

Children's Hospital Medical Center and Affiliates

Office of Management and Budget
Circular A-133 Reports For The
Year Ended June 30, 2015

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, 2015 and 2014, 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 Cincinnati Children's as of June 30, 2015 and 2014, and the consolidated results of their operations and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other 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 21, 2015 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 Cincinnati Children's internal control over financial reporting and compliance.

Deloitte & Touche LLP

October 21, 2015

Children's Hospital Medical Center and Affiliates

Consolidated Balance Sheet June 30, 2015 and 2014 (dollars in thousands)

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 125,267	\$ 156,830
Marketable securities	670,345	389,139
Cash, cash equivalents and marketable securities	<u>795,612</u>	<u>545,969</u>
Patient receivables, net of allowances of \$50,460 in 2015 and \$54,259 in 2014	317,831	288,806
Other receivables, net	173,788	151,502
Inventories and prepaid expenses	39,136	32,936
Total current assets	<u>1,326,367</u>	<u>1,019,213</u>
ASSETS LIMITED AS TO USE - Funds in trust	9,836	38,097
PROPERTY AND EQUIPMENT, net of accumulated depreciation	1,182,738	998,397
DEFERRED BOND ISSUANCE COSTS AND OTHER	67,119	61,128
INTEREST IN NET ASSETS OF SUPPORTING ORGANIZATIONS (Note 1(b))	<u>1,319,739</u>	<u>1,298,688</u>
Total assets	<u><u>\$3,905,799</u></u>	<u><u>\$3,415,523</u></u>
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 330,020	\$ 299,667
Current portion of long-term debt and capital lease obligations	52,644	32,609
Total current liabilities	<u>382,664</u>	<u>332,276</u>
ACCRUED PENSION BENEFIT LIABILITY (Note 9)	229,252	144,357
SELF-INSURANCE RESERVES	42,338	46,696
LONG-TERM DEBT:		
Tax-exempt bonds payable	353,410	398,190
Taxable bonds payable	300,000	-
Notes payable	59,999	67,301
Capital lease obligations	4,286	2,051
OTHER LONG-TERM LIABILITIES	14,500	15,576
Total liabilities	<u>1,386,449</u>	<u>1,006,447</u>
COMMITMENTS AND CONTINGENCIES (Notes 6 and 10)	-	-
NET ASSETS:		
Unrestricted	1,060,125	975,039
Temporarily restricted	158,141	153,309
Permanently restricted (Note 1(b))	1,301,084	1,280,728
Total net assets	<u>2,519,350</u>	<u>2,409,076</u>
Total liabilities and net assets	<u><u>\$3,905,799</u></u>	<u><u>\$3,415,523</u></u>

See accompanying notes to consolidated financial statements.

Children's Hospital Medical Center and Affiliates

Consolidated Statements of Operations and Changes in Net Assets For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

	<u>2015</u>	<u>2014</u>
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT:		
Net hospital patient service revenue	\$1,547,131	\$1,461,668
Provision for bad debt	(19,195)	(26,142)
Net hospital patient service revenue less provision for bad debts	<u>1,527,936</u>	<u>1,435,526</u>
Capitation revenue	41,755	35,032
Net professional services revenue	295,871	289,064
Net assets released from restriction used for operations-		
Grant revenue	165,142	163,071
Other restricted net assets used to support operations	75,242	89,640
Investment income	9,131	14,140
Other revenue	91,393	93,767
Total unrestricted revenues, gains and other support	<u>2,206,470</u>	<u>2,120,240</u>
EXPENSES:		
Salaries	1,031,542	985,876
Employee benefits	256,525	261,000
Supplies, drugs and other	342,851	335,372
Purchased services	210,052	212,427
Depreciation	110,352	109,214
Utilities	18,988	17,643
Interest	19,425	14,170
Impairment of land	7,111	8,101
Loss on early extinguishment of tax exempt bonds payable (Note 8)	-	4,037
Total expenses	<u>1,996,846</u>	<u>1,947,840</u>
Excess of revenues over expenses	209,624	172,400
OTHER CHANGES IN UNRESTRICTED NET ASSETS:		
Receipts from supporting organizations (Notes 1(b) and 1(c))	4,033	6,952
Net assets released from restrictions used for purchase of property and equipment	10,639	2,320
Increase in unrestricted net assets before transfers to supporting organizations and pension and post retirement health liability adjustment	<u>224,296</u>	<u>181,672</u>
Transfers to supporting organizations (Note 1(c))	(46,893)	(31,400)
Pension and post retirement health liability adjustment (Note 9)	(92,317)	114,053
Increase in unrestricted net assets	<u>85,086</u>	<u>264,325</u>

(Continued on next page)

Children's Hospital Medical Center and Affiliates

Consolidated Statements of Operations and Changes in Net Assets For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

	<u>2015</u>	<u>2014</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions and investment income-		
Grant receipts	164,730	162,799
Gifts, contributions and other income	91,430	83,855
	<u>256,160</u>	<u>246,654</u>
Net assets released from restriction-		
Grant expenditures	(165,142)	(163,071)
Transfer to The Children's Hospital	(1,000)	(16)
Restricted net assets used to support operations	(75,242)	(89,640)
Restricted net assets used for purchase of property and equipment	(10,639)	(2,320)
	<u>(252,023)</u>	<u>(255,047)</u>
Gain (Loss) in interest in net assets of supporting organizations	695	(8,735)
Increase (Decrease) in temporarily restricted net assets	<u>4,832</u>	<u>(17,128)</u>
PERMANENTLY RESTRICTED NET ASSETS:		
Gain in interest in net assets of supporting organizations	20,356	195,774
Increase in permanently restricted net assets	<u>20,356</u>	<u>195,774</u>
INCREASE IN NET ASSETS	110,274	442,971
NET ASSETS, beginning of year	<u>2,409,076</u>	<u>1,966,105</u>
NET ASSETS, end of year	<u><u>\$2,519,350</u></u>	<u><u>\$2,409,076</u></u>

See accompanying notes to consolidated financial statements.

Children's Hospital Medical Center and Affiliates

Consolidated Statements of Cash Flows

For the Years Ended June 30, 2015 and 2014 (dollars in thousands)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 110,274	\$ 442,971
Adjustments to reconcile increase in net assets to net cash provided by operating activities-		
Depreciation and amortization	110,687	109,412
Loss on disposal of property and equipment	2,518	805
Impairment of land	7,111	8,101
Loss on early extinguishment of tax exempt bonds payable	-	4,037
Proceeds from sale of donated securities	1,623	2,291
Receipts from supporting organizations	(4,033)	(6,952)
Contributions to supporting organizations	46,893	31,400
Contributions restricted for purchase of property and equipment	(10,639)	(2,320)
Gain in interest in net assets of supporting organizations	(21,051)	(187,039)
Unrealized and realized losses (gains) on marketable securities, net	5,106	(3,146)
Increase (Decrease) allowances on receivables	(3,799)	883
Increase in receivables	(47,512)	(120,220)
(Increase) Decrease in inventories and prepaid expenses and other assets	(9,661)	3,459
Increase (Decrease) in accounts payable and accrued expenses	(8,872)	62,572
Increase (Decrease) in accrued pension liability	84,895	(102,403)
Increase (Decrease) in self-insurance reserves and other long-term liabilities	(5,434)	22,225
Net cash provided by operating activities	<u>258,106</u>	<u>266,076</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for property and equipment	(258,091)	(209,513)
Receipts from sale of fixed assets	582	1,263
Purchases of marketable securities	(1,633,044)	(1,099,956)
Sales and maturities of marketable securities	1,339,517	977,326
Cash withdrawn from funds in trust	61,991	184,903
Cash invested in funds in trust	(33,730)	(160,197)
Net cash used in investing activities	<u>(522,775)</u>	<u>(306,174)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of bonds and notes payable	297,136	173,235
Repayment of bonds and notes payable	(31,809)	(203,369)
Contributions restricted for purchase of property and equipment	10,639	2,320
Receipts from supporting organizations	4,033	6,952
Contributions to supporting organizations	(46,893)	(31,400)
Net cash provided by (used in) financing activities	<u>233,106</u>	<u>(52,262)</u>
Net decrease in cash and cash equivalents	(31,563)	(92,360)
CASH AND CASH EQUIVALENTS, beginning of year	<u>156,830</u>	<u>249,190</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 125,267</u>	<u>\$ 156,830</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Capital expenditures in accounts payable and accrued expenses	\$ 62,338	\$ 23,113
Acquisition of property through capital leases	\$ 6,425	\$ -

See accompanying notes to consolidated financial statements.

Children's Hospital Medical Center and Affiliates

Consolidated Financial Statements

For the Years Ended June 30, 2015 and 2014, respectively (dollars in thousands)

(1) Accounting Policies-

- (a) Basis of Consolidation--Children's Hospital Medical Center (Cincinnati Children's), River City Insurance Limited (River City), CHMC Community Health Services Network (CHSN), 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 Cincinnati Children's or 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. 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), Convalescent Hospital for Children and Orphan Asylum (CHCOA) and Adolescent Health Center of Greater Cincinnati, Inc. (CAC), all Ohio not-for-profit corporations which are not included in the accompanying consolidated financial statements, provide financial support to the Cincinnati Children's. Certain endowment funds of these supporting organizations are restricted by the donors for specific operating purposes of Cincinnati Children's and are recorded as Interest in Net Assets of Supporting Organizations in the accompanying Consolidated Balance Sheets. 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 Cincinnati Children's as designated by the Boards of the supporting organizations to provide general support and are reflected as receipts from supporting organizations in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

Cincinnati Children's records in its consolidated financial statements the fair value of certain temporarily and permanently restricted net assets held by supporting organizations on its behalf. Changes in the fair value of such temporarily and permanently restricted net assets are recorded as a Gain (Loss) in Interest in Net Assets of Supporting Organizations in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

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- (c) Support Received from Supporting Organizations-- In general, the supporting organizations provide annual support to Cincinnati Children's that includes the dividend and interest earnings of the respective investment portfolios (net of operational expenses and any donor required reinvestment of income). On occasion, the respective Boards of Trustees of these supporting organizations may also designate certain pledges of unrestricted principal in support of key projects at Cincinnati Children's. As of June 30, 2015, TCH and CHCOA have outstanding revocable pledges of \$250,900 and \$9,000, 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 2015 and 2014, TCH transferred \$57,594 and \$42,907, respectively, of temporarily restricted net assets to Cincinnati Children's which are recorded as Gifts, contributions and other income in the Consolidated Statements of Operations and Changes in Net Assets.

During fiscal 2015 and 2014, TCH transferred \$4,033 and \$6,952, respectively, of unrestricted net assets to Cincinnati Children's, which are recorded as Receipts from Supporting Organizations in the Consolidated Statements of Operations and Changes in Net Assets.

During fiscal 2015 and 2014, Cincinnati Children's transferred \$1,000 and \$16, respectively, of temporarily restricted net assets to TCH to fund named chairs designated to support divisional activities. During fiscal 2015 and fiscal 2014, respectively, Cincinnati Children's transferred \$46,893 and \$31,400 of unrestricted net assets to TCH to fund named chairs designated to support divisional activities.

At June 30, 2015 and 2014, Cincinnati Children's had a payable to TCH for \$3,022 and \$1,083, respectively, related to transfers received greater than funding commitments in fiscal 2015 and 2014. These amounts will be offset in future fiscal years against the current year commitment.

During fiscal 2015 and 2014, CHCOA transferred \$10,922 and \$4,308 respectively, to Cincinnati Children's which are recorded as Gifts, contributions and other income in the Consolidated Statements of Operations and Changes in Net Assets.

At June 30, 2015, Cincinnati Children's has a payable to CHCOA for \$55, which will be repaid through a reduction in support in fiscal 2016. At June 30, 2014 Cincinnati Children's had a receivable from CHCOA for \$29 related to fiscal 2014 funding. This amount was paid in fiscal 2015.

At June 30, 2015, Cincinnati Children's has a receivable from CHCOA for \$6,395 related to an irrevocable pledge to be paid in fiscal years 2016 through 2018 in support of the renovation of the College Hill facility.

At June 30, 2015 and 2014, Cincinnati Children's has a receivable from TCH of \$10,587 related to the expected payment from TCH upon maturity of a life insurance policy.

- (d) Concentration of Patient Accounts Receivable and Revenue and Revenue Recognition--In both fiscal 2015 and 2014, respectively, substantially all of total net hospital patient service revenue is derived from third-party payment programs (Medicaid, insurance companies and various managed care agreements).

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The following details the percentage of net hospital patient service revenue by payer category for the fiscal years ended June 30, 2015 and 2014:

	2015		2014	
	Gross	Net	Gross	Net
Commercial insurers	1%	2%	1%	1%
Managed care	43%	62%	47%	67%
Government (HMO and third party)	45%	24%	44%	24%
Specialty contracts	10%	12%	7%	7%
Self pay	1%	-	1%	1%

The following details the percentage of accounts receivable by payer category as of June 30, 2015 and 2014:

	2015	2014
Commercial insurers	3%	2%
Managed care	42%	48%
Government (HMO and third party)	27%	26%
Specialty contracts	26%	21%
Self pay	2%	3%

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

Net hospital patient service revenue is reported at estimated net realizable amounts from patients, third party payers 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 hospital patient service revenue associated with services provided to patients who have third-party payer 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 hospital patient service 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 24% of Cincinnati Children's net hospital patient service revenue for the fiscal years ended June 30, 2015 and 2014, respectively. Laws and regulations governing the Medicaid and Medicare 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, 2015, Cincinnati Children's has settled all Medicaid cost reports through 2008 and all Medicare cost reports through 2013.

