

**CHILDREN'S HOSPITAL AND HEALTH SYSTEM, INC.  
AND AFFILIATES**

**CONSOLIDATED FINANCIAL REPORT**

**JUNE 2017**

**CHILDREN'S HOSPITAL AND HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATED FINANCIAL REPORT**  
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**Children's Hospital and Health System, Inc.**  
**Management Discussion and Analysis of Financial Performance**  
**Six Months Ended June 30, 2017**

The financial statements contained here represent the activity of Children's Hospital and Health System, Inc. and Affiliates (System). Children's Hospital of Wisconsin, Inc. (Hospital) and Children's Hospital of Wisconsin Foundation, Inc. (Foundation) are the only corporations that comprise the Children's Hospital and Health System, Inc. Obligated Group (Obligated Group). Obligated Group-only information can be found in the Supplemental Schedules starting on page 7.

The financial information furnished herein is unaudited and thus subject to change; however, in the opinion of management, the information reflects adjustments that are necessary to fairly state the consolidated financial operations of the System for the six month period ended June 30, 2017.

The six months ending June 30, 2017, closed with income from operations of \$21,539,000 compared to \$20,295,000 in 2016. Children's continues to maintain preferred brand and quality status for pediatric care in inpatient and specialty services lines, and continues to focus on growing market share in primary care. In addition, Children's Community Health Plan (CCHP) launched a new commercial exchange product in 2017.

Revenue

Total Operating Revenue increased in 2017 over 2016 by \$26,801,000 or 5.4%, with Net Patient Service Revenue (NPSR) and Capitation Revenue accounting for the largest increases. NPSR was impacted most significantly by patient volumes, which increased in 2017 over 2016 across the entire system. Most notably inpatient days increased by 10.9% over 2016 volumes driven by a more severe viral season in the first quarter of 2017 and increased NICU activity for the first half of 2017. In addition, outpatient visits increased at the Milwaukee and regional clinic locations, Primary Care sites and urgent care locations. Offsetting the increase in patient volume was a decrease in overall reimbursement driven by a higher government payer mix at both the Milwaukee and Fox Valley hospital locations. The increase in Capitation Revenue resulted from a capitation rate increase for CCHP's Medicaid product along with enrollment in the new commercial exchange product.

Operating Expenses

Operating Expenses were \$25,557,000 or 5.4% more than the prior year. Salaries increased \$8,837,000 or 5.8% due to the impact of the annual merit increase and clinical staff additions to support strategic system initiatives. Employee Benefits as a percent of Salaries were 24.6% in 2017 and 25.0% in 2016, respectively. Medical Supplies increased \$2,261,000 or 5.8% due to increased pharmacy, immunization, and medical/surgical supplies from increased volumes and patient/procedure mix. Medical Supplies as a percentage of NPSR was 12.2% which was consistent with 2016. Net Medical Claim Expenses increased by \$7,230,000 or 7.3% due to the new commercial marketplace product and increased medical utilization by the Medicaid HMO members. Operation and Maintenance of Facilities increased by \$2,811,000 or 18.3% due to increased lease and utilities expenses.

Nonoperating Gains (Losses)

The System reported a net nonoperating gain of \$47,013,000 in 2017 compared to \$24,748,000 in 2016. This increase is due to a higher return on the investment portfolio during the first six months of 2017 and the termination of the interest rate swaps during 2016.

### Other Activity

The System continues to have a strong balance sheet as evidenced by its level of liquidity and low debt. Although Days Cash on Hand decreased slightly from 374 days at December 31, 2016, to 373 days at June 30, 2017, the metric was still above target and total cash and investments increased by \$39,991,000. The increase in total cash and investments was due to positive operating performance and continued strong Foundation investment performance. Cash to debt and debt to capitalization metrics were 380.4% and 18.4% in 2017 compared to 364.7% and 19.3% in 2016, respectively.

The Hospital's portfolio of investments continues to be invested entirely in fixed income securities while the Foundation's investment portfolio was diversified with 30% in fixed income and 70% in a variety of equity funds, as of June 30, 2017. Equities have been outperforming fixed income securities so a rebalance will be completed in August to return to the original 65% equity funds and 35% fixed income allocation. Management, with oversight by the Investment Subcommittee, continually monitors the System's investment portfolio and the investment allocations. The Board of Directors adopted a policy wherein up to 10% of the investment portfolio may be allocated to alternative investments, as defined within that investment policy. The Investment Subcommittee continues to evaluate potential alternative investment options. As of June 30, 2017, \$20.0 million has been committed in alternative investments, with \$800,000 funded.

Capital expenditures of \$22,331,000 were primarily related to expansion and redesign of the NICU, primary care clinic updates and Information Systems infrastructure investments.

