



## Nicklaus Children's Hospital and Subsidiaries

March 31, 2019

### Senior Management

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### ■ Profile

**Type:** Freestanding pediatric specialty hospital with 309 licensed beds of which 281 are staffed beds; pediatric teaching affiliate of University of Miami, Jackson Memorial Hospital, Florida International University, Nova Southeastern University, St. George's University, Mount Sinai Medical Center, and the Cleveland Clinic.

**Location:** Miami, Florida

**Issue:** Miami-Dade County Health Facilities Authority Hospital Revenue Bonds and Revenue Refunding Bonds, Series 2010A, Series 2010B, Series 2013 (Miami Children's Hospital Project), and Series 2017.

### ■ Organization and Affiliate Organizations

Variety Children's Hospital d/b/a Nicklaus Children's Hospital and Subsidiaries (the Hospital), was established in 1950 as a pediatric specialty hospital. The Hospital is the only licensed freestanding children's hospital in South Florida. It offers a comprehensive range of specialty and subspecialty pediatric services and is only one of two pediatric trauma referral centers in Miami-Dade County. The Hospital also owns and operates fourteen Ambulatory Care Centers: ten in Miami-Dade County, three in Broward County, and one in Palm Beach County. The Hospital, through a joint-venture relationship, has an ambulatory surgical center located in Miami-Dade County. Additionally, the Hospital operates three pediatric care clinics and a dental clinic across the tri-county area. These centers and clinics extend the Hospital's pediatric specialty services throughout the South Florida area.

Miami Children's Hospital Foundation, Inc. (the Hospital Foundation) is a separate tax-exempt organization whose sole purpose is to raise funds to support the activities of the Hospital. In December 2017, the board of directors of the Hospital Foundation approved to dissolve and liquidate the entity and transfer all of its assets to the Miami Children's Health System Foundation, Inc. d/b/a Nicklaus Children's Hospital Foundation (NCHF), a subsidiary of Miami Children's Health System, Inc. d/b/a Nicklaus Children's Health System and Subsidiaries (NCHS). These actions were essentially completed during the first quarter of 2018.

In 2017, the Hospital formed a joint venture, Miami Children's Health Plan, LLC (the PSN Plan) to create a Provider Service Network to offer health insurance in Florida. The PSN Plan was

awarded contracts by the Florida Agency for Health Care Administration to serve Palm Beach, Miami-Dade and Monroe counties for managed Medicaid patients of all ages and began operations in December 2018. The Hospital is a 75% owner of the PSN Plan, while its joint venture partner holds the remaining 25% ownership interest.

The Hospital has fifteen active affiliates or subsidiaries. These affiliates or subsidiaries include Miami Children's Health System, Inc., Miami Children's Health System Foundation, Inc., Miami Children's Health Plan, LLC, Children's Health Ventures, Inc., Conecta Health Network, LLC, Kidzstuff Inc., Miami Children's Health System Management Services, LLC, Miami Children's Hospital Research Institute, Inc., Miami Children's Hospital Worker's Compensation Trust, Miami Children's Insurance SPC, Ltd., Miami Children's Hospital Ambulatory Surgery Center, LLC, Miami Children's Hospital PRPG, LLC, Miami Hospital Holdings, LLC, Variety Children's Hospital Professional Liability Trust, and Pediatric Specialty Group, Inc. d/b/a Pediatric Specialists of America. None of these affiliates or subsidiaries has any obligation, direct or indirect, to make any payments or otherwise support the payment of the outstanding bonds or is a member of the obligated group.

### ■ Management Discussion - First Quarter

#### Operations

The following commentary relates to the Hospital's operating results for the first quarter ended March 31, 2019 and 2018. The Hospital's operating loss for the quarter was \$2.4 million as compared to operating margin of \$22.2 million for the prior year. Revenues over expenses for the current quarter were \$9.1 million, compared to \$11.2 million for the prior year.

Net patient service revenue for the current quarter was \$140.3 million, compared to \$157.7 million in the prior year. Inpatient admissions were 17.1% lower than the prior year, partially offset by a 6.8% increase in observation cases. Overall, inpatient days were 15.0% lower than the prior year and Hospital outpatient and ambulatory center utilization were lower than the prior year by 8.7% and 4.5%, respectively. These volume decreases were the primary driver for the unfavorable variance in net patient service revenues for the quarter when compared to the prior year. The case mix adjusted LOS was 4.72, which represented an increase when compared to the prior year. This increase was primarily due to lower discharges and higher acuity level of patients seen. All other revenues, gains and other support were \$22.6 million for the current quarter, compared to \$14.9 million for the prior year. Included in other revenues, gains and other support for the current quarter are the PSN Plan's premium revenues of \$9.9 million. The PSN Plan began operations in December 2018.

Operating expenses for the current quarter were \$165.3 million, which was \$14.9 million higher, compared to the prior year. Included in operating expenses for the current quarter are \$8.6 million of medical claim costs and \$1.8 million of other operating costs related to the PSN Plan. Excluding the PSN Plan's operating costs during the current quarter, the Hospital's operating expenses



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## Nicklaus Children's Hospital and Subsidiaries

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were \$154.9 million, which was \$4.5 million higher than the prior year.

