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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
Children's Hospital of the King's Daughters

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 601 Childrens Lane | Room/suite

City or town, state or country, and ZIP + 4
Norfolk, VA 23507

D Employer identification number
54-0506321

E Telephone number
(757) 668-7000

G Gross receipts $ 308,534,900

F Name and address of principal officer
JAMES D DAHLING
601 CHILDRENS LANE
NORFOLK, VA 23507

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW CHKD ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1961 | **M** State of legal domicile VA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
DEDICATED TO THE MISSION OF PROVIDING THE BEST POSSIBLE CARE AND SERVICES FOR ALL CHILDREN WHO COME TO US BECAUSE OF SICKNESS AND INJURY

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	22
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	18
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	2,905
6	Total number of volunteers (estimate if necessary)	**6**	675
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	222,642
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	159,098

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	14,159,859	13,175,111
	9 Program service revenue (Part VIII, line 2g)	268,215,826	271,877,197
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,133,958	3,039,213
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,004,613	6,966,430
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	285,514,256	295,057,951
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	81,277	320,826
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	125,182,591	131,713,317
	16a Professional fundraising fees (Part IX, column (A), line 11e)	1,383,768	1,471,981
	b Total fundraising expenses (Part IX, column (D), line 25) ▶1,471,981		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	115,583,311	122,682,322
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	242,230,947	256,188,446
	19 Revenue less expenses Subtract line 18 from line 12	43,283,309	38,869,505

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	289,927,502	314,255,277
	21 Total liabilities (Part X, line 26)	122,569,484	112,459,016
	22 Net assets or fund balances Subtract line 21 from line 20	167,358,018	201,796,261

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer — Date: 2012-05-14

DENNIS RYAN CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶ ☐	PTIN
SCOTT SHERMAN KPMG LLP	SCOTT SHERMAN KPMG LLP			

Firm's name ▶ KPMG LLP — Firm's EIN ▶

Firm's address ▶ 1676 International Drive, McLean, VA 22102 — Phone no ▶ (703) 286-8000

May the IRS discuss this return with the preparer shown above? (see instructions) ☑ Yes ☐ No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III . . . . . ☑

1 Briefly describe the organization's mission

DEDICATED TO THE MISSION OF PROVIDING THE BEST POSSIBLE CARE AND SERVICES FOR ALL CHILDREN WHO COME TO US BECAUSE OF SICKNESS AND INJURY OUR GOAL IS TO PROVIDE THE FINEST HEALTH CARE IN A COMPASSIONATE ENVIRONMENT

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 215,104,853 including grants of $ 320,826) (Revenue $ 274,539,348)

SEE SCHEDULE O

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)

(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 215,104,853

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b	Yes	
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17	Yes	
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18	Yes	
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**		No
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☐ **Yes** ☑ **No**			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V . . . . . ☐

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	149		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	2,905		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a	Yes	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b	Yes	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h	Yes	
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			14b		

Part VI **Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	22		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	18		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Does the organization have members or stockholders?		6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . .		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a		No
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes	
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b	Yes	

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶ VA

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you make these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

DENNIS RYAN
601 CHILDRENS LANE
NORFOLK, VA 23507
(757) 668-7000

Part VII Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII . . . . . ☑

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								2,353,822	1,652,846	1,443,493

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 130

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**3**		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	**4**	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	**5**		No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
CHILDRENS SPECIALTY GROUP PO Box 11049 NORFOLK, VA 23517	Medical/health care	7,281,585
SYR INC 795 MONTICELLO AVE NORFOLK, VA 23510	MANAGEMENT FEES	787,045
MEDASSETS NET REVENUE SYSTEMS LLC PO Box 405652 ATLANTA, GA 30384	REVENUE MGMT SVCS	230,865
HERMAN WEISBERG 1016 CATON DRIVE VIRGINIA BEACH, VA 23454	RENTAL	132,947
JSCB DIAMOND ASSOC 168 BUSINESS PARK DR VIRGINIA BEACH, VA 23462	RENTAL	121,380