The undersigned officer hereby certifies on behalf of Children's Hospital of Wisconsin, Inc., as Obligated Group Agent, that attached hereto are the consolidated and the consolidating statements of revenues and expenses and changes in net assets of the System during the six months ended June 30, 2017, and the consolidating and the consolidated balance sheets of the System as of the end of such fiscal period.

/s/ Marc A. Cadieux

Marc A. Cadieux  
Treasurer and Chief Financial Officer  
Children's Hospital and Health System, Inc.

**CHILDREN'S HOSPITAL AND HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATED BALANCE SHEET**  
**JUNE 2017**

	<b>JUNE 2017</b>	<b>DECEMBER 2016</b>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 150,705,000	\$ 207,855,000
Net Patient Accounts Receivable	84,536,000	79,478,000
Other Receivables	43,942,000	24,917,000
Inventory of Supplies	8,766,000	9,150,000
Prepays and Other Current Assets	15,036,000	13,094,000
<b>TOTAL CURRENT ASSETS</b>	<b>302,985,000</b>	<b>334,494,000</b>
Investments	810,969,000	713,828,000
Assets Limited as to Use	218,061,000	212,292,000
Net Property and Equipment	458,708,000	465,265,000
Other Assets	16,894,000	16,248,000
<b>TOTAL ASSETS</b>	<b>\$ 1,807,617,000</b>	<b>\$ 1,742,127,000</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Accounts Payable	32,639,000	35,831,000
Accrued Salaries and Benefits	30,084,000	42,719,000
Personal Leave Benefits	24,184,000	22,287,000
Accrued Interest Payable	4,924,000	4,951,000
Estimated Third-Party Payor Settlements	4,107,000	2,636,000
Current Installment of LTD	7,625,000	7,697,000
Medical Services Payable (IBNR)	25,646,000	28,184,000
Other Current Liabilities	17,265,000	14,945,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>146,474,000</b>	<b>159,250,000</b>
Net Long Term Debt	245,153,000	245,019,000
Accrued Pension Costs	33,990,000	35,160,000
Other Liabilities	39,959,000	35,746,000
<b>TOTAL LIABILITIES</b>	<b>465,576,000</b>	<b>475,175,000</b>
Unrestricted	1,123,980,000	1,054,660,000
Temporarily Restricted	60,453,000	60,298,000
Permanently Restricted	157,608,000	151,994,000
<b>TOTAL NET ASSETS</b>	<b>1,342,041,000</b>	<b>1,266,952,000</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 1,807,617,000</b>	<b>\$ 1,742,127,000</b>

**CHILDREN'S HOSPITAL AND HEALTH SYSTEM, INC. AND AFFILIATES**  
**STATEMENT OF REVENUE AND EXPENSES**  
**SIX MONTHS ENDED JUNE 2017**

	<u>2017</u>	<u>2016</u>
<b>NET PATIENT SERVICE REVENUE</b>	\$ 336,934,000	\$ 321,361,000
<b><u>OTHER REVENUE</u></b>		
Contributions	3,429,000	3,251,000
Assets Released from Restrictions	8,268,000	8,199,000
External Grants	22,830,000	23,185,000
Capitation Revenue	137,281,000	126,383,000
Other	9,889,000	9,451,000
<b>TOTAL OTHER REVENUE</b>	181,697,000	170,469,000
<b>TOTAL OPERATING REVENUE</b>	<u>518,631,000</u>	<u>491,830,000</u>
<b><u>OPERATING EXPENSES</u></b>		
Salaries	160,282,000	151,445,000
Employee Benefits	39,471,000	37,910,000
Medical Supplies	41,031,000	38,770,000
Non Medical Supplies and Other	13,731,000	13,037,000
Net Medical Expenses	106,503,000	99,273,000
Assessment Tax	5,529,000	5,767,000
Purchased Services and Professional Fees	54,840,000	53,565,000
Operation and Maintenance of Facilities	18,200,000	15,389,000
Medical College Physician and Resident Fees	20,747,000	20,432,000
Depreciation	30,044,000	29,240,000
Interest	6,714,000	6,707,000
<b>TOTAL OPERATING EXPENSES</b>	<u>497,092,000</u>	<u>471,535,000</u>
<b>INCOME FROM OPERATIONS</b>	21,539,000	20,295,000
<b>NONOPERATING GAINS (LOSSES):</b>		
Investment Income	11,315,000	8,353,000
Changes in Unrealized Gain/Loss on Investments	35,831,000	21,154,000
Change in Fair Value of Interest Rate Swaps	-	(3,884,000)
Other	(133,000)	(875,000)
<b>NET NONOPERATING GAINS</b>	<u>47,013,000</u>	<u>24,748,000</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 68,552,000</u>	<u>\$ 45,043,000</u>