Net non-operating income during the current quarter was \$11.5 million, which was \$22.3 million favorable when compared to the prior year's non-operating loss of \$10.8 million. This favorable variance was primarily due to unrealized gains on investments of \$22.8 million, which was \$29.1 million higher than the prior year. The Hospital's favorable investment portfolio performance was primarily driven by a rebound in the equity markets along with higher yields in the fixed-income markets. The unrealized gains in the current quarter were partially offset by losses from the change in fair value and payments on swap agreements which totaled \$2.9 million, compared to a gain of \$3.8 million in the prior year. During the first quarter of 2018, the Hospital incurred costs of approximately \$2.1 million related to supporting the operations of The Miami Medical Center (TMMC), which finalized its bankruptcy proceedings in January 2019 (see further discussion under "Facilities").

Overall, the first quarter of 2019 exhibited weaker net operating results, primarily due to lower utilization and certain shifts to lower reimbursed services.

### **Liquidity/Financial Position as of March 31, 2019**

Cash and cash equivalents increased by \$1.3 million when compared to the prior fiscal year end. Days in A/R decreased 1.9 days from the prior fiscal year end, and 11.6 days when compared to the first quarter of 2018, primarily due to improved collection activity and net revenue cycle improvements. The implementation of a new lease accounting standard resulted in the recording of a "right of use" asset and a related lease liability of \$52.4 million, as of January 1, 2019. Total liabilities increased from prior fiscal year-end by \$78.2 million, primarily due to the recording of the lease liability noted above, and the \$19.5 million draw on the Hospital's line of credit to support working capital needs.

Cash used in operations of \$8.4 million during the quarter was \$13.7 million higher when compared to the prior year. Cash provided by financing activities of \$22.0 million was \$16.1 million higher when compared to the prior year, primarily due to funds drawn on line of credit. Cash used in investing activities of \$12.3 million was \$15.2 million lower when compared to the prior year, primarily due to the purchase of the TMMC equipment during January of 2018.

### **Facilities**

Two new Ambulatory Care Centers (ACCs) and one Pediatric Care Center (PCC) opened in 2018; the Hialeah ACC opened in March 2018, the Homestead ACC opened May 2018 and the Coconut Creek PCC opened October 2018.

In December 2017, the Hospital executed on an opportunity to purchase the land and building formerly occupied by TMMC. This property has capacity for 69 inpatient beds and sits on 6.5 acres of vacant, developable property just 2.5 miles from the Hospital's main campus. In addition, during January 2018, the Hospital

entered into a forbearance agreement to purchase the property and equipment of TMMC with the Hospital's claim on the equipment receiving final approval by the bankruptcy court in January 2019. A review of the Hospital's capital and multi-year operating plan is ongoing to evaluate the strategic options for this facility.



## Nicklaus Children's Hospital and Subsidiaries

Consolidated Balance Sheets  
As of March 31, 2019 and December 31, 2018

	<b>March 31, 2019</b> <b>(Unaudited)</b>	<b>December 31, 2018</b> <b>(Audited)</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 24,071,086	\$ 22,834,916
Patient accounts receivable, net	74,505,008	75,686,926
Other current receivables	6,168,925	4,335,211
Intercompany receivables	19,164,769	1,782,229
Inventories	8,544,237	8,786,849
Prepaid expenses	3,912,708	3,585,197
Current portion of assets limited as to use	14,821,436	14,821,436
<b>Total current assets</b>	<u>151,188,169</u>	<u>131,832,764</u>
Assets limited as to use:		
Self-insurance funding arrangement held by trustee	46,130,911	39,605,562
Bond indenture agreements held by trustee	38	38
Restricted investments	7,312,501	6,668,075
<b>Total assets limited as to use, net of current portion</b>	<u>53,443,450</u>	<u>46,273,675</u>
Investments	404,592,355	384,460,640
Investments in joint ventures	3,300,000	3,300,000
Beneficial interest in NCHF'S net assets	94,565,307	90,410,546
Property, plant and equipment, net	565,034,655	571,169,471
Right of use assets, net	46,470,057	-
Other long-term assets	10,957,040	10,986,275
<b>Total Assets</b>	<u>\$ 1,329,551,033</u>	<u>\$ 1,238,433,371</u>



## Nicklaus Children's Hospital and Subsidiaries

Consolidated Balance Sheets, continued  
As of March 31, 2019 and December 31, 2018

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 50,038,788	\$ 43,288,680
Intercompany payable	16,910,887	14,321,948
Current portion of lease liabilities	5,176,971	1,099,286
Estimated third-party settlements payable	5,243,296	9,882,633
Current portion of liability for self-insurance	33,721,775	22,375,752
Current portion of bonds payable	4,550,000	4,550,000
<b>Total current liabilities</b>	<u>115,641,717</u>	<u>95,518,299</u>
Liability for self-insurance, net of current portion	55,276,199	52,405,027
Fair value of swap agreements	26,779,646	24,223,866
Line of credit	19,489,770	-
Long-term portion of bonds payable	321,047,327	321,204,077
Long-term portion of lease liabilities	43,619,971	10,349,213
Other long-term liabilities	7,948,718	7,856,194
<b>Total liabilities</b>	<u>589,803,348</u>	<u>511,556,676</u>
Net Assets:		
Net assets without donor restrictions:		
Nicklaus Children's Hospital and Subsidiaries	618,908,587	609,595,324
Noncontrolling interest in subsidiaries	2,126,644	2,577,339
Total net assets without donor restrictions	<u>621,035,231</u>	<u>612,172,663</u>
Total net assets with donor restrictions	<u>118,712,454</u>	<u>114,704,032</u>
<b>Total net assets</b>	<u>739,747,685</u>	<u>726,876,695</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,329,551,033</u>	<u>\$ 1,238,433,371</u>



