentation and disclosure requirements of Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, and changed its presentation of the provision for bad debts in the consolidated statements of operations and changes in net assets. Our opinion is not modified with respect to this matter.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying schedule is presented for the purposes of additional analysis and is not a required part of the basic consolidated financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic consolidated financial statements or to the basic 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 expenditures of federal awards is fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Children's Hospital Medical Center and Affiliates internal control over financial reporting and compliance.

Deloitte & Touche LLP

October 23, 2013

Children's Hospital Medical Center and Affiliates

Consolidated Balance Sheet June 30, 2013 and 2012 (dollars in thousands)

| | <u>2013</u> | <u>2012</u> |
|--|---------------------------|---------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 249,190 | \$ 169,667 |
| Marketable securities | 259,916 | 258,903 |
| Cash, cash equivalents and marketable securities | <u>509,106</u> | <u>428,570</u> |
| Patient receivables, net of allowances of \$53,256 in 2013 and \$59,795 in 2012 | 223,850 | 214,355 |
| Other receivables, net | 97,121 | 99,330 |
| Inventories and prepaid expenses | 35,134 | 27,269 |
| Total current assets | <u>865,211</u> | <u>769,524</u> |
| ASSETS LIMITED AS TO USE - Funds in trust | 62,803 | 3,678 |
| PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation | 908,535 | 840,978 |
| DEFERRED BOND ISSUANCE COSTS AND OTHER INTEREST IN NET ASSETS OF SUPPORTING ORGANIZATIONS (Note 1(b)) | 65,873 | 81,324 |
| Total assets | <u>1,111,650</u> | <u>937,327</u> |
| | <u><u>\$3,014,072</u></u> | <u><u>\$2,632,831</u></u> |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 239,891 | \$ 227,089 |
| Current portion of long-term debt and capital lease obligations | 26,995 | 20,365 |
| Total current liabilities | <u>266,886</u> | <u>247,454</u> |
| ACCRUED PENSION BENEFIT LIABILITY (Note 9) | 246,760 | 399,690 |
| SELF-INSURANCE RESERVES | 24,467 | 31,521 |
| LONG-TERM DEBT: | | |
| Tax-exempt bonds payable | 416,043 | 432,953 |
| Notes payable | 74,551 | 28,905 |
| Capital lease obligations | 3,680 | 5,365 |
| OTHER LONG-TERM LIABILITIES | 15,580 | 10,608 |
| Total liabilities | <u>1,047,967</u> | <u>1,156,496</u> |
| COMMITMENTS AND CONTINGENCIES (Notes 6 and 10) | - | - |
| NET ASSETS: | | |
| Unrestricted | 710,714 | 397,514 |
| Temporarily restricted | 170,437 | 156,702 |
| Permanently restricted (Note 1(b)) | 1,084,954 | 922,119 |
| Total net assets | <u>1,966,105</u> | <u>1,476,335</u> |
| Total liabilities and net assets | <u><u>\$3,014,072</u></u> | <u><u>\$2,632,831</u></u> |

See accompanying notes to financial statements.

Consolidated Statements of Operations and Changes in Net Assets
For the Years Ended June 30, 2013 and 2012 (dollars in thousands)

| | <u>2013</u> | <u>2012</u> |
|--|------------------|------------------|
| UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT: | | |
| Net hospital patient service revenue | \$1,353,653 | \$1,286,492 |
| Provision for bad debt | (20,802) | (40,935) |
| Net hospital patient service revenue less provision for bad debts | <u>1,332,851</u> | <u>1,245,557</u> |
| Net professional services revenue | 263,380 | 252,401 |
| Net assets released from restriction used for operations- | | |
| Grant revenue | 157,693 | 149,858 |
| Other restricted net assets used to support operations | 80,532 | 68,566 |
| Investment income | 9,483 | 17,823 |
| Other revenue | 87,566 | 76,598 |
| Total unrestricted revenues, gains and other support | <u>1,931,505</u> | <u>1,810,803</u> |
| EXPENSES: | | |
| Salaries | 891,286 | 837,201 |
| Employee benefits | 270,830 | 235,321 |
| Supplies, drugs and other | 280,584 | 279,904 |
| Purchased services | 195,849 | 176,279 |
| Depreciation | 110,378 | 119,574 |
| Utilities | 15,511 | 16,720 |
| Interest | 14,247 | 15,926 |
| Loss on early extinguishment of tax exempt bonds payable (Note 8) | - | 1,130 |
| Total expenses | <u>1,778,685</u> | <u>1,682,055</u> |
| Excess of revenues over expenses | 152,820 | 128,748 |
| OTHER CHANGES IN UNRESTRICTED NET ASSETS: | | |
| Receipts from supporting organizations (Notes 1(b) and 1(c)) | 6,298 | 6,032 |
| Net assets released from restrictions used for purchase of property and equipment | <u>1,076</u> | <u>3,543</u> |
| Increase in unrestricted net assets before transfers to supporting organizations and pension and post retirement health liability adjustment | 160,194 | 138,323 |
| Transfers to supporting organizations (Note 1(c)) | (26,509) | (9,100) |
| Pension and post retirement health liability adjustment (Note 9) | <u>179,515</u> | <u>(258,700)</u> |
| Increase (Decrease) in unrestricted net assets | <u>313,200</u> | <u>(129,477)</u> |

(Continued on next page)

Consolidated Statements of Operations and Changes in Net Assets
For the Years Ended June 30, 2013 and 2012 (dollars in thousands)

| | <u>2013</u> | <u>2012</u> |
|---|---------------------------|---------------------------|
| TEMPORARILY RESTRICTED NET ASSETS: | | |
| Contributions and investment income- | | |
| Grant receipts | 158,018 | 149,783 |
| Gifts, contributions and other income | 84,306 | 92,757 |
| | <u>242,324</u> | <u>242,540</u> |
| Net assets released from restriction- | | |
| Grant expenditures | (157,693) | (149,858) |
| Transfer to The Children's Hospital | (776) | (86) |
| Transfer to The Children's Hospital Foundation, Cincinnati, Ohio | - | (102) |
| Restricted net assets used to support operations | (80,532) | (68,566) |
| Restricted net assets used for purchase of property and equipment | (1,076) | (3,543) |
| | <u>(240,077)</u> | <u>(222,155)</u> |
| Gain in interest in net assets of supporting organizations | 11,488 | 374 |
| Increase in temporarily restricted net assets | <u>13,735</u> | <u>20,759</u> |
| PERMANENTLY RESTRICTED NET ASSETS: | | |
| Gain in interest in net assets of supporting organizations | 162,835 | 51,198 |
| Increase in permanently restricted net assets | <u>162,835</u> | <u>51,198</u> |
| INCREASE (DECREASE) IN NET ASSETS | 489,770 | (57,520) |
| NET ASSETS, beginning of year | <u>1,476,335</u> | <u>1,533,855</u> |
| NET ASSETS, end of year | <u><u>\$1,966,105</u></u> | <u><u>\$1,476,335</u></u> |

See accompanying notes to financial statements.

Children's Hospital Medical Center and Affiliates

Consolidated Statements of Cash Flows

For the Years Ended June 30, 2013 and 2012 (dollars in thousands)

| | <u>2013</u> | <u>2012</u> |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase (Decrease) in net assets | \$489,770 | \$ (57,520) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities- | | |
| Depreciation and amortization | 110,607 | 119,816 |
| Loss on disposal of property and equipment | 3,390 | 5,914 |
| Loss on early extinguishment of tax exempt bonds payable | - | 1,130 |
| Receipts from supporting organizations | (6,298) | (6,032) |
| Contributions to supporting organizations | 26,509 | 9,100 |
| Contributions restricted for purchase of property and equipment | (1,076) | (3,543) |
| Gain in interest in net assets of supporting organizations | (174,323) | (51,572) |
| Receipts from The Children's Hospital Foundation (CHF) | - | 406 |
| Unrealized and realized losses (gains) on marketable securities, net (Decrease) Increase in allowances on receivables | 6,237 | (4,231) |
| Increase in receivables | (2,772) | 20,108 |
| Increase in inventories and prepaid expenses and other assets | (4,514) | (31,001) |
| Increase in accounts payable and accrued expenses | (3,230) | (11,245) |
| Increase in accounts payable and accrued expenses | 1,394 | 33,543 |
| (Decrease) Increase in accrued pension liability | (152,930) | 197,930 |
| Decrease in self-insurance reserves and other long-term liabilities | (2,082) | (1,150) |
| Net cash provided by operating activities | <u>290,682</u> | <u>221,653</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Expenditures for property and equipment | (170,861) | (104,797) |
| Receipts from sale of fixed assets | 944 | 59 |
| Repayment of note receivable from CHF | 10,587 | - |
| Purchases of marketable securities | (1,075,720) | (820,434) |
| Sales and maturities of marketable securities | 1,068,516 | 793,349 |
| Cash withdrawn from funds in trust | 23,450 | 89,420 |
| Cash invested in funds in trust | (82,575) | (88,478) |
| Net cash used in investing activities | <u>(225,659)</u> | <u>(130,881)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Issuance of bonds and notes payable | 60,000 | 62,135 |
| Repayment of bonds and notes payable | (26,365) | (81,166) |
| Contributions restricted for purchase of property and equipment | 1,076 | 3,543 |
| Receipts from supporting organizations | 6,298 | 6,032 |
| Contributions to supporting organizations | (26,509) | (9,100) |
| Net cash provided by (used in) financing activities | <u>14,500</u> | <u>(18,556)</u> |
| Net increase in cash and cash equivalents | 79,523 | 72,216 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>169,667</u> | <u>97,451</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$249,190</u> | <u>\$169,667</u> |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES: | | |
| Capital expenditures in accounts payable and accrued expenses | \$25,909 | \$14,501 |

See accompanying notes to financial statements.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2013 and 2012, respectively (dollars in thousands)

(1) Accounting Policies-

- (a) Basis of Combination--Children's Hospital Medical Center (Cincinnati Children's), Convalescent Hospital for Children (CHC), River City Insurance Limited (River City), Children's Health Services Network (CHSN), Northern Kentucky Children's Medical Services, LLC (NKCMS), Burnet Ave LLC (Burnet) and TSHCH LLC (TSHCH), which are under common management, are included in the accompanying consolidated financial statements and are collectively referred to as the Medical Center. Intercompany transactions and balances have been eliminated.

Cincinnati Children's is an Ohio not-for-profit corporation providing pediatric healthcare services, teaching and related research. CHC was an Ohio not-for-profit corporation providing programmatic oversight, governance and fiscal management to chronic illness, mental health and traumatic and congenital brain injury programs at Cincinnati Children's. On July 28, 2011, CHC merged with and into Cincinnati Children's. Cincinnati Children's assumed all assets and liabilities of CHC and CHC ceased to exist as a separate entity. 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. NKCMS is a limited liability corporation formed to enhance the scope and quality of pediatric care in Northern Kentucky. Burnet is a wholly-owned subsidiary of Cincinnati Children's, whose purpose is to hold land. TSHCH is a wholly-owned subsidiary of Cincinnati Children's whose purpose is to acquire, hold, develop, subdivide, sell, lease, mortgage, manage and otherwise deal in real property.

- (b) Supporting Organizations--The Children's Hospital (TCH), The Children's Hospital Foundation (CHF), Convalescent Hospital for Children and Orphan Asylum (CHCOA), Adolescent Health Center of Greater Cincinnati, Inc. (CAC), and Children's Dental Care Foundation (CDCF), all Ohio not-for-profit corporations which are not included in the accompanying consolidated financial statements, provide financial support to the Medical Center. Effective, December 31, 2012, CHF merged with and into TCH. TCH assumed all assets and liabilities of CHF and CHF ceased to exist as a separate entity. Effective, December 31, 2012, CDCF merged with and into Cincinnati Children's. Cincinnati Children's assumed all assets and liabilities of CDCF and CDCF ceased to exist as a separate entity. Certain endowment funds of these supporting organizations are restricted by the donors for specific operating purposes of the Medical Center and are recorded as Interest in Net Assets of Supporting Organizations in the accompanying Consolidated Balance Sheets. 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.

Other funds are contributed to the Medical Center 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.

The Medical Center records in its consolidated financial statements the fair value of certain permanently and temporarily restricted net assets held by supporting organizations on the Medical Center's behalf. Changes in the fair value of such temporarily and permanently restricted net assets 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.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2013 and 2012, respectively (dollars in thousands)

- (c) Support Received from Supporting Organizations-- In general, the supporting organizations provide annual support to the Medical Center 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 respective Boards of Trustees of these supporting organizations may also designate certain pledges of unrestricted principal in support of key projects at the Medical Center. As of June 30, 2013, TCH and CHCOA have outstanding revocable pledges of \$29,900 and \$3,000 respectively. All outstanding pledges of principal support are revocable at the discretion of TCH's and CHCOA's Board of Trustees. As a result, such revocable pledges are not recorded as receivables in the accompanying consolidated financial statements.

During fiscal 2013 and 2012, TCH transferred \$57,972 and \$66,892, respectively, of temporarily restricted net assets to the Medical Center which are recorded as Gifts, contributions and other income in the Consolidated Statements of Operations and Changes in Net Assets.

During fiscal 2013 and 2012, TCH transferred \$6,298 and \$6,032, respectively, of unrestricted net assets to the Medical Center, which are recorded as Receipts from Supporting Organizations in the Consolidated Statements of Operations and Changes in Net Assets.

During fiscal 2013 and 2012, the Medical Center transferred \$776 and \$86, respectively, of temporarily restricted net assets to TCH to fund named chairs designated to support divisional activities. During fiscal 2013 and fiscal 2012, respectively, the Medical Center transferred \$26,150 and \$5,100 of unrestricted net assets to TCH to fund named chairs to support divisional activities.

At June 30, 2013, the Medical Center has a payable to TCH for \$4,700 related to transfers received greater than funding commitments in fiscal 2013. This amount will be offset in fiscal 2014 against 2014 commitments.

At June 30, 2012, the Medical Center has a receivable from TCH for \$14,826 related to fiscal 2012 unfunded irrevocable commitments. This amount was received in fiscal 2013.

During fiscal 2013 and 2012, CHCOA transferred \$2,920 and \$2,831 respectively, of unrestricted net assets to the Medical Center which are recorded as Gifts, contributions and other income in the Consolidated Statements of Operations and Changes in Net Assets.

At June 30, 2013, the Medical Center has a payable to CHCOA for \$90 related to fiscal 2013 funding to the Medical Center in excess of commitments. This amount will be offset in fiscal 2014 against 2014 commitments.

At June 30, 2012, the Medical Center has a receivable from CHCOA for \$225 related to fiscal 2012 unfunded commitments. This amount was received in fiscal 2013.

During fiscal 2013 (through December 31, 2012) and 2012, CHF transferred \$2,144 and \$938, respectively, of unrestricted net assets to the Medical Center, which are recorded as Gifts, contributions and other income in the Consolidated Statements of Operations and Changes in Net Assets. During fiscal 2013 (through December 31, 2012) and 2012, CHF transferred \$220 and \$465 of temporarily restricted net assets to the Medical Center, which are recorded as Gifts, contributions and other income in the Consolidated Statements of Operations and Changes in Net Assets. During

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2013 and 2012, respectively (dollars in thousands)

fiscal 2013 (through December 31, 2012) and 2012, CHF transferred \$51 and \$59, respectively, of income generated off of permanently restricted net assets, to the Medical Center, which are recorded as Gifts, contributions and other income in the Consolidated Statements of Operations and Changes in Net Assets.

During fiscal 2013 (through December 31, 2012) and fiscal 2012, respectively, the Medical Center transferred \$359 and \$4,000 of unrestricted net assets to CHF and the income earned on the funds will be transferred back to the Divisions to support divisional activities.

During fiscal 2012, the Medical Center transferred \$102 of temporarily restricted net assets to CHF and the income earned on the funds will be transferred back to the Divisions to support divisional activities.