**CHILDREN'S HOSPITAL AND HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**SIX MONTHS ENDED JUNE 2017**

	<u>JUNE 2017</u>	<u>JUNE 2016</u>
<b>UNRESTRICTED NET ASSETS:</b>		
Excess of Revenue over Expenses	\$ 68,552,000	\$ 45,043,000
Net Assets Released from Restrictions - Capital Acquisitions	<u>768,000</u>	<u>1,326,000</u>
<b>Increase in Unrestricted Net Assets</b>	<u>69,320,000</u>	<u>46,369,000</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions	2,849,000	3,370,000
Investment Income	205,000	123,000
Net Assets Released from Restrictions - Capital Acquisitions	(768,000)	(1,326,000)
Net Assets Released from Restrictions - Operations	(8,268,000)	(8,199,000)
Change in Net Unrealized Gains and Losses on Restricted Investments	1,240,000	597,000
Endowment Fund - Annual Allocation	<u>4,897,000</u>	<u>4,717,000</u>
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	<u>155,000</u>	<u>(718,000)</u>
<b>PERMANENTLY RESTRICTED NET ASSETS:</b>		
Contributions	722,000	(105,000)
Investment Income	1,402,000	929,000
Change in Net Unrealized Gains and Losses on Restricted Investments	8,387,000	2,896,000
Endowment Fund - Annual Allocation	<u>(4,897,000)</u>	<u>(4,717,000)</u>
<b>Increase (Decrease) in Permanently Restricted Net Assets</b>	<u>5,614,000</u>	<u>(997,000)</u>
<b>INCREASE IN TOTAL NET ASSETS</b>	<b>75,089,000</b>	<b>44,654,000</b>
<b>NET ASSETS - Beginning of Year</b>	<u>1,266,952,000</u>	<u>1,187,310,000</u>
<b>NET ASSETS - End of Period</b>	<u><u>\$ 1,342,041,000</u></u>	<u><u>\$ 1,231,964,000</u></u>



**CHILDREN'S HOSPITAL AND HEALTH SYSTEM, INC. AND AFFILIATES**  
**EXECUTIVE SUMMARY OF COMPARATIVE STATISTICS**  
**SIX MONTHS ENDED JUNE 2017**

Description	2017 Actual YTD	2016 Actual YTD
<b><u>Operating Statistics</u></b>		
<b>Total FTEs</b>	4,457.2	4,226.0
<b>Children's Hospital of Wisconsin Inpatient Statistics</b>		
Patient Days	38,742	34,928
Average Daily Census	214.0	191.9
Admissions	4,967	4,565
Average Length of Stay	7.8	7.7
Medical Short Stay Days*	2,487	2,720
Observation Days	2,745	2,842
<b>Outpatient Visits</b>		
Children's Hospital of Wisconsin	152,214	141,970
Children's Hospital of Wisconsin Emergency Room	35,810	34,223
Children's Medical Group	142,929	135,492
Children's Health System - Urgent Care Visits	18,455	14,421
<b>Total Outpatient Visits</b>	349,408	326,106
<b>Operating Room</b>		
Children's Hospital of Wisconsin	7,505	7,141
Surgicenter of Greater Milwaukee	2,250	2,368
<b>Total Operating Room Cases</b>	9,755	9,509
<b>CCHP Member Months</b>		
Medicaid HMO Member Months	776,766	794,894
C4Kids Member Months	18,436	18,165
Together Member Months (Commercial)	17,402	-
<b>Total CCHP Member Months</b>	812,604	813,059
<b>Children's Hospital Payer Mix</b>		
Government	53.8%	50.7%
Commercial	45.6%	48.3%
Other	0.6%	1.0%
<b>Total</b>	100.0%	100.0%

\* Note: 2016 Short Stay Days were restated to conform with definition adopted in 2017.