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Consolidated Financial Statements For the Years Ended June 30, 2015 and 2014, respectively (dollars in thousands)

The following table reconciles gross patient service revenue to net hospital patient service revenue for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Charges at established rates	\$2,745,917	\$2,510,971
Deductions:		
Discounts on commercial contractals	(322,169)	(257,951)
Write-downs related to services to the poor: Including Medicaid and governmental contractuals, charity care and other uncollectible self pay write-offs	<u>(906,572)</u>	<u>(820,993)</u>
	1,517,176	1,432,027
Tax Levy Program	5,200	5,200
Care Assurance Program	24,755	24,441
Net Hospital Patient Service Revenue	<u>\$1,547,131</u>	<u>\$1,461,668</u>

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 17% and 21% of self-pay accounts receivable at June 30, 2015 and 2014. In addition, Cincinnati Children's bad debt write-offs (before recoveries) totaled approximately \$31,805 and \$40,833 for the years ended June 30, 2015 and 2014, respectively. Cincinnati Children's modified its charity care and uninsured policy in fiscal 2014 in order to provide greater discounts to such patients. 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.

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A summary of activity in Cincinnati Children’s provision for doubtful accounts for the year ended June 30, 2015 and 2014 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, 2015	\$15,139	\$15,389	\$(18,388)	\$12,140
Year Ended June 30, 2014	\$16,618	\$23,774	\$(25,253)	\$15,139

The Consolidated Balance Sheet also includes \$38,320 and \$39,120 of contractual reserves related to net patient receivables as of June 30, 2015 and 2014.

Accounts receivable related to professional services billings is included in Other Receivables in the accompanying Consolidated Balance Sheets.

- (e) Capitation Revenue – Cincinnati Children’s has agreements with two Ohio Medicaid managed care companies, covering approximately 33,000 and 36,000 children, respectively, in fiscal 2015 and fiscal 2014, to provide for reimbursement under a variable capitation methodology for hospital services. Under these two contracts, all physician and home care services continue to be reimbursed based on provider fee schedules. The hospital services are reimbursed through a variable capitation payment which represents the amount remaining after payment has been made for (a) Cincinnati Children’s physician services, (b) Cincinnati Children’s home care services, and (c) services provided to members outside the Cincinnati Children’s network. Under delegation agreements, Health Network by Cincinnati Children’s receives fixed payments to perform the required medical management, care management and care coordination functions. Medicaid managed care organizations retain risk for payments to providers.
- (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 \$9,209 and \$9,166 recognized in the accompanying consolidated financial statements for the years ended June 30, 2015 and 2014, 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 2015, Cincinnati Children’s did not apply or receive any funding under ARRA related to hospital and eligible

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physician use of EHR. In fiscal 2014, Cincinnati Children's applied for and received \$4,351 in funding under ARRA related to the hospital and eligible physician use of an EHR.

- (i) Tax Exempt Status--Cincinnati Children's and CHSN are recognized by the Internal Revenue Service as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as charitable organizations qualifying under Section 501(c)(3). River City is a captive insurance company and has no income tax obligations. 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, 2015 and 2014.

Cincinnati Children's accounts for income taxes in accordance with Accounting Standards Codification Topic (ASC) 740 "Income Taxes". It is Cincinnati Children's policy to classify the expense related to interest and penalties, if any, to be paid on underpayments of income taxes within other expenses. There were no material penalties or interest recognized in fiscal 2015 and 2014.

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

Federal – 2012 to 2015

State – 2012 to 2015

- (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-- Cincinnati Children's accounts for its investments under ASC 958-320 "Not-for-Profit Entities – Investments – Debt and Equity Securities". Cincinnati Children's carries its marketable securities at fair value with unrealized gains and losses included in investment income in the accompanying Consolidated Statements of Operations and Changes in Net Assets. At June 30, 2015, there were \$3,729 and \$20,678 of pending purchases and sales of marketable securities, respectively. At June 30, 2014, there were \$39,272 and \$37,361 of pending purchases and sales of marketable securities, respectively.

At June 30, 2015, Cincinnati Children's marketable securities included 15% in U.S Treasury securities. At June 30, 2014, Cincinnati Children's marketable securities included 33% in U.S. Treasury securities and 12% in FNMA securities.

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- (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, 2015 and 2014, assets limited as to use were invested as follows:

	<u>2015</u>	<u>2014</u>
Cash Equivalents	\$9,836	\$13,075
Corporate Bonds	-	24,022
U.S. Government Securities	-	1,000
	<u>\$9,836</u>	<u>\$38,097</u>

- (n) Investment Income--The following details the components of investment income on marketable securities and funds in trust for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest income	\$14,237	\$13,530
Unrealized and realized (losses) gains, net	(5,106)	610
Investment income	<u>\$ 9,131</u>	<u>\$14,140</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—Cincinnati Children’s accounts for its assets and liabilities under ASC 820 “Fair Value Measurements”. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels, which are described below:

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

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

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

Determining where an asset or liability falls within the hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. In determining fair value, Cincinnati

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Children's utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers counterparty credit risk in the assessment of fair value.

The table below includes the major categorization for debt and equity securities on the basis of the nature and risk of the investments at June 30, 2015.

	Level 1	Level 2	Level 3
Marketable Securities:			
U.S. Government and agency securities	\$ -	\$197,909	\$ -
Foreign bonds	-	6,462	-
Municipal bonds	-	2,790	-
Bond mutual funds	1,864	-	-
Common stock	170	-	-
Asset backed securities	-	28,392	-
Corporate obligations	-	432,758	-
	<u>2,034</u>	<u>668,311</u>	<u>-</u>
Assets Limited As To Use:			
Money market mutual funds	9,836	-	-
	<u>9,836</u>	<u>-</u>	<u>-</u>
Deferred Compensation Plans (included in Other Assets):			
Cash	2,386	-	-
Common stock	3,534	-	-
Mutual Funds:			
Money Market	145	-	-
Equity	2,921	-	-
International Equity	1,095	-	-
Bond	1,342	-	-
Lifecycle	3,434	-	-
Real Estate	268	-	-
Variable Annuities:			
Bond	-	98	-
Equity	-	324	-
International Equity	-	128	-
Money Market	-	18	-
Guaranteed Insurance Contract	-	-	3,069
	<u>15,125</u>	<u>568</u>	<u>3,069</u>
Total	<u>\$26,995</u>	<u>\$668,879</u>	<u>\$3,069</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, 2014.

	Level 1	Level 2	Level 3
Marketable Securities:			
U.S. Government and agency securities	\$ -	\$225,808	\$ -
Municipal bonds	-	2,383	-
Certificates of Deposit	-	251	-
Common stock	163	-	-
Corporate obligations	-	160,534	-
	<u>163</u>	<u>388,976</u>	<u>-</u>
Assets Limited As To Use:			
Corporate bonds	-	24,022	-
Money market mutual funds	13,075	-	-
U.S. government securities	-	1,000	-
	<u>13,075</u>	<u>25,022</u>	<u>-</u>
Investments in Private Investment Funds (included in Other Assets):			
High Yield Corporate Obligations	-	34	-
	<u>-</u>	<u>34</u>	<u>-</u>
Deferred Compensation Plans (included in Other Assets):			
Common stock	3,184	-	-
Mutual Funds:			
Money Market	242	-	-
Equity	2,513	-	-
International Equity	1,818	-	-
Bond	1,013	-	-
Lifecycle	2,548	-	-
Real Estate	139	-	-
Variable Annuities:			
Bond	-	230	-
Equity	-	883	-
International Equity	-	180	-
Money Market	-	23	-
Real Estate Pooled	-	217	-
Guaranteed Insurance	-	-	5,251
	<u>11,457</u>	<u>1,533</u>	<u>5,251</u>
Total	<u>\$24,695</u>	<u>\$415,565</u>	<u>\$5,251</u>

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The valuation methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

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

Cincinnati Children's primarily bases fair value for investments in fixed income securities, including 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.

Investments in private investment funds are 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. 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. Cincinnati Children's elected to measure its high yield corporate obligation investment fund under the provisions of ASC 825. In the future, Cincinnati Children's may elect to measure certain additional financial instruments at fair value in accordance with this standard.

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

Cincinnati Children's Level 3 investment is primarily in a guaranteed insurance contract. This investment is classified as Level 3 based on time restrictions for redemption.

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The following is a reconciliation of the roll forward of the fair value measurements using significant unobservable inputs for fiscal 2015:

Balance at July 1, 2014	\$5,251
Purchases	1,266
Unrealized gains (losses)	(112)
Sales	(3,336)
Balance at June 30, 2015	<u>\$ 3,069</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, 2015

\$(112)

The following is a reconciliation of the roll forward of the fair value measurements using significant unobservable inputs for fiscal 2014:

Balance at July 1, 2013	\$5,150
Purchases	2,742
Unrealized gains	149
Sales	(2,790)
Balance at June 30, 2014	<u>\$5,251</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, 2014

\$149

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, 2015 and 2014, 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
Buildings and Building Improvements	5-40 years
Equipment	3-25 years

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

Cincinnati Children's evaluates long-lived assets under the provisions of ASC 360 "Property Plant and Equipment". During fiscal 2015 and 2014, Cincinnati Children's recorded losses of \$7,111 and

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\$8,101, respectively, related to impairment of land values based on a fair market value assessment of the estimated sales price Cincinnati Children's would expect to receive upon sale of this land.

- (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 2015 and fiscal 2014, Cincinnati Children's capitalized \$843 and \$336 of interest related to construction in progress. Total cash paid for interest was approximately \$18,720 and \$14,629 and in fiscal 2015 and 2014, 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 Cincinnati Children's 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 Cincinnati Children's has been limited by donors for a specific purpose was \$139,486 and \$135,348 at June 30, 2015 and 2014, respectively.

Temporarily restricted net assets related to assets held in endowments at supporting organizations on Cincinnati Children's behalf are either donor restricted to support research at Cincinnati Children'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 \$18,655 and \$17,961 at June 30, 2015 and 2014, 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, 2015 and 2014, permanently restricted net assets consisted of the following amounts with expendable investment income restricted by donors to be used for the following purposes:

	<u>2015</u>	<u>2014</u>
Research activities	\$1,098,777	\$1,080,199
Clinical activities	202,307	200,529
	<u>\$1,301,084</u>	<u>\$1,280,728</u>

The assets underlying Cincinnati Children's permanently restricted net assets have been invested by supporting organizations in primarily marketable securities.

- (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).

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- (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 - - In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 will eliminate the transaction- and industry-specific revenue recognition guidance currently in place under generally accepted accounting principles and will replace it with a principle-based approach for determining revenue recognition. ASU 2014-09 was amended by ASU 2015-14 and will be effective for annual and interim periods beginning after December 15, 2018, and early adoption is prohibited. Management has not yet evaluated the impact of ASU 2014-09 on consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 "Simplifying the Presentation of Debt Issuance Costs". ASU 2015-03 requires debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying amount of the debt liability. ASU 2015-03 will be effective for fiscal years beginning after December 15, 2015 with application applied retrospectively. Management does not believe this will have a material impact on the consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07 "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." The amendments in this Update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. ASU 2015-07 will be effective for fiscal years beginning after December 15, 2016, with application applied retrospectively; earlier application is permitted. Management does not believe this will have a material impact on the consolidated financial statements.

(2) Losses on the Provision of Uncompensated Care-

In accordance with its mission and purpose, Cincinnati Children's maintains a policy of providing medically necessary services to pediatric patients within its primary service area regardless of ability to pay. This primary service area has been defined to include the four counties in Ohio, three counties in Kentucky and one county in Indiana that geographically surround Cincinnati. Under certain circumstances, Cincinnati Children's accepts patients from outside the primary service area regardless of their ability to pay. Cincinnati Children's defines 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, 2015 and 2014:

2015			
CHARGES	Hospital	Physician	Total
Charges under Medicaid and other entitlement programs	\$1,247,823	\$288,573	\$1,536,396
Charity care not eligible for Medicaid assistance, at established charges	26,324	3,266	29,590
Other uncollectible self pay, at established charges	19,195	9,526	28,721
Total Medicaid, charity care and other uncollectible self pay charges	<u>\$1,293,342</u>	<u>\$301,365</u>	<u>\$1,594,707</u>
COSTS/LOSSES			
Estimated costs to provide uncompensated care	\$ 572,923	\$ 143,600	\$ 716,523
Reimbursement from Medicaid programs	(417,034)	(40,435)	(457,469)
Losses on the provision of uncompensated care	(155,889)	(103,165)	(259,054)
Funds received from HCAP and tax levy	29,955	-	29,955
Losses on provision of uncompensated care net of HCAP and tax levy	<u>(\$ 125,934)</u>	<u>(\$103,165)</u>	<u>(\$ 229,099)</u>
2014			
CHARGES	Hospital	Physician	Total
Charges under Medicaid and other entitlement programs	\$1,013,866	\$253,415	\$1,267,281
Charity care not eligible for Medicaid assistance, at established charges	35,072	4,665	39,737
Other uncollectible self pay, at established charges	26,141	10,838	36,979
Total Medicaid, charity care and other uncollectible self pay charges	<u>\$1,075,079</u>	<u>\$268,918</u>	<u>\$1,343,997</u>
COSTS/LOSSES			
Estimated costs to provide uncompensated care	\$470,086	\$131,502	\$601,588
Reimbursement from Medicaid programs	(377,063)	(41,696)	(418,759)
Losses on the provision of uncompensated care	(93,023)	(89,806)	(182,829)
Funds received from HCAP and tax levy	29,641	-	29,641
Losses on provision of uncompensated care net of HCAP and tax levy	<u>(\$63,382)</u>	<u>(\$89,806)</u>	<u>(\$153,188)</u>

The 2015 and 2014 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.