The Medical Center had a note receivable from CHF for \$10,264 at June 30, 2012 which was recorded in other receivables in the accompanying Consolidated Balance Sheets. The note plus accrued interest totaling \$10,587 was repaid to the Medical Center in fiscal 2013 by TCH subsequent to the merger of CHF into TCH.

- (d) Concentration of Patient Accounts Receivable and Revenue and Revenue Recognition--In both fiscal 2013 and 2012, respectively, substantially all of total net patient service revenue is derived from third-party payment programs (Medicaid, insurance companies and various managed care agreements).

The following details the percentage of net patient service revenue by payor category for the fiscal years ended June 30, 2013 and 2012:

| | 2013 | | 2012 | |
|----------------------------------|-------|-----|-------|-----|
| | Gross | Net | Gross | Net |
| Commercial insurers | 1% | 1% | 1% | 1% |
| Managed care | 47% | 66% | 50% | 70% |
| Government (HMO and third party) | 44% | 25% | 43% | 23% |
| Specialty contracts | 7% | 7% | 5% | 6% |
| Self pay | 1% | 1% | 1% | - % |

The following details the percentage of accounts receivable by payor category as of June 30, 2013 and 2012:

| | 2013 | 2012 |
|----------------------------------|------|------|
| Commercial insurers | 2% | 1% |
| Managed care | 54% | 53% |
| Government (HMO and third party) | 29% | 30% |
| Specialty contracts | 13% | 14% |
| Self pay | 2% | 2% |

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2013 and 2012, respectively (dollars in thousands)

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

Net patient service revenue is reported at estimated net realizable amounts from patients, third party payors and others for services rendered and includes estimated retroactive revenue adjustments due to future audits and reviews. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits and reviews.

Cincinnati Children's recognizes net patient services revenue associated with services provided to patients who have third-party payor coverage on the basis of estimated contractual rates for services rendered. For uninsured patients that do not qualify for charity care, Cincinnati Children's recognizes net patient services revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of Cincinnati Children's uninsured patients will be unable or unwilling to pay for the services provided. Thus, Cincinnati Children's records a provision for bad debts related to uninsured patients in the period the services are provided.

Revenue from government (Medicaid and Medicare) programs accounted for approximately 25% and 23% of the Medical Center's net patient service revenue for the fiscal year ended June 30, 2013 and 2012, respectively. Laws and regulations governing the Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change a material amount in the near term. At June 30, 2013, Cincinnati Children's has settled all Medicaid cost reports through 2007.

The following table reconciles gross patient service revenue to net hospital patient service revenue for the years ended June 30, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> |
|--|--------------------|--------------------|
| Charges at established rates | \$2,323,171 | \$2,147,887 |
| Deductions: | | |
| Discounts on commercial contractals | (229,297) | (184,214) |
| Write-downs related to services to the poor: Including Medicaid and governmental contractuals, charity care and other uncollectible self pay write-offs | (759,538) | (695,307) |
| | <u>1,334,336</u> | <u>1,268,366</u> |
| Tax Levy Program | 5,200 | 5,600 |
| Care Assurance Program | 14,117 | 12,526 |
| Net Hospital Patient Service Revenue | <u>\$1,353,653</u> | <u>\$1,286,492</u> |

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2013 and 2012, respectively (dollars in thousands)

Patient accounts receivable and related allowances for contractual adjustments and doubtful accounts are recorded on an accrual basis at estimated collection rates to report patient accounts receivable at net realizable value. Accounts receivable are reduced by an allowance for doubtful accounts and contractual allowances. In evaluating the collectability of accounts receivable, Cincinnati Children's performs a detail review of current accounts, analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and contractual allowances. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowances. For receivables associated with services provided to patients who have a third-party coverage, Cincinnati Children's analyzes contractually due amounts and provides an allowance for contractals (for example, for expected unrecoverable amounts based on contract provisions on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), Cincinnati Children's records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Cincinnati Children's allowance for doubtful accounts for self-pay patients was 63% of self-pay accounts receivable at June 30, 2013. In addition, Cincinnati Children's bad debt write-offs (before recoveries) totaled approximately \$37,784 for the year ended June 30, 2013. Cincinnati Children's has not changed its charity care or uninsured discount policies during fiscal year 2013 and 2012. Cincinnati Children's does not maintain a material allowance for doubtful accounts from third-party payers nor does it have significant write-offs from third-party payers. Cincinnati Children's does maintain an allowance for contractual write-offs for third party payers in order to appropriately reduce receivables to net realizable value.

A summary of activity in Cincinnati Children's provision for doubtful accounts for the year ended June 30, 2013 and 2012 related to patient receivables is as follows:

| | Balance at Beginning of <u>Year</u> | Provision for doubtful <u>Accounts</u> | Accounts written off, Net of <u>recoveries</u> | Balance at End <u>of Year</u> |
|-----------------------------|---|--|--|----------------------------------|
| Year Ended June 30, 2013 | \$14,677 | 22,743 | (20,802) | \$16,618 |
| Year Ended June 30, 2012 | \$10,837 | 44,775 | (40,935) | \$14,677 |

The Consolidated Balance Sheet also includes \$36,638 and \$45,118 of contractual reserves related to net patient receivables as of June 30, 2013 and 2012.

- (e) Professional Services Revenue--Physician professional fees, which have been assigned to the Medical Center and are required to be used in the respective physicians' department at the Medical Center, are recognized as revenue as billed. See footnote 10(c).

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- (f) Grant Revenue and Other Revenue -- Grants and contributions restricted for a specific operating purpose are recorded as temporarily restricted net assets and reflected in unrestricted revenues, gains, and other support when the funds are expended in accordance with the specifications of the grantor or donor. Contributions for capital expenditures, recorded as temporarily restricted net assets when received, are recorded as net assets released from restrictions used for the purchase of property and equipment when expended. Unrestricted contributions and bequests are included in other revenue when received.
- (g) Graduate Medical Education --Cincinnati Children's receives Federal graduate medical education funding, which has resulted in other revenue of \$8,438 and \$8,904 recognized in the accompanying consolidated financial statements for the years ended June 30, 2013 and 2012, respectively.
- (h) Meaningful Use Funding --Cincinnati Children's is eligible for incentive payments for the hospital and physicians that implement and meaningfully use electronic health record (EHR) technology under The American Recovery and Reinvestment Act of 2009 (ARRA). In fiscal 2013 and 2012, Cincinnati Children's applied for and received \$5,805 and \$7,576, respectively, in funding under ARRA related to the hospital and eligible physician use of an EHR.
- (i) Tax Exempt Status--Cincinnati Children's, CHC 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. NKCMS, Burnet and TSHCH 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, 2013 and 2012.

The Medical Center accounts for income taxes in accordance with Accounting Standards Codification Topic (ASC) 740 "Income Taxes". It is the Medical Center'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 2013 and 2012.

Listed below are the tax years that remain subject to examination by major tax jurisdiction:

Federal – 2010 to 2013

State – 2010 to 2013

- (j) Cash Equivalents--Cash equivalents consist primarily of money market investments (including money market mutual funds), certificates of deposit and demand deposits. Cash is held primarily in one bank.
- (k) Inventories --Inventories consist of medical supplies and pharmaceuticals and are valued on an average cost method.
- (l) Marketable Securities--The Medical Center accounts for its investments under ASC 958-320 "Not-for-Profit Entities – Investments – Debt and Equity Securities". The Medical Center carries its

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marketable securities at fair value with unrealized gains and losses included in the Consolidated Statements of Operations and Changes in Net Assets.

At June 30, 2013, the Medical Center's marketable securities included 37% in U.S. Treasury securities 11% in FNMA securities. At June 30, 2012, the Medical Center's marketable securities included 24% in U.S. Treasury securities and 10% in FNMA securities.

- (m) Assets Limited As To Use--Assets limited as to use include funds in trust (Note 4). Assets limited as to use are carried 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, 2013 and 2012, assets limited as to use were invested as follows:

| | <u>2013</u> | <u>2012</u> |
|----------------------------|-----------------|----------------|
| Cash Equivalents | \$ 7,911 | \$3,678 |
| Corporate Bonds | 51,888 | - |
| U.S. Government Securities | 3,004 | - |
| | <u>\$62,803</u> | <u>\$3,678</u> |

Cash equivalents, which are primarily invested in money market mutual funds, represent Level 1 investments, and Corporate Bonds and U.S. Government Securities represent Level 2 investments.

- (n) Investment Income--The following details the components of investment income on marketable securities and funds in trust for the years ended June 30, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> |
|---|-----------------|-----------------|
| Interest income | \$11,294 | \$15,684 |
| Unrealized and realized (losses) gains, net | (1,811) | 2,139 |
| Investment income | <u>\$ 9,483</u> | <u>\$17,823</u> |

Unrealized gains and losses related to temporarily restricted funds are recorded as an addition/reduction, as appropriate, to temporarily restricted net assets.

- (o) Fair Value Measurements—The Medical Center 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

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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.

Level 3: Unobservable inputs, developed using the Medical Center'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, the Medical Center 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 debt and equity securities on the basis of the nature and risk of the investments at June 30, 2013.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---|----------------|----------------|----------------|
| Marketable Securities: | | | |
| U.S. Government and treasury securities | \$ - | \$137,523 | \$ - |
| Municipal bonds | | 2,443 | - |
| Certificates of Deposit | - | 1,506 | - |
| Common Stock | 156 | - | - |
| Corporate obligations | - | 118,288 | - |
| | <u>156</u> | <u>259,760</u> | <u>-</u> |

Assets Limited As To Use:

| | | | |
|----------------------------|--------------|---------------|----------|
| Corporate bonds | - | 51,888 | - |
| Money market mutual funds | 7,911 | - | - |
| U.S. government securities | - | 3,004 | - |
| | <u>7,911</u> | <u>54,892</u> | <u>-</u> |

Investments in Private Investment Funds

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(included in Other Assets):

| | | | |
|----------------------------------|----------|---------------|----------|
| High Yield Corporate Obligations | - | 17,276 | - |
| | <u>-</u> | <u>17,276</u> | <u>-</u> |

Deferred Compensation Plans (included in Other Assets):

| | | | |
|--------------|-------|---|---|
| Common Stock | 2,631 | - | - |
|--------------|-------|---|---|

Mutual Funds:

| | | | |
|--------------|-------|---|---|
| Money Market | 589 | - | - |
| Equity | 2,536 | - | - |
| Bond | 598 | - | - |
| Lifecycle | 2,292 | - | - |

Variable Annuities:

| | | | |
|--------------------|---|-------|---|
| Bond | - | 546 | - |
| Equity | - | 2,236 | - |
| Money Market | - | 23 | - |
| Real Estate Pooled | - | 432 | - |

| | | | |
|----------------------|--------------|--------------|--------------|
| Guaranteed Insurance | <u>-</u> | <u>-</u> | <u>5,150</u> |
| | <u>8,646</u> | <u>3,237</u> | <u>5,150</u> |

| | | | |
|-------|-----------------|------------------|----------------|
| Total | <u>\$16,713</u> | <u>\$335,165</u> | <u>\$5,150</u> |
|-------|-----------------|------------------|----------------|

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The table below includes the major categorization for debt and equity securities on the basis of the nature and risk of the investments at June 30, 2012.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--|----------------|----------------|----------------|
| Marketable Securities: | | | |
| U.S. Government and Treasury Securities | \$ - | \$117,502 | \$ - |
| Municipal Bonds | - | 853 | - |
| Corporate Obligations | - | 140,548 | - |
| | <u>-</u> | <u>258,903</u> | <u>-</u> |
| Investments in Private Investment Funds (included in Other Assets): | | | |
| Private Equity | - | - | 12,592 |
| | <u>-</u> | <u>-</u> | <u>12,592</u> |
| High Yield Corporate Obligations | - | 26,169 | - |
| | <u>-</u> | <u>26,169</u> | <u>-</u> |
| Deferred Compensation Plans (included in Other Assets): | | | |
| Common Stock | 2,260 | - | - |
| Mutual Funds: | | | |
| Money Market | 305 | - | - |
| Domestic Equity | 2,334 | - | - |
| International Equity | 724 | - | - |
| Bond | 208 | - | - |
| Lifecycle | 317 | - | - |
| Real Estate | 151 | - | - |

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Variable Annuities:

| | | | |
|----------------------|----------------|------------------|-----------------|
| Bond | - | 2,032 | - |
| Equity | - | 2,856 | - |
| Money Market | - | 101 | - |
| Real Estate Pooled | - | 486 | - |
| Guaranteed Insurance | - | - | 2,374 |
| | <u>6,299</u> | <u>5,475</u> | <u>2,374</u> |
| Total | <u>\$6,299</u> | <u>\$290,547</u> | <u>\$14,966</u> |

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.

The Medical Center 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.

The Medical Center primarily bases fair value for investments in fixed income securities, including US 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) and considers the counterparty credit rating. Such items are classified as Level 2 in the fair value hierarchy.

Investment in private investment fund is valued by net asset value, as published and determined by the fund manager.

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. However, 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.

ASC 825 permits entities to choose to measure many financial instruments and certain other items at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The Medical Center elected to measure its high yield corporate obligation investment fund under the provisions of ASC 825. In the future, the Medical Center may elect to measure certain additional financial instruments at fair value in accordance with this standard.

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The guaranteed insurance contract is recorded based on discounted cash flows, which is an approximation of fair value.

Cincinnati Children's Level 3 investments are primarily in investment partnerships and a guaranteed insurance contract. These investments are classified as Level 2 or Level 3 based on time restrictions for redemption. An investment in an investment partnership is classified as a Level 2 investment if it can be liquidated in 90 days or less; otherwise it is classified as a Level 3 investment.

The following is a reconciliation of the roll forward of the fair value measurements using significant unobservable inputs for fiscal 2013:

| | |
|--------------------------|-----------------|
| Balance at July 1, 2012 | \$14,966 |
| Purchases | 3,351 |
| Unrealized gains | 78 |
| Sales | (693) |
| Other reclassification | (12,552) |
| Balance at June 30, 2013 | <u>\$ 5,150</u> |

The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses related to assets still held at June 30, 2013

\$78

The following is a reconciliation of the roll forward of the fair value measurements using significant unobservable inputs for fiscal 2012:

| | |
|--------------------------|-----------------|
| Balance at July 1, 2011 | \$ 10,417 |
| Purchases | 3,688 |
| Unrealized gains | 2,151 |
| Unrealized losses | (814) |
| Sales | (476) |
| Balance at June 30, 2012 | <u>\$14,966</u> |

The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses related to assets still held at June 30, 2012

\$1,337

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, 2013 and 2012, there were no significant transfers in or out of Levels 1, 2 or 3.

- (p) 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

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| | |
|-------------------------------------|------------|
| Buildings and Building Improvements | 5-40 years |
| Equipment | 3-30 years |

Amortization of assets leased under capital leases is included in depreciation.

The Medical Center evaluates long-lived assets under the provisions of ASC 360 "Property Plant and Equipment". During fiscal 2013 and 2012, the Medical Center did not record any impairment losses.

- (q) 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 2013, the Medical Center capitalized \$1,323 of interest. There was no net capitalized interest in fiscal 2012. Total cash paid for interest was approximately \$15,635 and \$16,202 and in fiscal 2013 and 2012, respectively.

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

- (r) Temporarily Restricted Net Assets--Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific purpose. Temporarily restricted net assets and net assets released from donor restrictions are primarily comprised of net assets restricted to support operations. Substantially all of these net assets are restricted by donors to support research, education and other advances in clinical care and prevention. The amount of temporarily restricted net assets whose use by the Medical Center has been limited by donors for a specific purpose was \$143,741 and \$141,494 at June 30, 2013 and 2012, respectively.