## **SUPPLEMENTAL SCHEDULES**

**CHILDREN'S HOSPITAL AND HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**JUNE 2017**

	Children's Hospital of Wisconsin	Children's Hospital of Wisconsin Foundation	Eliminations	Obligated Group	Children's Health System	Surgicenter of Greater Milwaukee	Children's Medical Group	Children's Community Health Plan	Children's Service Society of Wisconsin	Eliminations	Consolidated Total
<b><u>ASSETS</u></b>											
Cash and Cash Equivalents	\$ 106,933,000	\$ 10,932,000		\$ 117,865,000	\$ 1,058,000	\$ 2,352,000	\$ 623,000	\$ 27,149,000	\$ 1,658,000	\$ -	\$ 150,705,000
Net Patient Accounts Receivable	83,369,000	-		83,369,000	1,762,000	1,131,000	4,001,000	12,000	164,000	(5,903,000)	84,536,000
Intercompany Receivable	70,248,000	-	(29,813,000)	40,435,000	108,000	1,085,000	-	-	-	(41,628,000)	-
Other Receivables	6,092,000	281,000		6,373,000	970,000	-	45,000	32,008,000	4,546,000	-	43,942,000
Inventory of Supplies	7,195,000	-		7,195,000	-	562,000	1,009,000	-	-	-	8,766,000
Prepays and Other Current Assets	3,633,000	464,000		4,097,000	9,960,000	59,000	338,000	411,000	171,000	-	15,036,000
<b>TOTAL CURRENT ASSETS</b>	<b>277,470,000</b>	<b>11,677,000</b>	<b>(29,813,000)</b>	<b>259,334,000</b>	<b>13,858,000</b>	<b>5,189,000</b>	<b>6,016,000</b>	<b>59,580,000</b>	<b>6,539,000</b>	<b>(47,531,000)</b>	<b>302,985,000</b>
Investments	262,977,000	516,996,000		779,973,000	14,396,000	10,927,000	-	20,035,000	-	(14,362,000)	810,969,000
Assets Limited as to Use	-	218,095,000	-	218,095,000	-	-	-	-	-	(34,000)	218,061,000
Net Property and Equipment	404,848,000	603,000		405,451,000	30,818,000	9,706,000	9,668,000	568,000	2,497,000	-	458,708,000
Interest in Net Assets of CHHSF	564,937,000	-	(564,937,000)	-	3,700,000	-	-	-	1,977,000	(5,677,000)	-
Other Assets	2,283,000	103,000		2,386,000	10,104,000	-	4,404,000	-	-	-	16,894,000
<b>TOTAL ASSETS</b>	<b>\$ 1,512,515,000</b>	<b>\$ 747,474,000</b>	<b>\$ (594,750,000)</b>	<b>\$ 1,665,239,000</b>	<b>\$ 72,876,000</b>	<b>\$ 25,822,000</b>	<b>\$ 20,088,000</b>	<b>\$ 80,183,000</b>	<b>\$ 11,013,000</b>	<b>\$ (67,604,000)</b>	<b>\$ 1,807,617,000</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>											
Accounts Payable	23,737,000	443,000		24,180,000	5,060,000	101,000	1,898,000	1,062,000	338,000	-	32,639,000
Accrued Salaries and Benefits	22,408,000	246,000		22,654,000	3,923,000	68,000	2,266,000	374,000	799,000	-	30,084,000
Personal Leave Benefits	15,062,000	333,000		15,395,000	5,766,000	174,000	994,000	384,000	1,471,000	-	24,184,000
Intercompany Payable	-	29,813,000	(29,813,000)	-	29,381,000	-	8,019,000	234,000	3,994,000	(41,628,000)	-
Accrued Interest Payable	4,924,000	-		4,924,000	-	-	-	-	-	-	4,924,000
Estimated Third-Party Payor Settlements	4,107,000	-		4,107,000	-	-	-	-	-	-	4,107,000
Current Installment of LTD	7,625,000	-		7,625,000	-	-	-	-	-	-	7,625,000
Medical Services Payable (IBNR)	-	-		-	274,000	-	-	31,275,000	-	(5,903,000)	25,646,000
Other Current Liabilities	2,331,000	-		2,331,000	11,605,000	313,000	198,000	1,879,000	939,000	-	17,265,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>80,194,000</b>	<b>30,835,000</b>	<b>(29,813,000)</b>	<b>81,216,000</b>	<b>56,009,000</b>	<b>656,000</b>	<b>13,375,000</b>	<b>35,208,000</b>	<b>7,541,000</b>	<b>(47,531,000)</b>	<b>146,474,000</b>
Net Long Term Debt	245,153,000	-		245,153,000	-	-	-	-	-	-	245,153,000
Accrued Pension Costs	31,868,000	-		31,868,000	-	-	-	-	2,122,000	-	33,990,000
Other Liabilities	18,073,000	578,000		18,651,000	13,057,000	-	6,884,000	17,000	1,350,000	-	39,959,000
<b>TOTAL LIABILITIES</b>	<b>375,288,000</b>	<b>31,413,000</b>	<b>(29,813,000)</b>	<b>376,888,000</b>	<b>69,066,000</b>	<b>656,000</b>	<b>20,259,000</b>	<b>35,225,000</b>	<b>11,013,000</b>	<b>(47,531,000)</b>	<b>465,576,000</b>
<b>TOTAL NET ASSETS</b>	<b>1,137,227,000</b>	<b>716,061,000</b>	<b>(564,937,000)</b>	<b>1,288,351,000</b>	<b>3,810,000</b>	<b>25,166,000</b>	<b>(171,000)</b>	<b>44,958,000</b>	<b>-</b>	<b>(20,073,000)</b>	<b>1,342,041,000</b>
<b>TOTAL LIAB. AND NET ASSETS</b>	<b>\$ 1,512,515,000</b>	<b>\$ 747,474,000</b>	<b>\$ (594,750,000)</b>	<b>\$ 1,665,239,000</b>	<b>\$ 72,876,000</b>	<b>\$ 25,822,000</b>	<b>\$ 20,088,000</b>	<b>\$ 80,183,000</b>	<b>\$ 11,013,000</b>	<b>\$ (67,604,000)</b>	<b>\$ 1,807,617,000</b>