## Nicklaus Children's Hospital and Subsidiaries

Consolidated Statements of Operations  
For the Periods Ending March 31, 2019 and 2018

	First Quarter (Unaudited)	
	2019	2018
<b>Revenues, gains and other support:</b>		
Net patient service revenue	\$ 140,310,793	\$ 157,695,781
Grant, contributions and other revenue	6,854,462	5,167,564
Investment income and realized gain, net	2,337,782	2,080,304
Support fee revenue	3,294,322	3,579,690
PSN Plan premium revenues	9,934,558	-
Net assets released from restrictions for operations	178,857	4,078,044
<b>Total revenues, gains and other support</b>	<b>162,910,774</b>	<b>172,601,383</b>
<b>Expenses:</b>		
Salaries and benefits	69,798,008	69,578,927
Supplies	17,441,375	18,234,380
Purchased services	9,486,848	9,158,984
Depreciation and amortization	11,987,763	11,635,532
Equipment rental and facility costs	7,700,491	6,562,668
Malpractice and other insurance	4,584,998	4,087,764
Interest expense	2,542,362	1,729,708
PSN Plan medical claims	8,628,341	-
Management fees	29,835,569	27,976,569
Other operating expenses	3,289,331	1,477,747
<b>Total expenses</b>	<b>165,295,086</b>	<b>150,442,279</b>
<b>Income from operations before non-operating activities</b>	<b>(2,384,312)</b>	<b>22,159,104</b>
Non-operating activities:		
Net unrealized gain (loss) on investments	22,817,494	(6,341,988)
Net payments on swap agreements	(386,263)	(963,994)
Gain (loss) on net change in fair value of swap agreements	(2,555,780)	4,770,316
Loss on TMMC support/guarantee	-	(2,140,832)
Guarantee of affiliate losses	(8,402,672)	(6,164,313)
<b>Revenues over expenses</b>	<b>9,088,467</b>	<b>11,318,293</b>
Revenues (over) under expenses attributable to noncontrolling interest in subsidiaries	(1,016)	(141,960)
<b>Revenues over expenses attributable to Nicklaus Children's Hospital and Subsidiaries</b>	<b>\$ 9,087,451</b>	<b>\$ 11,176,333</b>

## Nicklaus Children's Hospital and Subsidiaries

### Consolidated Statements of Changes in Net Assets For the Periods Ending March 31, 2019 and 2018

	<b>First Quarter (Unaudited)</b>	
	<b>2019</b>	<b>2018</b>
<b>Changes in net assets without donor restrictions</b>		
Revenues over expenses attributable to Nicklaus Children's Hospital and Subsidiaries	\$ 9,087,451	\$ 11,176,333
Distribution to noncontrolling interest	(225,927)	-
Revenues over expenses attributable to noncontrolling interest in subsidiaries	1,016	141,960
<b>Increase in net assets without donor restrictions</b>	<u>8,862,540</u>	<u>11,318,293</u>
<b>Changes in net assets with donor restrictions</b>		
Contributions from NCHF and others	-	1,305,934
Change in beneficial interest in the NCHF	4,154,761	(2,014,814)
Net assets released from restrictions used for operations	(146,311)	(129,958)
<b>Increase (decrease) in net assets with donor restrictions</b>	<u>4,008,450</u>	<u>(838,838)</u>
<b>Increase in net assets</b>	12,870,990	10,479,455
<b>Net assets at beginning of period</b>	<u>726,876,695</u>	<u>745,585,549</u>
<b>Net assets at end of period</b>	<u>\$ 739,747,685</u>	<u>\$ 756,065,004</u>



## Nicklaus Children's Hospital and Subsidiaries

Consolidated Statements of Cash Flows  
For the Periods Ending March 31, 2019 and 2018