Temporarily restricted net assets related to assets held in endowments at supporting organizations on the Medical Center's behalf are either donor restricted to support research at the Medical Center's or deferred gift programs where the restriction is a time restriction tied to the life expectancy of the donor. The amount of temporarily restricted net assets held at supporting organizations was \$26,696 and \$15,208 at June 30, 2013 and 2012, respectively.

- (s) Permanently Restricted Net Assets--Permanently restricted net assets are restricted by the donor to be maintained in perpetuity and are recorded in Interest in Net Assets of Supporting Organizations in the accompanying Consolidated Balance Sheets as they are held by supporting organizations. As of June 30, 2013 and 2012, permanently restricted net assets consisted of the following amounts with expendable investment income restricted by donors to be used for the following purposes:

| | <u>2013</u> | <u>2012</u> |
|---------------------|--------------------|------------------|
| Research activities | \$ 904,417 | \$770,204 |
| Clinical activities | 180,537 | 151,915 |
| | <u>\$1,084,954</u> | <u>\$922,119</u> |

The assets underlying the Medical Center's permanently restricted net assets have been invested by supporting organizations in marketable securities, including a significant concentration in the common stock of a consumer products company.

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- (t) Excess of Revenues Over Expenses--The Consolidated Statements of Operations and Changes in Net Assets include "excess of revenues over expenses." Changes in unrestricted net assets which are excluded from excess of revenues over expenses include receipts from supporting organizations, transfers to supporting organizations, pension and post retirement health liability adjustment, and contributions of long-lived assets (including assets acquired using contributions which by donor restrictions were to be used for the purpose of acquiring such assets).
- (u) 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.
- (v) New Accounting Pronouncements—

Effective July 1, 2011, the Cincinnati Children's adopted ASU 2010-23, "Health Care Entities (Topic 954): Measuring Charity Care for Disclosure," which prescribes a specific measurement basis of charity care for disclosure. Due to the lack of comparability that previously existed due to the use of either revenue or cost as the basis for disclosure of charity care, ASU 2010-23 standardizes cost as the basis for charity care disclosures and specifies the elements of cost to be used in charity care disclosures. The Medical Center adopted the new guidance effective July 1, 2011, which did not have a material impact on the consolidated financial statements and related disclosures.

In August 2010, the FASB issued ASU 2010-24, "Health Care Entities (Topic 954): Presentation of Insurance Claims and Recoveries," which provides clarification to companies in the healthcare industry on the accounting for professional liability insurance. ASU 2010-24 states that insurance liabilities should not be presented net of insurance recoveries and that an insurance receivable should be recognized on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible accounts. ASU 2010-24 is effective for fiscal years beginning after December 15, 2010. The Medical Center adopted the new guidance effective July 1, 2011, which did not have a material impact on the consolidated financial statements and related disclosures.

In May 2011, the FASB issued ASU 2011-4, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," related to amendments to certain measurement principles and disclosures regarding fair value measurements. The amendments in this update improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. The Medical Center adopted the new guidance, effective July 1, 2012, which did not have a material impact on the consolidated financial statements and related disclosures.

In July 2011, the FASB issued ASU 2011-7, "Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities." In accordance with ASU 2011-7, the Medical Center is required to present its provision for doubtful accounts as a deduction from revenue, similar to contractual discounts. Accordingly, the Medical Center's revenue is required to be reported net of both

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contractual discounts and its provision for doubtful accounts. Additionally, ASU 2011-7 requires the Medical Center to make certain additional disclosures designed to help users understand how contractual discounts and bad debts affect recorded revenue in both interim and annual financial statements. ASU 2011-7 is required to be applied retrospectively; for nonpublic entities, the amendments are effective for the first annual period ending after December 15, 2012, and interim and annual periods thereafter, with early adoption permitted. The adoption of ASU 2011-7 impacted the presentation of the Consolidated Statements of Operations and Changes in Net Assets as it relates to the classification of bad debt expense and was adjusted retrospectively and additional disclosures. The adoption does not change net results or net assets.

In December 2012, the FASB issued ASU 2011-11, "Balance Sheet (Topic 210) - Disclosures about Offsetting Assets and Liabilities," which requires companies to disclose information about financial instruments that have been offset and related arrangements to enable users of their financial statements to understand the effect of those arrangements on their financial position. Companies will be required to provide both net (offset amounts) and gross information in the notes to the financial statements for relevant assets and liabilities that are offset. ASU 2011-11 is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The Medical Center does not expect the adoption of ASU 2011-11 to have a material impact on the consolidated financial statements and related disclosures.

(w) Reclassifications -- In accordance with ASU 2011-7, certain reclassifications have been recorded in the accompanying Statements of Operations and Changes in Net Assets related to the classification of bad debt expense.

(2) Losses on the Provision of Uncompensated Care-

In accordance with its mission and purpose, the Medical Center maintains a policy of accepting all 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, the Medical Center accepts patients from outside the primary service area regardless of their ability to pay. The Medical Center defines indigent patient care as services rendered to patients whose families' annual income or net worth falls below certain minimum standards. As such, losses absorbed by the Medical Center 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 indigent patient care.

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The following information summarizes uncompensated care provided during the years ended June 30, 2013 and 2012:

| | 2013 | | |
|---|--------------------|--------------------|--------------------|
| CHARGES | Hospital | Physician | Total |
| Charges under Medicaid and other entitlement programs | \$1,059,868 | \$260,729 | \$ 1,320,597 |
| Charity care not eligible for Medicaid assistance, at established charges | 49,065 | 1,940 | 51,005 |
| Other uncollectible self pay, at established charges | 20,802 | 10,531 | 31,333 |
| Total Medicaid, charity care and other uncollectible self pay charges | <u>\$1,129,735</u> | <u>\$273,200</u> | <u>\$1,402,935</u> |
| | | | |
| COSTS/LOSSES | | | |
| Estimated costs to provide uncompensated care | \$ 518,477 | \$ 142,064 | \$660,541 |
| Reimbursement from Medicaid programs | (322,847) | (36,184) | (359,031) |
| Losses on the provision of uncompensated care | (195,630) | (105,880) | (301,510) |
| Funds received from HCAP and tax levy | 19,317 | - | 19,317 |
| Losses on provision of uncompensated care net of HCAP and tax levy | <u>(\$176,313)</u> | <u>(\$105,880)</u> | <u>(\$282,193)</u> |
| | | | |
| | 2012 | | |
| CHARGES | Hospital | Physician | Total |
| Charges under Medicaid and other entitlement programs | \$ 946,061 | \$248,440 | \$1,194,501 |
| Charity care not eligible for Medicaid assistance, at established charges | 28,303 | 1,396 | 29,699 |
| Other uncollectible self pay, at established charges | 40,935 | 6,581 | 47,516 |
| Total Medicaid, charity care and other uncollectible self pay charges | <u>\$1,015,299</u> | <u>\$256,417</u> | <u>\$1,271,716</u> |
| | | | |
| COSTS/LOSSES | | | |
| Estimated costs to provide uncompensated care | \$ 496,190 | \$ 146,465 | \$ 642,655 |
| Reimbursement from Medicaid programs | (307,132) | (34,282) | (341,414) |
| Losses on the provision of uncompensated care | (189,058) | (112,183) | (301,241) |
| Funds received from HCAP and tax levy | 18,126 | - | 18,126 |
| Losses on provision of uncompensated care net of HCAP and tax levy | <u>\$(170,932)</u> | <u>\$(112,183)</u> | <u>\$(283,115)</u> |

The 2013 and 2012 cost amounts reflected in the tables above are calculated using cost to charge ratios calculated from prior year cost reports as the current year cost report is not yet available. Management does not believe that the difference in the cost report year would have a material impact on the amounts calculated.

(3) Tax Levy Funds-

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Under an agreement with Hamilton County, Ohio (the County), Cincinnati Children’s receives tax-supported funding from the County to reimburse Cincinnati Children’s for the provision of charity care to the County’s indigent residents. During fiscal 2013 and 2012, Cincinnati Children’s recognized \$5,200 and \$5,600, respectively, of tax levy reimbursement in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

The current tax levy agreement covers the period of the approved three year tax levy renewal, January 1, 2012 through December 31, 2014, which is subject to renewal by the voters of Hamilton County, Ohio. In each of the years 2012-2014, the County is scheduled to distribute \$5,200 to Cincinnati Children’s, subject to appropriation by the Board of County Commissioners. The amount distributed by the County from the Tax Levy proceeds to Cincinnati Children’s during each year of the Term hereof is subject to an annual appropriation at the discretion of the Board of County Commissioners. On an annual basis, Cincinnati Children’s shall render hospital inpatient and outpatient health and hospitalization services to medically indigent Hamilton County residents who are “Eligible Individuals” that have a total cost of at least the amount of the annual payments distributed to the Hospital under this Agreement for that year.

(4) 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, | |
|---|-----------------|----------------|
| | 2013 | 2012 |
| Self-insurance Funds- | | |
| Professional liability (A) | \$ 162 | \$ 162 |
| Employee health and workers’ compensation (B) | 473 | 481 |
| Bond interest escrow funds (C) | 2,794 | 2,771 |
| 2012 Construction fund (D) | 59,360 | - |
| Tomorrow fund | 14 | 264 |
| | <u>\$62,803</u> | <u>\$3,678</u> |

(A) Cincinnati Children’s has established an irrevocable trust fund for the payment of professional liability claim settlements. See Note 6 for further discussion of professional liability self-insurance.

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

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

(D) Cincinnati Children’s borrowed \$60,000 in December 2012 in the form of a taxable note the proceeds of which are being used to fund a portion of the cost of building a new clinical sciences building. Draws from the trust are expected to occur in fiscal 2014 and fiscal 2015.

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(5) Property and Equipment-

Property and equipment consists of the following:

| | <u>June 30,</u> | |
|-------------------------------------|-------------------|-------------------|
| | <u>2013</u> | <u>2012</u> |
| Land | \$ 47,809 | \$ 39,010 |
| Land improvements | 18,352 | 17,359 |
| Buildings and building improvements | 1,091,017 | 1,014,752 |
| Equipment | 554,281 | 555,098 |
| Construction in progress | 46,988 | 26,319 |
| | <u>1,758,447</u> | <u>1,652,538</u> |
| Accumulated depreciation | (849,912) | (811,560) |
| Property and equipment, net | <u>\$ 908,535</u> | <u>\$ 840,978</u> |

(6) Professional Liability-

The Medical Center'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 as follows:

For claims made between:

October 1, 2004 and September 30, 2006 \$10,000 (\$20,000 in aggregate)

For claims made subsequent to:

October 1, 2006 \$10,000 (\$25,000 in aggregate)

During this same time period, the Medical Center annually purchased excess healthcare professional liability insurance on a claims made basis. The aggregate limit for that excess insurance was \$50,000 through the policy year ending May 31, 2008. That excess coverage was increased to \$60,000 for the policy year beginning June 1, 2008 and it remains at that limit in the current policy year.

The actuarial present value of expected professional and patient general liability self-insurance costs (including incurred, but not reported claims) of \$23,781 and \$26,377 for 2013 and 2012, respectively, has been accrued in the accompanying Consolidated Balance Sheets. Accrued professional and general liability losses have been discounted at a rate of approximately 4% at June 30, 2013 and 2012, respectively. The costs of professional and patient general liability self-insurance, including premiums paid for stop-loss coverage, 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. On an ongoing basis, management reviews the status of potential claims and incidents, as well as legal proceedings, and, based upon consultation with a professional actuary, adjusts the accrued losses and self-insurance funding levels to reflect its best estimate of the present value of expected professional and patient general liability self-insurance costs. Professional and patient general liability expense amounted to \$4,701 and \$14,198 for fiscal 2013 and 2012, respectively.

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(7) Capital Lease Obligations-

The Medical Center leases certain equipment under capital leases. The aggregate future minimum lease payments total \$5,363, with \$1,684 due in fiscal 2014. During fiscal 2012, Cincinnati Children's entered into certain lease agreements for equipment with an asset value of approximately \$5,065. There were no new capital leases entered into in fiscal 2013.

(8) Tax Exempt Bonds Payable and Notes Payable-

Bonds payable and notes payable for the years ended June 30, 2013 and 2012 consist of the following:

| | <u>2013</u> | <u>2012</u> |
|--|------------------|------------------|
| Bonds payable and notes payable: | | |
| Series 1993, 5.0% due through 2013, net of unamortized discount of \$9 in 2012 | \$ - | \$ 1,886 |
| Series 1997, variable interest (0.06% at June 30, 2013), due through 2017 | 29,810 | 31,170 |
| Series 1998, 4.75% to 5.00% due through 2028, net of unamortized discount of \$2,106 in 2013 and \$2,218 in 2012 | 49,283 | 49,173 |
| Series 2000, variable interest (0.06% at June 30, 2013), due through 2028 | 48,075 | 48,595 |
| Series 2002, variable interest (0.06% at June 30, 2013), due Through 2028 | 20,630 | 21,645 |
| Series 2004, 4.50% to 5.50% due through 2034, net of unamortized discount of \$185 in 2013 and \$122 in 2012 | 81,120 | 83,328 |
| Series 2006, 4.25% to 5.00%, due through 2032, net of unamortized premium of \$399 in 2013 and \$410 in 2012 | 63,474 | 63,485 |
| Series 2007, variable interest (0.07% due at June 30, 2013), due through 2037 | 30,615 | 30,615 |
| Series 2008, variable interest (0.20% due at June 30, 2013), due through 2036 | 19,045 | 19,045 |
| Series 2009, 4.20% due through 2019 | 18,000 | 21,000 |
| Series 2010, 2.27% due through 2020 | 21,000 | 24,000 |
| Series 2011, 2.207% due through 2019 | 53,100 | 57,735 |
| Term Note Payable, 2.20% due through 2022 | 54,000 | - |
| Note Payable on Vernon Manor Property, interest at 4.045% | 27,752 | 28,905 |
| Total bonds payable and notes payable | <u>515,904</u> | <u>480,582</u> |
| Less- current portion | <u>(25,310)</u> | <u>(18,724)</u> |
| Tax exempt bonds payable and notes payable - long-term | <u>\$490,594</u> | <u>\$461,858</u> |

(a) Tax Exempt Bonds Payable—The Medical Center has pledged their gross revenues, as defined, to secure the payment of Series 1993, 1997, 1998, 2000, 2002, 2004, 2006, 2007, 2008, 2009, 2010 and 2011 bonds. The Medical Center is bound by certain financial covenants included in the bond indentures, letters of credit (fully securing the 1997, 2000, 2002, 2007 and 2008 issuances) and related agreements. Among other restrictions is a requirement to maintain a minimum Debt Service Coverage Ratio, as defined. The Medical Center is in compliance with its debt covenants as of June 30, 2013 and 2012.

Payment of the principal of, and the interest on, the Series 1993, 1998, 2004 and 2006 bonds is insured by a policy of municipal bond insurance. The 1997, 2000, 2002, 2007 and 2008 bonds may

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be tendered to a remarketing agent by bondholders on business days for full payment of principal and accrued interest. The Medical Center has entered into standby letters of credit that commits major banks to make funds available to purchase the bonds that are not remarketed. The Medical Center is required to maintain these or similar agreements until the bonds have been paid or converted to fixed rate obligations.

The interest rates on the 1997, 2000, 2002, 2007 and 2008 variable rate bonds are reset weekly by a rate-setting agent.