**CHILDREN'S HOSPITAL AND HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**DECEMBER 2016**

	Children's Hospital of Wisconsin	Children's Hospital of Wisconsin Foundation	Eliminations	Obligated Group	Children's Health System	Surgicenter of Greater Milwaukee	Children's Medical Group	Children's Community Health Plan	Children's Service Society of Wisconsin	Eliminations	Consolidated Total
<b><u>ASSETS</u></b>											
Cash and Cash Equivalents	\$ 140,444,000	\$ 17,985,000		\$ 158,429,000	\$ 549,000	\$ 2,590,000	\$ 515,000	\$ 44,804,000	\$ 968,000	\$ -	\$ 207,855,000
Net Patient Accounts Receivable	77,796,000	-		77,796,000	1,065,000	857,000	3,826,000	8,000	126,000	(4,200,000)	79,478,000
Intercompany Receivable	60,916,000	-	(28,807,000)	32,109,000	107,000	936,000	-	-	-	(33,152,000)	-
Other Receivables	5,491,000	135,000		5,626,000	705,000	-	166,000	13,213,000	5,207,000	-	24,917,000
Inventory of Supplies	7,277,000	-		7,277,000	-	579,000	1,294,000	-	-	-	9,150,000
Prepays and Other Current Assets	3,601,000	256,000		3,857,000	8,072,000	6,000	221,000	713,000	225,000	-	13,094,000
<b>TOTAL CURRENT ASSETS</b>	<b>295,525,000</b>	<b>18,376,000</b>	<b>(28,807,000)</b>	<b>285,094,000</b>	<b>10,498,000</b>	<b>4,968,000</b>	<b>6,022,000</b>	<b>58,738,000</b>	<b>6,526,000</b>	<b>(37,352,000)</b>	<b>334,494,000</b>
Investments	215,966,000	466,986,000		682,952,000	14,396,000	9,711,000	-	21,155,000	-	(14,386,000)	713,828,000
Assets Limited as to Use											
Temporarily Restricted by Donors	-	60,308,000		60,308,000	-	-	-	-	-	(10,000)	60,298,000
Permanently Restricted by Donors	-	151,994,000		151,994,000	-	-	-	-	-	-	151,994,000
Total Assets Limited as to Use	-	212,302,000	-	212,302,000	-	-	-	-	-	(10,000)	212,292,000
Net Property and Equipment	412,131,000	622,000		412,753,000	31,231,000	9,891,000	8,514,000	594,000	2,282,000	-	465,265,000
Interest in Net Assets of CHHSF	531,227,000	-	(531,227,000)	-	3,184,000	-	-	-	2,050,000	(5,234,000)	-
Other Assets	1,994,000	102,000		2,096,000	10,131,000	2,000	4,019,000	-	-	-	16,248,000
<b>TOTAL ASSETS</b>	<b>\$ 1,456,843,000</b>	<b>\$ 698,388,000</b>	<b>\$ (560,034,000)</b>	<b>\$ 1,595,197,000</b>	<b>\$ 69,440,000</b>	<b>\$ 24,572,000</b>	<b>\$ 18,555,000</b>	<b>\$ 80,487,000</b>	<b>\$ 10,858,000</b>	<b>\$ (56,982,000)</b>	<b>\$ 1,742,127,000</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>											