	First Quarter (Unaudited)	
	2019	2018
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 12,870,990	\$ 10,479,455
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in net unrealized (gain) loss on investments	(22,817,494)	6,341,988
Change in fair market value of swap agreements	2,555,780	(4,770,316)
Guarantee of affiliate losses	8,402,672	6,164,313
Depreciation and amortization	11,987,763	11,635,532
Change in beneficial interest in the NCHF	-	709,807
TMMC operational support	-	2,140,832
Net realized gain on sales of unrestricted investments	(2,337,781)	(2,080,304)
Change in charitable remainder trusts	153,388	-
Changes in operating assets	(20,769,387)	(27,086,359)
Changes in operating liabilities	1,536,463	1,721,647
<b>Net cash provided by (used in) operating activities</b>	<u>(8,417,607)</u>	<u>5,256,595</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(5,859,668)	(46,144,157)
Proceeds from sale of bond trusts	-	4,398,278
Net sale (purchase) of investments	(6,454,364)	14,241,553
<b>Net cash (used in) investing activities</b>	<u>(12,314,032)</u>	<u>(27,504,326)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from restricted contributions	2,839,727	-
Net (repayments) proceeds of bond payable	(361,688)	(167,499)
Net proceeds from line of credit	19,489,770	5,988,984
<b>Net cash provided by financing activities</b>	<u>21,967,809</u>	<u>5,821,485</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,236,170	(16,426,246)
<b>Cash and cash equivalents at beginning of period</b>	<u>22,834,916</u>	<u>33,512,057</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 24,071,086</u>	<u>\$ 17,085,811</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 6,359,145</u>	<u>\$ 5,878,058</u>



## Nicklaus Children's Hospital and Subsidiaries

Utilization – Historic Utilization  
For the Periods Ending March 31, 2019 and 2018

	First Quarter (Unaudited)	
	2019	2018
Licensed beds	309	289
Staffed beds	283	276
Inpatient admissions	2,328	2,808
Observation cases	1,581	1,481
Combined admissions and obs. cases	<u>3,909</u>	<u>4,289</u>
Inpatient days	14,435	16,978
Inpatient average daily census	160.4	188.6
Combined inpatient + observation ADC	181.4	206.4
Case mix adjusted LOS	4.72	4.39
Outpatient utilization (Main Campus):		
Emergency room/ urgent care visits	26,676	30,718
Other outpatient visits	20,935	21,443
Total outpatient visits	<u>47,611</u>	<u>52,161</u>
Ambulatory centers utilization:		
Urgent care visits	39,934	40,630
Outpatient visits	45,949	49,323
Total outpatient visits	<u>85,883</u>	<u>89,953</u>
Surgical cases:		
Inpatient surgical cases	667	636
Outpatient surgical cases	1,139	1,238
Minor procedure cases	787	842
Total Hospital surgical cases	2,593	2,716
Ambulatory surgical center cases	1,386	1,397
Total surgical cases	<u>3,979</u>	<u>4,113</u>
<b>Payor mix (% of gross revenues)</b>		
Medicaid	68.0%	66.9%
Commercial	28.8%	27.1%
Self Pay	0.3%	4.4%
Medicare	1.0%	0.7%
Other Govt.	1.9%	0.9%
Total payor mix %	<u>100.0%</u>	<u>100.0%</u>

Notes:

Case mix adjusted ALOS is for inpatient only and is discharge based.  
ADC = Average Daily Census.