(b) Future Debt Maturities --

The following is a schedule of future debt maturities, excluding discounts:

| | |
|------------|------------------|
| 2014 | \$ 25,310 |
| 2015 | 25,890 |
| 2016 | 26,466 |
| 2017 | 27,090 |
| 2018 | 30,927 |
| Thereafter | 382,113 |
| | <u>\$517,796</u> |

- (c) Line of Credit -- In August 2008, Cincinnati Children's secured a \$40,000 line of credit. In fiscal 2012, Cincinnati Children's reduced the line of credit to \$30,000. The line of credit expired in February 2013 and bore interest at the monthly LIBOR rate plus 100 basis points. There were no draws on the line of credit during fiscal 2013 or 2012.
- (d) Note Payable on Vernon Manor Property -- 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. The property is located near the main campus. Additionally, a parking garage was constructed on adjacent property in order 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. The present value of such fixed payments at June 30, 2013 is \$27,752 using Cincinnati Children's estimated tax-exempt interest rate at the time of the agreement of 4.045%. The agreement also calls for variable payments monthly to cover operating expenses for the office building and the parking garage. Cincinnati Children's took occupancy of the facility on June 27, 2012. Additionally, the agreement has a provision that Cincinnati Children's can purchase the facility at the end of the seven years for the then fair market value.
- (e) Loss on Early Extinguishment of Tax Exempt Bonds Payable -- In October 2011, Cincinnati Children's refinanced \$62,135 of the outstanding 1998G bonds with tax-exempt direct placement obligations. The obligations bear interest at a fixed rate of interest of 2.207%. The obligations mature in fiscal 2019. As part of the refunding, Cincinnati Children's recorded a \$1,130 loss on early extinguishment of tax exempt bonds payable in fiscal 2012. No bonds were refinanced in fiscal 2013.

(9) Employee Benefit Plans-

The Medical Center 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

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service and salary levels. The Medical Center's funding policy for its defined benefit plan meets the funding standards established by the Employee Retirement Income Security Act of 1974 (ERISA).

The Medical Center'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. Effective April 1, 2012, the Investment Policy for the portfolio changed to transition to a long-term target allocation through calendar 2013 as follows:

| | |
|---|-------|
| Long Duration Treasury Bonds | 15.0% |
| Long Duration Corporate Bonds | 15.0% |
| Treasury Inflation Protected Securities | 4.0% |
| High Yield Fixed Income | 4.0% |
| Emerging Markets Fixed Income | 4.0% |
| Global Developed Markets Equity | 36.0% |
| Emerging Markets Equity | 9.0% |
| Private Equity | 5.0% |
| Real Estate | 5.0% |
| Commodities | 3.0% |

In order to maintain the portfolio's actual asset allocation in line with the target allocations specified above, the assets will be re-allocated or rebalanced regularly. Because of the illiquid nature of private equity and real estate, it is not anticipated that these asset classes will be rebalanced on a regular basis. As of June 30, 2013, the Medical Center made \$43,000 in funding commitments in four investment partnerships of which \$8,400 had been funded. Additionally, the Medical Center had made \$12,500 in funding commitments in two real estate investment partnerships, of which \$3,300 had been funded. It is anticipated that these commitments will be funded from liquid investments in the plan and any required funding contributions.

Prior to April 1, 2012, the portfolio's target asset allocation was 60 percent equities, 35 percent fixed income and 5 percent Real Estate Investment Trusts with specified allowable ranges around these targets, plus or minus 10 percent based on the manager's discretion. Within the equity market, the investments are broadly diversified among various industry sectors in the domestic market. Within the debt segment, the investments are diversified between U.S. government bonds, Government Agency bonds and Corporate bonds. Investment risk is measured and monitored on an ongoing basis through regular reports from the investment managers.

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The Medical Center's defined benefit plan investment allocation at the actuarial measurement date of June 30, 2013 and 2012 by asset category is as follows:

| | <u>2013</u> | <u>2012</u> |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | 6.9% | 4.7% |
| Bond mutual funds | 17.3% | 18.2% |
| Common stock | 5.2% | 5.1% |
| Corporate bonds | 5.9% | 6.8% |
| Government bonds | 0.1% | 0.2% |
| Investment Partnerships: | | |
| Equity | 12.1% | 8.4% |
| Commodities | 2.6% | 2.5% |
| Bond | 15.4% | 22.1% |
| International equity | 34.0% | 32.0% |
| Real estate | 0.5% | - |
| | <u>100.0%</u> | <u>100.0%</u> |

At June 30, 2013, 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 1(o) for further discussion on the fair value hierarchy and fair value principles):

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---------------------------|------------------|------------------|-----------------|
| Cash and cash equivalents | \$ 49,303 | \$ - | \$ - |
| Bond mutual funds | 123,861 | - | - |
| Corporate bonds | - | 41,970 | - |
| Common stock | 37,330 | - | - |
| Government bonds | - | 1,152 | - |
| Investment Partnerships: | | | |
| Equity | - | 78,774 | 8,140 |
| Commodities | - | 18,416 | - |
| Bond | - | 110,351 | - |
| International equity | - | 244,043 | - |
| Real Estate | - | - | 3,680 |
| | <u>\$210,494</u> | <u>\$494,706</u> | <u>\$11,820</u> |

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At June 30, 2012, 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 1(o) for further discussion on the fair value hierarchy and fair value principles):

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---|------------------|------------------|----------------|
| Cash and Cash Equivalents | \$ 28,759 | \$ - | \$ - |
| Bond mutual funds | 111,569 | - | - |
| Corporate Bonds | - | 41,451 | - |
| Common Stock | 31,060 | - | - |
| Investment Partnerships | - | 51,552 | - |
| Commodity Mutual Fund | 15,253 | - | - |
| Private Commingled fund of bond | - | 135,615 | - |
| Private Commingled fund of international equity | - | 198,102 | - |
| Government Bonds | - | 1,382 | - |
| | <u>\$186,641</u> | <u>\$428,102</u> | <u>\$ -</u> |

The fair values of Level 1 investments are based on quoted prices in active markets. The Level 2 and Level 3 investments in private investment funds 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 Level 3 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.

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

| | <u>2013</u> | <u>2012</u> |
|---|-------------|-------------|
| Discount rate used to determine actuarial present value of the projected benefit obligation | 4.84% | 4.17% |
| Assumed rate of increase in compensation levels | 4.00% | 4.00% |
| Long-term rate of return | 7.50% | 8.00% |

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The following table sets forth the funded status of the plan and amounts recognized in the accompanying Consolidated Balance Sheets as of June 30, 2013 and 2012, utilizing actuarial measurement dates as of June 30, 2013 and 2012.

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Change in projected benefit obligation: | | |
| Projected benefit obligation at beginning of year | \$1,014,433 | \$ 678,763 |
| Service cost | 56,176 | 37,451 |
| Interest cost | 42,029 | 38,723 |
| Other actuarial (gains) losses | (138,247) | 268,083 |
| Benefits paid | (10,611) | (8,587) |
| Projected benefit obligation at end of year | <u>963,780</u> | <u>1,014,433</u> |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | 614,743 | 477,003 |
| Actual return on plan assets | 53,888 | 25,627 |
| Employer contributions | 59,000 | 120,700 |
| Benefits paid | (10,611) | (8,587) |
| Fair value of plan assets at end of year | <u>717,020</u> | <u>614,743</u> |
| Funded status | (246,760) | (399,690) |
| Net accrued pension liability in Consolidated Balance Sheets | <u>\$ (246,760)</u> | <u>\$ (399,690)</u> |

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

| | <u>2013</u> | <u>2012</u> |
|------------------------|------------------|------------------|
| Net actuarial loss | \$356,572 | \$536,159 |
| Net prior service cost | - | 38 |
| | <u>\$356,572</u> | <u>\$536,197</u> |

The estimated actuarial loss and prior service cost that will be amortized from Unrestricted Net Assets into net pension cost in fiscal 2014 are \$19,297 and \$0, respectively.

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

| | <u>2013</u> | <u>2012</u> |
|---|-------------|-------------|
| Discount rate used to determine actuarial present value of the projected benefit obligation | 4.17% | 5.76% |
| Assumed rate of increase in compensation levels | 4.00% | 4.00% |
| Expected long-term rate of return on plan assets | 7.50% | 8.00% |

The Medical Center'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.

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Net periodic pension cost for 2013 and 2012 related to the defined benefit plan consisted of the following components:

| | <u>2013</u> | <u>2012</u> |
|------------------------------------|-----------------|-----------------|
| Service cost | \$56,176 | \$37,451 |
| Interest cost | 42,029 | 38,723 |
| Return on plan assets | (45,324) | (38,399) |
| Amortization of prior service cost | 38 | 543 |
| Recognized net actuarial loss | 32,775 | 18,473 |
| Net periodic pension cost | <u>\$85,694</u> | <u>\$56,791</u> |

Based on preliminary estimates, we do not expect any required fiscal 2014 contributions for the qualified defined benefit plan under the current funding regulations.

The accumulated benefit obligation for the pension plan was \$809,752 and \$834,429 at June 30, 2013 and 2012, respectively.

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

| | |
|-----------|-----------|
| 2014 | \$ 15,498 |
| 2015 | 18,893 |
| 2016 | 22,660 |
| 2017 | 26,879 |
| 2018 | 31,432 |
| 2019-2023 | 236,202 |

All other retirement plans maintained by the Medical Center are defined contribution plans. The Medical Center's contributions to these plans are generally based on ten percent of salaries up to established ERISA limits. Total expense related to these other plans was approximately \$19,063 and \$17,762 in fiscal 2013 and 2012, respectively. Through December 31, 2012, the Medical Center maintained a matching contribution related to non-faculty, non-senior management employees in which the Medical Center contributed one dollar for every dollar an employee contributes to a 403(b) plan up to 1% of an employee's salary subject to certain restrictions, including a three year vesting schedule and employee contributions made each pay period. The total amount expensed in fiscal 2013 and 2012 related to this plan was approximately \$1,904 and \$3,308, respectively. The Medical Center has notified employees that contributions to the Plan ceased effective January 1, 2013 and the plan is terminated. As such all balances became immediately vested.

The Medical Center has a nonqualified deferred compensation plan, which permits eligible officers, directors and key employees to defer a portion of their compensation. The deferred compensation amounts are in participant directed investments and are considered trading securities. The participants have the option of deferring the amounts for no less than two years, but no greater than retirement age. If a participant chooses to defer amounts to less than retirement age they have one option to extend the deferral term or to be paid out the fair value of the assets, net of taxes upon expiration. The amounts are at a substantial risk of forfeiture and will revert back to the Medical Center if the employee violates his non-compete agreement. The fair value of the assets and liability to participants included in the accompanying Consolidated Balance Sheets were \$11,688 and \$10,167 at June 30, 2013 and 2012, respectively. The amount of deferred compensation

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expense recognized in fiscal 2013 and 2012 was \$1,160 and \$623, respectively. Additionally, the Medical Center provides for individual nonqualified deferred compensation benefits for retention of key employees with varying terms. The fair value of the assets and liability to participants related to these individual agreements in the accompanying Consolidated Balance Sheets were \$5,345 and \$3,981, respectively at June 30, 2013 and 2012.

In addition to providing pension benefits, the Medical Center makes available medical and dental benefits for certain eligible employees upon retirement from the Medical Center at cost. Substantially all employees may become eligible for such benefits upon retiring from active employment of the Medical Center. Former employees who retired prior to March 1, 1997 are entitled to subsidized medical and dental benefits. In June 2012, the Medical Center notified retirees that effective January 1, 2013, the retirees health benefits will be provided through a third party arrangement versus the Medical Center's self-insured plans.

The postretirement benefit obligations as of June 30, 2013 and 2012 were as follows:

| | <u>2013</u> | <u>2012</u> |
|---|----------------|----------------|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | \$4,475 | \$7,908 |
| Interest cost | 116 | 339 |
| Plan participants contributions | 336 | 637 |
| Plan Amendment | - | (4,567) |
| Medicare Part D subsidy | 191 | 206 |
| Actuarial (gains) losses | (233) | 1,448 |
| Benefits paid | (1,194) | (1,496) |
| Benefit obligation at end of year | <u>\$3,691</u> | <u>\$4,475</u> |

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

| | <u>2013</u> | <u>2012</u> |
|------------------------|-----------------|-----------------|
| Net actuarial loss | \$3,806 | \$4,542 |
| Net prior service cost | (4,604) | (5,450) |
| | <u>\$ (798)</u> | <u>\$ (908)</u> |

The estimated actuarial loss and prior service cost that will be amortized from Unrestricted Net Assets into net postretirement cost in fiscal 2014 are \$447 and \$(846) respectively.

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

| | <u>2013</u> | <u>2012</u> |
|---|-------------|-------------|
| Discount rate | 3.26% | 2.79% |
| Health care cost trend rate declining gradually to 5% through 2014 and beyond | 5.00% | 8.00% |

Net periodic cost for 2013 and 2012 related to the medical and dental postretirement benefits consisted of the following components:

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| | <u>2013</u> | <u>2012</u> |
|--|-----------------|--------------|
| Interest cost | \$ 116 | \$339 |
| Amortization of unrecognized net gain and prior service credit | (343) | 20 |
| | <u>\$ (227)</u> | <u>\$359</u> |

For fiscal 2013 and fiscal 2012, the discount rate used to determine the net periodic postretirement costs was 2.79% and 4.49%, respectively

Assumed healthcare cost trend rates have a significant effect on the amounts reported for healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

| | <u>1-Percentage- Point Increase</u> | <u>1-Percentage- Point Decrease</u> |
|---|---|---|
| Effect on total of service and interest cost components | \$ 631 | \$ (571) |
| Effect on accumulated postretirement benefit obligation | 21,919 | (19,920) |

The Medical Center expects to make the future benefit payments, which reflect expected future service, as appropriate. The following benefit payments and subsidies are expected to be paid (or received) over each of the next five years and thereafter.

| | <u>Payments</u> | <u>Subsidies</u> |
|-----------|-----------------|------------------|
| 2014 | \$ 499 | \$ |
| 2015 | 463 | - |
| 2016 | 427 | - |
| 2017 | 392 | - |
| 2018 | 357 | - |
| 2019-2023 | 1,310 | - |

(10) Commitments and Contingencies-

- (a) Litigation--During the normal course of business, the Medical Center may become involved in litigation. Management assesses the probable outcome of unresolved litigation and records estimated settlements 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 the Medical Center.
- (b) Laws and Regulations--The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to review and interpretation, as well as regulatory actions unknown or unasserted at this time. Federal and State government activity continues with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayment of previously billed and collected revenue from patient services. Management believes that the Medical Center is in compliance, in all material respects, with all fraud and abuse as well as other applicable government laws and regulations. The Medical Center has

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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--The Medical Center has entered into agreements with general contractors for several renovation projects, equipment and information system technology projects. The Medical Center has committed to spend an additional approximately \$112,466 in connection with current active projects as of June 30, 2013. The projects are expected to be completed in fiscal 2014 and fiscal 2015.
- (d) Funding Commitments -- During fiscal 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. These funds are to be used to invest in commercial and residential projects in the uptown area. As of June 30, 2013, Cincinnati Children's has provided \$12,867 of funding in relation to this commitment.

As part of fee assignment agreements with physician employees, Cincinnati Children's has agreed to fund expenditures of \$231,147 and \$220,367 as of June 30, 2013 and June 30, 2012, respectively, in those physicians' respective departments at the Medical Center as requested by those departments.

- (e) Investment Commitments – Cincinnati Children's has made commitments to invest \$12,000 in two 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 and advanced manufacturing. As of June 30, 2013, Cincinnati Children's had funded \$9,722 of this commitment. At June 30, 2013 and 2012, respectively, the value of the investment recorded in Other Assets in the Consolidated Balance Sheets is \$10,241 and \$10,808. Distributions from the limited partnership are made at the discretion of the General Partner, primarily based on distributions from investee partnerships and sales of securities less partnership expenses and amounts retained for working capital, as provided for in the limited partnership agreement. Redemptions of partnership interests prior to termination of the partnership defined in the limited partnership agreement are not anticipated.

Cincinnati Children's has made a commitment to invest \$5,000 in a limited partnership that focuses on investing in venture capital funds or provides ventures capital for companies in the high growth sectors of the economy, including life sciences, information technology and advanced manufacturing. As of June 30, 2013 Cincinnati Children's has funded \$1,200 of this commitment. At June 30, 2013, the value of the investment recorded in Other Assets in the Consolidated Balance Sheets is \$1,078. Distributions from the limited partnership are made at the discretion of the General Partner, primarily based on distributions from investee partnerships and sales of securities less partnership expenses and amounts retained for working capital, as provided for in the limited partnership agreement. Redemptions of partnership interests prior to termination of the partnership defined in the limited partnership agreement are not anticipated.