Accounts Payable	23,468,000	529,000		23,997,000	7,651,000	128,000	2,670,000	835,000	550,000	-	35,831,000
Accrued Salaries and Benefits	31,047,000	495,000		31,542,000	5,763,000	85,000	4,096,000	355,000	878,000	-	42,719,000
Personal Leave Benefits	14,597,000	292,000		14,889,000	4,827,000	155,000	804,000	275,000	1,337,000	-	22,287,000
Intercompany Payable	-	28,807,000	(28,807,000)	-	20,224,000	-	5,687,000	2,149,000	5,092,000	(33,152,000)	-
Accrued Interest Payable	4,951,000	-		4,951,000	-	-	-	-	-	-	4,951,000
Estimated Third-Party Payor Settlements	2,636,000	-		2,636,000	-	-	-	-	-	-	2,636,000
Current Installment of LTD	7,697,000	-		7,697,000	-	-	-	-	-	-	7,697,000
Medical Services Payable (IBNR)	-	-		-	2,932,000	-	-	29,452,000	-	(4,200,000)	28,184,000
Other Current Liabilities	735,000	-		735,000	11,395,000	182,000	121,000	2,013,000	499,000	-	14,945,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>85,131,000</b>	<b>30,123,000</b>	<b>(28,807,000)</b>	<b>86,447,000</b>	<b>52,792,000</b>	<b>550,000</b>	<b>13,378,000</b>	<b>35,079,000</b>	<b>8,356,000</b>	<b>(37,352,000)</b>	<b>159,250,000</b>
Net Long Term Debt	245,019,000	-		245,019,000	-	-	-	-	-	-	245,019,000
Accrued Pension Costs	33,068,000	-		33,068,000	-	-	-	-	2,092,000	-	35,160,000
Other Liabilities	16,166,000	620,000		16,786,000	13,356,000	-	5,177,000	17,000	410,000	-	35,746,000
<b>TOTAL LIABILITIES</b>	<b>379,384,000</b>	<b>30,743,000</b>	<b>(28,807,000)</b>	<b>381,320,000</b>	<b>66,148,000</b>	<b>550,000</b>	<b>18,555,000</b>	<b>35,096,000</b>	<b>10,858,000</b>	<b>(37,352,000)</b>	<b>475,175,000</b>
<b>TOTAL NET ASSETS</b>	<b>1,077,459,000</b>	<b>667,645,000</b>	<b>(531,227,000)</b>	<b>1,213,877,000</b>	<b>3,292,000</b>	<b>24,022,000</b>	<b>-</b>	<b>45,391,000</b>	<b>-</b>	<b>(19,630,000)</b>	<b>1,266,952,000</b>
<b>TOTAL LIAB. AND NET ASSETS</b>	<b>\$ 1,456,843,000</b>	<b>\$ 698,388,000</b>	<b>\$ (560,034,000)</b>	<b>\$ 1,595,197,000</b>	<b>\$ 69,440,000</b>	<b>\$ 24,572,000</b>	<b>\$ 18,555,000</b>	<b>\$ 80,487,000</b>	<b>\$ 10,858,000</b>	<b>\$ (56,982,000)</b>	<b>\$ 1,742,127,000</b>

