

OFFICER'S CERTIFICATE OF COMPLIANCE

This certificate is delivered pursuant to Section 1 of the Continuing Disclosure Agreement between DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Disclosure Dissemination Agent and ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO (formerly known as THE CHILDREN'S MEMORIAL HOSPITAL), an Illinois not for profit corporation, on its own behalf and on behalf of the Obligated Group regarding the following bonds:

- Illinois Finance Authority, Revenue Bonds (Ann & Robert H. Lurie Children's Hospital of Chicago, formerly known as The Children's Memorial Hospital), Series 2008, \$380,000,000 consisting of \$212,000,000 Insured Revenue Bonds, Series 2008A and \$168,000,000 Revenue Bonds, Series 2008B, Dated: May 15, 2008 (CUSIPS 45200FGC7 , 45200FGK9, 45200FGF0 , 45200FGB9 , 45200FGH6 , 45200FGG8, 45200FGM5, 45200FGE3, 45200FGN3, 45200FGL7, 45200FGP8, 45200FGA1, 45200FGJ2), and

The undersigned certifies the Quarterly Financial Information delivered to the Disclosure Dissemination Agent is the Quarterly Financial Information required to be submitted to the Repositories under this Disclosure Agreement for the period ending **February 28, 2017**.

By: _____



Chief Financial Officer (Disclosure Representative)

Ann & Robert H. Lurie Children's Hospital of Chicago and

Ann & Robert H. Lurie Children's Hospital of Chicago Foundation

Date: _____

4.19.2017



Ann & Robert H. Lurie
Children's Hospital of Chicago and
Ann & Robert H. Lurie
Children's Hospital of Chicago Foundation
Obligated Group
Financial Report (Unaudited)
February 28, 2017

**ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO AND
ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO FOUNDATION
OBLIGATED GROUP - **UNAUDITED****

**CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED FEBRUARY 2017 AND 2016**

	2017	2016
UNRESTRICTED REVENUE, GAINS, AND OTHER SUPPORT		
Patient service revenue, net of contractual allowances and discounts	\$ 358,311,417	\$ 330,034,290
Provision for doubtful accounts	<u>3,125,344</u>	<u>4,497,911</u>
Net patient service revenue	<u>355,186,073</u>	<u>325,536,379</u>
Net assets released from restrictions		
Contributions and philanthropy used for program purposes	13,597,250	12,691,408
Grants and other restricted income used for program purposes	18,455,092	18,485,650
Board-designated endowment income	3,200,868	3,398,583
Other operating revenue (Note 1)	<u>17,974,809</u>	<u>16,998,290</u>
Total unrestricted revenue, gains, and other support	<u>408,414,092</u>	<u>377,110,310</u>
OPERATING EXPENSES		
Salaries, wages, and employee benefits	180,144,350	173,934,523
Supplies and services	130,707,081	121,456,939
Depreciation	<u>32,076,472</u>	<u>30,689,525</u>
Total operating expenses	<u>342,927,903</u>	<u>326,080,987</u>
INCOME FROM OPERATIONS	<u>65,486,189</u>	<u>51,029,323</u>
Interest and financing costs	10,728,049	10,949,087
NET OPERATING INCOME	<u>54,758,140</u>	<u>40,080,236</u>
OTHER INCOME (EXPENSE)		
Interest and dividends (Note 1)	1,563,337	599,844
Realized gain on investments	6,918,844	10,153,910
Total gain (loss) on alternative investments (Note 2)	11,700,443	(19,332,876)
Unrealized gain (loss) on investments	11,931,891	(25,271,771)
Unrestricted contributions and bequests	12,743,704	11,559,289
Fundraising expense	(8,761,868)	(8,906,543)
(Loss) gain on disposal of fixed assets	(242,004)	49,160,992
Other expense	<u>(2,354,205)</u>	<u>(2,296,404)</u>
Total other income, net	<u>33,500,142</u>	<u>15,666,441</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 88,258,282</u>	<u>\$ 55,746,677</u>

Note 1 - Total interest and dividends are \$7.6 million and \$6.5 million for the six months ended February 28, 2017 and February 29, 2016, respectively. A portion of Lurie Children's unrestricted interest and dividends were reclassified to other operating revenue to offset expenditures charged to board designated funds, which are reported as operating expenses.

Note 2 - The alternative investment gain of \$11.7M for the six months ended February 28, 2017 includes a realized gain of \$8.3M. The alternative investment loss of \$19.3M for the six months ended February 29, 2016 is net of realized gain of \$6M.