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Cincinnati Children's has made a commitment to invest \$5,000 in a limited liability corporation (LLC) that focuses on investing in early stage venture capital funds regionally and nationally. The goal is to make the Cincinnati region the place for entrepreneurs and investors to launch new ideas. As of June 30, 2013, Cincinnati Children's had funded \$140 of the commitment. At June 30, 2013 the value of the investment recorded in Other Assets in the Consolidated Balance Sheets is \$140. Unless the LLC is dissolved earlier in accordance with defined termination provisions, the term of the LLC shall end on the 12th anniversary of the date of the last sale of membership interests, subject to extension in the three one-year increments with written notice. In general, no member shall have the right to withdraw from the LLC.

Cincinnati Children's has made a commitment to invest \$3,000 in a limited partnership that invests primarily in high growth Information Technology and healthcare companies that leverage technology to make their customers' business or products/services better, faster or less expensive. As of June 30, 2013, Cincinnati Children's has funded \$300 of this commitment. At June 30, 2013, the value of the investment recorded in Other Assets in the Consolidated Balance Sheets is \$256. Distributions from the limited partnership are made at the discretion of the General Partner, primarily based on distributions from investee partnerships and sales of securities less partnership expenses and amounts retained for working capital, as provided by in the limited partnership agreement. Redemptions of partnership interests prior to termination of the partnership defined in the limited partnership agreement are not anticipated.

Cincinnati Children's has made an a commitment to invest \$400 in two limited liability corporations (LLC's) whose purpose is private-public seed-stage investor whose mission is to strengthen the regional economy by driving talent and capital into scalable technology companies in southwest Ohio. Cincinnati Children's has satisfied the commitment. At June 30, 2013 and 2012, respectively, the value of the investment recorded in Other Assets in the Consolidated Balance Sheets is \$743 and \$650. Unless the LLC is dissolved earlier in accordance with defined termination provisions, the term of the LLC shall end on the 12th anniversary of the date of the last sale of membership interests, subject to extension in the three one-year increments with written notice. In general, no member shall have the right to withdraw from the LLC.

- (f) Operating Leases – Cincinnati Children's leases certain property for varying periods. Rent expense related to such leases was approximately \$6,200 in fiscal 2013. Future minimum rental commitments under non-cancellable operating leases are as follows:

| | |
|------------|---------|
| FY 2014 | \$6,224 |
| FY 2015 | 2,693 |
| FY 2016 | 2,704 |
| FY 2017 | 2,705 |
| FY 2018 | 2,517 |
| Thereafter | 3,478 |

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(11) Functional Expenses-

The functional expenses of the Medical Center are as follows:

| | <u>2013</u> | <u>2012</u> |
|------------------------|--------------------|--------------------|
| Patient services | \$1,159,666 | \$1,165,931 |
| Research and education | 380,764 | 325,081 |
| Support services | 238,255 | 191,043 |
| | <u>\$1,778,685</u> | <u>\$1,682,055</u> |

(12) Fair Value of Financial Instruments-

The following methods and assumptions were used by the Medical Center 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 and Accrued Expenses -- 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.

Bonds Payable and Notes Payable--The fair values of the Medical Center's bonds payable and notes payable are estimated by management, with assistance from a third party, based on current rates for debt with similar remaining maturities. The fair value of the bonds payable at June 30, 2013 and 2012 was \$517,542 and \$482,836, respectively. These would be classified as Level 2 investments in the fair value hierarchy.

(13) Subsequent Events-

Management reviewed subsequent events through October 23, 2013, the date the financial statements were issued, noting no changes were required to the financial statements or footnotes.

| Gov Agency | Gov Branch | Award Title | Pass-Through Grantor | Subrecipient Name | Federal Grant Number | CFDA | Sub Exp | Fed Exp | Total Exp |
|---|------------|--|--|-------------------------------------|----------------------|--------|------------------|---------------------|---------------------|
| | | PPAR gamma in pediatric sepsis and the inflammatory resp | | | GM093135 | 93.859 | - | 161,734.65 | 161,734.65 |
| | | MMP-8 as a Novel Therapeutic Target in Sepsis | | | GM096994 | 93.859 | - | 235,287.50 | 235,287.50 |
| | | Specification of Stochastic Left-Right Asymmetric Neuron | | | GM098026 | 93.859 | - | 181,441.57 | 181,441.57 |
| | | DNA Damage Response Pathways in Meiotic Sex Chromosome I | | | GM098605 | 93.859 | - | 259,406.23 | 259,406.23 |
| | | Novel Mechanisms of Regenerative Fetal Wound Repair by I | | | GM098931 | 93.859 | - | 152,538.88 | 152,538.88 |
| | | Stratification of pediatric septic shock | | University of Minnesota | GM099773 | 93.859 | 40,892.56 | 232,776.85 | 273,669.41 |
| | | Regulation and Scaling of a Morphogen Gradient | | | GM101373 | 93.859 | - | 193,041.63 | 193,041.63 |
| | | Organization of the inactive X-chromosome | | | GM102184 | 93.859 | - | 157,966.32 | 157,966.32 |
| | | Mouse and Guinea Pig Models for Herpesviruses | | | HHSN2722010000081 | 93.859 | - | 664,712.43 | 664,712.43 |
| | | Role of Eicosanoids in Shock | Medical University of South Carolina | | GM027873 | 93.859 | - | 35,180.99 | 35,180.99 |
| | | Collaborative Science Supplement to R01-GM090158 | Emory Univ School of Public Health | | GM090158 | 93.859 | - | 26,633.79 | 26,633.79 |
| | | Extracellular matrix remodeling and fibrosis | University of Rochester | | GM097347 | 93.859 | - | 32,946.61 | 32,946.61 |
| | | Cell Cycle Proteomics in Xenopus | Harvard Medical School | | GM103785 | 93.859 | - | 16,636.72 | 16,636.72 |
| | | Midazolam for the Pediatric Trials Network | Duke University | | HHSN2752010000031 | 93.859 | - | 20,063.94 | 20,063.94 |
| | | | | | | | | 3,868,297.84 | 3,915,699.47 |
| | | | | | | | 47,401.63 | 3,868,297.84 | 3,915,699.47 |
| Blood Diseases and Resources Research | | Comprehensive Sickle Cell Center | | | HL070871 | 93.839 | - | (3,025.88) | (3,025.88) |
| | | Role of FA proteins in hematopoiesis | | | HL076712 | 93.839 | - | 446,056.45 | 446,056.45 |
| | | Function and Regulation of FANCM in Fanconi Anemia | | | HL084082 | 93.839 | - | 178,297.12 | 178,297.12 |
| | | Hemostatic Factors as Determinants of Bacterial Virulence | | | HL085357 | 93.839 | - | (785.11) | (785.11) |
| | | Cell Type and Stimulus-Specific Signaling Role of CDC42 | | | HL085362 | 93.839 | - | (3,504.74) | (3,504.74) |
| | | Mechanisms Linking Metastasis to Tumor Procoagulant and | | | HL085545 | 93.839 | - | (2,286.52) | (2,286.52) |
| | | FANCD2 Monoubiquitination in DNA Damage Responses | | | HL085587 | 93.839 | - | 274,943.33 | 274,943.33 |
| | | Rac GTPase Inhibition in Chronic Myelogenous Leukemia | | | HL087159 | 93.839 | - | 259,637.56 | 259,637.56 |
| | | Rac1 and Rac2 Guanosine Triphosphatases in Erythroid | | | HL088126 | 93.839 | - | 53,629.80 | 53,629.80 |
| | | An Animal Model of Hemophagocytosis Lymphohistiocytosis | | | HL091769 | 93.839 | - | 29,774.28 | 29,774.28 |
| | | Training Program in Pediatric Hematologic and Oncologic | | | HL091805 | 93.839 | - | 206,201.24 | 206,201.24 |
| | | Thrombin-mediated proteolysis in neuroinflammation | | | HL098126 | 93.839 | - | 366,652.20 | 366,652.20 |
| | | The NK Cell Response to Prenatal Allotransplantation | | | HL103745 | 93.839 | - | 159,565.89 | 159,565.89 |
| | | Mechanisms Linking Hemostatic Factors to Neuroinflammation | | | HL105672 | 93.839 | - | 131,747.92 | 131,747.92 |
| | | Fanconi Anemia as a Model for Susceptibility to Human Pa | | | HL108102 | 93.839 | 6,243.36 | 335,043.70 | 342,771.64 |
| | | | Indiana University | | | | | | |
| | | | University of Minnesota | | | | 1,484.58 | | |
| | | Patient-Provider Interventions to Improve Transition to | | | HL108720 | 93.839 | - | 485,613.99 | 485,613.99 |
| | | Identification and characterization of genes in del(5q) | | | HL111103 | 93.839 | - | 451,657.95 | 451,657.95 |
| | | The Role of MEIS1 in Hematopoiesis and Hematopoietic Tra | | | HL111192 | 93.839 | - | 461,625.57 | 461,625.57 |
| | | Hemostatic factors and sickle cell disease | | | HL112603 | 93.839 | - | 466,577.60 | 466,577.60 |
| | | Rho GTPases in Terminal Erythroid Maturation | | | HL116352 | 93.839 | - | 343,615.04 | 343,615.04 |
| | | TWITCH | Baylor College of Medicine | | HL095647 | 93.839 | - | 29,636.92 | 29,636.92 |
| | | Development of Safe and Efficient Gene Therapy Strategie | Fred Hutchinson Cancer Research Center | | HL098489 | 93.839 | - | 110,523.84 | 110,523.84 |
| | | Improving Stem Cell Mobilization by the EGFR Inhibitor E | P2D Bioscience | | HL108403 | 93.839 | - | 106,058.35 | 106,058.35 |
| | | PLGF-HIF1a-miR Axis in Sickle Pulmonary Hypertension | University of Southern California | | HL111372 | 93.839 | - | 360,713.07 | 360,713.07 |
| | | | | | | | | 7,727.94 | 5,247,969.57 |
| | | | | | | | | 5,247,969.57 | 5,255,697.51 |
| Cancer Biology Research | | Ras, Cycling and Inhibition | | | CA115611 | 93.396 | - | 141,493.65 | 141,493.65 |
| | | Schwann Cells in Neurofibromatosis Type 2 (NF2) | | | CA118032 | 93.396 | - | (18,306.31) | (18,306.31) |
| | | The Role of CBFb-MYH11 in Acute Myeloid Leukemia | | | CA118319 | 93.396 | - | 25,842.44 | 25,842.44 |
| | | Rac GTPases as Targets in Lymphomagenesis | | | CA125658 | 93.396 | - | 5,067.34 | 5,067.34 |
| | | Activating robust immunity to tumor-associated antigens: | | | CA138617 | 93.396 | - | 318,141.44 | 318,141.44 |
| | | Rac GTPase-Specific Small Molecular Inhibitors | | University of Cincinnati | CA141341 | 93.396 | 13,745.00 | 156,062.23 | 169,807.23 |
| | | Role of Foxm1 in Lung Cancer Microenvironment | | | CA142724 | 93.396 | - | 341,597.87 | 341,597.87 |
| | | Targeting Cdc42 in Leukemia Stem Cells | | | CA150547 | 93.396 | - | 294,830.74 | 294,830.74 |
| | | MicroRNA in Acute Myeloid Leukemia | | | CA159845 | 93.396 | - | 417,878.33 | 417,878.33 |
| | | Hypoxia and Potassium Channel Activity in T Lymphocytes | University of Cincinnati | | CA095286 | 93.396 | - | 25,308.09 | 25,308.09 |
| | | Macrophages and Tumor Angiogenesis | Albert Einstein College of Medicine | | CA131270 | 93.396 | - | 64,383.00 | 64,383.00 |
| | | | | | | | | 13,745.00 | 1,772,098.82 |
| | | | | | | | | 1,772,098.82 | 1,785,843.82 |
| Cancer Cause and Prevention Research | | Fanconi Anemia and HPV Transformation | | | CA102357 | 93.393 | - | 226,764.17 | 226,764.17 |
| | | Role and Regulation of the Human DEK Proto-Oncogene | | University of Cincinnati | CA116316 | 93.393 | 4,710.09 | 257,573.06 | 262,283.15 |
| | | The role of ATOH1 as a tumor suppressor in colorectal can | | | CA142826 | 93.393 | - | 319,870.35 | 319,870.35 |
| | | The role of Bioactive Lipids in Inflammation and Cancer | Univ of Texas M.D. Anderson Cancer Ctr | | CA077839 | 93.393 | - | 57,444.42 | 57,444.42 |
| | | Neurobehavioral Late Effects in Pediatric Brain Tumors | Baylor College of Medicine | | CA112182 | 93.393 | - | 13,755.84 | 13,755.84 |
| | | Molecular Epidemiology of Pediatric Germ Cell Tumors | University of Minnesota | | CA151284 | 93.393 | - | 17,405.37 | 17,405.37 |
| | | Epigenetic and clinical impact of SMARCB1 loss in cancer | Children's Memorial Hospital | | CA166790 | 93.393 | - | 15,766.89 | 15,766.89 |
| | | 14th Annual Midwest DNA Repair Symposium | University of Cincinnati | | CA168317 | 93.393 | - | 6,305.80 | 6,305.80 |
| | | | | | | | | 4,710.09 | 914,885.90 |
| | | | | | | | | 914,885.90 | 919,595.99 |
| Cancer Detection and Diagnosis Research | | MR-Image Guided Focused Ultrasound for Treatment of Live | Stanford University | | CA121163 | 93.394 | - | 98,296.27 | 98,296.27 |
| | | Endorectal Prostate MRI w/Tetraheadron Tracking; Better C | Brigham & Women's Hospital | | CA158987 | 93.394 | - | 34,832.45 | 34,832.45 |
| | | | | | | | | 133,128.72 | 133,128.72 |
| Cancer Research Manpower | | Molecular Pathogenesis of MLL-Fusion Gene Leukemia | | | CA122191 | 93.398 | - | (3,743.39) | (3,743.39) |
| | | Exploring a Cessation Intervention for Low Income Smoker | | | CA163747 | 93.398 | - | 211,472.96 | 211,472.96 |
| | | Regulation of Cellular Growth and Differentiation | University of Cincinnati | | CA059268 | 93.398 | - | 108,245.47 | 108,245.47 |
| | | Training Program in Cancer Therapeutics | University of Cincinnati | | CA117846 | 93.398 | - | 36,761.08 | 36,761.08 |
| | | | | | | | | 352,736.12 | 352,736.12 |
| Cancer Treatment Research | | Promoting Treatment Adherence in Adolescent Leukemia | | Children's Hospital of Philadelphia | CA119162 | 93.395 | 3,258.26 | 203,946.40 | 408,169.86 |
| | | | | University of Texas Med Branch | | | 26,003.68 | | |
| | | | | University of Pittsburgh | | | 87,583.02 | | |
| | | | | Dana Farber Cancer Institute | | | 87,378.50 | | |
| | | Improved therapeutic approaches for hematological disord | | | CA155091 | 93.395 | - | 253,581.98 | 253,581.98 |
| | | Nonadherence: Undermining health outcomes in pediatric H | | | CA157460 | 93.395 | - | 483,480.56 | 483,480.56 |
| | | Targeted Improvement in Stem Cell Therapy for Leukemia a | | | CA157537 | 93.395 | - | 382,038.72 | 382,038.72 |
| | | Childhood Cancer Survivor Study | | | CA085727 | 93.395 | - | 309,401.94 | 309,401.94 |
| | | The Pediatric Brain Tumor Consortium | St Jude's Children's Hospital | | CA081457 | 93.395 | - | 151,073.27 | 151,073.27 |
| | | Children's Oncology Group Phase I | Children's Oncology Group | | CA097452 | 93.395 | - | 6,708.39 | 6,708.39 |
| | | COG Group Chair Award - Scientific Leadership | Children's Hospital of Philadelphia | | CA098543 | 93.395 | - | 13,855.00 | 13,855.00 |
| | | HSCT-CHESS to Enhance Hematopoietic Transplant Recovery | New England Medical Center Hospital, Inc | | CA119196 | 93.395 | - | (2,425.90) | (2,425.90) |
| | | Adult Neurobehavioral Late Effects of Pediatric Low Grad | Baylor College of Medicine | | CA132899 | 93.395 | - | 29,955.12 | 29,955.12 |
| | | Acidic Phospholipid-Selective Treatment for Neuroblastom | University of Cincinnati | | CA158372 | 93.395 | - | 5,522.40 | 5,522.40 |
| | | | | | | | | 204,223.46 | 1,831,137.88 |
| | | | | | | | | 1,831,137.88 | 2,041,361.34 |
| Cardiovascular Diseases Research | | Molecular pathways controlling cardiac gene expression | | | HL060562 | 93.837 | - | 438,734.16 | 438,734.16 |
| | | Cardiac hypertrophic intracellular signaling pathways | | | HL062927 | 93.837 | - | 346,521.89 | 346,521.89 |
| | | Signaling processes underlying cardiovascular function | | University of Cincinnati | HL069779 | 93.837 | 84,248.19 | 950,809.34 | 1,035,057.53 |
| | | Twist 1 regulation of valve progenitors | | | HL082716 | 93.837 | - | 271,892.91 | 271,892.91 |
| | | Pediatric Cardionopathy Specimen Repository | | | HL087000 | 93.837 | - | (19,147.51) | (19,147.51) |
| | | The Influence of Child Care Center Envir on Physical Act | | | HL088053 | 93.837 | - | 136,148.90 | 136,148.90 |
| | | Role of the embryonic node for cardiac development and c | | | HL088639 | 93.837 | - | 162,828.84 | 162,828.84 |
| | | A Role for Mena in the Heart | | | HL089885 | 93.837 | - | 67,839.64 | 67,839.64 |
| | | Elucidation of molecular networks required to limit card | | | HL091126 | 93.837 | - | 182,533.56 | 182,533.56 |
| | | Cardiovascular Effects of Dietary Fat & Exercise Challen | | | HL091174 | 93.837 | - | 140,266.56 | 140,266.56 |
| | | Targeting of E-AR/GB signaling in the heart with small | | | HL091475 | 93.837 | - | 4,159.29 | 4,159.29 |
| | | Wnt signaling in heart valve development and disease | | | HL094319 | 93.837 | - | 511,744.73 | 511,744.73 |
| | | Role of Chromatin and Gene Poising in T Cell Differentia | | | HL098691 | 93.837 | - | 294,235.88 | 294,235.88 |
| | | Cardiac Structure and Function in Early Familial Cardiom | | | HL102244 | 93.837 | - | 120,335.97 | 120,335.97 |
| | | Myocardial Protection during Fetal Bypass: Role of Calcic | | | HL103054 | 93.837 | - | 5,507.00 | 5,507.00 |
| | | Regulation of Foxp3 Expression by DNA Methylation in Mol | | | HL103087 | 93.837 | - | 28,746.48 | 28,746.48 |
| | | Admixture Mapping in African American Asthmatic Childre | | | HL103165 | 93.837 | - | 144,036.15 | 144,036.15 |
| | | Regulation of Hematopoietic Stem Cell Self Renewal | | | HL104458 | 93.837 | - | 67,886.84 | 67,886.84 |
| | | miR-21 in the Pathogenesis of Asthma | | University of Cincinnati | HL104892 | 93.837 | 29,892.00 | (29,892.00) | 90.00 |
| | | National Biological Sample and Data Repository for PAH | | Baylor College of Medicine. | HL105333 | 93.837 | 60,629.85 | 971,627.02 | 1,396,848.37 |
| | | | | Boston University | | | 6,040.00 | | |