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 6

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a					
	b Membership dues 1b					
	c Fundraising events 1c	172,274				
	d Related organizations . . . 1d					
	e Government grants (contributions) 1e	2,352,841				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	10,649,996				
	g Noncash contributions included in lines 1a-1f $	177,423				
	h **Total.** Add lines 1a-1f . . . . . ▶		13,175,111			
Program Service Revenue		Business Code				
	2a PATIENT SERVICES	900099	268,913,466	268,913,466		
	b OTHER RELATED SVCS	900099	2,746,389	2,741,089	5,300	
	c LAB SERVICES	621500	217,342		217,342	
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		271,877,197			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		1,962,521			1,962,521
	4 Income from investment of tax-exempt bond proceeds . . ▶		0			
	5 Royalties . . . . . ▶		0			
		(i) Real	(ii) Personal			
	6a Gross Rents	1,620,519				
	b Less rental expenses	2,476,840				
	c Rental income or (loss)	-856,321				
	d Net rental income or (loss) . . . . . ▶		-856,321			-856,321
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	5,593,996	104,400			
	b Less cost or other basis and sales expenses	4,208,927	412,777			
	c Gain or (loss)	1,385,069	-308,377			
	d Net gain or (loss) . . . . . ▶		1,076,692			1,076,692
Other Revenue	8a Gross income from fundraising events (not including $ 172,274 of contributions reported on line 1c) See Part IV, line 18 . . . a	52,096				
	b Less direct expenses . . . b	74,526				
	c Net income or (loss) from fundraising events . . ▶		-22,430			-22,430
	9a Gross income from gaming activities See Part IV, line 19 . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . . ▶		0			0
	10a Gross sales of inventory, less returns and allowances . a	11,264,267				
	b Less cost of goods sold . . b	6,303,879				
	c Net income or (loss) from sales of inventory . . ▶		4,960,388			4,960,388
	Miscellaneous Revenue	Business Code				
	11a GRADUATE MEDICAL EDUCATION	900099	2,884,793	2,884,793		
	b					
	c					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶		2,884,793			
	12 **Total revenue.** See Instructions . . . ▶		295,057,951	274,539,348	222,642	7,120,850

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U S See Part IV, line 21	320,826	320,826		
2 Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	1,554,607	1,310,534	244,073	0
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	109,920,408	92,662,904	17,257,504	0
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	521,423	439,560	81,863	0
9 Other employee benefits	11,645,846	9,817,448	1,828,398	0
10 Payroll taxes	8,071,033	6,803,881	1,267,152	0
a Fees for services (non-employees) Management	0			
b Legal	0			
c Accounting	0			
d Lobbying	0			
e Professional fundraising services *See Part IV, line 17*	1,471,981			1,471,981
f Investment management fees	0			
g Other	16,962,434	14,299,332	2,663,102	0
12 Advertising and promotion	93,882	79,143	14,739	0
13 Office expenses	1,056,256	890,424	165,832	0
14 Information technology	0			
15 Royalties	0			
16 Occupancy	3,688,480	3,109,389	579,091	0
17 Travel	218,344	184,064	34,280	0
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	818,976	690,397	128,579	0
20 Interest	3,602,385	3,036,811	565,574	0
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	13,590,992	11,457,206	2,133,786	0
23 Insurance	990,077	834,635	155,442	0
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a SUPPLIES	35,458,220	29,891,279	5,566,941	0
b PURCHASED SERVICES	12,863,023	10,843,528	2,019,495	0
c EQUIP RENTAL AND MAINT	12,418,324	10,468,647	1,949,677	0
d CORPORATE SUPPORT	9,636,962	8,123,959	1,513,003	0
e PROVISION FOR BAD DEBTS	6,681,014	5,632,095	1,048,919	0
f All other expenses	4,602,953	4,208,791	394,162	0
25 **Total functional expenses.** Add lines 1 through 24f	256,188,446	215,104,853	39,611,612	1,471,981
26 **Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		15,680,282	2	17,021,256
	3	Pledges and grants receivable, net		4,543,691	3	3,407,638
	4	Accounts receivable, net		42,503,899	4	34,187,063
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		4,417,141	8	4,650,850
	9	Prepaid expenses and deferred charges		1,337,154	9	2,079,248
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 300,613,039			
	b	Less accumulated depreciation	10b 141,405,628	161,313,658	10c	159,207,411
	11	Investments—publicly traded securities		57,052,621	11	89,427,542
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		3,079,056	15	4,274,269
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		289,927,502	16	314,255,277
Liabilities	17	Accounts payable and accrued expenses		27,393,692	17	21,780,688
	18	Grants payable			18	
	19	Deferred revenue		123,330	19	145,656
	20	Tax-exempt bond liabilities		78,000,000	20	78,000,000
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		17,052,462	25	12,532,672
	26	**Total liabilities.** Add lines 17 through 25		122,569,484	26	112,459,016
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		140,415,679	27	172,808,102
	28	Temporarily restricted net assets		6,924,375	28	8,865,736
	29	Permanently restricted net assets		20,017,964	29	20,122,423
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		167,358,018	33	201,796,261
	34	Total liabilities and net assets/fund balances		289,927,502	34	314,255,277

Part XI Reconcilliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI . . . . . ☑