## Supplemental Schedules



## Nicklaus Children's Hospital and Subsidiaries

### Consolidating Balance Sheets

As of March 31, 2019 and December 31, 2018

	<b>OBLIGOR</b>		<b>Miami</b>	<b>MCH</b>	<b>Miami</b>		<b>Consolidated</b>	<b>Consolidated</b>
	<b>Nicklaus</b>	<b>MCH Research</b>	<b>Children's</b>	<b>Ambulatory</b>	<b>Children's</b>		<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>Hospital</b>	<b>Institute, Inc.</b>	<b>Insurance SPC</b>	<b>Surgical</b>	<b>Health Plan,</b>	<b>Eliminations</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
			<b>LTD</b>	<b>Center, LLC</b>	<b>LLC</b>			
<b>Assets</b>								
<b>Current Assets:</b>								
Cash and cash equivalents	\$ 8,706,093	\$ -	\$ 383,263	\$ 449,361	\$ 14,532,369	\$ -	\$ 24,071,086	\$ 22,834,916
Patient accounts receivable, net	73,922,791	-	-	582,217	-	-	74,505,008	75,686,926
Other current receivables	3,016,448	1,520,016	-	-	1,632,461	-	6,168,925	4,335,211
Intercompany receivables	2,561,696	-	16,603,073	-	-	-	19,164,769	1,782,229
Inventories	8,472,916	6	-	71,315	-	-	8,544,237	8,786,849
Prepaid expenses	1,473,075	240	2,346,049	26,515	66,829	-	3,912,708	3,585,197
Current portion of assets limited as to use	397,649	-	14,423,787	-	-	-	14,821,436	14,821,436
<b>Total current assets</b>	<b>98,550,668</b>	<b>1,520,262</b>	<b>33,756,172</b>	<b>1,129,408</b>	<b>16,231,659</b>	<b>-</b>	<b>151,188,169</b>	<b>131,832,764</b>
<b>Assets limited as to use:</b>								
Self-insurance funding arrangement held by trustee	6,253,111	-	39,877,800	-	-	-	46,130,911	39,605,562
Bond indenture agreements held by trustee	38	-	-	-	-	-	38	38
Restricted investments	6,668,075	-	-	-	644,426	-	7,312,501	6,668,075
<b>Total assets limited as to use, net of current portion</b>	<b>12,921,224</b>	<b>-</b>	<b>39,877,800</b>	<b>-</b>	<b>644,426</b>	<b>-</b>	<b>53,443,450</b>	<b>46,273,675</b>
Investments	404,592,355	-	-	-	-	-	404,592,355	384,460,640
Notes receivable	1,982,710	-	-	-	-	(1,982,710)	-	-
Investments in joint ventures	14,434,577	-	-	-	-	(11,134,577)	3,300,000	3,300,000
Beneficial interest in NCHF's net assets	94,565,307	-	-	-	-	-	94,565,307	90,410,546
Property, plant and equipment, net	560,694,682	399,153	-	3,940,820	-	-	565,034,655	571,169,471
Right of use assets, net	36,900,628	535,893	-	9,033,536	-	-	46,470,057	-
Other long-term assets	1,747,159	-	9,157,302	52,579	-	-	10,957,040	10,986,275
<b>Total Assets</b>	<b>\$ 1,226,389,310</b>	<b>\$ 2,455,308</b>	<b>\$ 82,791,274</b>	<b>\$ 14,156,343</b>	<b>\$ 16,876,085</b>	<b>\$ (13,117,287)</b>	<b>\$ 1,329,551,033</b>	<b>\$ 1,238,433,371</b>
<b>Liabilities and Net Assets</b>								
<b>Current Liabilities:</b>								
Accounts payable and accrued expenses	\$ 38,933,243	\$ 501,602	\$ 69,651	\$ 256,545	\$ 10,277,674	\$ 73	\$ 50,038,788	\$ 43,288,680
Intercompany payable	3,720,753	11,100,656	-	492	2,088,986	-	16,910,887	14,321,948
Current portion of lease liabilities	4,654,255	83,703	-	414,670	24,343	-	5,176,971	1,099,286
Current portion of notes payable	-	-	-	513,289	-	(513,289)	-	-
Estimated third-party settlements payable	5,243,296	-	-	-	-	-	5,243,296	9,882,633
Current portion of liability for self-insurance	18,985,764	275,673	14,423,787	-	36,551	-	33,721,775	22,375,752
Current portion of bonds payable	4,550,000	-	-	-	-	-	4,550,000	4,550,000
<b>Total current liabilities</b>	<b>76,087,311</b>	<b>11,961,634</b>	<b>14,493,438</b>	<b>1,184,996</b>	<b>12,427,554</b>	<b>(513,216)</b>	<b>115,641,717</b>	<b>95,518,299</b>
Liability for self-insurance, net of current portion	1,213,361	(1,877)	54,066,624	-	(1,909)	-	55,276,199	52,405,027
Fair value of swap agreements	26,779,646	-	-	-	-	-	26,779,646	24,223,866
Line of credit	19,489,842	-	-	1,419,746	-	(1,419,818)	19,489,770	-
Long-term portion of bonds payable	321,047,327	-	-	-	-	-	321,047,327	321,204,077
Long-term portion of lease liabilities	34,539,518	461,587	-	8,618,866	-	-	43,619,971	10,349,213
Other long-term liabilities	7,948,718	-	-	-	-	-	7,948,718	7,856,194
<b>Total liabilities</b>	<b>487,105,723</b>	<b>12,421,344</b>	<b>68,560,062</b>	<b>11,223,608</b>	<b>12,425,645</b>	<b>(1,933,034)</b>	<b>589,803,348</b>	<b>511,556,676</b>
<b>Net Assets:</b>								
<b>Net assets without donor restrictions:</b>								
Nicklaus Children's Hospital and Subsidiaries	620,571,131	(10,230,383)	14,231,212	1,801,178	3,455,353	(10,919,904)	618,908,587	609,595,324
Noncontrolling interest in subsidiaries	-	-	-	1,131,557	995,087	-	2,126,644	2,577,339
<b>Total net assets without donor restrictions</b>	<b>620,571,131</b>	<b>(10,230,383)</b>	<b>14,231,212</b>	<b>2,932,735</b>	<b>4,450,440</b>	<b>(10,919,904)</b>	<b>621,035,231</b>	<b>612,172,663</b>
<b>Total net assets with donor restrictions</b>	<b>118,712,456</b>	<b>264,347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(264,349)</b>	<b>118,712,454</b>	<b>114,704,032</b>
<b>Total net assets</b>	<b>739,283,587</b>	<b>(9,966,036)</b>	<b>14,231,212</b>	<b>2,932,735</b>	<b>4,450,440</b>	<b>(11,184,253)</b>	<b>739,747,685</b>	<b>726,876,695</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,226,389,310</b>	<b>\$ 2,455,308</b>	<b>\$ 82,791,274</b>	<b>\$ 14,156,343</b>	<b>\$ 16,876,085</b>	<b>\$ (13,117,287)</b>	<b>\$ 1,329,551,033</b>	<b>\$ 1,238,433,371</b>