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(3) Tax Levy Funds-

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 2015 and 2014, Cincinnati Children’s recognized \$5,200 and \$5,200, 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, 2015 through December 31, 2017. 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. Cincinnati Children’s expects to receive \$5,200 in calendar year 2015 and \$4,700 in each of calendar years 2016 and 2017. On an annual basis, Cincinnati Children’s shall render hospital inpatient and outpatient health and hospitalization services and physician 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,	
	2015	2014
Self-insurance Funds-		
Professional liability (A)	\$ 161	\$ 161
Employee health and workers’ compensation (B)	890	893
Health Network Escrow (C)	2,641	3,637
Bond interest escrow funds (D)	6,144	4,001
2012 Construction fund (E)	-	27,104
Performance Bid Bond (F)	-	2,301
	<u>\$9,836</u>	<u>\$38,097</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 established a trust fund for the payment of claims related to certain self-insured employee health care and other programs.

(C) Cincinnati Children’s maintains an escrow fund with a bank as part of the arrangement with an Ohio Medicaid Managed Care Company under its division called Health Network to cover estimated incurred but not reported claims for Cincinnati Children’s providers, home care and mental health services as well non-Cincinnati Children’s providers.

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(D) 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.

(E) 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. In fiscal 2014, Cincinnati Children's drew down \$32,256. The remaining draws from the trust occurred in fiscal 2015.

(F) Cincinnati Children's executed a Performance Bid bond related to a submission of a proposal to perform consulting services. The bid bond expired in July 2014 and was repaid to Cincinnati Children's.

(5) Property and Equipment-

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 37,763	\$ 41,614
Land improvements	21,343	18,724
Buildings and building improvements	1,353,957	1,123,604
Equipment	585,432	531,609
Construction in progress	119,908	139,763
	<u>2,118,403</u>	<u>1,855,314</u>
Accumulated depreciation	(935,665)	(856,917)
Property and equipment, net	<u>\$1,182,738</u>	<u>\$998,397</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 at varying levels.

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The actuarial present value of expected costs (including incurred, but not reported claims) for the healthcare professional liability program of \$41,656 and \$45,940 for 2015 and 2014, respectively, has been accrued in the accompanying Consolidated Balance Sheets. Accrued healthcare professional liability losses have been discounted at a rate of approximately 4% at June 30, 2015 and 2014, respectively. The costs of the Medical Center's healthcare professional liability program, including premiums paid for excess re-insurance, legal fees, settlements, judgments, and other administrative costs are included in Supplies, Drugs and Other in the accompanying Consolidated Statements of Operations and Changes in Net Assets. On an ongoing basis, management reviews the status of all healthcare professional liability claims, as well as legal proceedings, and, based upon consultation with a professional actuary, adjusts the accrued losses and self-insured retention funding levels to reflect its best estimate of the present value of expected costs for the healthcare professional liability claims. Healthcare professional liability expense amounted to \$5,961 and \$35,847 for fiscal 2015 and 2014, respectively.

(7) Capital Lease Obligations-

The Medical Center leases certain equipment under capital leases. The aggregate future minimum lease payments total \$6,299, with \$2,011 due in fiscal 2016. In fiscal 2015, Cincinnati Children's entered into six capital leases for certain equipment. There were no new capital leases entered into in fiscal 2014.

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(8) Tax Exempt Bonds Payable and Notes Payable-

Bonds payable and notes payable for the years ended June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Bonds payable and notes payable:		
Series 1997, variable interest (0.06% at June 30, 2015), due through 2017	\$17,885	\$ 26,420
Series 2000, variable interest (0.06% at June 30, 2015), due through 2028	47,040	47,540
Series 2002, variable interest (0.06% at June 30, 2015), due Through 2028	18,485	19,575
Series 2006, 4.25% to 5.00%, due through 2032, net of unamortized premium of \$373 in 2015 and \$386 in 2014	63,449	63,461
Series 2007, variable interest (0.07% due at June 30, 2015), due through 2037	30,615	30,615
Series 2008, variable interest (0.14% due at June 30, 2015), due through 2036	19,045	19,045
Series 2009, 4.20% due through 2019	12,000	15,000
Series 2010, 2.27% due through 2020	15,000	18,000
Series 2011, 2.18% due through 2022	45,125	48,205
Series 2014S, 3.0% to 5.0% due through 2034, net of unamortized premium of \$9,027 in 2015 and \$10,463 in 2014	128,097	133,979
Series 2014T, 4.268% due 2044, taxable	300,000	-
Term Note Payable, 2.20% due through 2022	42,000	48,000
Note Payable on Vernon Manor Property, interest at 4.045%	25,301	26,551
Total bonds payable and notes payable	<u>764,042</u>	<u>496,391</u>
Less- current portion	<u>(50,633)</u>	<u>(30,900)</u>
Bonds payable and notes payable - long-term	<u>\$713,409</u>	<u>\$465,491</u>

- (a) Tax Exempt Bonds Payable—Cincinnati Children's has pledged their gross revenues, as defined, to secure the payment of Series 1997, 2000, 2002, 2006, 2007, 2008, 2009, 2010, 2011, 2014S and 2014T bonds. Cincinnati Children's 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.

Payment of the principal of, and the interest on, the Series 2006 bonds is insured by a policy of municipal bond insurance. The 1997, 2000, 2002, 2007 and 2008 bonds may be tendered to a remarketing agent by bondholders on business days for full payment of principal and accrued interest. Cincinnati Children's has entered into standby letters of credit totaling \$133,388 which commits major banks to make funds available to purchase the bonds that are not remarketed. Cincinnati Children's is required to maintain these or similar agreements until the bonds have been paid or converted to fixed rate obligations. The letter of credit securing the 2008 bond issuance expires in June 2016 which required reclassification of the full balance to current liabilities for the fiscal year ending June 30, 2015.

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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/premiums:

2016	\$ 50,633
2017	32,220
2018	32,002
2019	24,903
2020	31,767
Thereafter	583,118
	<u>\$754,643</u>

(c) Lines of Credit -- In March 2014, Cincinnati Children's secured a \$150,000 line of credit. The line of credit expires in March 2017 and bears interest at LIBOR plus 65 basis points. There were no draws on the line of credit during fiscal 2015 and 2014.

(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, 2015 and 2014 is \$25,301 and \$26,551, respectively, 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. Additionally, the agreement has a provision that Cincinnati Children's can purchase the facility at the end of seven years (2019) for the then fair market value.

(e) Loss on Early Extinguishment of Tax Exempt Bonds Payable -- In January 2014, Cincinnati Children's refinanced \$49,283 of the outstanding 1998 tax exempt bonds and \$81,120 of outstanding 2004 tax exempt bonds with a \$123,515 tax exempt bond offering, with a premium recorded of \$11,179. The obligations bear interest at a fixed rate ranging from 3% to 5%. As part of the refunding, Cincinnati Children's recorded a \$3,967 loss on early extinguishment of tax exempt bonds payable in fiscal 2014.

Additionally in June 2014, Cincinnati Children's refinanced \$48,205 of series 2011 bonds in order to extend the maturity date to 2022 from 2019. As part of the refinancing, Cincinnati Children's recorded a \$70 loss on refinancing.

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(9) Employee Benefit Plans-

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

Cincinnati Children's investment strategy with respect to pension assets is designed to achieve a moderate level of overall portfolio risk in keeping with desired risk objective, which is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The Investment Policy for the portfolio contains a long-term target allocation as follows:

Long Duration Treasury Bonds	10.0%
Long Duration Corporate Bonds	10.0%
High Yield Fixed Income	5.0%
Emerging Markets Fixed Income	5.0%
Global Developed Markets Equity	44.0%
Emerging Markets Equity	11.0%
Private Equity	6.0%
Real Estate	6.0%
Commodities	3.0%

In order to maintain the portfolio's actual asset allocation in line with the target allocations specified above, the assets are re-allocated or rebalanced regularly within each asset class to the above minimum and maximum allocations. 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, 2015, Cincinnati Children's made \$60,500 in funding commitments in six investment partnerships of which \$23,400 had been funded. Additionally, Cincinnati Children's had made \$52,500 in funding commitments in seven real estate investment partnerships of which \$25,200 had been funded. It is anticipated that these commitments will be funded from liquid investments in the plan and any required funding contributions.

Cincinnati Children's defined benefit plan investment allocation at the actuarial measurement date of June 30, 2015 and 2014 by asset category is as follows:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	6.9%	1.7%
Bond mutual funds	8.8%	9.9%
Common stock and equity mutual funds	3.6%	6.4%
Corporate bonds	5.4%	5.6%
Government bonds	0.1%	-
Investment Partnerships:		
Equity	16.9%	1.8%
Bond	16.2%	16.6%
International equity	39.1%	56.4%
Real estate	3.0%	1.6%
	<u>100.0%</u>	<u>100.0%</u>

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At June 30, 2015, 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	\$ 60,197	\$ -	\$ -
Bond mutual funds	76,137	-	-
Common stock and equity mutual funds	31,645	-	-
Corporate bonds	-	47,119	-
Government bonds	-	590	-
Investment Partnerships:			
Equity	-	121,794	24,883
Bond	-	141,049	-
International equity	-	340,894	-
Real estate	-	-	25,513
	<u>\$167,979</u>	<u>\$651,446</u>	<u>\$50,396</u>

At June 30, 2014, 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	\$ 14,316	\$ -	\$ -
Bond mutual funds	84,937	-	-
Corporate bonds	-	48,205	-
Common stock	54,889	-	-
Government bonds	-	851	-
Investment Partnerships:			
Equity	-	-	15,217
Bond	-	111,172	30,711
International equity	-	481,390	-
Real Estate	-	-	13,523
	<u>\$154,142</u>	<u>\$641,618</u>	<u>\$59,451</u>

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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.

Balance at July 1, 2014	\$ 59,451
Purchases	20,110
Unrealized gains	6,779
Transfers	(30,117)
Sales	(5,827)
Balance at June 30, 2015	<u>\$ 50,396</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, 2015

\$6,779

Balance at July 1, 2013	\$ 11,820
Purchases	47,673
Unrealized gains	1,987
Sales	(2,029)
Balance at June 30, 2014	<u>\$ 59,451</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, 2014

\$1,987

In fiscal 2015, there was one limited partnership bond fund that transferred from level 3 to level 2. In 2014, it was classified as level 3 due to certain redemption restrictions. In 2015, those restrictions expired and therefore, the limited partnership bond fund of \$30,117 was transferred from level 3 to level 2. There were no transfers between levels in fiscal 2014.

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

	<u>2015</u>	<u>2014</u>
Discount rate used to determine actuarial present value of the projected benefit obligation	4.43%	4.31%
Assumed rate of increase in compensation levels	3.50%	4.00%
Long-term rate of return	7.50%	7.50%

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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, 2015 and 2014, utilizing actuarial measurement dates as of June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 999,568	\$ 963,780
Service cost	44,737	50,089
Interest cost	42,560	46,312
Plan amendments	-	(159,299)
Other actuarial losses	42,486	112,182
Benefits paid	(30,278)	(13,496)
Projected benefit obligation at end of year	<u>1,099,073</u>	<u>999,568</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	855,211	717,020
Actual (loss) return on plan assets	(1,612)	101,587
Employer contributions	46,500	50,100
Benefits paid	(30,278)	(13,496)
Fair value of plan assets at end of year	<u>869,821</u>	<u>855,211</u>
Funded status	(229,252)	(144,357)
Net accrued pension liability in Consolidated Balance Sheets	<u><u>\$(229,252)</u></u>	<u><u>\$(144,357)</u></u>

In June 2014, management announced that effective January 1, 2015, the Plan would be amended to eliminate future benefit accruals under the Traditional Plan formula (as defined in the Plan document) as of December 31, 2014. All future benefit accruals after December 31, 2014 will be determined under the Stable Value Plan formula (as defined in the Plan document). Additionally, the Plan amendment allows for lump sum payments to be made on all future benefit payments. The changes were accounted for as negative plan amendments as of June 30, 2014.

