



Children's Hospital Colorado

www.childrenscolorado.org

February 27, 2017

TO WHOM IT MAY CONCERN:

Re: Unaudited Information for the twelve months ended December 31, 2016

Please find enclosed unaudited financial information for the twelve months ended December 31, 2016 pursuant to the following sections of the documents:

- Series 2008A - Supplemental indenture 11(m)(iii)
- Series 2010A - Continuing Disclosure 2 (a)(b)
- Series 2013A - Loan Agreement 6.07(a)
- Series 2013B - Loan Agreement 6.07(a)
- Series 2013C-1, C-2 - Loan Agreement 6.07(a)
- Series 2016A,B,C - Loan Agreement 6.07(a)

The quarterly information is that required by the continuing disclosure agreement and it complies with the applicable requirements of the agreement. Comparative financial information for the twelve months ended December 31, 2015 is included where required per disclosure documents.

Included are the unaudited financial statements and other disclosures for Children's Hospital Colorado Health System for the twelve months ended December 31, 2016 as follows:

- Attachment A : Consolidated Summary of Assets
- Attachment B : Consolidated Summary of Liabilities and Net Assets
- Attachment C.1 : Consolidating Balance Sheet (Assets) 2016
- Attachment C.2 : Consolidating Balance Sheet (LOE) 2016
- Attachment D : Consolidated Statements of Operations
- Attachment E : Consolidating Statements of Operations 2016 & 2015
- Attachment F : Utilization Statistics
- Attachment G : Gross Patient Revenue by Payor Source

If you have any questions please feel free to call me at 720-777-6126.

Sincerely,

Catherine Dal Santo
Vice President Finance

Distribution:

Shana Blanchard, DAC Bond
Aaron Fong, US Bank
Chris Stein, US Bank
Timothy Bishop, Wells Fargo Bank
Doug Himes, BBVA Compass Bank



Attachment A

Children's Hospital Colorado Health System
Consolidated Balance Sheet - UNAUDITED

	December 31 2016	December 31 2015
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 96,388	\$ 57,220
Patient accounts receivable, net of bad debt allowances	129,805	111,223
Inventories	9,026	9,138
Other current assets	48,695	35,487
Total current assets	<u>283,915</u>	<u>213,068</u>
Assets whose use is limited:		
Bond funds on deposit with trustee	149,632	419
Self-insurance fund on deposit with trustee	7,008	4,350
Restricted investments	26,192	25,868
Total assets whose use is limited	<u>182,832</u>	<u>30,637</u>
Investments	955,982	896,935
Property and equipment, net	907,170	933,117
Other assets:		
Other non-current assets	68,392	48,336
Deferred debt issuance costs, net	—	—
Total other assets	<u>68,392</u>	<u>48,336</u>
Perpetual trust assets	44,516	44,648
Total assets	<u>\$ 2,442,807</u>	<u>\$ 2,166,742</u>

Attachment B

Children's Hospital Colorado Health System
Consolidated Balance Sheet - UNAUDITED

	December 31 2016	December 31 2015
	<i>(In Thousands)</i>	
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 65,992	\$ 60,674
Salaries, wages and employee benefits	61,939	52,698
Estimated third-party payer settlements	13,251	13,456
Current portion of long-term debt	7,920	6,475
Other current liabilities	10,332	10,771
Total current liabilities	<u>159,434</u>	<u>144,074</u>
Long-term debt	686,829	535,967
Other long-term liabilities	98,368	80,078
Total long-term liabilities	<u>785,197</u>	<u>616,045</u>
Net assets:		
Unrestricted	1,235,831	1,165,605
Temporarily restricted	109,432	96,802
Permanently restricted	152,913	144,216
Total net assets	<u>1,498,175</u>	<u>1,406,623</u>
 Total liabilities and net assets	 <u><u>\$ 2,442,807</u></u>	 <u><u>\$ 2,166,742</u></u>

Attachment C.1

Children's Hospital Colorado Health System
Consolidating Balance Sheet - UNAUDITED
December 31, 2016