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	295,057,951
2	Total expenses (must equal Part IX, column (A), line 25)	2	256,188,446
3	Revenue less expenses Subtract line 2 from line 1	3	38,869,505
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	167,358,018
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-4,431,262
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	201,796,261

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII . . . . . ☐

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	Yes	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b	Yes	

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3 ☑ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

_____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10 ☐ An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

	Yes	No
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
Total									

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (See instructions) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶☐

Part III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	**15**	
16	Public support percentage from 2009 Schedule A, Part III, line 15	**16**	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	**17**	
18	Investment income percentage from **2009** Schedule A, Part III, line 17	**18**	

19a **33 1/3% support tests—2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

			Held at the End of the Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	18,864,330	16,948,282	23,542,928		
b Contributions	73,133	658,921	1,206,847		
c Investment earnings or losses	2,654,077	1,308,308	-4,687,689		
d Grants or scholarships					
e Other expenditures for facilities and programs	582,471	51,181	3,113,804		
f Administrative expenses					
g End of year balance	21,009,069	18,864,330	16,948,282		

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶ 100 000 %
- c Term endowment ▶

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

		Yes	No
(i) unrelated organizations	3a(i)		No
(ii) related organizations	3a(ii)		No
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		7,839,430		7,839,430
b Buildings		159,235,325	60,879,514	98,355,811
c Leasehold improvements	0	0	0	0
d Equipment	0	126,038,622	80,352,144	45,686,478
e Other	0	7,499,662	173,970	7,325,692
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				159,207,411

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
DERIVATIVE INSTRUMENTS 2006 BO	9,662,039
ANNUITY PAYABLE	1,672,312
ACCRUED TAIL COVERAGE	30,652
LONG TERM CAPITAL LEASE-SIEMEN	580,114
INTERCO PAYABLE	587,555
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	12,532,672

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
FIN 48 FOOTNOTE FROM CONSOLIDATED AUDIT REPORT		CHILDREN'S HEALTH SYSTEM (CHS) RECOGNIZES ANY BENEFITS FROM AN UNCERTAIN TAX POSITION ONLY IF IT IS MORE LIKELY THAN NOT THAT THE TAX POSITION WILL BE SUSTAINED UPON EXAMINATION BY THE TAXING AUTHORITIES, BASED ON THE TECHNICAL MERITS OF THE POSITION IF APPLICABLE, THE TAX BENEFITS RECOGNIZED IN THE CONSOLIDATED FINANCIAL STATEMENTS FROM SUCH A POSITION WOULD BE MEASURED BASED ON THE LARGEST BENEFIT THAT HAS A GREATER THAN 50% LIKELIHOOD OF BEING REALIZED UPON ULTIMATE RESOLUTION CHS DOES NOT BELIEVE ITS CONSOLIDATED FINANCIAL STATEMENTS INCLUDE ANY UNCERTAIN TAX PROVISIONS
SCHEDULE D, PART V		ENDOWMENT FUNDS ARE USED ACCORDING TO SPECIFIC WRITTEN REQUESTS OF THE DONOR ENDOWMENT AGREEMENT IF NO DIRECT REQUESTS ARE MADE, FUNDS ARE USED IN ACCORDANCE WITH THE OVERALL MISSION OF THE ORGANIZATION

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SCHEDULE F (Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 14b, 15, or 16.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

1 **For grantmakers.** Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☐ Yes ☐ No

2 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States

3 Activites per Region (Use Part V if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees or agents in region or independent contractors	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for region/investments in region
Central America and the Caribbean			Investments		4,092,312
3a Sub-total					4,092,312
b Total from continuation sheets to Part I					
c **Totals** (add lines 3a and 3b)					4,092,312

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than $5,000. Check this box if no one recipient received more than $5,000 . . . . . ▶ ☐
Use Part V if additional space is needed.

1 (a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter . . . . . ▶ _____

3 Enter total number of other organizations or entities . . . . . ▶

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16. Use Part V if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)

Part IV Foreign Forms

1	Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*	☐ Yes	☑ No
2	Did the organization have an interest in a foreign trust during the tax year? *If " Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*	☐ Yes	☑ No
3	Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*	☑ Yes	☐ No
4	Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*	☑ Yes	☐ No
5	Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*	☐ Yes	☑ No
6	Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*	☐ Yes	☑ No

Additional Data

Software ID:
Software Version:
EIN: 54-0506321
Name: Children's Hospital of the King's Daughters

Part V **Supplemental Information**

Complete this part to provide the information (see instructions) required in Part I, line 2, and any additional information.