## Nicklaus Children's Hospital and Subsidiaries

### Consolidating Statements of Operations For the Periods Ending March 31, 2019 and 2018

	OBLIGOR Nicklaus Children's Hospital	MCH Research Institute, Inc.	Miami Children's Insurance SPC LTD	MCH Ambulatory Surgical Center, LLC	Miami Children's Health Plan, LLC	Eliminations	Consolidated Period Ending March 31, 2019 (Unaudited)	Consolidated Period Ending March 31, 2018 (Unaudited)
<b>Revenues, gains and other support:</b>								
Net patient service revenue	\$ 138,594,902	\$ -	\$ -	\$ 1,715,891	\$ -	\$ -	\$ 140,310,793	\$ 157,695,781
Grant, contributions and other revenue	5,796,452	1,053,867	-	4,143	-	-	6,854,462	5,167,564
Investment income and realized gains, net	2,042,665	-	222,513	-	72,604	-	2,337,782	2,080,304
Support fee revenue	3,294,322	-	-	-	-	-	3,294,322	3,579,690
PSN Plan premium revenues	-	-	-	-	9,934,558	-	9,934,558	-
Net assets released from restrictions for operations	178,857	-	-	-	-	-	178,857	4,078,044
<b>Total revenues, gains and other support</b>	<b>149,907,198</b>	<b>1,053,867</b>	<b>222,513</b>	<b>1,720,034</b>	<b>10,007,162</b>	<b>-</b>	<b>162,910,774</b>	<b>172,601,383</b>
<b>Expenses:</b>								
Salaries and benefits	67,908,466	1,183,543	-	415,577	290,422	-	69,798,008	69,578,927
Supplies	17,162,025	15,039	-	264,357	(46)	-	17,441,375	18,234,380
Purchased services	7,867,386	151,972	37,626	200,627	1,229,237	-	9,486,848	9,158,984
Depreciation and amortization	11,814,806	15,999	-	156,958	-	-	11,987,763	11,635,532
Equipment rental and facility costs	7,451,221	29,191	-	195,736	24,343	-	7,700,491	6,562,668
Malpractice and other insurance	4,407,189	6,271	6,690	11,932	152,916	-	4,584,998	4,087,764
Interest expense	2,522,536	-	-	19,826	-	-	2,542,362	1,729,708
PSN Plan medical claims	-	-	-	-	8,628,341	-	8,628,341	-
Management fees	29,835,569	-	-	-	-	-	29,835,569	27,976,569
Other operating expenses	3,081,523	98,736	4	39,071	69,997	-	3,289,331	1,477,747
<b>Total expenses</b>	<b>152,050,721</b>	<b>1,500,751</b>	<b>44,320</b>	<b>1,304,084</b>	<b>10,395,210</b>	<b>-</b>	<b>165,295,086</b>	<b>150,442,279</b>
<b>Income (loss) from operations before non-operating activities</b>	<b>(2,143,523)</b>	<b>(446,884)</b>	<b>178,193</b>	<b>415,950</b>	<b>(388,048)</b>	<b>-</b>	<b>(2,384,312)</b>	<b>22,159,104</b>
<b>Non-operating activities:</b>								
Net unrealized gain (loss) on investments	19,122,429	-	3,695,065	-	-	-	22,817,494	(6,341,988)
Net payments on swap agreements	(386,263)	-	-	-	-	-	(386,263)	(963,994)
Gain (loss) on net change in fair value of swap agreements	(2,555,780)	-	-	-	-	-	(2,555,780)	4,770,316
Loss on TMMC support/guarantee	-	-	-	-	-	-	-	(2,140,832)
Guarantee of affiliate losses	(8,402,672)	-	-	-	-	-	(8,402,672)	(6,164,313)
<b>Revenues over expenses</b>	<b>5,634,191</b>	<b>(446,884)</b>	<b>3,873,258</b>	<b>415,950</b>	<b>(388,048)</b>	<b>-</b>	<b>9,088,467</b>	<b>11,318,293</b>
Revenues (over) under expenses attributable to noncontrolling interest in subsidiaries	(1,016)	-	-	-	-	-	(1,016)	(141,960)
<b>Revenues over expenses attributable to Nicklaus Children's Hospital and Subsidiaries</b>	<b>\$ 5,633,175</b>	<b>\$ (446,884)</b>	<b>\$ 3,873,258</b>	<b>\$ 415,950</b>	<b>\$ (388,048)</b>	<b>\$ -</b>	<b>\$ 9,087,451</b>	<b>\$ 11,176,333</b>