| Gov Agency | Gov Branch | Award Title | Pass-Through Grantor | Subrecipient Name | Federal Grant Number | CFDA | Sub Exp | Fed Exp | Total Exp |
|--|------------|--|---|---|----------------------|--------|-------------------|----------------------|----------------------|
| | | | | Columbia University | 095924 | | 24,800.00 | | |
| | | | | Duke University | 93.837 | | 11,400.00 | | |
| | | | | Inova Healthcare Service | 93.837 | | 9,285.00 | | |
| | | | | Intermountain Healthcare | 93.837 | | 15,960.00 | | |
| | | | | LA Biomed | 93.837 | | 15,200.00 | | |
| | | | | Mayo Clinic Jacksonville | 93.837 | | 32,120.00 | | |
| | | | | Mayo Clinic Rochester | 93.837 | | 44,840.00 | | |
| | | | | Rhode Island Hospital | 93.837 | | 23,560.00 | | |
| | | | | Seattle Children's Hospital | 93.837 | | 6,840.00 | | |
| | | | | Spectrum Health Hospitals | 93.837 | | 10,860.00 | | |
| | | | | The Children's Hospital Association | 93.837 | | 4,438.00 | | |
| | | | | Tufts Medical Center, Inc | 93.837 | | 17,960.00 | | |
| | | | | University Of Cincinnati | 93.837 | | 12,836.00 | | |
| | | | | University of Colorado | 93.837 | | 36,138.00 | | |
| | | | | University of Minnesota | 93.837 | | 7,600.00 | | |
| | | | | University of Rochester | 93.837 | | 24,514.50 | | |
| | | | | Vanderbilt University Medical Center | 93.837 | | 8,360.00 | | |
| | | | | Washington University | 93.837 | | 39,680.00 | | |
| | | | | Wayne State University | 93.837 | | 12,160.00 | | |
| | | Accelerated CV Aging in Youth Related to CV Risk Factor | | | HL105591 | 93.837 | - | 477,730.55 | 477,730.55 |
| | | Thrombospondin 4 regulates adaptive ER stress response | | | HL105524 | 93.837 | - | 535,590.94 | 535,590.94 |
| | | Macrophage-based Human Gene Therapy for Hereditary PAP | | | HL106134 | 93.837 | - | 77,460.13 | 77,460.13 |
| | | Molecular Mechanisms of Arterial-Venous Differentiation | | | HL107369 | 93.837 | - | 276,434.82 | 276,434.82 |
| | | Hybrid ImmunoTherapy (ATG/Dexamethasone/Etoposide) for H | | | HL107801 | 93.837 | 2,000.00 | 103,685.79 | 111,685.79 |
| | | | | Baylor College of Medicine. | | | 2,000.00 | | |
| | | | | Children's Hospital of Philadelphia | | | 2,000.00 | | |
| | | | | Stanford University | | | 4,000.00 | | |
| | | Ameliorating Sickle Nephropathy and Pulmonary Hypertensi | | | HL108752 | 93.837 | 6,000.00 | 235,671.18 | 246,968.87 |
| | | | | Nationwide Children's Hosp | | | 5,297.69 | | |
| | | | | University of Cincinnati | | | | | |
| | | A Mouse model of Barth syndrome, a mitochondrial cardiol | | | HL108867 | 93.837 | - | 363,137.09 | 363,137.09 |
| | | Pediatric Heart Network Prairieland Consortium | | Indiana University | HL109673 | 93.837 | 235,422.35 | 278,682.77 | 514,105.12 |
| | | The Role of COX2 in the Progression of Human and Mouse C | | | HL110390 | 93.837 | - | 60,172.11 | 60,172.11 |
| | | A Network-based Approach to Associate HDL Subspeciation | | | HL111829 | 93.837 | - | 193,014.08 | 193,014.08 |
| | | The Role of Impaired Protein Degradation Pathways in Cry | | | HL112558 | 93.837 | - | 22,695.87 | 22,695.87 |
| | | The functional relevance and extent of endogenous cardia | | | HL112852 | 93.837 | - | 159,396.46 | 159,396.46 |
| | | Coup-1 dependent mechanisms of ventricular and hemangio | | | HL112893 | 93.837 | - | 113,905.35 | 113,905.35 |
| | | Better mouse models of disease: Humanizing experimental | | | HL113907 | 93.837 | 24,428.97 | 181,029.44 | 218,976.20 |
| | | | | New York University School of Medicine | | | 13,517.79 | | |
| | | | | University of Massachusetts | | | | | |
| | | Cell Signaling Mechanisms of Calcific Aortic Valve Disea | | | HL114682 | 93.837 | - | 402,854.08 | 402,854.08 |
| | | Molecular mechanisms underlying upper airway patterning | | | HL115447 | 93.837 | - | 87,737.90 | 87,737.90 |
| | | Training in Cardiovascular Biology | University of Cincinnati | | HL007382 | 93.837 | - | 43,869.86 | 43,869.86 |
| | | Cardiac Myosin Binding Protein-C: Structure, Function... | University of Vermont | | HL059408 | 93.837 | - | 526,647.27 | 526,647.27 |
| | | Ca Signaling Domains Programming Cardiac Hypertrophy | University of California | | HL080101 | 93.837 | - | 416,395.25 | 416,395.25 |
| | | Modifying Dietary Behavior in Adolescents with Elevated | University of Cincinnati | | HL088567 | 93.837 | - | 45,963.61 | 45,963.61 |
| | | Calcium as a Molecular Signal in the Heart | Temple University School of Medicine | | HL089312 | 93.837 | - | 8,588.38 | 8,588.38 |
| | | Therapeutic Hypothermia after Pediatric Cardiac Arrest | University of Michigan | | HL094345 | 93.837 | - | 10,482.12 | 10,482.12 |
| | | Understanding Mechanisms of Fontan Failure and Key Predi | Georgia Tech Research Corp | | HL098252 | 93.837 | - | 47,415.82 | 47,415.82 |
| | | Hypoplastic Left Heart Syndrome: Expression of RHD in th | Washington University | | HL098634 | 93.837 | - | 54,710.16 | 54,710.16 |
| | | Cincinnati Cell Characterization Core | University of Maryland | | HL099997 | 93.837 | 12,298.72 | 419,565.86 | 439,497.15 |
| | | | | Indiana University | | | 7,632.57 | | |
| | | | | University of Cincinnati.. | | | | | |
| | | The Molecular Basis for High Density Lipoprotein Heterog | | | HL104136 | 93.837 | - | 1,347.96 | 1,347.96 |
| | | Improving Cardiac Function after Myocardial Infarction | Temple University School of Medicine | | HL108806 | 93.837 | - | 481,157.59 | 481,157.59 |
| | | Biomarkers in Pediatric Cardiomyopathy | University of Miami | | HL109090 | 93.837 | - | 69,058.47 | 69,058.47 |
| | | GENOTYPE-PHENOTYPE ASSOCIATIONS IN PEDIATRIC CARDI | University of Michigan | | HL111459 | 93.837 | - | 510,641.86 | 510,641.86 |
| | | A TG rabbit model for the functional effects of FHC muta | University of Vermont | | HL111847 | 93.837 | - | 15,857.23 | 15,857.23 |
| | | Directing differentiation of human pluripotent stem cell | University of Michigan | | HL115372 | 93.837 | - | 68,727.36 | 68,727.36 |
| | | | | Cardiovascular Diseases Research Total | | | 851,959.63 | 11,061,636.99 | 11,933,596.62 |
| Centers for Disease Control and Prevention_Investigations and Technical Assistance | | National Spina Bifida Registry Longitudinal Data Collect | | | DD000766 | 93.283 | - | 48,205.62 | 48,205.62 |
| | | Hemophilia Prevention Network | Hemophilia Foundation of Michigan | | DD000862 | 93.283 | - | 16,439.87 | 16,439.87 |
| | | | | Centers for Disease Control and Prevention_Investigations and Technical Assistance Total | | | - | 64,645.49 | 64,645.49 |
| Child Abuse and Neglect State Grants | | ODJFS "Beyond the Silence" "PSANE" training and Tech Sup | Ohio Depart of Jobs and Family Services | | G-1011-06-0589 | 93.669 | - | 1,286.65 | 1,286.65 |
| | | Ohio Department of Job and Family Services Grant Agreeem | Ohio Depart of Jobs and Family Services | | G-1213-06-00128 | 93.669 | - | 30,647.38 | 30,647.38 |
| | | | | Child Abuse and Neglect State Grants Total | | | - | 31,934.03 | 31,934.03 |
| Child Health and Human Development Extramural Research | | Pediatric Physician Scientist Program Award | | | HD000850 | 93.865 | 94,027.77 | 113,319.83 | 1,540,557.07 |
| | | | | Children's Hospital Boston | | | 218,031.23 | | |
| | | | | Children's Hospital of Philadelphia | | | 40,801.80 | | |
| | | | | Columbia University | | | 116,015.48 | | |
| | | | | Duke University | | | 114,621.77 | | |
| | | | | Indiana University | | | 77,394.01 | | |
| | | | | Stanford University | | | 370,143.55 | | |
| | | | | University of California | | | 72,889.18 | | |
| | | | | University of Colorado | | | 70,435.52 | | |
| | | | | University of Minnesota | | | 36,245.56 | | |
| | | | | University of Pittsburgh | | | 13,284.63 | | |
| | | | | University of Texas Southwestern | | | 12,101.90 | | |
| | | | | University of Washington | | | 108,303.73 | | |
| | | | | Washington University | | | 82,941.11 | | |
| | | Genetic Influence on Cognitive and Behavioral Recovery a | | | HD001097 | 93.865 | - | 113,248.73 | 113,248.73 |
| | | Training In Developmental And Perinatal Endocrinology | | | HD007463 | 93.865 | - | 8,265.98 | 8,265.98 |
| | | The Role of Human Milk in Infant Nutrition and Health | | | HD013021 | 93.865 | 356,773.28 | 740,666.94 | 1,271,457.80 |
| | | | | Boston College | | | 160,779.80 | | |
| | | | | Inst Nac Ciencias Med Y Nutricion | | | 13,237.78 | | |
| | | | | University of Cincinnati | | | | | |
| | | Eunice Kennedy Schriver NICHD cooperative Multicenter Ne | | | HD027853 | 93.865 | - | 309,009.17 | 309,009.17 |
| | | Child Health Research Career Development Award (K12) | | | HD028827 | 93.865 | - | 395,846.02 | 395,846.02 |
| | | fMRI of Normal Language Development in Children | | | HD038578 | 93.865 | - | 897.02 | 897.02 |
| | | Long Term Functional Outcomes Following Early Childhood | | | HD042729 | 93.865 | 37,139.10 | 294,345.10 | 453,655.90 |
| | | | | Case Western Reserve University | | | | | |
| | | | | Nationwide Childrens Hospital | | | 122,171.70 | | |
| | | Cadherin-based Actin Assembly in the Xenopus Embryo | | | HD04764 | 93.865 | - | 312,784.20 | 312,784.20 |
| | | Ectoderm Formation in the Early Xenopus Embryo | | | HD045737 | 93.865 | - | 289,154.11 | 289,154.11 |
| | | Optimizing MNF Therapy in Pediatric Transplants Patients | | | HD050387 | 93.865 | - | (336.98) | (336.98) |
| | | Contribution of the Extracellular Matrix to Muscle Contr | | | HD050827 | 93.865 | - | (28.57) | (28.57) |
| | | Preventing Teen Pregnancy | | | HD052533 | 93.865 | - | 13,683.78 | 13,683.78 |
| | | Novel Adherence Measurement and Intervention in Children | | | HD067333 | 93.865 | - | 72,218.16 | 72,218.16 |
| | | Mechanisms of Fetal Inflammatory Response Syndrome Induc | | | HD057869 | 93.865 | 104,892.00 | 204,455.87 | 309,347.87 |
| | | Novel genetic and salivary glycan biomarkers for risk of | | | HD059140 | 93.865 | 295,344.22 | 461,024.01 | 778,357.26 |
| | | | | University of Western Australia | | | 16,989.03 | | |
| | | | | Boston College | | | 5,000.00 | | |
| | | | | Miami University | | | 30,362.36 | | |
| | | | | University of Alabama at Birmingham | | | | | |
| | | | | University of Wisconsin | | | | | |
| | | Aging in Adults With Down Syndrome | | | HD059848 | 93.865 | - | (988.37) | 29,373.99 |
| | | 20-year intergenerational longitudinal followup of femal | | | HD060604 | 93.865 | - | 30,203.48 | 30,203.48 |
| | | Parental Adherence to CF Homecare: Research Chaplaincy C | | | HD062642 | 93.865 | - | 117,595.43 | 117,595.43 |
| | | Xenbase: a Xenopus Model Organism Database | | | HD064556 | 93.865 | 458,923.02 | 616,703.61 | 1,075,626.63 |
| | | Transcriptional Control of Human Placental Differentiatl | | | HD065339 | 93.865 | - | 333,098.32 | 333,098.32 |
| | | Injury Prevention in a Home Visitation Population | | | HD066115 | 93.865 | - | 762,123.22 | 762,123.22 |
| | | Telehealth Enhancement of Adherence to Medication in Ped | | | HD067174 | 93.865 | 25,083.17 | 520,200.01 | 592,811.84 |
| | | | | Connecticut Childrens Medical Center | | | 29,423.63 | | |
| | | | | Nationwide Children's Hosp | | | 17,925.03 | | |
| | | | | University of Cincinnati | | | | | |
| | | Enhancing treatment adherence and health outcomes | | | HD068223 | 93.865 | - | 116,812.49 | 116,812.49 |
| | | Using SNA to Examine the Long-Term Outcomes of Socially | | | HD068315 | 93.865 | 21,041.56 | 141,700.11 | 179,200.94 |
| | | | | College of William and Mary | | | 16,459.27 | | |
| | | Insulin-like Growth Factor 1 Gene Therapy: Correction of | | | HD068504 | 93.865 | - | 113,304.31 | 113,304.31 |
| | | | | University of Kentucky Research Fnd | | | | | |