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SCHEDULE G (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than $15,000 on Form 990-EZ, line 6a.
Attach to Form 990 or Form 990-EZ. See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1 Indicate whether the organization raised funds through any of the following activities Check all that apply

- **a** ☑ Mail solicitations
- **b** ☑ Internet and e-mail solicitations
- **c** ☑ Phone solicitations
- **d** ☑ In-person solicitations
- **e** ☑ Solicitation of non-government grants
- **f** ☑ Solicitation of government grants
- **g** ☑ Special fundraising events

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☑ **Yes** ☐ **No**

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least $5,000 by the organization Form 990-EZ filers are not required to complete this table

(i) Name and address of individual or entity (fundraiser)	**(ii)** Activity	**(iii)** Did fundraiser have custody or control of contributions?		**(iv)** Gross receipts from activity	**(v)** Amount paid to (or retained by) fundraiser listed in col **(i)**	**(vi)** Amount paid to (or retained by) organization
		Yes	**No**			
SYR INC	THRIFT STOR	Yes		2,868,021	118,466	2,079,522
CHILDREN'S MIRACLE NETWORK	TELETHON		No	863,059	184,368	678,691
Total . . . . . ▶				3,731,080	302,834	2,758,213

3 List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing

NC, VA

Part II **Fundraising Events.** Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than $15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than $5,000.

		(a) Event #1 DAVID WRIGHT (event type)	(b) Event #2 MINI GRAND PRIX (event type)	(c) Other Events 0 (total number)	(d) Total Events (Add col (a) through col (c))
Revenue	1 Gross receipts	172,370	52,000		224,370
	2 Less Charitable contributions	120,274	52,000		172,274
	3 Gross income (line 1 minus line 2)	52,096			52,096
Direct Expenses	4 Cash prizes				
	5 Non-cash prizes	20,914			20,914
	6 Rent/facility costs	750			750
	7 Food and beverages	25,282			25,282
	8 Entertainment	7,750			7,750
	9 Other direct expenses	6,442	13,388		19,830
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				74,526
	11 Net income summary Combine lines 3 and 10 in column (d) ▶				-22,430

Part III **Gaming.** Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than $15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (Add col (a) through col (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Non-cash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	
	7 Direct expense summary Add lines 2 through 5 in column (d) ▶				
	8 Net gaming income summary Combine lines 1 and 7 in column (d) ▶				

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," Explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," Explain _____

11 Does the organization operate gaming activities with nonmembers? . . . . . ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? . . . . . ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a	The organization's facility	**13a**	
b	An outside facility	**13b**	

14 Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶ ----------

Address ▶ ----------

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? . . . . . ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ $ _____ and the amount of gaming revenue retained by the third party ▶ $ _____

c If "Yes," enter name and address

Name ▶ ----------

Address ▶ ----------

16 Gaming manager information

Name ▶ ----------

Gaming manager compensation ▶ $ ----------

Description of services provided ▶ ----------

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? . . . . . ☐ Yes ☐ No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ $

Part IV Complete this part to provide additional information for responses to question on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION	SCHEDULE G, PART I, LINE 2B	THE ORGANIZATION PAID SYR, INC PROFESSIONAL CONTRACT FEES OF $670,033 IN FISCAL YEAR 2011 THIS WAS IN AGREEMENTS WITH TERMS SET FORTH IN THE MANAGEMENT AGREEMENT HELD WITH THE ENTITY THAT EXPIRES IN 2013

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year			
	☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care	3a	Yes	
	☐ 100% ☐ 150% ☐ 200% ☑ Other **175. %**			
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other **%**			
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			1,419,512	0	1,419,512	0 570 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			118,521,256	107,000,762	11,520,494	4 620 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			119,940,768	107,000,762	12,940,006	5 190 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			13,897,611	273,100	13,624,511	5 460 %
f Health professions education (from Worksheet 5)			11,431,228	5,076,990	6,354,238	2 550 %
g Subsidized health services (from Worksheet 6)			43,577,763	12,947,933	30,629,830	12 280 %
h Research (from Worksheet 7)			542,221	248,920	293,301	0 120 %
i Cash and in-kind contributions to community groups (from Worksheet 8)						
j **Total** Other Benefits			69,448,823	18,546,943	50,901,880	20 410 %
k **Total.** Add lines 7d and 7j			189,389,591	125,547,705	63,841,886	25 600 %

Part II **Community Building Activities** during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**						

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1			No
2	Enter the amount of the organization's bad debt expense (at cost)	2	2,526,754		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	1,141,245		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	854,245		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	2,258,708		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-1,404,463		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a		Yes	
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b		Yes	