In 2015, the mortality tables utilized by actuaries to value the pension liability were updated based on current experience. The impact of the change in mortality assumptions is included in other actuarial losses in fiscal 2015.

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

	<u>2015</u>	<u>2014</u>
Net actuarial loss	\$481,056	\$ 401,039
Net prior service credit	(147,548)	(159,299)
	<u><u>\$333,508</u></u>	<u><u>\$ 241,740</u></u>

The estimated actuarial loss and prior service credit that will be amortized from Unrestricted Net Assets into net pension cost in fiscal 2016 are \$25,361 and \$(11,751) respectively.

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

	<u>2015</u>	<u>2014</u>
Discount rate used to determine actuarial present value of the projected benefit obligation	4.31%	4.84%
Assumed rate of increase in compensation levels	4.00%	4.00%
Expected long-term rate of return on plan assets	7.50%	7.50%

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

Net periodic pension cost for 2015 and 2014 related to the defined benefit plan consisted of the following components:

	<u>2015</u>	<u>2014</u>
Service cost	\$44,737	\$50,089
Interest cost	42,560	46,312
Return on plan assets	(60,619)	(53,260)
Amortization of prior service credit	(11,751)	-
Recognized net actuarial loss	24,790	19,297
Net periodic pension cost	<u>\$39,717</u>	<u>\$62,438</u>

Based on preliminary estimates, we do not expect any required fiscal 2016 contributions for the qualified defined benefit plan under the current funding regulations.

The accumulated benefit obligation for the pension plan was \$1,080,717 and \$978,477 at June 30, 2015 and 2014, respectively.

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

2016	\$ 37,019
2017	46,312
2018	55,316
2019	63,929
2020	72,856
2021-2025	409,127

All other retirement plans maintained by Cincinnati Children's are defined contribution plans. Cincinnati Children's contributions to these plans are generally based on ten percent of salaries up to established ERISA limits. Total expense related to these other plans was approximately \$21,767 and \$20,420 in fiscal 2015 and 2014, respectively.

Cincinnati Children's 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. 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

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Cincinnati Children's if the employee is not actively employed at the vesting date. The fair value of the assets and liability to participants included in the accompanying Consolidated Balance Sheets were \$11,296 and \$11,981 at June 30, 2015 and 2014, respectively. The amount of deferred compensation expense recognized in fiscal 2015 and 2014 was \$1,090 and \$1,682, respectively. Additionally, Cincinnati Children's 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 \$7,466 and \$6,260, respectively at June 30, 2015 and 2014.

In addition to providing pension benefits, Cincinnati Children's makes available medical and dental benefits for certain eligible employees upon retirement from the Cincinnati Children's 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.

The postretirement benefit obligations, included within other long-term liabilities, as of June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$3,769	\$3,691
Interest cost	105	112
Plan participants contributions	111	159
Medicare Part D subsidy	-	7
Actuarial losses	321	379
Benefits paid	(647)	(579)
Benefit obligation at end of year	<u>\$3,659</u>	<u>\$3,769</u>

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

	<u>2015</u>	<u>2014</u>
Net actuarial loss	\$3,625	\$ 3,739
Net prior service cost	(3,003)	(3,758)
	<u>\$622</u>	<u>\$ (19)</u>

The estimated actuarial loss and prior service credit which will be amortized from Unrestricted Net Assets into net postretirement cost in fiscal 2016 are \$377 and \$(677), respectively.

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

	<u>2015</u>	<u>2014</u>
Discount rate	3.27%	3.00%
Health care cost trend rate	5.00%	5.00%

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Net periodic cost for 2015 and 2014 related to the medical and dental postretirement benefits consisted of the following components:

	<u>2015</u>	<u>2014</u>
Interest cost	\$105	\$ 112
Amortization of unrecognized net gain and prior service credit	(319)	(399)
	<u>\$(214)</u>	<u>\$(287)</u>

For fiscal 2015 and fiscal 2014, the discount rate used to determine the net periodic postretirement costs was 3.00% and 3.26%, 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	\$ 635	\$ (576)
Effect on accumulated postretirement benefit obligation	23,321	(21,052)

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

	<u>Payments</u>
2016	\$ 452
2017	423
2018	394
2019	366
2020	338
2021-2025	1,304

(10) Commitments and Contingencies-

- (a) Litigation-- Cincinnati Children’s is engaged from time to time in a variety of litigation and regulatory compliance matters in addition to professional and general liability matters. Management assesses the probable outcome of unresolved litigation and records estimated reserves consistent with ASC No. 450, “Contingencies”. After consultation with legal counsel, management believes that all such currently existing matters will be resolved without material adverse impact to the consolidated financial position or results of operations of Cincinnati Children’s.
- (b) Laws and Regulations--The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. 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.

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Management believes that the Cincinnati Children's is in compliance, in all material respects, with fraud and abuse as well as other applicable government laws and regulations. Cincinnati Children's has recorded reserves for routine regulatory compliance issues and believes these reserves are adequate to cover any potential repayment of previously billed and collected revenue from patient services.

- (c) Capital Commitments—Cincinnati Children's has entered into agreements with general contractors for several new construction projects, renovation projects, equipment and information system technology projects. The Medical Center has committed to spend an additional approximately \$62,317 in connection with current active projects as of June 30, 2015. The projects are expected to be completed in fiscal 2016 and fiscal 2017.
- (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, 2015, Cincinnati Children's has provided \$12,867 of funding in relation to this commitment.
- (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, 2015 and 2014, Cincinnati Children's had funded \$10,072 and \$9,722, respectively, of this commitment. At June 30, 2015 and 2014, respectively, the value of the investment recorded in Other Assets in the Consolidated Balance Sheets is \$9,096 and \$11,079. 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, 2015 and 2014, Cincinnati Children's has funded \$3,100 and \$2,200 of this commitment. At June 30, 2015 and 2014, the value of the investment recorded in Other Assets in the Consolidated Balance Sheets is \$3,372 and \$2,220, respectively. 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 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, 2015 and 2014, Cincinnati Children's had funded \$945 and \$375, respectively, of the commitment. At June 30, 2015 and 2014 the value of the investment recorded in Other Assets in the

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Consolidated Balance Sheets is \$886 and \$318, respectively. 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, 2015 and 2014, Cincinnati Children's has funded \$1,260 and \$600, respectively, of this commitment. At June 30, 2015 and 2014, the value of the investment recorded in Other Assets in the Consolidated Balance Sheets is \$1,099 and \$532, respectively. 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 \$1,100 in four 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. At June 30, 2015 and 2014, Cincinnati Children's has funded \$1,003 and \$560, respectively, of this commitment. At June 30, 2015 and 2014, respectively, the value of the investment recorded in Other Assets in the Consolidated Balance Sheets is \$1,352 and \$878, respectively. 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 \$5,600 and \$6,300 in fiscal 2015 and 2014, respectively. Future minimum rental commitments under non-cancellable operating leases are as follows:

FY 2016	\$5,286
FY 2017	5,330
FY 2018	2,005
FY 2019	1,158
FY 2020	389
Thereafter	1,054

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(11) Functional Expenses-

The functional expenses of Cincinnati Children's are as follows:

	<u>2015</u>	<u>2014</u>
Patient services	\$1,305,525	\$1,259,748
Research and education	453,745	424,055
Support services	237,576	264,037
	<u>\$1,996,846</u>	<u>\$1,947,840</u>

(12) Fair Value of Financial Instruments-

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

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

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

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

Bonds Payable and Notes Payable--The fair values of Cincinnati Children's '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, 2015 and 2014 was \$747,948 and \$504,974, respectively. These would be classified as Level 2 investments in the fair value hierarchy.

(13) Subsequent Events-

Management reviewed subsequent events through October 21, 2015, the date the financial statements were issued, noting no changes were required to the financial statements or footnotes.

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Supplementary Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2015

Gov Agency	Gov Branch	Award Title	Pass-Through Grantor	Subrecipient Name	Federal Grant No.	CFDA	Sub Exp	Fed Exp	Total Exp					
Department of Defense	Military Medical Research and Development	Modelling Brain Defects in NF1 PR0094002 - "Genome-Wide Association Study in African-Am STAT3 in Neurofibroma Tumorigenesis and Therapy Non-Invasive MR-Guided HIFU Therapy of TSC-Associated Re Regulation and Function of TIFAB in Myelodysplastic Sync Identification of molecular and cellular contributors to Targeting the Ron-DEK Signaling Axis in Breast Cancer Regulation of Intracellular Trafficking in NF2 Prenatal Antidepressants and Autism Spectrum Disorder Development of Somatic Cell Therapy for Infection-induce NF Consortium Infrastructure and Trial#1: "Open-label, p A Phase II Trial on the Effect of Low-Dose versus High-D Induction of Food Allergy in Mice by Allergen Inhalation		Nationwide Childrens Hospita	W81XWH1010116	12.420	\$ -	\$ (5,345.22)	\$ (5,345.22)					
					W81XWH1010675	12.420	-	27,016.45	27,016.45					
					W81XWH1110259	12.420	-	30,856.02	30,856.02					
					W81XWH1110299	12.420	-	(1,867.87)	(1,867.87)					
					W81XWH1110468	12.420	-	(4,629.48)	(4,629.48)					
					W81XWH1210133	12.420	-	60,966.40	60,966.40					
					W81XWH1210194	12.420	2,110.11	59,276.60	61,386.71					
					W81XWH1310136	12.420	-	193,106.16	193,106.16					
					W81XWH1310306	12.420	-	113,100.21	113,100.21					
					W81XWH1310437	12.420	-	106,250.86	106,250.86					
					W81XWH1210155	12.420	-	130,048.09	130,048.09					
					W81XWH1210487	12.420	-	21,283.12	21,283.12					
					W81XWH1310497	12.420	-	155,404.18	155,404.18					
					Military Medical Research and Development Total							2,110.11	888,465.52	887,575.63
						Research and Technology Development	Uncovering general principles of network dynamic of circ	University of Cincinnati		D12AP00005	12.910	-	209,161.24	209,161.24
					Research and Technology Development Total							-	209,161.24	209,161.24
						Community Economic Adjustment Diversification Planning	A Randomized, Placebo-Controlled Trial of D-Cycloserine	Indiana University Health		W81XWYH0910091	12.614	-	20,646.49	20,646.49
					Community Economic Adjustment Diversification Planning Total							-	20,646.49	20,646.49
					Department of Defense Total							2,110.11	1,115,273.25	1,117,383.36
					Department of Education	National Institute on Disability and Rehabilitation Research	Rehabilitation Research and training Center for Traumat			Case Western Reserve University	84.133	19,952.93	80,205.84	488,767.82
										Childrens Hospital Colorado		97,825.36	-	-
										Research Inst. at Nationwide Hos		45,795.64	-	-
										University of Oregon		244,988.05	-	-
										Georgia Tech Research Corporation	84.133	58,361.08	95,627.86	202,304.51
Tufts University		34,084.57	-	-										
University of Wisconsin System		14,231.00	-	-										
National Institute on Disability and Rehabilitation Research Total										515,238.63	175,833.70	691,072.33		
	Special Education-Grants for Infants and Families	HMG Hospital Based Regional Child Find - Jaeger	Ohio Department of Health							03130011HB0613	84.181	-	42,737.08	42,737.08
Special Education-Grants for Infants and Families Total										-	42,737.08	42,737.08		
	Rehabilitation Training_General Training	ORSC Proposal for Project SEARCH Replication, Capacity B	Ohio Rehabilitation Services Comm							13F1043VR-12	84.275	-	(166.02)	(166.02)
Rehabilitation Training_General Training Total										-	(166.02)	(166.02)		
	Transition Programs for Students with Intellectual Disabilities into Higher Educatio	Transition Options in Postsecondary Settings for Student	Ohio State University		P407A100039	84.407	-	(4,000.82)	(4,000.82)					
Transition Programs for Students with Intellectual Disabilities into Higher Education Total							-	(4,000.82)	(4,000.82)					
Department of Education Total							515,238.63	214,403.94	729,642.57					
Department of Justice	Crime Victim Assistance	VOCA 2013	Crime Victims Assistance Office		r2013VADSCE483	16.575	-	16,246.93	16,246.93					
					Crime Victim Assistance Total							-	16,246.93	16,246.93
						Improving Investig. & Prosecution of Child Abuse & Regional & Local Children's Advocacy Ctr	State Chapter Support to Children's Advocacy Centers	National Children's Alliance		06-CINC-OH-SA12	16.758	-	9,000.00	9,000.00
Improving the Investigation & Prosecution of Child Abuse & Regional & Local Children's Advocacy Ctrs Total							-	9,000.00	9,000.00					
Department of Justice Total							-	25,246.93	25,246.93					
National Science Foundation	Biological Sciences	Collaborative research: Ontology-enabled reasoning across MicroRNA Regulation of Axon Guidance in C. elegans			DBI-1062542	47.074	-	15,091.72	15,091.72					
					IOS-1257023	47.074	-	8,385.36	8,385.36					
					Biological Sciences Total							-	23,477.08	23,477.08
National Science Foundation Total							-	23,477.08	23,477.08					
Department of Agriculture	Agriculture and Food Research Initiative (AFRI)	Inactivation of enteric foodborne viruses in high risk Building Capacity to Control Viral Food-borne Disease: A Universal Flu Vaccine by a Norovirus P Particle Platform			2011-68003-30005	10.310	-	160,923.87	160,923.87					
					2011-68003-30395	10.310	-	(41.73)	(41.73)					
					2013-87015-20476	10.310	-	125,034.57	125,034.57					
					Agriculture and Food Research Initiative (AFRI) Total							-	285,916.71	285,916.71
Department of Agriculture Total							-	285,916.71	285,916.71					
Dept of Health and Human Serv	Affordable Care Act (ACA) Primary Care Residency Expansion Program	Expansion of a Pediatric Primary Care Resident Training			HP20766	93.510	-	414,685.67	414,685.67					
					Affordable Care Act (ACA) Primary Care Residency Expansion Program Total							-	414,685.67	414,685.67
						Aging Research	Homeostasis and function of regulatory T cells in aging Lineage Determination and Tissue Homeostasis in the Agee Premature Uterine Aging and Preterm Deliv	University of Cincinnati		AG033057	93.866	16,177.34	485,673.35	501,850.69
					AG040118	93.866	-	473,975.16	473,975.16					
					AG040858	93.866	-	33,049.98	33,049.98					
Aging Research Total							16,177.34	992,698.49	1,008,875.83					