| Gov Agency | Gov Branch | Award Title | Pass-Through Grantor | Subrecipient Name | Federal Grant Number | CFDA | Sub Exp | Fed Exp | Total Exp | | | |
|--|------------|--|-------------------------|---|----------------------|--------|------------|--------------|--------------|-------------------|---------------------|---------------------|
| | | | | Discovery and Applied Research for Technological Innovations to Improve Human Health Total | | | | | | - | 167,246.03 | 167,246.03 |
| Drug Abuse and Addiction Research Programs | | Endocannabinoid Signaling During Early Pregnancy | | | DA006668 | 93.279 | - | 273,655.93 | 273,655.93 | | | |
| | | Tracking Adolescents After Bariatric Surgery: Substance, Follow-up of the Multimodal Treatment Study of Children | | | DA033415 | 93.847 | - | 364,734.70 | 364,734.70 | | | |
| | | Effects of Physical Activity & Marijuana Use | University of Wisconsin | | HHSN271200800009C | 93.279 | - | 3,105.72 | 3,105.72 | | | |
| | | | | | DA030354 | 93.279 | - | 19,632.57 | 19,632.57 | | | |
| | | | | Drug Abuse and Addiction Research Programs Total | | | | | | - | 661,128.92 | 661,128.92 |
| Drug-Free Communities Support Program Grants | | DFC Support Program - POCWA | | | SP014669 | 93.276 | - | 109,263.56 | 109,263.56 | | | |
| | | | | Drug-Free Communities Support Program Grants Total | | | | | | - | 109,263.56 | 109,263.56 |
| Emergency Medical Services for Children | | Progesterone for Traumatic Brain Injury in Children: Pia | University of Michigan | | MC19353 | 93.127 | - | (1,218.12) | (1,218.12) | | | |
| | | EMSC Network Development Demonstration Project - Hospita | | | MC22684 | 93.127 | - | 343,163.31 | 630,711.68 | | | |
| | | | | Medical College of Wisconsin | | | | 72,156.04 | | | | |
| | | | | Washington University | | | | 215,392.33 | | | | |
| | | | | Emergency Medical Services for Children Total | | | | | | 287,548.37 | 341,945.19 | 629,493.56 |
| Environmental Health | | Training Grant in Teratology | | | ES007051 | 93.113 | - | 323,512.42 | 323,512.42 | | | |
| | | Environmental Toxins and Uterine Gene Expression | | | ES007814 | 93.113 | - | 185,530.50 | 185,530.50 | | | |
| | | A Comm.-Based Trial to Prevent Lead Poisoning & Injuries | | | ES014575 | 93.113 | - | 288,261.14 | 288,261.14 | | | |
| | | Effects of Lead, Manganese and Stress During Development | | | ES015689 | 93.113 | - | (5,111.32) | (5,111.32) | | | |
| | | Impact of peripubertal exposure to xenoestrogens on fat d | | | ES017315 | 93.113 | - | 74,946.09 | 74,946.09 | | | |
| | | Impact of Traffic-Related Particles on Asthma for Studen | | Cincinnati Health Dept. | ES017957 | 93.113 | 40,000.00 | 113,263.22 | 165,735.83 | | | |
| | | | | University of Cincinnati | | | 12,472.61 | | | | | |
| | | Continued studies of environmtl impact on puberty:GUF2 | | University of Cincinnati | ES019453 | 93.113 | 354,772.49 | 593,108.09 | 947,880.58 | | | |
| | | Neurobehavioral and Neuroimaging Effects of Traffic Exp | | University of Cincinnati | ES019890 | 93.113 | 91,062.19 | 245,254.62 | 336,316.81 | | | |
| | | Environmental Genetics | | University of Cincinnati | ES006996 | 93.113 | - | 62,400.43 | 62,400.43 | | | |
| | | Environmental Carcinogenesis and Mutagenesis | | University of Cincinnati | ES007250 | 93.113 | - | 148,204.19 | 148,204.19 | | | |
| | | Pooled Analysis of (OP) Metabolites & DDe & Birth | | University of California-Berkeley | ES009605 | 93.113 | - | 13,043.83 | 13,043.83 | | | |
| | | Molecular Epidemiology in Children's Environmental Heat | | University of Cincinnati | ES010957 | 93.113 | - | 93,970.49 | 93,970.49 | | | |
| | | Early Lead Exposure, ADHD and Persistent Criminality: Ro | | University of Cincinnati | ES015559 | 93.113 | - | 128,933.17 | 128,933.17 | | | |
| | | Mechanism of PM Induced Dendritic Cell Activation | | The Johns Hopkins University | ES015903 | 93.113 | - | (10,520.15) | (10,520.15) | | | |
| | | Mechanisms of Pesticide-Induced Neurobehavioral Deficits | | University of Medicine & Dentistry of NJ | ES015991 | 93.113 | - | 93,729.71 | 93,729.71 | | | |
| | | Prenatal Low Level Tobacco Exposure | | Pennsylvania State University | ES016304 | 93.113 | - | 17,191.37 | 17,191.37 | | | |
| | | The Libby Community Childhood Health Investigation and E | | University of Cincinnati | ES017939 | 93.113 | - | 54,677.67 | 54,677.67 | | | |
| | | Air Pollution, Subclinical CVD and Inflammatory Markers | | University of Maryland | ES019168 | 93.113 | - | 40,282.30 | 40,282.30 | | | |
| | | Intervention to Reduce Body Burden of PCBs in Residents | | University of Cincinnati | ES019206 | 93.113 | - | 31,464.36 | 31,464.36 | | | |
| | | Epigenetics of Lead Toxicity in Mouse Brain | | University of Cincinnati | ES020048 | 93.113 | - | 39,705.43 | 39,705.43 | | | |
| | | Genetic Susceptibility to PCB-induced Motor Dysfunction | | Northern Kentucky University | ES020053 | 93.113 | - | 6,550.00 | 6,550.00 | | | |
| | | Longitudinal study of exposure to PBDEs and PFCs and chi | | University of Cincinnati | ES020349 | 93.113 | - | 284,305.73 | 284,305.73 | | | |
| | | Multiple Risk Factors and Neurodevelopment Deficits in R | | University of Cincinnati | ES021106 | 93.113 | - | 8,009.25 | 8,009.25 | | | |
| | | Field Validation of a Personal Sensor for Ultrafine PM i | | University of Cincinnati | ES0230387 | 93.113 | - | 78,565.48 | 78,565.48 | | | |
| | | | | Environmental Health Total | | | | | | 498,307.29 | 2,905,778.02 | 3,404,085.31 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | | Mitogenic Activities in Neurofibromatosis | | | NS028840 | 93.853 | - | 369,623.74 | 369,623.74 | | | |
| | | Roles of Gsh1 & Gsh2 in Telencephalic Neurogenesis | | | NS044080 | 93.853 | - | 286,514.04 | 286,514.04 | | | |
| | | Impact of Initial Therapy and Response on Long Term Out | | | NS045911 | 93.853 | 63,633.31 | 1,700,842.63 | 2,846,770.08 | | | |
| | | | | Arkansas Children's Hospital | | | 27,915.32 | | | | | |
| | | | | Baylor College of Medicine | | | 12,266.30 | | | | | |
| | | | | Case Western Reserve University | | | 4,622.40 | | | | | |
| | | | | Children's Healthcare of Atlanta | | | 1,411.20 | | | | | |
| | | | | Children's Hospital of Alabama | | | 213.20 | | | | | |
| | | | | Children's Hospital of Michigan | | | 134,106.40 | | | | | |
| | | | | Children's Hospital of Philadelphia | | | 7,734.08 | | | | | |
| | | | | Children's Hospital of Pittsburgh | | | 22,942.40 | | | | | |
| | | | | Children's National Medical Center | | | 107,749.57 | | | | | |
| | | | | Children's Research Institute | | | 11,075.20 | | | | | |
| | | | | Columbia University | | | 34,650.26 | | | | | |
| | | | | Cook Children's Health Care System | | | 37,336.85 | | | | | |
| | | | | Eastern Virginia Medical School | | | 6,199.20 | | | | | |
| | | | | Medical College of Wisconsin | | | 34,313.00 | | | | | |
| | | | | Miami Children's Hospital Research Inst | | | 211,048.43 | | | | | |
| | | | | Montefiore Medical Center | | | 63,166.36 | | | | | |
| | | | | Nationwide Childrens Hospital | | | 24,375.72 | | | | | |
| | | | | Nemours Children's Clinic, Jacksonville | | | 1,530.05 | | | | | |
| | | | | New York University School of Medicine | | | 38,973.89 | | | | | |
| | | | | NorthShore University HealthSystem | | | 2,403.27 | | | | | |
| | | | | Oregon Health & Science University.. | | | 18,418.30 | | | | | |
| | | | | Phoenix Children's Hospital | | | 12,176.50 | | | | | |
| | | | | Seattle Children's Hospital | | | 64,782.18 | | | | | |
| | | | | The Children's Hospital Association | | | 6,527.20 | | | | | |
| | | | | The Women&Childrens Hospital of Buffalo | | | 879.20 | | | | | |
| | | | | University Hospitals of Cleveland | | | 8,858.85 | | | | | |
| | | | | University of Alabama at Birmingham | | | 53,417.69 | | | | | |
| | | | | University of California | | | 17,849.41 | | | | | |
| | | | | University of Pittsburgh | | | 16,513.30 | | | | | |
| | | | | University of Tennessee | | | 24,914.00 | | | | | |
| | | | | University of Utah | | | 41,045.45 | | | | | |
| | | | | Washington University | | | 28,900.35 | | | | | |
| | | | | Wayne State University | | | 10,878.61 | | | | | |
| | | | | Yale University | | | - | 222,981.24 | 222,981.24 | | | |
| | | Regulation and mechanisms of synaptic vesicle exocytosis | | | NS054750 | 93.853 | - | (13,585.75) | (13,585.75) | | | |
| | | Rac GTPases in the Mammalian Brain Development | | | NS056435 | 93.853 | - | 478,228.74 | 912,994.46 | | | |
| | | Cincinnati Center for Neurofibromatosis Research | | University of Cincinnati | NS057531 | 93.853 | 194,933.29 | | | | | |
| | | | | University of Minnesota | | | 239,832.43 | | | | | |
| | | Sodium Channel Gene Variation in the Treatment of Epilep | | | NS062756 | 93.853 | - | 217,204.07 | 217,204.07 | | | |
| | | Contributions of Aberrant Granule Cells Integration to t | | | NS062806 | 93.853 | - | 315,423.72 | 315,423.72 | | | |
| | | Genetic Therapy for CNS Manifestations in MPS I via BBB- | | | NS064330 | 93.853 | - | 342,665.76 | 342,665.76 | | | |
| | | Selective disruption of hippocampal dentate granule cell | | | NS065020 | 93.853 | - | 488,892.97 | 488,892.97 | | | |
| | | Regulation of Sensory-Motor Connectivity by Semaphorin- | | | NS065048 | 93.853 | - | 322,550.26 | 322,550.26 | | | |
| | | Longitudinal DTI study in Children Treated for Congenita | | | NS066932 | 93.853 | 94,402.94 | 387,399.89 | 481,802.83 | | | |
| | | Molecular control of neurogenesis in the adult | | Washington University of St. Louis | NS069893 | 93.853 | - | 458,428.86 | 458,428.86 | | | |
| | | Mechanisms of TGF regulated fibrosis in muscular dystrop | | | NS072027 | 93.853 | - | 481,932.64 | 481,932.64 | | | |
| | | Regulation of Forebrain Neurogenesis by the Energy Senso | | | NS072591 | 93.853 | 16,801.44 | 265,510.93 | 282,312.37 | | | |
| | | Motor cortex dysfunction in migraine | | University of Minnesota | NS072817 | 93.853 | - | 68,290.42 | 68,290.42 | | | |
| | | Effects of PAI-1 on the p-JNK-Bim pathway in neonatal | | | NS074559 | 93.853 | - | 61,535.10 | 61,535.10 | | | |
| | | Amritypryline and Topiramate in the Prevention of Childh | | | NS076788 | 93.853 | 9,174.00 | 1,619,079.30 | 1,832,250.30 | | | |
| | | | | Atlanta Headache Specialists, PC | | | 4,000.00 | | | | | |
| | | | | Baylor College of Medicine. | | | 4,000.00 | | | | | |
| | | | | Children's Hospital Boston | | | 4,000.00 | | | | | |
| | | | | Children's Hospital Colorado | | | 2,000.00 | | | | | |
| | | | | Children's Hospital Med Center of Akron | | | 4,000.00 | | | | | |
| | | | | Cleveland Clinic Foundation | | | 4,000.00 | | | | | |
| | | | | Colorado Springs Neurological Associates | | | 9,999.00 | | | | | |
| | | | | Dallas Pediatric Neurology Associates | | | 6,000.00 | | | | | |
| | | | | Dent Neurosciences Research Center | | | 13,486.00 | | | | | |
| | | | | Eastern Virginia Medical School | | | 6,000.00 | | | | | |
| | | | | Josephson Wallack Munstower Neurology,PC | | | 11,701.00 | | | | | |
| | | | | Marshfield Clinic Research Foundation | | | 7,702.00 | | | | | |
| | | | | Memorial Health University | | | 4,000.00 | | | | | |
| | | | | Nationwide Childrens Hospital | | | 13,403.00 | | | | | |
| | | | | NERHC, Inc | | | 4,000.00 | | | | | |
| | | | | Phoenix Children's Hospital | | | 19,187.00 | | | | | |
| | | | | Preferred Primary Care Physicians, Inc | | | 11,189.00 | | | | | |