Part IV **Management Companies and Joint Ventures**

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 3

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	CHILDREN'S HOSPITAL OF THE KING'S DAUGHT 601 CHILDRENS LANE NORFOLK,VA 23507	X	X	X	X		X	X		MEDICAID DSH
2	CHKD HEALTH AND SURGERY CENTER 11783 ROCK LANDING DRIVE NEWPORT NEWS,VA 23608									OUTPATIENT SURGICAL HOSPITAL
3	CHKD HEALTH AND SURGERY CENTER 2021 CONCERT DRIVE VIRGINIA BEACH,VA 23456									Outpatient Surgical HOSPITAL

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Name of Hospital Facility: CHILDREN'S HOSPITAL OF THE KING'S DAUGHT

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Name of Hospital Facility: CHKD HEALTH AND SURGERY CENTER

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Name of Hospital Facility: CHKD HEALTH AND SURGERY CENTER

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 3

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? **7**

	Name and address	Type of Facility (Describe)
1	CHKD HEALTH CENTER AT OAKBROOKE 500 DISCOVERY DRIVE CHESAPEAKE,VA 23320	OUTPATIENT SERVICES
2	CHKD HEALTH CENTER AT OAKBROOKE 500 DISCOVERY DRIVE CHESAPEAKE,VA 23320	OUTPATIENT SERVICES
3	CHKD HEALTH CENTER AT OAKBROOKE 500 DISCOVERY DRIVE CHESAPEAKE,VA 23320	OUTPATIENT SERVICES
4	CHKD HEALTH CENTER AT OAKBROOKE 500 DISCOVERY DRIVE CHESAPEAKE,VA 23320	OUTPATIENT SERVICES
5	CHKD HEALTH CENTER AT OAKBROOKE 500 DISCOVERY DRIVE CHESAPEAKE,VA 23320	OUTPATIENT SERVICES
6	CHKD HEALTH CENTER AT OAKBROOKE 500 DISCOVERY DRIVE CHESAPEAKE,VA 23320	OUTPATIENT SERVICES
7	CHKD HEALTH CENTER AT OAKBROOKE 500 DISCOVERY DRIVE CHESAPEAKE,VA 23320	OUTPATIENT SERVICES
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
PART 1, LINE 3C		N/A

Identifier	ReturnReference	Explanation
PART 1, LINE 6A		N/A

Identifier	ReturnReference	Explanation
PART 1, LINE 7G		THE AMOUNT REPORTED ON PART I LINE 7 G INCLUDES $16,539,497 OF COSTS ATTRIBUTABLE TO PHYSICIAN CLINICS

Identifier	ReturnReference	Explanation
PART 1, LINE 7, COLUMN (F)		THE AMOUNT OF BAD DEBT INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A) THAT WAS SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENT OF TOTAL EXPENSE IN PART I, LINE 7, COLUMN (F) IS $6,681,014

Identifier	ReturnReference	Explanation
PART 1, LINE 7		A HYBRID APPROACH WAS USED FOR DETERMINING COSTS RELATED TO COMMUNITY BENEFIT ACTUAL COSTS FROM ALL PATIENT SEGMENTS ARE IDENTIFIED BY DEPARTMENT IN THE GENERAL LEDGER AND THEN WERE GROUPED INTO LIKE COMMUNITY BENEFIT PROGRAMS INDIRECT COSTS WERE ADJUSTED FOR COSTS ATTRIBUTABLE TO UNREIMBURSED MEDICAID COSTS REPORTED ELSEWHERE, MARKETING AND GRANT WRITING EXPENSES THE MEDICAID COSTS ADJUSTMENT WAS CALCULATED USING A COST TO CHARGE RATIO OF APPLICABLE EXPENSES DIVIDED BY TOTAL APPLICABLE CHARGES APPLIED TO MEDICAID REVENUE THE REMAINING INDIRECT COSTS WERE ALLOCATED PROPORTIONATELY TO THE DIRECT COSTS REPORTED BY DEPARTMENT IN ADDITION, EXPENSES WERE CALCULATED AT COST AND THEN COSTS RELATED TO CHARITY CARE, BAD DEBT AND MEDICAID WERE REMOVED BEFORE ARRIVING AT THE AMOUNTS FOR COMMUNITY BENEFIT AT COST