**CHILDREN'S HOSPITAL AND HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES**  
**SIX MONTHS ENDED JUNE 2017**

	Children's Hospital of Wisconsin	Children's Hospital of Wisconsin Foundation	Eliminations	Obligated Group	Children's Health System	Surgicenter of Greater Milwaukee	Children's Medical Group	Children's Community Health Plan	Children's Service Society of Wisconsin	Eliminations	Consolidated Total
<b>NET PATIENT SERVICE REVENUE</b>	\$ 316,823,000	\$ -	-	316,823,000	\$ 4,280,000	\$ 4,493,000	\$ 26,751,000	\$ 27,000	\$ 869,000	\$ (16,309,000)	\$ 336,934,000
<b><u>OTHER REVENUE</u></b>											
Contributions	-	3,407,000	-	3,407,000	-	-	-	-	22,000	-	3,429,000
Assets Released from Restrictions	3,060,000	9,037,000	(3,060,000)	9,037,000	3,371,000	-	491,000	-	600,000	(5,231,000)	8,268,000
External Grants	7,015,000	-	-	7,015,000	635,000	-	-	-	15,180,000	-	22,830,000
Capitation Revenue	-	-	-	-	1,329,000	-	-	135,952,000	-	-	137,281,000
Other	9,086,000	-	-	9,086,000	548,000	193,000	37,000	-	60,000	(35,000)	9,889,000
Revenue from Related Entities	639,000	-	(4,000)	635,000	45,957,000	432,000	41,000	537,000	11,000	(47,613,000)	-
<b>TOTAL OTHER REVENUE</b>	<b>19,800,000</b>	<b>12,444,000</b>	<b>(3,064,000)</b>	<b>29,180,000</b>	<b>51,840,000</b>	<b>625,000</b>	<b>569,000</b>	<b>136,489,000</b>	<b>15,873,000</b>	<b>(52,879,000)</b>	<b>181,697,000</b>
<b>TOTAL OPERATING REVENUE</b>	<b>336,623,000</b>	<b>12,444,000</b>	<b>(3,064,000)</b>	<b>346,003,000</b>	<b>56,120,000</b>	<b>5,118,000</b>	<b>27,320,000</b>	<b>136,516,000</b>	<b>16,742,000</b>	<b>(69,188,000)</b>	<b>518,631,000</b>
<b><u>OPERATING EXPENSES</u></b>											
Salaries	91,729,000	1,833,000	-	93,562,000	34,087,000	1,057,000	18,445,000	3,085,000	10,046,000	-	160,282,000
Employee Benefits	23,363,000	419,000	-	23,782,000	7,692,000	241,000	3,502,000	806,000	3,448,000	-	39,471,000
Medical Supplies	35,667,000	-	-	35,667,000	85,000	837,000	4,860,000	1,000	1,000	(420,000)	41,031,000
Non Medical Supplies and Other	6,577,000	8,691,000	(3,064,000)	12,204,000	4,656,000	144,000	520,000	412,000	1,179,000	(5,384,000)	13,731,000
Net Medical Expenses	-	-	-	-	15,000	-	-	122,797,000	-	(16,309,000)	106,503,000
Assessment Tax	5,442,000	-	-	5,442,000	-	87,000	-	-	-	-	5,529,000
Purchased Services and Professional Fees	64,423,000	1,250,000	-	65,673,000	20,064,000	917,000	2,173,000	9,514,000	3,025,000	(46,526,000)	54,840,000
Operation and Maintenance of Facilities	11,177,000	15,000	-	11,192,000	3,172,000	471,000	2,467,000	204,000	1,243,000	(549,000)	18,200,000
Medical College Physician and Resident Fees	19,355,000	-	-	19,355,000	766,000	-	373,000	253,000	-	-	20,747,000
Depreciation	27,053,000	28,000	-	27,081,000	1,410,000	484,000	718,000	52,000	299,000	-	30,044,000
Interest	6,712,000	-	-	6,712,000	-	2,000	-	-	-	-	6,714,000
<b>TOTAL OPERATING EXPENSES</b>	<b>291,498,000</b>	<b>12,236,000</b>	<b>(3,064,000)</b>	<b>300,670,000</b>	<b>71,947,000</b>	<b>4,240,000</b>	<b>33,058,000</b>	<b>137,124,000</b>	<b>19,241,000</b>	<b>(69,188,000)</b>	<b>497,092,000</b>
<b>NET OPERATING INCOME</b>	<b>45,125,000</b>	<b>208,000</b>	<b>-</b>	<b>45,333,000</b>	<b>(15,827,000)</b>	<b>878,000</b>	<b>(5,738,000)</b>	<b>(608,000)</b>	<b>(2,499,000)</b>	<b>-</b>	<b>21,539,000</b>
<b><u>NON OPERATING INCOME (EXPENSE)</u></b>											
Investment Income	5,099,000	5,962,000	-	11,061,000	-	123,000	-	129,000	2,000	-	11,315,000
Change in Unrealized Gain/Loss on Investments	5,000	35,674,000	-	35,679,000	-	144,000	-	8,000	-	-	35,831,000
Change in Fair Value of Interest Rate Swaps	-	-	-	-	-	-	-	-	-	-	-
Other Nonoperating Income (Expense)	(268,000)	-	-	(268,000)	103,000	(1,000)	(3,000)	38,000	(2,000)	-	(133,000)
<b>NON OPERATING INCOME (EXPENSE)</b>	<b>4,836,000</b>	<b>41,636,000</b>	<b>-</b>	<b>46,472,000</b>	<b>103,000</b>	<b>266,000</b>	<b>(3,000)</b>	<b>175,000</b>	<b>-</b>	<b>-</b>	<b>47,013,000</b>
<b>EXCESS (DEFICIT) OF REVENUE OVER EXPENSES</b>	<b>\$ 49,961,000</b>	<b>\$ 41,844,000</b>	<b>\$ -</b>	<b>\$ 91,805,000</b>	<b>\$ (15,724,000)</b>	<b>\$ 1,144,000</b>	<b>\$ (5,741,000)</b>	<b>\$ (433,000)</b>	<b>\$ (2,499,000)</b>	<b>\$ -</b>	<b>\$ 68,552,000</b>

**CHILDREN'S HOSPITAL AND HEALTH SYSTEM, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES**  
**SIX MONTHS ENDED JUNE 2016**