	Health System	Hospital	Foundation	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Assets					
Current assets:					
Cash and cash equivalents	\$ —	\$ 81,368	\$ 15,020	\$ —	\$ 96,388
Patient accounts receivable, net of bad allowances	—	129,805	—	—	129,805
Receivables from Affiliates	6,240	14,498	—	(20,739)	0
Inventories	—	9,026	—	—	9,026
Other current assets	—	40,557	8,138	—	48,695
Total current assets	6,240	275,253	23,160	(20,739)	283,915
Assets whose use is limited:					
Bond funds on deposit with trustee	—	149,632	—	—	149,632
Self-insurance fund on deposit with	—	7,008	—	—	7,008
Restricted investments	—	26,192	—	—	26,192
Total assets whose use is limited	-	182,832	—	—	182,832
Investments	822,728	114,893	19,005	(644)	955,982
Property and equipment, net	-	905,542	1,628	—	907,170
Other assets:					
Other non-current assets	—	53,021	15,371	—	68,392
Deferred debt issuance costs, net	—	—	—	—	—
Total other assets	—	53,021	15,371	—	68,392
Perpetual trust assets	—	39,760	4,756	—	44,516
Total assets	\$ 828,968	\$ 1,571,302	\$ 63,918	\$ (21,383)	\$ 2,442,807

Attachment C.2

Children's Hospital Colorado Health System
Consolidating Balance Sheet (continued) - UNAUDITED

December 31, 2016

	Health System	Hospital	Foundation	Eliminations	Consolidated
	(In Thousands)				
Liabilities and net assets					
Current liabilities:					
Accounts payable and accrued expenses	\$ 431	\$ 64,034	\$ 1,529	\$ —	\$ 65,992
Salaries, wages, and employee benefits	—	61,372	615	(48)	61,939
Estimated third-party payor settlements	—	13,251	—	—	13,251
Current portion of long-term debt	—	7,920	—	—	7,920
Other current liabilities	—	10,332	—	—	10,332
Due to Affiliates	2,073	—	19,260	(21,333)	—
Total current liabilities	2,505	156,909	21,404	(21,383)	159,434
Long-term debt	—	686,829	—	—	686,829
Other long-term liabilities	—	97,561	806	—	98,368
Total long-term liabilities	—	784,391	806	—	785,197
Net assets:					
Unrestricted	685,895	541,199	8,736	—	1,235,831
Temporarily restricted:	38,376	49,043	22,012	—	109,432
Permanently restricted	102,193	39,760	10,960	—	152,913
Total net assets	826,463	630,003	41,708	—	1,498,175
Total liabilities and net assets	\$ 828,968	\$ 1,571,302	\$ 63,918	\$ (21,383)	\$ 2,442,807

Attachment D

Children's Hospital Colorado Health System
Consolidated Statements of Operations - UNAUDITED

	December 31 2016	December 31 2015
	<i>(In Thousands)</i>	
Revenues, gains and other support:		
Patient service revenues before provision for bad debts	\$ 920,199	\$ 918,491
Provision for bad debts	(8,312)	(10,328)
Net patient service revenues after provision for bad debts	911,886	908,163
Net assets released from restrictions – operations	20,797	14,746
Other revenues	93,799	64,371
Total revenues, gains and other support	1,026,482	987,281
Operating expenses:		
Salaries, wages and employee benefits	520,440	481,215
Professional fees	100,406	86,444
Supplies and other	276,699	272,727
Interest	17,056	14,799
Depreciation and amortization	57,951	62,515
Total operating expenses before other losses	972,552	917,700
Income from operations before other losses	53,930	69,581
Pension settlement loss	-	34,451
Income from operations	53,930	35,130
Non-operating (loss) income:		
Investment (loss) income, net	29,270	(3,572)
Loss on sale of assets	(3)	(59)
Net unrealized loss on interest rate swaps	(3,374)	(5,746)
Loss on defeasance	(9,704)	-
Total non-operating (loss) income	16,190	(9,377)
Excess of revenues over expenses	\$ 70,119	\$ 25,753

Attachment E

Children's Hospital Colorado Health System
Consolidating Statement of Operations - UNAUDITED

For the twelve months ended December 31,

(In Thousands)