Identifier	ReturnReference	Explanation
PART III, LINE 4		BAD DEBT REPORTED IN PART III, SECTION A IS CALCULATED BASED ON THE HOSPITAL'S OVERALL COST TO CHARGE RATIO THE RATIO WAS CALCULATED BY DIVIDING APPLICABLE CHARGES RECORDED FOR ALL PATIENTS INTO APPLICABLE EXPENSES REQUIRED TO PROVIDE THAT CARE CHKD DOES NOT MAINTAIN RECORDS THAT TRACK PATIENTS WHO COULD HAVE QUALIFIED FOR CHARITY CARE THE AMOUNT REPORTED IN PART III LINE 3 WAS CALCULATED USING A COST TO CHARGE RATIO THIS AMOUNT IS AN ESTIMATE OF PATIENTS WHO LIKELY WOULD HAVE QUALIFIED FOR FINANCIAL ASSISTANCE UNDER THE CHARITY CARE POLICY IF SUFFICIENT INFORMATION HAD BEEN AVAILABLE TO DETERMINE THEIR ELIGIBILITY THE AUDITED FINANCIAL STATEMENTS AND RELATED FOOTNOTES FOR CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS DO NOT CONTAIN FOOTNOTES RELATED TO BAD DEBT EXPENSE THE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES IS MANAGEMENT'S BEST ESTIMATE OF THE AMOUNT OF PROBABLE CREDIT LOSSES IN THE HOSPITAL'S EXISTING RECEIVABLES THE HOSPITAL DETERMINES THE ALLOWANCE BASED ON HISTORICAL WRITE-OFF EXPERIENCE ACCOUNT BALANCES ARE CHARGED OFF AGAINST THE ALLOWANCE, NET OF PAYMENTS AND DISCOUNTS, AFTER ALL MEANS OF COLLECTION HAVE BEEN EXHAUSTED AND THE POTENTIAL FOR THE RECOVERY IS CONSIDERED REMOTE

Identifier	ReturnReference	Explanation
PART III, LINE 8		AS A CHILDREN'S HOSPITAL, THE HOSPITAL HAS A SMALL POPULATION OF MEDICARE PATIENTS AND IS PAID LESS THAN COST DUE TO THE REIMBURSEMENT METHODOLOGY USED BY MEDICARE THE SHORTFALL WAS CALCULATED USING THE HOSPITAL'S OVERALL COST TO CHARGE RATIO APPLIED TO MEDICARE GROSS CHARGES THIS SHORTFALL IS NOT SEPARATELY INCLUDED AS A COMMUNITY BENEFIT AS 100% OF IT HAS ALREADY BEEN CAPTURED IN THE APPROPRIATE CATEGORY ON PART I, LINE 7

Identifier	ReturnReference	Explanation
PART III, LINE 9B		ACCOUNTS WITH AN UNPAID BALANCE OR WITHOUT AN ESTABLISHED PAYMENT PLAN ARE REFERRED TO A COLLECTION AGENCY OR ATTORNEY FOR CONTINUED COLLECTION EFFORTS CHKD MAKES REASONABLE EFFORTS TO DETERMINE ELIGIBILITY FOR FINANCIAL ASSISTANCE/CHARITY CARE BEFORE REFERRING TO A COLLECTION AGENCY OR AN ATTORNEY REASONABLE EFFORT INCLUDES AND IS NOT LIMITED TO NOTIFICATION ABOUT THE FINANCIAL ASSISTANCE - CHARITY CARE/COLLECTION POLICY POSTED IN ADMISSIONS, EMERGENCY DEPARTMENT OR OTHER DESIGNATED AREAS THE INFORMATION REGARDING THE POLICY IS INCLUDED IN THE ADMISSION PACKAGE AND ON THE PATIENT BILL THE HEALTH BENEFITS ANALYST AND CUSTOMER SERVICE REPRESENTATIVE WHO MAY SPEAK WITH THE GUARANTOR BY PHONE PROVIDE THEM WITH FINANCIAL ASSISTANCE INCLUDING CHARITY CARE INFORMATION THE FINANCIAL ASSISTANCE-CHARITY CARE/COLLECTION POLICY IS AVAILABLE UPON REQUEST AND VIA WWW CHKD ORG CHKD ENSURES ALL COLLECTION PROTOCOLS ARE MET PRIOR TO REFERRAL TO COLLECTIONS AGENCY OR ATTORNEY APPROVED CHARITY CARE AMOUNT WILL NOT BE SUBJECT TO COLLECTION ACTIVITIES THE REMAINING BALANCE WILL BE SUBJECT TO CHKD'S STANDARD COLLECTION PROTOCOLS

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT		CHKD USES A VARIETY OF METHODS TO ASSESS THE HEALTH CARE NEEDS OF THE COMMUNITY IT SERVES NEEDS ARE IDENTIFIED THROUGH PARTNERSHIPS AND COLLABORATIONS WITH OTHER MEDICAL, NON-PROFIT AND PUBLIC HEALTH AGENCIES AND ORGANIZATIONS AND THROUGH REGIONAL, STATE AND NATIONAL DATA AS THE ONLY HEALTHCARE PROVIDER IN VIRGINIA DEVOTED EXCLUSIVELY TO THE NEEDS OF CHILDREN, CHKD ASSUMES THE RESPONSIBILITY OF LEADING THE REGION IN THE PROVISION OF PEDIATRIC CARE AND THE PROMOTION OF CHILDREN'S HEALTH AND IS TRUSTED THROUGHOUT ITS COMMUNITY AS A RESOURCE READY AND WILLING TO ADDRESS ESTABLISHED AND EMERGENT PEDIATRIC NEEDS WHEREVER AND HOWEVER THEY ARE IDENTIFIED