Gov Agency	Gov Branch	Award Title	Pass-Through Grantor	Subrecipient Name	Federal Grant No.	CFDA	Sub Exp	Fed Exp	Total Exp
		The Role of Human Milk in Infant Nutrition and Health		Boston College Broad Institute Inc. University of Cincinnati	HD013021	93.865	79,727.11 228.87 2,897.16	218,272.27 -	301,125.41 -
		Eunice Kennedy Schriver NICHD cooperative Multicenter Network Child Health Research Career Development Award (K12) Long Term Functional Outcomes Following Early Childhood		Case Western Reserve University Research Inst. at Nationwide Hos	HD027853 HD028827 HD042729	93.865 93.865 93.865	- - 132,095.43 9,378.26	299,948.36 464,738.66 330,723.50	299,948.36 464,738.66 472,197.19
		Cadherin-based Actin Assembly in the Xenopus Embryo Ectoderm Formation in the Early Xenopus Embryo Novel genetic and salivary glycan biomarkers for risk of Sterol and Isoprenoid Diseases Rare Diseases Consortium Sterol and Isoprenoid Diseases Rare Diseases Consortium Parental Adherence to CF Homecare: Research Chairplains C Xenbase: a Xenopus Model Organism Database Transcriptional Control of Human Placental Differential Injury Prevention in a Home Visitation Population Telehealth Enhancement of Adherence to Medication in Pediatrics	Oregon Health Sciences University University of Nebraska	University of California Children's Hospital of Philadelphia Children's Mercy Hospital Connecticut Childrens Medical Center Research Inst. at Nationwide Hos University of California University of Pittsburgh	HD044764 HD045737 HD059140 HD061939 HD061939 HD062642 HD064556 HD065339 HD066115 HD067174	93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865	- - - - - 402,407.56 - - - 46,273.91 8,979.65 10,325.77 4,777.63 8,592.64 21,668.02	(8,954.71) 222,601.15 4,626.05 22,457.24 26,018.25 106,520.35 484,122.13 320,927.11 803,774.66 396,794.41	(8,954.71) 222,601.15 4,626.05 22,457.24 26,018.25 106,520.35 886,529.69 320,927.11 803,774.66 497,412.03
		Enhancing treatment adherence and health outcomes Insulin-like Growth Factor 1 Gene Therapy: Correction of Molecular signaling in uterine receptivity to implants Cincinnati Training Program in Pediatric Clinical and Di Using SNA to Examine the Long-Term Outcomes of Socially		College of William and Mary University of Kentucky Pennsylvania State University	HD068223 HD068504 HD068524 HD069054 HD068315	93.865 93.865 93.865 93.865 93.865	- - - - 32,199.87 15,200.69 44,864.24	220,965.01 222,987.35 386,599.33 110,147.57 91,429.65	220,965.01 222,987.35 386,599.33 110,147.57 138,830.21
		Engaging Fathers in Home Visitation: Incorporation of Novel RF Coils and k-t Space Imaging for Neonatal Ches Physician Attitudes toward New Biomedical HIV Preventio Initiation and Progression of Preterm Lung Injury with \		University of Western Australia Saint Louis University	HD069431 HD071540 HD072807 HD072842	93.865 93.865 93.865 93.865	- - - 76,360.00 53,648.60	436,230.32 165,784.32 119,451.97 157,645.95	481,094.56 165,784.32 119,451.97 287,654.55
		EHR-based patient safety: Automated error detection in r Supporting Treatment Adherence Regimens in Pediatric Ep Abused and non-abused females' high-risk online behavio Shared Decision Making in Pediatric Chronic Conditions Rare Genetic Variants as Novel Causes of Idiopathic or S/ Efficacy of Methylphenidate for Management of Long-term Self-Management Assistance for Recommended Treatment (SM Decreasing teen STI prevalence through universal emerg Bone Mineral Accretion in Young Childrer		Children's Hospital of Philadelphia University of California	HD072883 HD073115 HD073130 HD073149 HD073351 HD074683 HD074842 HD075751 HD076321	93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865	- - - - - - - - 329,703.23 44,136.01	(33,985.46) 488,580.36 618,777.12 129,077.46 118,591.29 136,546.93 124,862.07 127,633.61 599,066.53	(33,985.46) 488,580.36 618,777.12 129,077.46 118,591.29 136,546.93 124,862.07 127,633.61 972,905.77
		Mechanisms of postnatal cutaneous afferent developm ADAPting CBT for Youth with Functional Abdominal Pain an Maternal temperament, stress, and inflammation in prete Roles of STAT5b in IGF-1 Production and Human Growth Research on Children in Military Families: The Impact o Morphine Pharmacogenomics to Predict Risk of Respiratory Pediatric Functional Neuroimaging Research Network Maintenance, Analysis and Dissemination of CMIND Database Bisphenol A and Gestational Diabetes		University of Southern California	HD077483 HD078049 HD078127 HD078592 HD079899 HD082782 HHSN275200900018C HHSN275201400002C BIRCHWH WH2	93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865	65,222.25 14,098.00 275,078.34 296,404.98 16,971.88 104,961.86 44,268.26 163,195.88 16,348.22	65,222.25 14,098.00 411,597.58 296,404.98 16,971.88 104,961.86 (2,624.52) 163,195.88 16,348.22	
		ATN Coordinating Center Cincinnati Interdisciplinary Women's Health Research Ca Pediatric HIV/AIDS Cohort Study (PHACS) Reading I-CARD: Interventions for Children with Attention Clinical Decision Rules to Discriminate Bruising Cause Pediatric Adverse Reaction in NASH Inborn Errors of Metabolism Collaborative: Defining the Production, Validation and Distribution of the Xenopus C Impact of Emergency Department Probiotic Treatment of Pe Health & wellbeing of sexually abused females & offspring Deciphering the gene regulatory network controlling ver Short-term Outcomes of Genitoplasty in DSD Innovations in Mild Traumatic Brain Injury Pilot study to develop a Pediatric Cervical Spine Injury Systematic improvement of Xenopus gene annotations and i NBSTRN: Newborn Screening Translational Research Network	University of Cincinnati University of Alabama-Birmingham University of Cincinnati Tulane University Univ of Texas Hlth Science Ctr-Houston Lurie Children's Hospital of Chicago Arizona Board of Regents Michigan Public Health Institute University of Virginia Washington University Pennsylvania State University University of California University of Oklahoma Ohio State University Washington University University of California-Berkeley American College of Med. Genetics	University of Cincinnati University of Alabama-Birmingham University of Cincinnati Tulane University Univ of Texas Hlth Science Ctr-Houston Lurie Children's Hospital of Chicago Arizona Board of Regents Michigan Public Health Institute University of Virginia Washington University Pennsylvania State University University of California University of Oklahoma Ohio State University Washington University University of California-Berkeley American College of Med. Genetics	HD040533 HD051953 HD062104 HD060617 HD060997 HD062589 HD069039 HD069352 HD071915 HD072468 HD073179 HD074579 HD075638 HD076108 HD080708 HHSN275201300011C	93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865 93.865	48,059.78 101,781.50 37,677.14 335,786.16 140,764.08 9,546.28 42,231.41 77,587.28 14,745.97 162,418.05 131,516.36 5,026.51 19,716.00 13,282.35 48,686.71 397,548.72	48,059.78 101,781.50 37,677.14 335,786.16 140,764.08 9,546.28 42,231.41 77,587.28 14,745.97 162,418.05 131,516.36 5,026.51 19,716.00 13,282.35 48,686.71 397,548.72	
		Developmental Disabilities Basic Support and Advocacy Grant		Project SEARCH		93.630	-	1,731.75	1,731.75
		Diabetes, Digestive, and Kidney Diseases Extramural Research		Hospital for Sick Children Nemours Children's Clinic University of California		93.847 93.847 93.847 93.847 93.847 93.847 93.847 93.847	- - - 23,314.58 - - - 95,165.61 4,843.58	151,572.21 347,346.56 259.35 (6,347.91) 516,916.06 220,736.98 369,333.18 262,687.20	151,572.21 347,346.56 259.35 (6,347.91) 540,230.64 220,736.98 369,333.18 454,011.10
		Technical Assistance and Training for Maryland Project					-	1,731.75	1,731.75
		Research Training in Pediatric Nephrology Pediatric Gastroenterology and Nutrition Training Grant Regulation of Adaptive Immune Responses in a Murine Model Prevalence of Mitochondrial DNA Depletion Syndromes in F Clinical Center for Cholestatic Liver Disease in Research Training in Child Behavior and Nutrition Immunologic Dysfunction in Biliary Atresia Self-Management of Type 1 Diabetes During Adolescence					-	1,731.75	1,731.75
		Child Health and Human Development Extramural Research Total					2,927,801.65	10,740,158.82	13,667,960.47
		Developmental Disabilities Basic Support and Advocacy Grants Total					-	1,731.75	1,731.75