	Health System		Hospital		Foundation		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenues, gains and other support:										
Patient service revenue before provision for bad debts	\$ -	\$ -	\$ 920,199	\$ 918,491	\$ -	\$ -	\$ -	\$ -	\$ 920,199	\$ 918,491
Provision for bad debts	-	-	(8,312)	(10,328)	-	-	-	-	(8,312)	(10,328)
Net patient service revenue after provision for bad debts	-	-	911,886	908,163	-	-	-	-	911,886	908,163
Net assets released from restrictions – operations	34	-	21,187	15,374	-	-	(425)	(628)	20,797	14,746
Other revenue	-	-	86,863	59,591	13,936	10,780	(7,000)	(6,000)	93,799	64,371
Total revenues, gains and other support	34	-	1,019,937	983,129	13,936	10,780	(7,425)	(6,628)	1,026,482	987,281
Operating expenses:										
Salaries, wages and employee benefits	12	36	513,312	474,098	7,116	7,081	-	-	520,440	481,215
Professional fees	-	-	100,406	86,444	-	-	-	-	100,406	86,444
Supplies and other	517	533	273,832	269,681	2,350	2,513	-	-	276,699	272,727
Interest	-	-	17,056	14,799	-	-	-	-	17,056	14,799
Depreciation and amortization	-	-	57,632	62,197	319	317	-	-	57,951	62,515
Total operating expenses	529	569	962,238	907,219	9,786	9,911	-	-	972,552	917,700
Income (loss) from operations before other losses	(494)	(569)	57,699	75,910	4,150	869	(7,425)	(6,628)	53,930	69,581
Pension settlement loss	-	-	-	34,451	-	-	-	-	-	34,451
Income (loss) from operations	(494)	(569)	57,699	41,459	4,150	869	(7,425)	(6,628)	53,930	35,130
Non-operating income (loss):										
Investment income, net	22,893	(1,675)	5,978	(2,392)	400	495	-	-	29,270	(3,572)
Loss on sale of assets	-	-	(3)	(59)	-	-	-	-	(3)	(59)
Net unrealized loss on interest rate swaps	-	-	(3,374)	(5,746)	-	-	-	-	(3,374)	(5,746)
Loss on defeasance	-	-	(9,704)	-	-	-	-	-	(9,704)	-
Distribution to Hospital	-	-	-	-	(7,425)	(6,628)	7,425	6,628	-	-
Total non-operating income (loss)	22,893	(1,675)	(7,103)	(8,197)	(7,025)	(6,133)	7,425	6,628	16,190	(9,377)
Excess (deficit) of revenues over expenses	\$22,399	\$ (2,244)	\$ 50,596	\$ 33,261	\$ (2,875)	\$ (5,264)	\$ -	\$ (0)	\$ 70,119	\$ 25,753

Attachment F

Children's Hospital Colorado Health System

Utilization Statistics

For the twelve months ended December 31,

	<u>2016</u>	<u>2015</u>
Average beds in operation:		
Medical/Surgical	388	372
Psychiatric	28	28
Total Admissions	15,070	17,593
Average length of stay (days):		
Medical/Surgical	5.9	5.6
Psychiatric	8.0	7.4
Patient Days:		
Medical/Surgical	88,913	97,766
Psychiatric	8,264	8,527
Average occupancy:		
Medical/Surgical	63%	72%
Psychiatric	81%	83%
All operating beds	64%	73%
Emergency room visits	85,898	86,130
Urgent care visits	77,833	77,517
Telemedicine visits	757	-
Research visits	8,798	8,085
All other outpatient visits	542,239	543,476
Total Visits	715,525	715,208
Inpatient surgical cases	4,576	4,661
Outpatient surgical cases	14,594	15,114

Attachment G

Children's Hospital Colorado Health System

Gross Patient Service Revenue by Payor Source

For the twelve months ended December 31,

<u>Source of Payment</u>	<u>2016</u>	<u>2015</u>
Medicaid	47.6%	46.8%
Managed Care	45.8%	46.0%
Commerical insurance/other	4.4%	5.0%
Medically Indigent and Self Pay	1.5%	1.6%
Medicare	0.7%	0.6%
	<u>100.0%</u>	<u>100.0%</u>