## Nicklaus Children's Hospital and Subsidiaries

NCHS Consolidating Balance Sheets  
As of March 31, 2019 and December 31, 2018

	Nicklaus Children's Health System	Nicklaus Children's Hospital and Subsidiaries	Pediatric Specialists of America	Nicklaus Children's Hospital Foundation	Children's Health Ventures Inc. and Subsidiaries	Eliminations	Consolidated March 31, 2019 (Unaudited)	Consolidated December 31, 2018 (Audited)
<b>Assets</b>								
Current Assets:								
Cash and cash equivalents	\$ 1,256,690	\$ 24,071,086	\$ 8,993	\$ 1,523,684	\$ -	\$ -	\$ 26,860,453	\$ 25,431,499
Patient accounts receivable, net	(3,717)	74,505,008	8,986,042	-	-	-	83,487,333	84,729,574
Other current receivables	143,401	6,168,925	133,519	35,548,207	5,277	(27,686,142)	14,313,187	4,801,171
Intercompany receivables	11,185,218	19,164,769	-	6,973,136	48,101	(37,371,224)	-	-
Inventories	-	8,544,237	-	-	184,433	-	8,728,670	8,973,841
Prepaid expenses	3,729,537	3,912,708	-	257,895	200,000	-	8,100,140	6,310,506
Current portion of assets limited as to use	-	14,821,436	-	-	-	-	14,821,436	14,821,436
<b>Total current assets</b>	<b>16,311,129</b>	<b>151,188,169</b>	<b>9,128,554</b>	<b>44,302,922</b>	<b>437,811</b>	<b>(65,057,366)</b>	<b>156,311,219</b>	<b>145,068,027</b>
Assets limited as to use:								
Self-insurance funding arrangement held by trustee	-	46,130,911	-	-	-	-	46,130,911	39,605,562
Bond indenture agreements held by trustee	-	38	-	-	-	-	38	38
Restricted investments	14,680	7,312,501	-	3,062,405	-	-	10,389,586	9,630,957
Pledges Receivable	-	-	-	11,271,327	-	-	11,271,327	10,802,234
<b>Total assets limited as to use, net of current portion</b>	<b>14,680</b>	<b>53,443,450</b>	<b>-</b>	<b>14,333,732</b>	<b>-</b>	<b>-</b>	<b>67,791,862</b>	<b>60,038,791</b>
Investments	-	404,592,355	-	36,695,705	-	-	441,288,060	426,889,301
Notes receivable	-	-	-	-	696,242	-	696,242	695,144
Investments in joint ventures	738,693,563	3,300,000	-	-	5,859,648	(738,693,563)	9,159,648	9,159,648
Beneficial interest in NCHF's net assets	-	94,565,307	-	-	-	(94,565,307)	-	-
Property, plant and equipment, net	31,308,114	565,034,655	485	-	-	-	596,343,254	592,301,291
Right of use assets, net	12,828,097	46,470,057	743,358	441,527	-	-	60,483,039	-
Other long-term assets	20,054	10,957,040	573,173	166,699	-	-	11,716,966	11,685,062
<b>Total Assets</b>	<b>\$ 799,175,637</b>	<b>\$ 1,329,551,033</b>	<b>\$ 10,445,570</b>	<b>\$ 95,940,585</b>	<b>\$ 6,993,701</b>	<b>\$ (898,316,236)</b>	<b>\$ 1,343,790,290</b>	<b>\$ 1,245,837,264</b>
<b>Liabilities and Net Assets</b>								
Current Liabilities:								
Accounts payable and accrued expenses	69,799,761	50,038,788	6,158,924	95,727	228,445	(22,712,941)	103,608,704	\$ 101,051,077
Intercompany payable	7,772,303	16,910,887	1,306,486	-	6,765,256	(32,754,932)	-	-
Current portion of lease liabilities	1,757,314	5,176,971	368,669	102,106	-	-	7,405,060	-
Estimated third-party settlements payable	-	5,243,296	-	-	-	-	5,243,296	9,882,633
Current portion of liability for self-insurance	(16,564,205)	33,721,775	2,094,530	216,865	-	-	19,468,965	19,385,508
Current portion of bonds payable	-	4,550,000	-	-	-	-	4,550,000	4,550,000
<b>Total current liabilities</b>	<b>62,765,173</b>	<b>115,641,717</b>	<b>9,928,609</b>	<b>414,698</b>	<b>6,993,701</b>	<b>(55,467,873)</b>	<b>140,276,025</b>	<b>134,869,218</b>
Liability for self-insurance, net of current portion	(7,657)	55,276,199	-	-	-	-	55,268,542	52,425,437
Fair value of swap agreements	-	26,779,646	-	-	-	-	26,779,646	24,223,866
Line of credit	-	19,489,770	-	-	-	-	19,489,770	-
Long-term portion of bonds payable	-	321,047,327	-	-	-	-	321,047,327	321,204,077
Long-term portion of lease liabilities	18,495,892	43,619,971	516,961	357,840	-	-	62,990,664	-
Other long-term liabilities	(15,827)	7,948,718	-	602,741	-	(7,807,336)	728,296	10,738,888
<b>Total liabilities</b>	<b>81,237,581</b>	<b>589,803,348</b>	<b>10,445,570</b>	<b>1,375,279</b>	<b>6,993,701</b>	<b>(63,275,209)</b>	<b>626,580,270</b>	<b>543,461,486</b>
Net Assets:								
Net assets without donor restrictions:								
Nicklaus Children's Health System and Subsidiaries	610,620,750	618,908,587	-	14,118,778	-	(633,202,385)	610,445,730	599,213,233
Noncontrolling interest in subsidiaries	2,577,340	2,126,644	-	-	-	(2,577,340)	2,126,644	2,577,340
Total net assets without donor restrictions	613,198,090	621,035,231	-	14,118,778	-	(635,779,725)	612,572,374	601,790,573
Total net assets with donor restrictions	104,739,966	118,712,454	-	80,446,528	-	(199,261,302)	104,637,646	100,585,205
<b>Total net assets</b>	<b>717,938,056</b>	<b>739,747,685</b>	<b>-</b>	<b>94,565,306</b>	<b>-</b>	<b>(835,041,027)</b>	<b>717,210,020</b>	<b>702,375,778</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 799,175,637</b>	<b>\$ 1,329,551,033</b>	<b>\$ 10,445,570</b>	<b>\$ 95,940,585</b>	<b>\$ 6,993,701</b>	<b>\$ (898,316,236)</b>	<b>\$ 1,343,790,290</b>	<b>\$ 1,245,837,264</b>