Gov Agency	Gov Branch	Award Title	Pass-Through Grantor	Subrecipient Name	Federal Grant No.	CFDA	Sub Exp	Fed Exp	Total Exp
		Molecular basis of digestive system development in Xenopus Molecular Basis of Liver Development Teen Longitudinal Assessment of Bariatric Surgery (Teen		University of Miami University of Cincinnati	DK070858	93.847	91,314.71 20,234.62	- 316,626.17 (6,321.90)	- 330,538.89
		Dissecting Dendritic Cell Function in Autoimmune Diabetes Digestive Health Center: Bench to Bedside Research in Pediatric Biomarkers for Inflammatory Bowel Disease Behavior and Treatment Adolescent Bariatric Surgery: Weight and Psychosocial Risk Inhibition of an apical cAMP/cGMP transporter (MRP4) in		Baylor College of Medicine Nationwide Childrens Hospital Research Inst. at Nationwide Hos University of Alabama at Birmingham University of Pittsburgh University of Washington	DK072493	93.847	97,443.36 13,943.00 34,718.90 20,478.15 51,552.63 72,675.42	- 622,588.64	913,400.10
		Control of Diabetes by Manipulation of Bcl2 Family Membr DNA Damage and Response in the Bladder Microenvironment Mechanisms of Intestinal Stem Cell Expansion Following F Biological Basis of Phenotypes and Clinical Outcomes fr Primary biliary cirrhosis: Molecular genetics and microRNA Efficacy of enteral glutamine in reducing bloodstream ir		University of Cincinnati Neuropsychiatric Research Institute St Jude Children's Research Hospital University of Tennessee	DK078179 DK078392 DK078683 DK080020 DK080834	93.847 93.847 93.847 93.847 93.847	- 4,330.47 - 20,521.92 9,325.83 16,344.71	- 1,001,647.22 (309.90) 306,082.65 371,152.32	124,729.87 1,005,977.69 (309.90) 326,604.57 396,822.86
		Cardiovascular Disease in Children with Chronic Kidney Dis Eosinophil/M2 Macrophage CCL11 Axis in Experimental Col Cincinnati Center for Excellence in Molecular Hematology Clinic and Home Family Based Behavioral Treatment for O The Molecular Determinants of Virus Induced Biliary Atri KLF5 regulation of intestinal development and stem cell Human Endocrine Cell Development		University of Colorado University of Michigan	DK080027 DK090070 DK090119 DK090971 DK091251 DK091566 DK092306 DK092456	93.847 93.847 93.847 93.847 93.847 93.847 93.847 93.847	13,104.00 1,047.65 - - - - - -	13,377.49 157,184.75 354,645.71 411,339.46 609,791.78 370,197.52 (2,769.42) 542,243.29	45,529.14 157,184.75 354,645.71 411,339.46 609,791.78 370,197.52 (2,769.42) 542,243.29
		LPA2 receptor-containing complexes in regulating secret Epigenetic regulation of intestinal homeostasi Th2 Cytokines and Signaling in Pediatric Inflammatory Bc The Role of Regulatory T Cells in Biliary Atresi Critical Translational Studies in Pediatric Nephrolog mTOR signaling in murine intestinal stem cell and prog Single Cell/RNA-Seq dissection of Human IPS cell develop Recombinering based analysis of Non-alko NAFLD Improvement after Bariatric Surgery: The role of t Cell Fate Regulation of Nephron Progenitors Outcome of NASH in Adolescents after Bariatric Surgery Wnt/PCP Signaling in the Intestinal Epitheliurr NAFLD: Mechanisms and Treatments Molecular Pathogenesis of MDS		University of Cincinnati Univ of Texas M D Anderson Cancer Cent Baylor College of Medicine	DK093045 DK093784 DK094832 DK095001 DK096418 DK097879 DK098350 DK099222 DK099995 DK100314 DK100315 DK100429 DK101618 DK102597 DK102759 DK103117 DK105014 DK105229 DK107199 HHSN268201200237P	93.847 93.847	- - - - 148,338.24 19,845.42 - - 292,317.72 - - - - - - 3,751.83 35,727.62 - - - - 1,113.00 7,495.18	272,030.17 165,938.44 194,956.24 315,632.46 844,102.23 19,845.42 315,538.96 432,673.20 292,317.72 26,076.83 331,653.23 422,990.44 124,306.32 111,534.29 105,217.24 187,262.80 135,633.31 42,796.45 1,113.00 7,495.18	194,956.24 315,632.46 992,440.47 19,845.42 315,538.96 432,673.20 292,317.72 26,076.83 331,653.23 422,990.44 124,306.32 111,534.29 108,969.07 222,990.42 135,633.31 42,796.45 1,113.00 7,495.18
		The Studies to Treat or Prevent Pediatric Type 2 Diabets Clinical Research Network in NASH Chronic Kidney Disease in Children (CKID III A Multi-Center Group to Study Acute Liver Failure in Search Nutrition Ancillary Study 2 Dietary Intake & Beh in Adult Bariatric Surg Pts Medication Adherence in Children Who Had Liver Transplan Progression of Acute Kidney Injury to Chronic Kidney Dis Forecasters of future and progressive chronic kidney Gene Discoveries in Subjects with Crohn's Disease of Af Teen Adherence in Kidney Transplant: Effectiveness of t A genitoUrinary Development Molecular Anatomy Project (C The LiverChip - A diagnostic tool for genetic liver dis Generating molecular markers that selectively label urc Limited Competition for the Continuation of Teen Longitu Predicting Response to Standardized Pediatric Colitis Tr Novel Serum and Urinary Biomarkers of Diabetic Kidney Dis FL3X: An Adaptive Intervention to Improve Outcomes for Y Causes and Consequences of Neutrophil Dysfunction in Ear Comprehensive Quantitative Ultrafast 3D Liver MR Mapping the structure and transcriptome of a major popul FL3X: An Adaptive Intervention to Improve Outcomes for Y Recombinant Erythropoietin Protects Against Kidney disea	George Washington University Case Western Reserve University Children's Mercy Hospital University of Pittsburgh University of Cincinnati University of Pennsylvania Mount Sinai Medical Center Yale University School of Medicine Ohio State University Emory University McGill University Western General Hospital Phase 2 Discovery, Inc Columbia University Medical Center University of Cincinnati Connecticut Children's Medical Center Yale University School of Medicine University of North Carolina Emory University Case Western University University of Melbourne University of North Carolina Children's Hosp & Reg Med Ct-Seattle	DK061230 DK061732 DK066143 DK072146 DK077949 DK080738 DK080740 DK082185 DK085673 DK087694 DK092977 DK092983 DK093214 DK094530 DK095710 DK095745 DK096549 DK097785 DK098231 DK098503 DK101029 DK101132 DK103608	93.847 93.847	90,875.77 152,706.05 122,575.19 151,800.64 20,276.34 (1,255.21) 48,383.12 24,010.42 25,471.29 (752.37) 73,209.28 49,302.59 109,223.62 44,122.81 649,814.08 248,125.08 5,647.80 (24,789.18) 117,553.52 26,255.60 73,828.00 512,936.77 10,789.74	90,875.77 152,706.05 122,575.19 151,800.64 20,276.34 (1,255.21) 48,383.12 24,010.42 25,471.29 (752.37) 73,209.28 49,302.59 109,223.62 44,122.81 649,814.08 248,125.08 5,647.80 (24,789.18) 117,553.52 26,255.60 73,828.00 512,936.77 10,789.74	152,706.05 122,575.19 151,800.64 20,276.34 (1,255.21) 48,383.12 24,010.42 25,471.29 (752.37) 73,209.28 49,302.59 109,223.62 44,122.81 649,814.08 248,125.08 5,647.80 (24,789.18) 117,553.52 26,255.60 73,828.00 512,936.77 10,789.74	
		Diabetes, Digestive, and Kidney Diseases Extramural Research Total					778,176.83	14,611,932.47	15,390,109.30
	Disabilities Preventior	Improving the Health of People with Disabilities through	Ohio State University		DD000931	93.184	-	38,450.73	38,450.73
							-	38,450.73	38,450.73
	Discovery & Applied Research for Tech. Innovations to Improve Human Health	Development of Analysis Tools to Enhance Fetal Neurolog Center for Point-of-care Technologies Research for Sexua	Univ of Arkansas for Medical Sciences Johns Hopkins University		EB007826 EB007958	93.286 93.286	- -	2,300.59 125,123.43	2,300.59 125,123.43
							-	127,424.02	127,424.02
	Drug Abuse and Addiction Research Programs	Endocannabinoid Signaling During Early Pregnancy Tracking Adolescents After Bariatric Surgery; Substance A revolutionary approach to an efficacious HIV vaccine Effects of Physical Activity & Marijuana Use	University of Wisconsin		DA006668 DA033415 DA038017 DA030354	93.279 93.279 93.279 93.279	- - - -	87,341.63 424,137.84 806,114.36 12,774.16	87,341.63 424,137.84 806,114.36 12,774.16
							-	1,330,367.99	1,330,367.99
	Emergency Medical Services for Childrer	EMSC Network Development Demonstration Project - Hospita		Medical College of Wisconsin Washington University	MC22684	93.127	162,032.38 151,783.14	339,098.55 -	652,914.07 -
							313,815.52	339,098.55	652,914.07
								652,914.07	652,914.07

Gov Agency	Gov Branch	Award Title	Pass-Through Grantor	Subrecipient Name	Federal Grant No.	CFDA	Sub Exp	Fed Exp	Total Exp				
Environmental Health		Training Grant in Teratology	University of Cincinnati	University of Cincinnati	ES007051	93.113	-	206,829.95	206,829.95				
		Environmental Toxins and Uterine Gene Expression			ES007814	93.113	-	(851.46)	(851.46)				
		Impact of Traffic-Related Particles on Asthma for Studer			ES017957	93.113	-	(2,438.52)	(2,438.52)				
		Continued studies of environmntl impact on puberty:GUF2			ES019453	93.113	279,731.80	515,458.60	795,190.30				
		Neurobehavioral and Neuroimaging Effects of Traffic Ex ₁			ES019890	93.113	208,758.86	698,585.62	907,344.48				
		Assessing Personal Exposure to Ultrafine PM Number and F			ES024713	93.113	-	206,966.54	206,966.54				
		Bisphenol A, microRNA and Gestational Diabetes			ES006096	93.113	-	27,209.76	27,209.76				
		NIEHS-Training Grant PI: Sara Meyer			ES007250	93.113	-	82,941.39	82,941.39				
		Training Program - Molecular Epidemiology in Children's			ES010957	93.113	-	160,574.55	160,574.55				
		Translational Studies on the Role of Developmental Pyre			ES015991	93.113	-	(1,849.67)	(1,849.67)				
		The Libby Community Childhood Health Investigation and E			ES017939	93.113	-	(625.62)	(625.62)				
		Air Pollution, Subclinical CVD and Inflammatory Marker:			ES019168	93.113	-	24,335.47	24,335.47				
		Prenatal Sex Steroids, Bisphenol A, Phthalates, and Sex			ES020346	93.113	-	18,086.22	18,086.22				
		Longitudinal study of exposure to PBDEs and PFCs and ch			ES020349	93.113	-	130,932.14	130,932.14				
		Multiple Risk Factors and Neurodevelopment Deficits in F			ES021106	93.113	-	21,669.64	21,669.64				
		Transgenerational Inheritance of Epigenetic Effects of F			ES023319	93.113	-	56,343.76	56,343.76				
		Exposure and development of poor bone health among Afric			ES024074	93.113	-	81,637.62	81,637.62				
		Environmental Health Total							488,490.66	2,225,805.89	2,714,296.55		
		Extramural Research Programs in the Neurosciences and Neurological Disorder:				Mitogenic Activities in Neurofibromatosis			NS028840	93.853	-	370,695.24	370,695.24
						Roles of Gsx factors in telencephalic neurogenesis			NS044080	93.853	-	508,969.17	508,969.17
Impact of Initial Therapy and Response on Long Term Out	NS045911		93.853	21,620.40		689,491.24			1,462,582.09				
				14,937.75		-			-				
				9,597.88		-			-				
				10,614.80		-			-				
				20,070.21		-			-				
				10,547.24		-			-				
				56,727.81		-			-				
				15,426.08		-			-				
				206,029.30		-			-				
				144,279.01		-			-				
				9,973.78		-			-				
				13,766.94		-			-				
				3,200.60		-			-				
				6,179.50		-			-				
				37,937.88		-			-				
				16,547.51		-			-				
				18,691.33		-			-				
				1,810.40		-			-				
				12,921.52		-			-				
				3,192.00		-			-				
				2,152.16		-			-				
				3,985.02		-			-				
				374.00		-			-				
				2,472.40		-			-				
				(2,982.50)		-			-				
				350.00		-			-				
				79,561.55		-			-				
				11,818.37		-			-				
				5,637.84		-			-				
				5,820.34		-			-				
				18,074.46		-			-				
				8,239.20		-			-				
				250.00		-			-				
				3,276.07		-			-				
			Cincinnati Center for Neurofibromatosis Research						NS057531	93.853	8,169.68	8,169.68	
			Sodium Channel Gene Variation in the Treatment of Epilep						NS062756	93.853	-	167,206.94	
			mTOR regulation of aberrant neuronal integration and ep						NS062806	93.853	-	133,053.27	
			Genetic Therapy for CNS Manifestations in MPS I via BBB						NS064330	93.853	-	(8,874.27)	
			Identification and reversal of primary and secondary ep						NS065020	93.853	-	400,478.02	
			Regulation of Sensory-Motor Connectivity by Semaphorin						NS065048	93.853	-	(10,960.85)	
			Imaging the effect of centrotemporal spikes and seizure			University of Alabama at Birmingham			NS065840	93.853	6,210.39	545,438.15	
			Longitudinal DTI study in Children Treated for Congenit			Washington University			NS066932	93.853	19,054.58	30,003.81	
			Molecular control of neurogenesis in the adult						NS069893	93.853	-	343,225.57	
			Molecular Mechanisms of Oligodendrocyte Differentiator						NS072427	93.853	-	309,337.76	
			Regulation of Forebrain Neurogenesis by the Energy Sens			University of Minnesota			NS072591	93.853	5,258.59	283,900.68	
			Chromatin Remodeling Control of CNS Myelination and Rem						NS075243	93.853	-	253,631.52	
			Amriptyline and Topiramate in the Prevention of Child			Atlanta Headache Specialists			NS076788	93.853	46,452.00	1,626,960.52	
						Children's Hospital Boston					18,235.00	-	
						Children's Hospital Colorado					6,527.00	-	
						Children's Hospital Medl Center of Akron					8,724.00	-	
						Children's Hospital of Philadelphia					4,000.00	-	
						Children's Mercy Hospita					17,673.00	-	
						Children's National Medical Center					4,000.00	-	
						Cleveland Clinic Foundatio					3,308.00	-	
						Colorado Springs Neurological Associates					4,498.00	-	
						Dallas Pediatric Neurology Associates					11,778.00	-	
						Dent Neurosciences Research Center					69,332.00	-	
						Eastern Virginia Medical Schoo					39,954.00	-	
				Josephson Wallack Munshower Neuro.			41,857.00	-					
				LeBonheur			13,018.00	-					
				Marshfield Clinic Research Foundator			28,686.00	-					
				Mayo Clinic Rochester			4,000.00	-					
				NERHC, Inc			59,308.00	-					
				Phoenix Children's Hospita			14,423.00	-					
				Preferred Primary Care Physicians, In			24,205.00	-					
				Premiere Research Institut			25,463.00	-					
				Renown Institute for Neurosciences			52,111.00	-					
				Research Inst. at Nationwide Hos			19,695.00	-					
				Saint Louis University			21,383.00	-					
				Schenectady Neurological Consultants			16,737.00	-					