| Gov Agency | Gov Branch | Award Title | Pass-Through Grantor | Subrecipient Name | Federal Grant Number | CFDA | Sub Exp | Fed Exp | Total Exp |
|---|------------|--|--------------------------------------|--|----------------------|--------|-------------------|---------------------|---------------------|
| | | Evaluation of an Intervention for Improving Community-Based | | Nationwide Childrens Hospital | MH083665 | 93.242 | 184,322.74 | 324,708.71 | 522,371.67 |
| | | Development of a Multifaceted Cognitive Training Program | | University of Alabama at Birmingham | MH085842 | 93.242 | 13,340.22 | 234,934.08 | 234,934.08 |
| | | Treatment of Maternal Depression in Home Visitation | | | MH087499 | 93.242 | - | 516,468.81 | 516,468.81 |
| | | Molecular Mechanisms Controlling Formation of Basal Ganglia | | | MH090740 | 93.242 | - | 409,781.16 | 409,781.16 |
| | | Understanding Mechanisms of Mental Health Care Disparities | | | MH091042 | 93.242 | - | 21,097.00 | 21,097.00 |
| | | 4/8-Collaborative genomic studies of Tourette Disorder | | | MH092520 | 93.242 | - | 74,609.75 | 74,609.75 |
| | | 2/2-Anomalous Motor Physiology in ADHD | | | MH095014 | 93.242 | - | 235,201.82 | 235,201.82 |
| | | Executive Function/Meta-cognitive Training: Early Intervention | | | MH095911 | 93.242 | - | 182,599.01 | 182,599.01 |
| | | Bipolar Disorder Imaging & Treatment Research Center | University of Cincinnati | | MH077138 | 93.242 | - | 1,691.80 | 1,691.80 |
| | | Anomalous Motor Physiology in ADHD | Kennedy Krieger Research Institute | | MH078160 | 93.242 | - | (999.91) | (999.91) |
| | | Center for Genomic & Phenomic Studies in Autism | Autism Speaks Grant Administration | | MH081810 | 93.242 | - | 4,589.33 | 4,589.33 |
| | | Cortical Excitability: Phenotype and Biomarker in ADHD | University of Cincinnati | | MH081854 | 93.242 | - | 69,773.06 | 69,773.06 |
| | | Longitudinal Studies of Autism Spectrum Disorders: 2 to 3 | Cornell University | | MH081873 | 93.242 | - | 11,773.86 | 11,773.86 |
| | | Training Outpatient Clinicians to Deliver Cognitive Behavioral | University of Colorado | | MH089291 | 93.242 | - | 14,367.21 | 14,367.21 |
| | | The Effects of Estradiol on genetic Risk for Disordered | Michigan State University | | MH092377 | 93.242 | - | 14,362.65 | 14,362.65 |
| | | Evaluating the Time-Dependent Unfolding of Social Interactions | University of Cincinnati | | MH094659 | 93.242 | - | 122,146.78 | 122,146.78 |
| | | | | Mental Health Research Grants Total | | | 260,960.39 | 3,997,270.28 | 4,258,230.67 |
| National Biodefense Hospital Preparedness Program | | Ohio Bio-Terrorism Preparedness | | Nationwide Childrens Hospital | 03130012PP0110 | 93.889 | 16,720.53 | (27,448.26) | 7,188.77 |
| | | | | University Hospitals of Cleveland | | | 17,916.50 | | |
| | | | | National Biodefense Hospital Preparedness Program Total | | | 34,637.03 | (27,448.26) | 7,188.77 |
| National Center for Research Resources | | AKTA Ready Liquid Chromatography System | | | RR031721 | 93.389 | - | 13,161.73 | 13,161.73 |
| | | Harvard Clinical and Translational Science Center | Harvard Medical School | | RR025758 | 93.389 | - | 6,656.25 | 6,656.25 |
| | | Expansion of Family Aspects of a DNA Biorepository | University of Cincinnati | | RR026314 | 93.389 | - | 106,693.27 | 106,693.27 |
| | | Axonal Injury mTBI K12 | University of Cincinnati | | RR026315 | 93.389 | - | 18,146.03 | 18,146.03 |
| | | Cincinnati Ctr for Clin & Trans Sciences & Training | University of Cincinnati | | TR000077 | 93.389 | - | 2,752,634.27 | 2,752,634.27 |
| | | Cincinnati Center for Clinical and Translational Science | University of Cincinnati | | TR000078 | 93.389 | - | 240,756.59 | 240,756.59 |
| | | | | National Center for Research Resources Total | | | - | 3,138,048.14 | 3,138,048.14 |
| National Center on Sleep Disorders Research | | Pediatric Sleep Research Program | | | HL078989 | 93.233 | - | 276,995.00 | 276,995.00 |
| | | Vascular Functions in Children w/ Sleep Disorder Breathing | | | HL080670 | 93.233 | - | 5,527.05 | 5,527.05 |
| | | Effect of Adolescent Sleep Restriction on Neural & Behavioral | | | HL092149 | 93.233 | - | 384,392.27 | 384,392.27 |
| | | Dynamic Computational Modeling of Obstructive Sleep Apnea | | Nemours Children's Clinic, Jacksonville | HL105206 | 93.233 | 19,605.10 | 724,463.27 | 1,066,396.73 |
| | | | | University of Cincinnati | | | 322,328.36 | | |
| | | Ransomed Control Study of Adenotonsillectomy for Children | Brigham & Women's Hospital | | HL083075 | 93.233 | - | 22,139.90 | 22,139.90 |
| | | | | National Center on Sleep Disorders Research Total | | | 341,933.46 | 1,413,917.49 | 1,755,850.95 |
| National Research Service Award in Primary Care Medicine | | NRSA Research Fellowship Training | | | HP10027 | 93.186 | - | 334,661.43 | 334,661.43 |
| | | | | National Research Service Award in Primary Care Medicine Total | | | - | 334,661.43 | 334,661.43 |
| Nursing Research | | Patterned Experience in Preterm Infants | | Virginia Commonwealth University | NR012307 | 93.361 | 10,970.56 | 594,642.44 | 605,613.00 |
| | | Transitional Telehealth Home Care: REACH | Children's Hospital of Philadelphia | | NR020993 | 93.361 | - | 149,857.91 | 149,857.91 |
| | | Assessing Measurement Bias Impact | University of North Florida | | NR010631 | 93.361 | - | 24,399.78 | 24,399.78 |
| | | | | Nursing Research Total | | | 10,970.56 | 768,900.13 | 779,870.69 |
| Oral Diseases and Disorders Research | | Molecular Genetic Analysis of Craniofacial Development | | Washington University | DE013681 | 93.121 | 149,173.50 | 573,643.21 | 722,816.71 |
| | | Genetic Basis of Cleft Lip and Palate | | | DE015207 | 93.121 | - | 262,580.67 | 262,580.67 |
| | | The role of primary cilia in craniofacial development | | | DE019853 | 93.121 | - | 181,246.21 | 181,246.21 |
| | | Global Gene Expression Atlas of Craniofacial Development | | Stowers Institute for Medical Research | DE020049 | 93.121 | 1,773.44 | 299,336.65 | 301,110.09 |
| | | | | Oral Diseases and Disorders Research Total | | | 150,946.94 | 1,317,205.74 | 1,468,152.68 |
| Poison Center Support and Enhancement Grant Program | | Poison Control Stabilization and Enhancement Program | | | BHS15468 | 93.253 | - | 145,516.69 | 145,516.69 |
| | | Poison Control Support and Enhancement Grant Program | | | BHS19190 | 93.253 | - | 330.01 | 330.01 |
| | | | | Poison Center Support and Enhancement Grant Program Total | | | - | 145,846.70 | 145,846.70 |
| Research on Healthcare Costs, Quality and Outcomes | | The Pediatric Emergency Department Experience | | University of Cincinnati | HS019037 | 93.226 | 4,090.86 | (6,601.14) | (2,510.28) |
| | | Acceleration to Expertise: Simulation as a Tool to Improve | | | HS020455 | 93.226 | - | 301,302.91 | 301,302.91 |
| | | Centers for Education and Research on Therapeutics (CERT) | | Case Western Reserve University | HS021114 | 93.226 | 13,279.90 | 835,545.75 | 848,825.65 |
| | | Improving Sickle Cell Transitions of Care through Health | The Lewin Group, Inc. | | HHS2902010000331 | 93.226 | - | 32,082.27 | 32,082.27 |
| | | PHIS+: Augmenting the Pediatric Health Information System | Children's Hospital of Philadelphia | | HS019862 | 93.226 | - | 308,464.54 | 308,464.54 |
| | | Improving the Quality of Pediatric Emergency Care Using | Children's Hospital of Philadelphia | | HS020270 | 93.226 | - | 53,684.43 | 53,684.43 |
| | | Center of Excellence on Quality of Care Measures for Children | Children's Hosp & Reg Med Ct-Seattle | | HS020506 | 93.226 | - | 157,212.85 | 157,212.85 |
| | | Infrastructure for Maintaining Primary Care Transformatio | University of North Carolina | | HS020940 | 93.226 | - | 2,510.76 | 2,510.76 |
| | | Access to Pediatric Voice Therapy: A Telehealth Solutio | University of Cincinnati | | HS021781 | 93.226 | - | 29,538.99 | 29,538.99 |
| | | | | Research on Healthcare Costs, Quality and Outcomes Total | | | 17,370.76 | 1,713,341.36 | 1,731,312.12 |
| Research Related to Deafness and Communication Disorders | | Efficacy of Laryngeal High-Speed Videendoscopy | | Bowling Green State University | DC007640 | 93.173 | 17,363.74 | 177,083.22 | 229,442.62 |
| | | | | The General Hospital Corporation | | | 34,995.66 | | |
| | | A Preclinical Trial of Intratympanic Antivirals for CMV | | | DC008651 | 93.173 | - | 390.41 | 390.41 |
| | | Molecular Genetics of Usher Syndrome Type I | | | DC009287 | 93.173 | - | 13,502.99 | 13,502.99 |
| | | Functional MR Imaging Study of Speech Production in Children | | | DC010188 | 93.173 | - | 213,503.56 | 213,503.56 |
| | | Functional Analyses of Triocellular Tight Junctions in the | | | DC011748 | 93.173 | - | 401,971.66 | 401,971.66 |
| | | Identifying Genes for Non-syndromic Recessive Deafness- | | | DC011803 | 93.173 | - | 373,969.40 | 373,969.40 |
| | | Usher proteins in the inner ear structure and function | | University of Kentucky | DC012564 | 93.173 | 14,663.37 | 171,893.27 | 186,556.64 |
| | | 10th International Conference AQL2013 Advances in Quanti | | | DC013213 | 93.173 | - | 14,364.29 | 14,364.29 |
| | | The Natural History of CMV-Related Hearing Loss and the | University of Alabama-Birmingham | | HHSN263201200010C | 93.173 | - | 14,932.23 | 14,932.23 |
| | | Inspiratory Muscle Strength Training in Patients with Upr | Miami University | | DC009657 | 93.173 | - | 5,132.56 | 5,132.56 |
| | | Wideband Clinical Diagnosis and Monitoring of Middle-Ear | Boys Town National Research Hospital | | DC010322 | 93.173 | 44,121.06 | 342,854.03 | 386,975.09 |
| | | Improved Method of Drug Delivery to the Inner Ear | University of Cincinnati | | DC011062 | 93.173 | - | 29,601.80 | 29,601.80 |
| | | | | Research Related to Deafness and Communication Disorders Total | | | 111,143.83 | 1,768,599.42 | 1,869,743.25 |
| Sickle Cell Treatment Demonstration Program | | Cincinnati Sickle Cell Project | Ohio Department of Health | | 03130011SK0512 | 93.365 | - | 129,040.53 | 129,040.53 |
| | | Sickle Cell treatment Demonstration Program | University of Cincinnati | | EMC07055 | 93.365 | - | 12,317.55 | 12,317.55 |
| | | | | Sickle Cell Treatment Demonstration Program Total | | | - | 141,358.08 | 141,358.08 |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | | A Continuum of Trauma Care: Adapting Evidence-Based Prac | | The Toledo Hosp/Toledo Childrens Hospital | SM059286 | 93.243 | 16,711.50 | 152,173.13 | 168,884.63 |
| | | Learning Collaborative to Disseminate Trauma and Grief | University of California | | SM054284 | 93.243 | - | 19,823.14 | 19,823.14 |
| | | | | Substance Abuse and Mental Health Services_Projects of Regional and National Significance Total | | | 16,711.50 | 171,996.27 | 188,707.77 |
| Training and Clinical Skills Improvement Projects | | Enhanced Surveillance for New Vaccine Preventable Diseases | | | IP000458 | 93.185 | - | 287,321.28 | 287,321.28 |
| | | | | Training and Clinical Skills Improvement Projects Total | | | - | 287,321.28 | 287,321.28 |
| ARRA Trans-NIH Recovery Act Research Support | | Homeostasis and function of regulatory T cells in aging | | Purdue University | AG033057 | 93.701 | - | 24,601.50 | 24,601.50 |
| | | Characterization of Human Calcineurin | | | AI037083 | 93.701 | 26,542.93 | (17,488.07) | 9,054.86 |
| | | Innate Immune Responses During Toxoplasmosis | | | AI078969 | 93.701 | - | 6,128.70 | 6,128.70 |
| | | Unbiased Forward Genetic Analysis of Virus/Host Interact | | | AI087336 | 93.701 | - | 216,765.07 | 216,765.07 |
| | | A Multi-center Clinical Trial of 1760 MCG of Daily Swallow | | Children's Hospital of Philadelphia | AI088806 | 93.701 | 6,000.00 | 197,279.29 | 203,279.29 |
| | | Defining the complex genetics of Juvenile Idiopathic Art | | | AR058587 | 93.701 | - | 206,022.99 | 206,022.99 |
| | | Rac GTPases as Targets in Lymphomagenesis | | | CA126958 | 93.701 | - | (22,027.69) | (22,027.69) |
| | | Prediction Model for Radiation Sensitivity in Children w | | | CA139275 | 93.701 | - | 5,717.40 | 5,717.40 |
| | | The Role of MLL-AF9 in Acute Myeloid Leukemia | | | CA140518 | 93.701 | - | (770.96) | (770.96) |
| | | Cincinnati Neuro-Oncology Research Core | | | CA149239 | 93.701 | - | 233,026.96 | 233,026.96 |
| | | Administrative Supplement-A Preclinical Trial | | | DC008651 | 93.701 | - | (1,280.52) | (1,280.52) |
| | | Adolescent Bariatrics: Assessing Health Benefits & Risk | | Nationwide Children's Hosp | DK072493 | 93.701 | 4,235.40 | 43,770.85 | 51,998.15 |
| | | | | University of Pittsburgh | | | 1,060.50 | | |
| | | | | University of Alabama at Birmingham | | | 491.40 | | |
| | | | | Oregon Weight Loss Surgery, LLC | | | 2,840.00 | | |

CHILDREN'S HOSPITAL MEDICAL CENTER AND AFFILIATES

NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2013

1. SCOPE OF AUDIT

All Federal grant operations of Cincinnati Children's are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the "single audit"). Single audits are performed in accordance with the provisions of the 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 Supplementary Schedule of Expenditures of Federal Awards includes the Federal grant activity of Cincinnati Children's 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.

Net Asset Balances — Negative amounts represent grants with deficit balances which were closed during fiscal 2013.

* * * * *

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 Auditor's 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, 2013 and 2012, 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") basic consolidated financial statements and have issued our report thereon dated October 23, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cincinnati Children's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Deloitte & Touche LLP

October 23, 2013

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 OMB CIRCULAR A-133

Independent Auditor's 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 Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of Cincinnati Children's as of and for the year ended June 30, 2013, and have issued our report thereon dated October 23, 2013, 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 OMB Circular A-133 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.

Deloitte & Touche LLP

October 23, 2013

CHILDREN'S HOSPITAL MEDICAL CENTER AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

PART I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of Major Programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| Various | Research and Development* |

* Children's Hospital Medical Center 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, 2013**

PART II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

PART III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None