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**CONSOLIDATED BALANCE SHEET
AS OF FEBRUARY 28, 2017 AND AUGUST 31, 2016**

	February 28, 2017	August 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 81,815,071	\$ 29,867,127
Current portion of self-insurance trust	5,000,000	17,175,000
Accounts receivable, net	181,324,494	125,424,373
Other current assets	35,167,373	35,989,289
Total current assets	303,306,938	208,455,789
INVESTMENTS		
Donor Restricted		
Specific purpose funds	196,769,076	180,551,588
Endowment funds	139,709,769	137,897,772
Self-insurance trust	80,106,819	64,406,218
Undesignated and Board designated investments	702,045,289	750,692,085
Interest in trustee-held funds	29,173,172	29,173,172
Interest in Accountable Care Entity	1,146,382	2,646,382
Interest in Clinically Integrated Network	5,277,199	3,807,199
Total investments	1,154,227,706	1,169,174,416
PROPERTY AND EQUIPMENT, at cost		
Land	34,812,506	34,812,506
Buildings and improvements	912,340,049	911,082,838
Equipment	300,295,140	293,741,879
Construction in progress	10,145,645	4,674,974
Total property and equipment, at cost	1,257,593,340	1,244,312,197
Less: accumulated depreciation	(417,899,256)	(385,002,768)
Property and equipment, net	839,694,084	859,309,429
OTHER ASSETS		
Pledges receivable restricted by donors, net	17,346,613	27,821,878
Unamortized bond issuance costs	6,358,082	6,525,440
Other assets	18,218,512	18,430,084
Total other assets	41,923,207	52,777,402
TOTAL	\$ 2,339,151,935	\$ 2,289,717,036

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**CONSOLIDATED BALANCE SHEET
AS OF FEBRUARY 28, 2017 AND AUGUST 31, 2016**

	February 28, 2017	August 31, 2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 78,910,877	\$ 76,388,469
Current portion of self-insurance liability	5,000,000	17,175,000
Due to third-party payors	45,206,511	38,841,593
Current portion of long term debt	4,890,000	4,890,000
Total current liabilities	134,007,388	137,295,062
OTHER LIABILITIES		
Self-insurance liability	83,137,372	82,828,496
Other noncurrent liabilities	51,105,908	51,651,468
Total other liabilities	134,243,280	134,479,964
LONG-TERM DEBT	364,028,135	363,974,915
Total liabilities	632,278,803	635,749,941
NET ASSETS		
Unrestricted	1,323,974,683	1,278,686,410
Temporarily restricted	213,179,649	207,628,025
Permanently restricted	169,718,800	167,652,660
Total net assets	1,706,873,132	1,653,967,095
TOTAL	\$ 2,339,151,935	\$ 2,289,717,036

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**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED FEBRUARY 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 52,906,037	\$ 26,349,900
Adjustments to reconcile change in net assets to net cash provided by continuing operating activities		
Net unrestricted investment return (gain) loss	(32,114,515)	33,850,893
Restricted contributions and restricted investment return gain	(12,978,315)	(1,287,406)
Loss (gain) on disposal of fixed assets	242,004	(49,160,992)
Receipt of contributed securities	(4,155,041)	(2,275,878)
Depreciation and amortization	32,297,050	30,910,103
Provision for bad debts	3,125,344	4,497,911
Net changes in assets and liabilities		
Accounts receivable, net	(59,025,465)	(55,247,223)
Accounts payable and accrued expenses	1,548,142	(2,131,237)
Due to third-party payors	6,364,918	1,310,824
Self-insurance liability	(11,866,124)	(2,794,125)
Other assets and liabilities	10,963,193	9,572,411
Net cash used in continuing operating activities	<u>(12,692,772)</u>	<u>(6,404,819)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(11,729,064)	(6,273,676)
Sales of investments, net	68,101,987	17,184,520
Net cash provided by continuing investing activities	<u>56,372,923</u>	<u>55,407,945</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from restricted contributions and restricted investment return	8,267,793	7,293,561
Net cash provided by continuing financing activities	<u>8,267,793</u>	<u>7,293,561</u>
INCREASE IN CASH AND CASH EQUIVALENTS	51,947,944	56,296,687
CASH AND CASH EQUIVALENTS, beginning of year	29,867,127	22,671,672
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 81,815,071</u>	<u>\$ 78,968,359</u>