Gov Agency	Gov Branch	Award Title	Pass-Through Grantor	Subrecipient Name	Federal Grant No.	CFDA	Sub Exp	Fed Exp	Total Exp				
		Single-session bronchial thermoplasty for severe asthma Directed Culturing of Pneumocystis Using Metatranscript Molecular Atlas of Lung Development - Data Coordinating Characterization of an inhibitory protein complex for c	Xemed, LLC University of Cincinnati Duke University University of Tennessee		HL112397	93.838	-	68,133.38	68,133.38				
					HL119190	93.838	-	105,567.25	105,567.25				
					HL122638	93.838	-	63,584.78	63,584.78				
					HL123535	93.838	-	18,361.04	18,361.04				
					Lung Diseases Research Total		406,518.00	9,055,831.00	9,462,349.00				
					Maternal and Child Health Federal Consolidated Program:	Sickle Cell Variations in Care and Outcomes for Children with Trauma Hemophilia Comprehensive Care Leadership Education in Neurodevelopmental and Other Re Healthy Tomorrows Partnership For Children Prograrr Autism Treatment Network	Hemophilia Foundation of Michigan University of Cincinnati American Academy of Pediatrics Massachusetts General Hosptia	MC22218 MC26806 MC00015 MC00032 MC07618 MC11054	93.110 93.110 93.110 93.110 93.110 93.110	- - - - - -	288,735.04 91,422.11 23,082.30 661,126.66 15,561.09 226,460.66	288,735.04 91,422.11 23,082.30 661,126.66 15,561.09 226,460.66	
Maternal and Child Health Federal Consolidated Programs Total		-	1,306,387.86	1,306,387.86									
		MEDTAPP Neonatal Abstinence Syndrome (NAS) Project (ODM)	Ohio State University	Aultman Hospital Case Western Reserve University Miami Valley Hospta Ohio State University	G-1415-07-0060	93.778	64,596.65 324,121.47 54,580.00 262,997.84	887,263.32 - - -	1,593,559.28 - - -				
					Medical Assistance Program Total		706,295.96	932,772.69	1,639,068.65				
					Partnerships that promote integrated, multidisciplinar	University of Cincinnati	G-1415-07-0060	93.778	-	45,509.27	45,509.27		
					Medical Library Assistance	Multi-Institutional Pediatric Epilepsy Decision Suppor	Childrens Hospital Coloradc Children's Hospital of Philadelphia	LM011124	93.879	68,957.38 3,113.68	(5,926.94) -	66,144.12 -	
Medical Library Assistance Total		-	-	66,144.12									
Mental Health Research Career/Scientist Development Award:	Med Response in Children with Pred Inatt Type ADHC		MH083881	93.281	-	12,839.14	12,839.14						
Mental Health Research Career/Scientist Development Awards Total		-	-	12,839.14									
Mental Health Research Grants	Examining the Biological Basis of ADHC LAMS Amygdala Glucocorticoid Receptor Function in Stress 2/2-Multisite Study of School Based Treatment Approaches Medication Continuity in Children Treated for ADHC Evaluation of an Intervention for Improving Community-Bi Treatment of Maternal Depression in Home Visitiator Molecular Mechanisms Controlling Formation of Basal Gang 4/8-Collaborative genomic studies of Tourette Disorde 2/2-Anomalous Motor Physiology in ADHD Executive Function/Metacognitive Training: Early Interv Frontal Cortical Gamma Oscillations Mark Contaminator Developing New Technologies to Improve ADHD Medication C Latrophilin-3 and ADHD: A new potential mechanism Selective targeting of PI3K to restore higher cognitiv Neurobehavioral Effects of Abrupt Methylphenidate Discon Bipolar Disorder Imaging & Treatment Research Cente Cortical Excitability: Phenotype and Biomarker in ADHC Training Outpatient Clinicians to Deliver Cognitive Beh Evaluating the Time-Dependent Unfolding of Social Inter The effect of lithium on intracellular sodium in brain Multimodal analysis of high-risk psychosis mutations i (ED-STARs) Emergency Dept Screen for Teens at Risk for Movement-Based Mindfulness Training for Children with AC Targeting the PI3K Enhancer PIKE to Reverse FXS-associa	Research Inst. at Nationwide Hos Nationwide Childrens Hospta University of Massachusetts Bostor Emory University Seattle Children's Hospta University of Cincinnati University of Cincinnati University of Coloradc University of Cincinnati University of Cincinnati Stanford University University of Michigar Kennedy Krieger Research Institute Emory University	MH064478 MH073816 MH079010 MH082865 MH083027 MH083665 MH087499 MH090740 MH092520 MH095014 MH095911 MH100640 MH101155 MH101609 MH103748 MH105425 MH077138 MH081854 MH089291 MH094659 MH094837 MH104172 MH104311 MH104651 MH105353	93.242 93.242	- 76,714.38 - - - 144,248.55 18,310.83 - - - - - - - - 37,930.36 29,079.30 - - - - - - - - - - - - - - - - - -	160,218.96 698,457.39 (20,405.61) 76,403.98 60,842.12 244,979.02 263,072.26 260,720.14 19,132.72 252,110.69 177,560.99 153,307.66 208,379.43 188,523.23 191,128.92 175,270.68 (330.83) (48.82) 1,858.74 (141.76) 110,612.38 178,368.64 26,053.48 16,911.63 32,829.17	160,218.96 775,171.77 (20,405.61) 76,403.98 60,842.12 389,227.57 281,383.09 260,720.14 19,132.72 252,110.69 177,560.99 153,307.66 208,379.43 188,523.23 229,058.38 204,349.98 (330.83) (48.82) 1,858.74 (141.76) 110,612.38 178,368.64 26,053.48 16,911.63 32,829.17						
			Mental Health Research Grants Total		-	3,475,814.31	3,782,097.73						
			National Center for Research Resources	Cincinnati Ctr for Clin & Trans Sciences & Training	University of Cincinnati	TR000077	93.389	-	2,000,877.44	2,000,877.44			
			National Center for Research Resources Total		-	2,000,877.44	2,000,877.44						
			National Center on Sleep Disorders Researct	Pediatric Sleep Research Program Effect of Adolescent Sleep Restriction on Neural & Behav Dynamic Computational Modeling of Obstructive Sleep Aprne Sleep Restriction and the Adolescent Diet: Impact and In Multi-Center Trial of Limiting PGY 2&3 Resident Work Hou	Nemours Children's Clinic University of Cincinnati Brigham & Women's Hospital	HL078989	93.233	-	158,396.94	158,396.94			
						HL092149	93.233	-	17,352.85	17,352.85			
						HL105206	93.233	9,285.60	329,975.38	660,028.20			
						HL120879	93.233	320,767.22	243,657.32	243,657.32			
						HL111478	93.233	-	85,769.46	85,769.46			
			National Center on Sleep Disorders Research Total		-	330,052.82	838,151.95	1,165,204.77					
			National Research Service Award in Primary Care Medicin	NRSA Research Fellowship Training		HP10027	93.186	-	389,804.11	389,804.11			
			National Research Service Award in Primary Care Medicine Total		-	389,804.11	389,804.11						
			Nursing Research	Patterned Experience in Preterm Infants: A Clinic-Based Interdisciplinary Intervention for Paren Transitional Telehealth Home Care: REACH	Children's Hospital of Philadelphia	NR012307	93.361	11,374.85	455,598.98	466,973.83			
						NR014248	93.361	-	244,619.60	244,619.60			
						NR002093	93.361	-	(39,579.22)	(39,579.22)			
						Nursing Research Total		11,374.85	660,639.36	672,014.21			
			Oral Diseases and Disorders Researct	Molecular Genetic Analysis of Craniofacial Developmen Molecular Patterning of Mammalian Dentittor The role of primary cilia in craniofacial developmen Global Gene Expression Atlas of Craniofacial Developmer Large Animal Model for Novel Autologous Treatments of A The Role of Primary Cilia in Murine Craniofacial Develo Golgb1 in Craniofacial Development The role of ectodermal primary cilia in murine orofac Transcriptome Atlases of the Craniofacial Sutures	Mount Sinai Medical Center	DE013681	93.121	-	488,828.34	488,828.34			
						DE018401	93.121	-	461,853.61	461,853.61			
						DE019853	93.121	-	17,385.94	17,385.94			
						DE020049	93.121	-	(62.05)	(62.05)			
						DE023124	93.121	-	112,604.26	112,604.26			
						DE023804	93.121	-	439,840.62	439,840.62			
						DE023864	93.121	-	104,625.53	104,625.53			
						DE025537	93.121	-	590.20	590.20			
						DE024448	93.121	-	17,455.15	17,455.15			
						Oral Diseases and Disorders Research Total		-	1,643,121.60	1,643,121.60			
						Poison Center Support and Enhancement Grant Program	Poison Center Support and EnhancementHRSA-14-016CFDA		H4BHS15468	93.253	-	383,826.22	383,826.22
						Poison Center Support and Enhancement Grant Program Total		-	383,826.22	383,826.22			
			Research on Healthcare Costs, Quality and Outcomes	Acceleration to Expertise: Simulation as a Tool to Impr Enhancing the Sustainability of a Pediatric Learning Hei	Children's Hospital of Philadelphia University of Vermont State Agr. College	HS020455	93.226	10,950.75	132,609.87	143,560.62			
						HS022974	93.226	97,876.86	321,038.28	434,503.06			
						Research on Healthcare Costs, Quality and Outcomes Total		10,950.75	453,648.15	578,063.68			