	Children's Hospital of Wisconsin	Children's Hospital of Wisconsin Foundation	Eliminations	Obligated Group	Children's Health System	Surgicenter of Greater Milwaukee	Children's Medical Group	Children's Community Health Plan	Children's Service Society of Wisconsin	Eliminations	Consolidated Total
<b>NET PATIENT SERVICE REVENUE</b>	\$ 300,939,000	\$ -	\$ -	\$ 300,939,000	\$ 1,863,000	\$ 4,555,000	\$ 24,425,000	\$ 49,000	\$ 790,000	\$ (11,260,000)	\$ 321,361,000
<b><u>OTHER REVENUE</u></b>											
Contributions	-	3,240,000	-	3,240,000	-	-	-	-	11,000	-	3,251,000
Assets Released from Restrictions	3,355,000	10,668,000	(3,355,000)	10,668,000	3,286,000	-	240,000	-	591,000	(6,586,000)	8,199,000
External Grants	6,188,000	-	-	6,188,000	507,000	-	-	-	16,490,000	-	23,185,000
Capitation Revenue	-	-	-	-	8,305,000	-	-	118,078,000	-	-	126,383,000
Other	8,606,000	-	-	8,606,000	547,000	218,000	10,000	-	70,000	-	9,451,000
Revenue from Related Entities	885,000	-	(3,000)	882,000	45,773,000	410,000	15,000	-	16,000	(47,096,000)	-
<b>TOTAL OTHER REVENUE</b>	<b>19,034,000</b>	<b>13,908,000</b>	<b>(3,358,000)</b>	<b>29,584,000</b>	<b>58,418,000</b>	<b>628,000</b>	<b>265,000</b>	<b>118,078,000</b>	<b>17,178,000</b>	<b>(53,682,000)</b>	<b>170,469,000</b>
<b>TOTAL OPERATING REVENUE</b>	<b>319,973,000</b>	<b>13,908,000</b>	<b>(3,358,000)</b>	<b>330,523,000</b>	<b>60,281,000</b>	<b>5,183,000</b>	<b>24,690,000</b>	<b>118,127,000</b>	<b>17,968,000</b>	<b>(64,942,000)</b>	<b>491,830,000</b>
<b><u>OPERATING EXPENSES</u></b>											
Salaries	88,716,000	1,683,000	-	90,399,000	31,194,000	1,127,000	16,302,000	2,282,000	10,141,000	-	151,445,000
Employee Benefits	22,899,000	369,000	-	23,268,000	7,070,000	259,000	3,107,000	654,000	3,552,000	-	37,910,000
Medical Supplies	33,710,000	-	-	33,710,000	108,000	996,000	4,433,000	1,000	1,000	(479,000)	38,770,000
Non Medical Supplies and Other	5,710,000	10,142,000	(3,358,000)	12,494,000	4,200,000	121,000	462,000	277,000	2,226,000	(6,743,000)	13,037,000
Net Medical Expenses	-	-	-	-	6,033,000	-	-	104,500,000	-	(11,260,000)	99,273,000
Assessment Tax	5,633,000	-	-	5,633,000	-	134,000	-	-	-	-	5,767,000
Purchased Services and Professional Fees	64,746,000	1,117,000	-	65,863,000	20,295,000	925,000	2,135,000	7,279,000	2,848,000	(45,780,000)	53,565,000
Operation and Maintenance of Facilities	9,566,000	17,000	-	9,583,000	2,759,000	468,000	2,035,000	236,000	988,000	(680,000)	15,389,000
Medical College Physician and Resident Fees	18,945,000	-	-	18,945,000	891,000	-	392,000	204,000	-	-	20,432,000
Depreciation and Amortization	26,405,000	34,000	-	26,439,000	1,543,000	499,000	466,000	54,000	239,000	-	29,240,000
Interest	6,707,000	-	-	6,707,000	-	-	-	-	-	-	6,707,000
<b>TOTAL OPERATING EXPENSES</b>	<b>283,037,000</b>	<b>13,362,000</b>	<b>(3,358,000)</b>	<b>293,041,000</b>	<b>74,093,000</b>	<b>4,529,000</b>	<b>29,332,000</b>	<b>115,487,000</b>	<b>19,995,000</b>	<b>(64,942,000)</b>	<b>471,535,000</b>
<b>NET OPERATING INCOME</b>	<b>36,936,000</b>	<b>546,000</b>	<b>-</b>	<b>37,482,000</b>	<b>(13,812,000)</b>	<b>654,000</b>	<b>(4,642,000)</b>	<b>2,640,000</b>	<b>(2,027,000)</b>	<b>-</b>	<b>20,295,000</b>
<b><u>NON OPERATING INCOME (EXPENSE)</u></b>											
Investment Income	3,959,000	4,114,000	-	8,073,000	2,000	113,000	-	95,000	70,000	-	8,353,000
Change in Unrealized Gain/Loss on Investments	7,807,000	12,817,000	-	20,624,000	-	418,000	-	112,000	-	-	21,154,000
Change in Fair Value of Interest Rate Swaps	(3,884,000)	-	-	(3,884,000)	-	-	-	-	-	-	(3,884,000)
Other Nonoperating Income (Expense)	(869,000)	-	-	(869,000)	233,000	-	(15,000)	(224,000)	-	-	(875,000)
<b>NON OPERATING INCOME (EXPENSE)</b>	<b>7,013,000</b>	<b>16,931,000</b>	<b>-</b>	<b>23,944,000</b>	<b>235,000</b>	<b>531,000</b>	<b>(15,000)</b>	<b>(17,000)</b>	<b>70,000</b>	<b>-</b>	<b>24,748,000</b>
<b>EXCESS (DEFICIT) OF REVENUE OVER EXPENSES</b>	<b>\$ 43,949,000</b>	<b>\$ 17,477,000</b>	<b>\$ -</b>	<b>\$ 61,426,000</b>	<b>\$ (13,577,000)</b>	<b>\$ 1,185,000</b>	<b>\$ (4,657,000)</b>	<b>\$ 2,623,000</b>	<b>\$ (1,957,000)</b>	<b>\$ -</b>	<b>\$ 45,043,000</b>