



Children's Hospital Colorado

www.childrenscolorado.org

August 15, 2017

TO WHOM IT MAY CONCERN:

Re: 2nd Quarter 2017 Disclosure Information pursuant to the bond series noted below

Please find enclosed Q2 2017 financial information for the six months ended June 30, 2017 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)

Included are:

- Q2 2017 unaudited financial statements for the periods ended June 30, 2017 and 2016
- Utilization statistics for the periods ended June 30, 2017 - on DAC disclosure form
- Liquidity for the period ended June 30, 2017 - on DAC disclosure form
- Gross patient service revenue by payor source for the period ended June 30, 2017 - on DAC disclosure form

I hereby certify, as a member of The Children's Hospital Obligated Group, that to the best of my knowledge Children's Hospital Colorado Obligated Group is in compliance with the covenants set forth in the Master Indenture and Related Documents; and that no Event of Default under the Master Indenture and Related Documents (or event that with the giving of notice or passage of time would constitute such an Event of Default) has occurred and is continuing as of the date of such certificate for the 6 months ended June 30, 2017. DAC shall be entitled to rely on this certificate.

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

	June 2017	June 2016
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 84,385	\$ 74,651
Patient accounts receivable, net of bad debt allowances	156,547	123,313
Inventories	9,285	9,538
Other current assets	42,463	38,911
Total current assets	<u>292,680</u>	<u>246,413</u>
Assets whose use is limited:		
Bond funds on deposit with trustee	144,484	150,479
Self-insurance fund on deposit with trustee	8,694	5,642
Restricted investments	3,469	3,417
Total assets whose use is limited	<u>156,646</u>	<u>159,538</u>
Investments	1,076,694	908,133
Property and equipment, net	895,737	917,776
Other assets:		
Other non-current assets	43,161	50,810
Deferred debt issuance costs, net	—	—
Total other assets	<u>43,161</u>	<u>50,810</u>
Perpetual trust assets	46,857	44,741
Total assets	<u><u>\$ 2,511,775</u></u>	<u><u>\$ 2,327,411</u></u>

Attachment B

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

	June 2017	June 2016
	<i>(In Thousands)</i>	
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 46,908	\$ 46,918
Salaries, wages and employee benefits	68,446	50,047
Estimated third-party payer settlements	16,508	10,057
Current portion of long-term debt	7,920	6,335
Other current liabilities	10,012	15,954
Total current liabilities	<u>149,794</u>	<u>129,311</u>
Long-term debt	686,007	695,638
Other long-term liabilities	72,549	93,426
Total long-term liabilities	<u>758,556</u>	<u>789,064</u>
Net assets:		
Unrestricted	1,326,123	1,167,960
Temporarily restricted	116,773	93,165
Permanently restricted	160,529	147,911
Total net assets	<u>1,603,424</u>	<u>1,409,036</u>
 Total liabilities and net assets	 <u><u>\$ 2,511,775</u></u>	 <u><u>\$ 2,327,411</u></u>

Attachment C.1**Children's Hospital Colorado Health System****Consolidating Balance Sheet - UNAUDITED**

June 30, 2017

	Health System	Hospital	Foundation	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Assets					
Current assets:					
Cash and cash equivalents	\$ —	\$ 73,270	\$ 11,115	\$ —	\$ 84,385
Patient accounts receivable, net of bad allowances	—	156,547	—	—	156,547
Receivables from Affiliates	(705)	10,121	—	(9,415)	0
Inventories	—	9,285	—	—	9,285
Other current assets	—	34,785	7,678	—	42,463
Total current assets	(705)	284,008	18,794	(9,415)	292,680
Assets whose use is limited:					
Bond funds on deposit with trustee	—	144,484	—	—	144,484
Self-insurance fund on deposit with	—	8,694	—	—	8,694
Restricted investments	—	3,469	—	—	3,469
Total assets whose use is limited	-	156,646	—	—	156,646
Investments	895,350	172,130	9,891	(677)	1,076,694
Property and equipment, net	-	894,258	1,479	—	895,737
Other assets:					
Other non-current assets	—	29,370	13,791	—	43,161
Deferred debt issuance costs, net	—	—	—	—	—
Total other assets	—	29,370	13,791	—	43,161
Perpetual trust assets	—	42,050	4,807	—	46,857
Total assets	\$ 894,644	\$ 1,578,462	\$ 48,761	\$ (10,092)	\$ 2,511,775