Gov Agency	Gov Branch	Award Title	Pass-Through Grantor	Subrecipient Name	Federal Grant No.	CFDA	Sub Exp	Fed Exp	Total Exp
		Pursuing Perfection in Pediatric Therapeutics		Case Western Reserve University	HS021114	93.226	11,946.00	844,370.09	856,316.09
		Rigor of Multi-Registry CER Studies: Towards Patient-Cer			HS022437	93.226	-	118,237.88	118,237.88
		Reduction of Nephrotoxic Medication-Associated Acute Kid			HS023763	93.226	-	32,766.92	32,766.92
		Family-Clinician Partnerships to Improve Child Safety i			HS023927	93.226	-	26,499.29	26,499.29
		Improving Sickle Cell Transitions of Care through Health	The Lewin Group, Inc.		HMSA2902010000331	93.226	-	2,955.17	2,955.17
		PHIS+: Augmenting the Pediatric Health Information Syste	Children's Hospital of Philadelphia		HS019862	93.226	-	22,135.43	22,135.43
		Improving the Quality of Pediatric Emergency Care Usin	Children's Hospital of Philadelphia		HS020270	93.226	-	(9,212.79)	(9,212.79)
		Improving the Quality of Pediatric Emergency Care Usin	Northwestern University		HS020270	93.226	-	67,514.65	67,514.65
		Center of Excellence on Quality of Care Measures for Ch	Children's Hosp & Reg Med Ct-Seattle		HS020506	93.226	-	165,951.68	165,951.68
		Access to Pediatric Voice Therapy: A Telehealth Solutio	University of Cincinnati		HS021781	93.226	-	10,279.11	10,279.11
		Collaborative Ohio Inquiry Network (COIN)	University of Cincinnati		HS021648	93.226	-	(922.20)	(922.20)
		Improving Child Health by Disseminating Patient Center	American Board of Pediatrics		HS021935	93.226	-	17,890.94	17,890.94
		Effects of Virtual Reality Simulation on Worker Emergenc	Wright State University		HS023149	93.226	-	38,205.19	38,205.19
				Research on Healthcare Costs, Quality and Outcomes Total			136,361.53	1,790,319.41	1,926,680.94
Research Related to Deafness and Communication Disorders		Efficacy of Laryngeal High-Speed Videendoscopy			DC007640	93.173	-	(3,035.84)	(3,035.84)
		Functional Analyses of Tricellular Tight Junctions in H			DC011748	93.173	-	(874.95)	(874.95)
		Identifying Genes for Non-syndromic Recessive Deafness			DC011803	93.173	-	(743.19)	(743.19)
		Usher proteins in the inner ear structure and function		University of Kentucky	DC012564	93.173	25,873.18	6,589.24	32,462.42
		10th International Conference AQL2013 Advances in Quant	Boys Town National Res Hospita	University of Cincinnati	DC013213	93.173	664.13	300.37	964.50
		Wideband Clinical Diagnosis and Monitoring of Middle-Ear	University of Alabama-Birmingham	Good Samaritan Hospital	DC010202	93.173	15,562.34	(3,513.88)	12,048.46
		The Natural History of CMV-Related Hearing Loss and the			HHSN263201200010C	93.173	-	8,627.99	8,627.99
				Research Related to Deafness and Communication Disorders Total			42,099.65	7,349.74	49,449.39
Sickle Cell Treatment Demonstration Prograrr		Sickle Treatment and Outcomes Research in the Midwest		Medical College of Wisconsin	EMC27863	93.365	50,335.61	151,385.80	206,308.93
		Cincinnati Sickle Cell Project	Ohio Department of Health	Sickle Cell Disease Assoc of America	03130011SK0512	93.365	4,587.52	-	-
		Sickle Cell treatment Demonstration Program	University of Cincinnati		EMC07655	93.365	-	2,833.00	2,833.00
				Sickle Cell Treatment Demonstration Program Total			54,923.13	267,937.07	322,860.20
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		Learning Collaborative to Disseminate Trauma and Grie	University of California		SM054284	93.243	-	(55.90)	(55.90)
		The Center for Trauma Recovery and Juvenile Justice (CTF	University of Connecticut Health Center		SM061273	93.243	-	125,364.73	125,364.73
				Substance Abuse & Mental Health Services Projects of Regional and National Significance Total			-	125,308.83	125,308.83
Training and Clinical Skills Improvement Project		Enhanced Surveillance for New Vaccine Preventable Disea			IP000458	93.185	-	207,030.39	207,030.39
				Training and Clinical Skills Improvement Projects Total			-	207,030.39	207,030.39
Trans-NIH Recovery Act Research Support		Nextgen Dissection of the Genomic Basis of Kidney Develk			DK090891	93.701	-	41,522.51	41,522.51
				Trans-NIH Recovery Act Research Support Total			-	41,522.51	41,522.51
Trans-NIH Research Support		Open Source Science: Transforming Chronic Illness Care		University of California	DK085719	93.310	14,747.00	240,901.55	302,640.12
		Characterizing the Gut Microbial Ecosystem for Diagnosti	Broad Medical Research Program	University of Chicago	DE023798	93.310	25,000.00	-	-
				University of Vermont State Agr. College			21,991.57	-	-
				Trans-NIH Research Support Total			61,738.57	388,565.31	450,303.88
University Centers for Excellence in Developmental Disabilities Education, Research, and Servic		University of Cincinnati University Center for Excellen	University of Cincinnati		90DD0696/01	93.632	-	629,376.26	629,376.26
				University Centers for Excellence in Developmental Disabilities Education, Research, and Service Total			-	629,376.26	629,376.26
Vision Research		Mechanism of action of Retinal Determination proteins			EY014648	93.867	-	268,109.02	268,109.02
		Wnt Pathway Regulation of Lens Polarity			EY016241	93.867	-	252,907.89	252,907.89
		Genetic Studies of Optic Atrophy			EY018876	93.867	-	(2,853.19)	(2,853.19)
		Retinal Microglia and Angiogenesis			EY021636	93.867	-	377,513.62	377,513.62
		Molecular Networks Controlling Subtype Specification o			EY022687	93.867	-	163,378.40	163,378.40
		EYA in Retinal Angiogenesis			EY022917	93.867	-	356,549.31	356,549.31
		Light Regulated Vascular Development of the Eye		University of California	EY023179	93.867	346,097.48	356,158.39	702,255.87
		Defining Glial Programs that Support Adult Photoreceptor			EY024405	93.867	-	202,099.89	202,099.89
		Roles of CC Chemokine Activity in Mast Cell Responses at	University of Cincinnati		EY019630	93.867	-	(8,288.80)	(8,288.80)
		Postnatal Growth and Retinopathy of Prematurity (G-ROP	Children's Hospital of Philadelphia		EY021137	93.867	-	(4,343.54)	(4,343.54)
				Vision Research Total			346,097.48	1,961,230.99	2,307,328.47
Cooperative Agree. to Support State-Based Safe Motherhood & Infant Health Initiative Prog		State-based Perinatal Quality Collaborative		Case Western Reserve University	DP005361	93.946	1,830.80	65,553.31	67,384.11
				Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs Total			1,830.80	65,553.31	67,384.11
Human Immuno. Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		CFHS Consortium Obesity Prevention	Ham Cnty Family & Children First Council		CHFS Obesity Prevent	93.944	-	(3,504.12)	(3,504.12)
				Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance Total			-	(3,504.12)	(3,504.12)
Human Genome Research		Better Outcomes for Children: GWAS & PheWAS in eMERGEII.		Children's Hospital Boston	HG006828	93.172	496,887.52	1,048,777.32	1,549,829.46
		Effect of disease-associated genetic variants on viral		University of Cincinnati	HG008186	93.172	4,164.62	-	-
				Human Genome Research Total			501,052.14	1,137,543.58	1,638,595.72
Prevention & Public Health (Afford. Care Act) Enhanced Surveillance for New Vacc. Preven		Enhanced Surveillance for New Vaccine Preventable Disea			IP000458	93.533	-	379,852.57	379,852.57
				Prevention and Public Health Fund (Affordable Care Act) Enhanced Surveillance for New Vaccine Preven Total			-	379,852.57	379,852.57
Alcohol Research Programs		Mechanisms of Alcohol Liver Disease		University of Cincinnati	AA020846	93.273	35,677.23	9,133.26	56,836.72
		Regulation of Hepatic Stellate Cells in Development an		University of Pittsburgh	AA020514	93.273	12,026.23	-	-
		Teen Alcohol Screening in the Pediatric Emergency Care A	Rhode Island Hospital		AA021900	93.273	-	243,788.55	243,788.55
				Alcohol Research Programs Total			47,703.46	265,491.69	313,195.15
Injury Prevention and Control Research and State and Community Based Programs		STAT-ED - Suicidal Teens Accessing Treatment in the ED		Nationwide Childrens Hospita	CE002129	93.136	108,252.41	243,372.79	351,625.20
				Injury Prev & Control Res & State/Community Based Programs Total			108,252.41	243,372.79	351,625.20

Gov Agency	Gov Branch	Award Title	Pass-Through Grantor	Subrecipient Name	Federal Grant No.	CFDA	Sub Exp	Fed Exp	Total Exp		
National Center for Advancing Translational Sciences		Generating Human Intestinal Organoids with an ENS University of Pittsburgh Clinical and Translational Sci Reliable System for Blood Pressure	University of Pittsburgh University of Cincinnati		TR000546	93.350	-	174,240.52	174,240.52		
					TR000005	93.350	-	145,664.13	145,664.13		
					TR000078	93.350	-	151,980.25	151,980.25		
National Center for Advancing Translational Sciences Total							-	471,884.90	471,884.90		
Occupational Safety and Health Program		Just-in-Time Methods for Understanding Near-misses, Inju Genetic Susceptibility for Occupational Asthma Early Identification of World Trade Center Conditions ir	University of Cincinnati New York University	University of Cincinnati	OH010035	93.262	24,605.35	227,187.00	251,792.35		
					OH008795	93.262	-	45,536.49	45,536.49		
					OH010394	93.262	-	22,477.94	22,477.94		
Occupational Safety and Health Program Total							24,605.35	295,201.43	319,806.78		
Research and Training in Complementary and Alternative Medicin		DNA Attenuates Inflammatory Responses through Altering F	Research Insitit at Nationwide Hosp		AT006880	93.213	-	15,171.37	15,171.37		
Research & Training in Complementary & Alternative Medicine Total							-	15,171.37	15,171.37		
Environmental Public Health and Emergency Response		Green Housing Study: Measures of Housing Factors and Ped	University of Cincinnati		EH000990	93.070	-	322.21	322.21		
Environmental Public Health and Emergency Response Total							-	322.21	322.21		
HIV Prevention Activities_Health Department Base		HIV Testing in Ohio Emergency Departments			03130012HT0314	93.940	-	49,508.34	49,508.34		
HIV Prevention Activities_Health Department Based Total							-	49,508.34	49,508.34		
Hospital Prep Prog (HPP) & Public Helath Emergency Prep (PHEP) Aligned Coop. Agreements		Ohio Poison Control Bioterrorism Grant FY15 ODH - Poison Control Bioterrorism Preparedness	Cleveland Rainbow Babies	Research Inst. at Nationwide Hos	03130012PP0415	93.074	74,617.06	94,003.25	168,620.31		
					01830022PP0213	93.074	-	(23,570.89)	(23,570.89)		
Hospital Prep Prog (HPP) & Public Helath Emergency Prep (PHEP) Aligned Cooperative Agreements Total							74,617.06	70,432.36	145,049.42		
Health Program for Toxic Substances and Disease Registry		UIC PEHSU Program-2013-05487-01-00 KN	Univ of Illinois @ Chicago		TS000118	93.161	-	30,789.13	30,789.13		
Health Program for Toxic Substances and Disease Registry Total							-	30,789.13	30,789.13		
Microbiology and Infectious Diseases Research		Norovirus Capsid: A Novel Drug Target HBGA receptors in host cell entry and infection of norov	University of Cincinnati Purdue University	University of Cincinnati	A1097936	93.856	-	147,157.37	147,157.37		
					A1111095	93.856	-	120,546.67	120,546.67		
Microbiology and Infectious Diseases Research Total							-	267,704.04	267,704.04		
Cancer Control		Imaging Notch Interactions with Members of Its Pathway	Washington University		CA094056	93.399	-	233,698.64	233,698.64		
Cancer Control Total							-	233,698.64	233,698.64		
Healthy Start Initiative		Healthy Start Cincinnati	University of Cincinnati	University of Cincinnati	MC27823	93.926	13,771.40	212,623.37	226,394.77		
							13,771.40	212,623.37	226,394.77		
Healthy Start Initiative Total											
Health Care Innovation Challenge		Coordinating all resources effectively for children with	Children's National Medical Center		CMS331335	93.610	-	136,968.33	136,968.33		
Health Care Innovation Challenge Total							-	136,968.33	136,968.33		
Affordable Care Act (ACA) Family to Family Health Information Centers		Ohio Family to Family Health Information Center			MC28443	93.504	-	146.84	146.84		
Affordable Care Act (ACA) Family to Family Health Info Centers Total							-	146.84	146.84		
Dept of Health and Human Serv Total								16,579,457.42	120,467,164.45	137,046,621.87	
Department of Housing & Urban D Department of Housing & Urban Dev.		Efficiency of HEPA Air Purification in Reducing Traffic	University of Cincinnati		OHHH0027	14.906	-	14,306.56	14,306.56		
Office of Healthy Homes & Lead Hazard Control Total							-	14,306.56	14,306.56		
Department of Housing & Urban Dev. Total								-	14,306.56	14,306.56	
Department of Veterans Affairs To Department of Veterans Affairs		Consulting Services for Assessing and Documenting VA Trs Department of Veterans Affairs VISN10 539-11 (VA PIRieq	University of Cincinnati	University of Cincinnati	VA250-13-C-0058	64.033	-	27,491.20	27,491.20		
					VA250-14-P-1649	64.033	-	19,420.31	19,420.31		
Consulting Services Total							-	46,911.51	46,911.51		
Department of Veterans Affairs Total								-	46,911.51	46,911.51	
Office of Personnel Management Intergovernmental Personnel Act (IPA) Mobility Program		Lupus Association with Signal Transducer and Activator c Patient-Centered Care and Cultural Transformation VAMC IPA - Matthew Weirauch (10/01/12-09/30/13) VAMC IPA - Sara Lazaro (07.01.11 - 06.30.12)	Cincinnati Veterans Administrator Department of Veteran Affairs Department of Veteran Affairs		IPA_Magnusen	27.011	-	62,940.30	62,940.30		
					MOU #6/11	27.011	-	20,738.02	20,738.02		
					IPA_Weirauch	27.011	-	24,200.23	24,200.23		
					Lazaro_IPA	27.011	-	51,048.59	51,048.59		
Intergovernmental Personnel Act (IPA) Mobility Program Total							-	158,927.14	158,927.14		
Office of Personnel Management Total								-	158,927.14	158,927.14	
Natl Aeronautics & Space Admin Exploration		Acute and long term outcomes of simulated deep space rac	University of Cincinnati	University of Cincinnati	NNX13AO47G	43.003	9,929.78	139,467.41	149,397.19		
							9,929.78	139,467.41	149,397.19		
Exploration Total											
Space Operations		RNA Deep Sequencing and Metabolomic Profiling of Microgr	Arizona Board of Regents		NNX13AM01G	43.007	-	15,221.77	15,221.77		
Space Operations Total							-	15,221.77	15,221.77		
Natl Aeronautics & Space Admin Total								9,929.78	154,689.18	164,618.96	
Dept of Homeland Security Centers for Homeland Security		National Center for Food Protection and Defense	University of Minnesota	University of Minnesota	P004544803	97.061	-	50,473.02	50,473.02		
							-	50,473.02	50,473.02		
Centers for Homeland Security Total							-	50,473.02	50,473.02		
Dept of Homeland Security Total								-	50,473.02	50,473.02	
Drug and Poison Control								-	-	-	
Grand Total								93.959	173,117.62	-	173,117.62
								\$ 17,279,853.56	\$ 122,556,789.77	\$ 139,836,643.33	

CHILDREN'S HOSPITAL MEDICAL CENTER AND AFFILIATES

NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

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 2015.

* * * * *

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated balance sheets as of June 30, 2015, 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 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Cincinnati Children's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cincinnati Children's internal control. Accordingly, we do not express an opinion on the effectiveness of Cincinnati Children's internal control.

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

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

Compliance and Other Matters

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

Deloitte & Touche LLP

October 21, 2015

**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 AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

We have audited Children's Hospital Medical Center and Affiliates ("Cincinnati Children's") compliance with the types of compliance requirements described in the *OMB 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, 2015. 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, 2015.

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, 2015, and have issued our report thereon dated October 21, 2015, 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 21, 2015

CHILDREN'S HOSPITAL MEDICAL CENTER AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

PART I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ 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: Unmodified

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:

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

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

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

Auditee qualified as low-risk auditee? X Yes _____ No

CHILDREN'S HOSPITAL MEDICAL CENTER AND AFFILIATES

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED JUNE 30, 2015**

PART II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

PART III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None