## Nicklaus Children's Hospital and Subsidiaries

### NCHS Consolidating Statements of Operations For the Periods Ending March 31, 2019 and 2018

	Nicklaus Children's Health System	Nicklaus Children's Hospital and Subsidiaries	Pediatric Specialists of America	Nicklaus Children's Hospital Foundation	Children's Health Ventures Inc. and Subsidiaries	Eliminations	Consolidated Period Ending March 31, 2019 (Unaudited)	Consolidated Period Ending March 31, 2018 (Unaudited)
<b>Revenues, gains and other support:</b>								
Net patient service revenue	\$ (2,014)	\$ 140,310,793	\$ 17,117,473	\$ -	\$ -	\$ -	\$ 157,426,252	\$ 177,255,312
Grant, contributions and other revenue	185,107	6,854,462	1,071,562	2,865,154	4,738	(2,146,460)	8,834,563	10,196,895
Investment income and realized gains, net	-	2,337,782	-	17,531	1,096	-	2,356,409	3,795,763
Support fee revenue	-	3,294,322	-	-	-	(3,294,322)	-	-
PSN Plan premium revenues	-	9,934,558	-	-	-	-	9,934,558	-
Net assets released from restrictions for operations	-	178,857	-	-	-	-	178,857	-
Management fees	30,155,372	-	-	-	-	(30,155,372)	-	-
<b>Total revenues, gains and other support</b>	<b>30,338,465</b>	<b>162,910,774</b>	<b>18,189,035</b>	<b>2,882,685</b>	<b>5,834</b>	<b>(35,596,154)</b>	<b>178,730,639</b>	<b>191,247,970</b>
<b>Expenses:</b>								
Salaries and benefits	12,752,687	69,798,008	18,807,558	917,707	12,463	-	102,288,423	102,205,314
Supplies	338,025	17,441,375	253,872	20,923	18,341	-	18,072,536	19,079,849
Purchased services	9,526,433	9,486,848	2,125,029	50,449	231,903	-	21,420,662	18,605,973
Depreciation and amortization	1,102,233	11,987,763	-	-	-	-	13,089,996	13,080,950
Equipment rental and facility costs	2,704,238	7,700,491	722,308	37,441	13,133	(625,000)	10,552,611	9,182,692
Malpractice and other insurance	-	4,584,998	909,703	8,443	-	-	5,503,144	5,119,947
Interest expense	-	2,542,362	-	-	-	-	2,542,362	1,729,708
PSN Plan medical claims	-	8,628,341	-	-	-	-	8,628,341	-
Management fees	-	29,835,569	258,104	42,525	19,174	(30,155,372)	-	-
Support fees	-	-	3,294,321	-	-	(3,294,321)	-	-
Other operating expenses	1,844,990	3,289,331	230,869	518,677	15,126	-	5,898,993	5,234,349
<b>Total expenses</b>	<b>28,268,606</b>	<b>165,295,086</b>	<b>26,601,764</b>	<b>1,596,165</b>	<b>310,140</b>	<b>(34,074,693)</b>	<b>187,997,068</b>	<b>174,238,782</b>
<b>Income (loss) from operations before non-operating activities</b>	<b>2,069,859</b>	<b>(2,384,312)</b>	<b>(8,412,729)</b>	<b>1,286,520</b>	<b>(304,306)</b>	<b>(1,521,461)</b>	<b>(9,266,429)</b>	<b>17,009,188</b>
<b>Non-operating activities:</b>								
Net unrealized gain (loss) on investments	-	22,817,494	-	447,281	-	-	23,264,775	(6,319,500)
Net payments on swap agreements	-	(386,263)	-	-	-	-	(386,263)	(963,994)
Gain (loss) on net change in fair value of swap agreements	-	(2,555,780)	-	-	-	-	(2,555,780)	4,770,316
Loss on TMMC support/guarantee	-	-	-	(1,477,491)	-	1,477,491	-	(2,140,832)
Grant expense	-	-	-	(6,072)	-	-	(6,072)	-
Grants to non-related entities	-	-	-	-	-	-	-	-
Guarantee of affiliate losses	-	(8,402,672)	-	-	-	8,412,729	10,057	-
<b>Revenues over expenses</b>	<b>2,069,859</b>	<b>9,088,467</b>	<b>(8,412,729)</b>	<b>250,238</b>	<b>(304,306)</b>	<b>8,368,759</b>	<b>11,060,288</b>	<b>12,355,178</b>
Revenues (over) under expenses attributable to noncontrolling interest in subsidiaries	-	(1,016)	-	-	-	-	(1,016)	(141,960)
<b>Revenues over expenses attributable to Nicklaus Children's Health System and Subsidiaries</b>	<b>\$ 2,069,859</b>	<b>\$ 9,087,451</b>	<b>\$ (8,412,729)</b>	<b>\$ 250,238</b>	<b>\$ (304,306)</b>	<b>\$ 8,368,759</b>	<b>\$ 11,059,272</b>	<b>\$ 12,213,218</b>