Attachment C.2

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

June 30, 2017

	Health System	Hospital	Foundation	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Liabilities and net assets					
Current liabilities:					
Accounts payable and accrued expenses	\$ 262	\$ 45,990	\$ 657	\$ —	\$ 46,908
Salaries, wages, and employee benefits	—	67,506	875	65	68,446
Estimated third-party payor settlements	—	16,508	—	—	16,508
Current portion of long-term debt	—	7,920	—	—	7,920
Other current liabilities	—	10,012	—	—	10,012
Due to Affiliates	6,252	—	3,906	(10,158)	—
Total current liabilities	6,515	147,937	5,437	(10,092)	149,794
Long-term debt	—	686,007	—	—	686,007
Other long-term liabilities	—	71,610	939	—	72,549
Total long-term liabilities	—	757,618	939	—	758,556
Net assets:					
Unrestricted	736,131	582,023	7,968	—	1,326,123
Temporarily restricted:	46,182	48,836	21,755	—	116,773
Permanently restricted	105,816	42,050	12,663	—	160,529
Total net assets	888,129	672,909	42,385	—	1,603,424
Total liabilities and net assets	\$ 894,644	\$ 1,578,462	\$ 48,761	\$ (10,092)	\$ 2,511,775

Attachment D

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

	June 2017	June 2016
	<i>(In Thousands)</i>	
Revenues, gains and other support:		
Patient service revenues before provision for bad debts	\$ 480,571	\$ 462,941
Provision for bad debts	(6,175)	(6,426)
Net patient service revenues after provision for bad debts	474,396	456,515
Net assets released from restrictions – operations	10,644	7,279
Other revenues	46,394	36,194
Total revenues, gains and other support	531,433	499,987
Operating expenses:		
Salaries, wages and employee benefits	270,882	257,719
Professional fees	55,727	46,305
Supplies and other	138,211	130,270
Interest	8,010	7,621
Depreciation and amortization	29,056	28,712
Total operating expenses before other losses	501,886	470,627
Income from operations before other losses	29,547	29,359
Other losses	1,000	-
Income from operations	28,547	29,359
Non-operating (loss) income:		
Investment (loss) income, net	57,007	(6,366)
Loss on sale of assets	(33)	(13)
Net unrealized loss on interest rate swaps	3,268	(13,719)
Loss on defeasance	-	(9,704)
Total non-operating (loss) income	60,242	(29,802)
Excess of revenues over expenses	\$ 88,790	\$ (443)

Attachment E

Children's Hospital Colorado Health System
Consolidating Statement of Operations - UNAUDITED
For the Six months ended June 30,
(In Thousands)

	Health System		Hospital		Foundation		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenues, gains and other support:										
Patient service revenue before provision for bad debts	\$ -	\$ -	\$ 480,571	\$ 462,941	\$ -	\$ -	\$ -	\$ -	\$ 480,571	\$ 462,941
Provision for bad debts	-	-	(6,175)	(6,426)	-	-	-	-	(6,175)	(6,426)
Net patient service revenue after provision for bad debts	-	-	474,396	456,515	-	-	-	-	474,396	456,515
Net assets released from restrictions – operations	16	51	10,778	7,227	-	-	(150)	-	10,644	7,279
Other revenue	-	-	43,557	34,095	5,837	5,099	(3,000)	(3,000)	46,394	36,194
Total revenues, gains and other support	16	51	528,730	497,836	5,837	5,099	(3,150)	(3,000)	531,433	499,987
Operating expenses:										
Salaries, wages and employee benefits	90	12	266,893	254,114	3,900	3,593	-	-	270,882	257,719
Professional fees	-	-	55,727	46,305	-	-	-	-	55,727	46,305
Supplies and other	249	259	136,937	129,040	1,025	971	-	-	138,211	130,270
Interest	-	-	8,010	7,621	-	-	-	-	8,010	7,621
Depreciation and amortization	-	-	28,903	28,553	153	160	-	-	29,056	28,712
Total operating expenses	338	271	496,470	465,633	5,078	4,723	-	-	501,886	470,627
Income (loss) from operations before other losses	(322)	(220)	32,261	32,203	759	376	(3,150)	(3,000)	29,547	29,359
Other losses	-	-	1,000	-	-	-	-	-	1,000	-
Income (loss) from operations	(322)	(220)	31,261	32,203	759	376	(3,150)	(3,000)	28,547	29,359
Non-operating income (loss):										
Investment income, net	51,880	(7,653)	5,782	947	(655)	339	-	-	57,007	(6,366)
Loss on sale of assets	-	-	(33)	(13)	-	-	-	-	(33)	(13)
Net unrealized loss on interest rate swaps	-	-	3,268	(13,719)	-	-	-	-	3,268	(13,719)
Loss on defeasance	-	-	-	(9,704)	-	-	-	-	-	(9,704)
Distribution to Hospital	-	-	-	-	(3,150)	(3,000)	3,150	3,000	-	-
Total non-operating income (loss)	51,880	(7,653)	9,017	(22,489)	(3,805)	(2,661)	3,150	3,000	60,242	(29,802)
Excess (deficit) of revenues over expenses	\$51,558	\$ (7,872)	\$ 40,278	\$ 9,715	\$(3,046)	\$(2,285)	\$ -	\$ -	\$ 88,790	\$ (443)

DAC Disclosure

Colorado Health Facilities Authority, Hospital Revenue Bonds (Children's Hospital Colorado Project), Series 2016A, \$69,165,000, Dated: May 24, 2016
 Colorado Health Facilities Authority, Hospital Revenue Bonds (Children's Hospital Colorado Project), Series 2016B, \$70,300,000, Dated: May 24, 2016
 Colorado Health Facilities Authority, Hospital Revenue Refunding Bonds (Children's Hospital Colorado Project), Series 2016C, \$103,530,000, Dated: May 24, 2016
 Colorado Health Facilities Authority, Hospital Revenue Bonds (Children's Hospital Colorado Project), Series 2013A, \$75,000,000, Dated: August 14, 2013
 City of Aurora, Colorado, Hospital Revenue Bonds (The Children's Hospital Association Project), Series 2010A, \$60,750,000, Dated: May 25, 2010

2016A,B,C, 2013A, 2010A

A Written Representation Addressed to the Dissemination Agent to the Effect That Such Submission is the Annual Financial Information or Quarterly Financial Information Required by This Agreement, as the Case May Be, and That Such Submission Complies With the Applicable Requirements of this Agreement.

For the Six months ended June 30,

`Please include a separate PDF document.

Separate document included in email.

2016A,B,C, 2013A, 2010A

Utilization Statistics

	For the Six months ended <u>6/30/2017</u>
Average beds in operation:	
Medical/Surgical (except Children's Memorial)	388
Medical/Surgical (Children's Memorial)	-
Psychiatric	28
Admissions:	
Admissions (except Children's Memorial)	8,167
Admissions (Children's Memorial)	-
Total Admissions	8,167
Average length of stay (days):	
Medical/Surgical (except Children's Memorial)	5.7
Medical/Surgical (Children's Memorial)	-
Psychiatric	7.6
Patient Days:	
Medical/Surgical (except Children's Memorial)	46,204
Medical/Surgical (Children's Memorial)	-
Psychiatric	4,049
Average occupancy:	
Medical/Surgical (except Children's Memorial)	66%
Medical/Surgical (Children's Memorial)	0%

	For the Six months ended <u>6/30/2017</u>
Psychiatric	80%
All operating beds (except Children's Memorial)	67%
All operating beds (Children's Memorial)	0%
Emergency room visits	46,718
On-campus (Anschutz) outpatient visits	217,803
Off-campus outpatient visits	164,350
Inpatient surgical cases:	
Inpatient surgical cases (except Children's Memorial)	2,331
Inpatient surgical cases (Children's Memorial)	-
Total inpatient surgical cases	2,331
Outpatient surgical cases	7,235

2016A,B,C, 2013A, 2010A

Summary of Revenues and Expenses

<i>(In Thousands)</i>	For the Six months ended <u>6/30/2017</u>
Revenues, gains and other support:	
Net patient service revenue before provision for bad debts	480,571
Provision for bad debts	(6,175)
Net patient service revenue	474,396
Net assets released from restrictions - operations	10,644
Other revenue	46,394
Total revenues, gains and other support	531,433
Operating expenses:	
Salaries, wages and employee benefits	270,882
Professional fees	55,727
Supplies and other	138,211
Interest	8,010
Depreciation and amortization	29,056
Total operating expenses	501,886
Operating income before other losses	29,547
Pension settlement loss	1,000
Operating income	28,547
Nonoperating income:	
Investment income (loss)	57,007
(Loss) gain on sale of assets	(33)
Net realized and unrealized (loss) gain on interest rate swaps	3,268

	For the Six months ended <u>6/30/2017</u>
Gain on defeasance of bonds	-
Total nonoperating income (loss)	60,242
Excess of revenues over expenses	88,790

2016A,B,C, 2013A, 2010A

Debt Service Coverage

	For the Six months ended <u>6/30/2017</u>
Operating Income	N/A
Depreciation and Amortization	N/A
Interest Expense	N/A
Pension Settlement Loss	N/A
Investment Income	N/A
(Loss) gain on sale of assets	N/A
Income Available for Debt Service	N/A
Maximum Debt Service Requirement	N/A
Historical Debt Service Coverage Ratio	N/A

2016A,B,C, 2013A, 2010A

Liquidity

	For the Six months ended <u>6/30/2017</u>
Unrestricted Cash and Cash Equivalents	83,860
Unrestricted Portion of Investments	866,863
Total	950,723
Average Daily Operating Expense	2,592
Days of Operating Expenses	367

2016A,B,C, 2013A, 2010A

Gross Patient Service Revenue by Payor Source

<u>Source of Payment</u>	For the Six months ended <u>6/30/2017</u>
Medicaid	46.8%
Managed Care	47.5%
Commercial insurance/other	3.9%
Medically Indigent and Self Pay	1.5%
Medicare	0.3%