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE		CHKD'S CHARITY CARE ELIGIBILITY CRITERIA AND PROCEDURES FOR APPLYING ARE PROVIDED TO ALL PATIENTS PATIENTS WHO ARE ADMITTED ARE PROVIDED THE INFORMATION BY THE USE OF THE ADMISSION PACKET, PATIENTS WHO RECEIVE OUTPATIENT SERVICES ARE PROVIDED THE INFORMATION DURING THE REGISTRATION PROCESS AN APPLICATION FOR CHARITY CARE, ALONG WITH A LETTER EXPLAINING THE PROCESS, SHALL BE SENT TO ANY PATIENT OR GUARANTOR WHO REQUESTS INFORMATION ON ANY PROGRAMS OR PROVISIONS THE HOSPITAL MAY HAVE TO HELP ASSIST PATIENTS OR GUARANTORS IN PAYING THEIR HOSPITAL BILL THE CHARITY CARE POLICY AND APPLICATION IS AVAILABLE ON THE INTERNET AT WWW CHKD ORG AND AT EACH REGISTRATION WORKSTATION ALL BILLING STATEMENTS MAILED TO GUARANTORS INCLUDE A NOTICE OF THE AVAILABILITY OF CHARITY AND HOW TO OBTAIN THE INFORMATION/APPLICATION ASSISTANCE WITH THE APPLICATION PROCESS IS AVAILABLE THROUGH THE HEALTH BENEFITS ANALYST (HBA) THE HBA SENDS OUT APPLICATIONS VIA MAIL AND REFERS FAMILIES TO THE HOSPITAL'S WEBSITE THE UNIT SOCIAL WORKER IS AVAILABLE TO PROVIDE INFORMATION OR REFERRAL TO THE HBA DURING AN INPATIENT STAY

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION		CHKD IS THE REGIONAL PEDIATRIC REFERRAL CENTER FOR SOUTHEASTERN VIRGINIA, THE EASTERN SHORE OF VIRGINIA AND NORTHEASTERN NORTH CAROLINA--A SERVICE AREA OF NEARLY 2 MILLION PEOPLE, APPROXIMATELY 460,000 OF WHOM ARE UNDER THE AGE OF 19 THIS SERVICE AREA COMPRISES A DIVERSE MIX OF URBAN, SUBURBAN AND RURAL COMMUNITIES, AS WELL AS 10 MILITARY INSTALLATIONS CHKD IS WELL-VERSED IN THE SPECIAL NEEDS OF MILITARY FAMILIES AND HAS ONE OF THE HIGHEST TRICARE PAYOR PERCENTAGES AMONG THE CHILDREN'S HOSPITALS IN THE NATION THE SOUTHEASTERN VIRGINIA REGION IS MADE UP OF EIGHT CITIES COLLECTIVELY KNOWN AS HAMPTON ROADS NORFOLK, VIRGINIA BEACH, CHESAPEAKE, HAMPTON, NEWPORT NEWS, PORTSMOUTH, SUFFOLK AND WILLIAMSBURG HAMPTON ROADS IS THE 39TH-MOST POPULOUS REGION IN THE COUNTRY, ACCORDING TO THE 2010 CENSUS MORE THAN 35 PERCENT OF THE REGION'S HOUSEHOLDS HAVE CHILDREN AND APPROXIMATELY 30 PERCENT OF THE POPULATION IS UNDER THE AGE OF 19 ACCORDING TO THE OLD DOMINION UNIVERSITY STATE OF THE REGION 2010, THE RECESSION PUSHED UP POVERTY RATES IN HAMPTON ROADS TO APPROXIMATELY 11 PERCENT VERSUS 10 2 PERCENT IN VIRGINIA AND A 13 2 PERCENT NATIONALLY BASED ON FEDERAL GUIDELINES, 15 8 PERCENT OF CHILDREN IN CHKD'S SERVICE AREA LIVE BELOW THE POVERTY LEVEL THE UNEMPLOYMENT RATE WAS APPROXIMATELY 6 83 PERCENT IN HAMPTON ROADS THE REGION'S AVERAGE WAGE RATE IS 8 PERCENT BELOW THE NATIONAL AVERAGE SINCE THE START OF THE ECONOMIC DOWNTURN IN 2008, HAMPTON ROADS HAS LOST 47,200 JOBS

Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES		NONE

Identifier	ReturnReference	Explanation
OTHER INFORMATION		CHKD PLAYS A UNIQUE ROLE IN ITS COMMUNITY BY PROVIDING PEDIATRIC HEALTHCARE SERVICES THAT NO ONE ELSE OFFERS AND, AT THE SAME TIME, SERVING AS THE SAFETY NET PROVIDER TO THE REGION'S INDIGENT CHILDREN IN 2011, 57 PERCENT OF CHKD'S INPATIENT DAYS WERE COVERED BY MEDICAID THE VIRGINIA HOSPITAL WITH THE SECOND-LARGEST MEDICAID PATIENT LOAD WEIGHS IN UNDER 30 PERCENT CHKD IS PART OF CHILDREN'S HEALTH SYSTEM, A 501 (C)(3) ORGANIZATION GOVERNED BY A BOARD OF DIRECTORS COMPRISED OF COMMUNITY MEMBERS A MAJORITY OF THE ORGANIZATION'S GOVERNING BODY ARE NOT EMPLOYEES OR CONTRACTORS OF THE ORGANIZATION, NOR FAMILY MEMBERS THEREOF CHKD EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY FOR SOME OR ALL OF ITS DEPARTMENTS SURPLUS FUNDS ARE USED TO MEET THE NEEDS OF THE ORGANIZATION AS DETERMINED BY CHKD SENIOR MANAGEMENT AND THE CHS BOARD OF DIRECTORS HISTORICALLY, SURPLUS FUNDS HAVE BEEN USED FOR A VARIETY OF PURPOSES INCLUDING PATIENT CARE PROGRAMS, CAPITAL IMPROVEMENT NEEDS, RESERVES, ETC

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM		THE CHILDREN'S HEALTH SYSTEM IS COMPRISED OF SEVERAL ORGANIZATIONS CHKD PROVIDES INPATIENT AND AMBULATORY CARE SERVICES ACROSS MANY PEDIATRIC SPECIALTIES, INCLUDING A HIGH PERCENTAGE OF NEONATAL AND PEDIATRIC INTENSIVE CARE SERVICES OTHER ENTITIES UNDER THE CHILDREN'S HEALTH SYSTEM UMBRELLA INCLUDE CHILDREN'S HEALTH FOUNDATION, WHICH RAISES FUNDS, MANAGES INVESTMENTS AND FUNDS EDUCATION, RESEARCH AND OTHER PROGRAMS FOR CHILDREN'S HEALTH SYSTEM CHILDREN'S MEDICAL GROUP, INC , A VIRGINIA STOCK CORPORATION, WHICH OWNS AND OPERATES PEDIATRIC PHYSICIAN PRACTICES CMG OF NORTH CAROLINA, INC , A NORTH CAROLINA STOCK CORPORATION, WHICH OWNS AND OPERATES A PEDIATRIC PHYSICIAN PRACTICE IN NORTHEASTERN NORTH CAROLINA CHILDREN'S SURGICAL SPECIALTY GROUP, INC , A VIRGINIA STOCK CORPORATION, WHICH OWNS AND OPERATES PEDIATRIC SURGICAL SUBSPECIALTY PRACTICES, INCLUDING PEDIATRIC GENERAL SURGERY, PEDIATRIC UROLOGY, PEDIATRIC CARDIAC SURGERY, PEDIATRIC ORTHOPEDIC SURGERY AND SPORTS AND ADOLESCENT MEDICINE, PEDIATRIC NEUROSURGERY AND PEDIATRIC PLASTIC SURGERY CHSIL, A CAPTIVE INSURANCE COMPANY INCORPORATED IN BERMUDA, WHICH PROVIDES COMMERCIAL GENERAL LIABILITY COVERAGE FOR CHS AND ITS SUBSIDIARIES AND MEDICAL PROFESSIONAL LIABILITY COVERAGE FOR NON-PHYSICIAN PRACTITIONERS EMPLOYED BY CHS AND ITS SUBSIDIARIES

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	990 SCHEDULE H, PART VI	VA,

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

Grants and Other Assistance to Organizations, Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Part II can be duplicated if additional space is needed. . . . . ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) EASTERN VIRGINIA MEDICAL SCHOOLPO BOX 1980 NORFOLK,VA 23501	54-6055378	501(c)(3)	241,826				NOSOCOMIAL INFECTION RESEARCH
(2) EASTERN VIRGINIA MEDICAL SCHOOLPO Box 1980 NORFOLK,VA 23501	54-6068198	501(c)(3)	79,000				MRSA INFECTIONS

2 Enter total number of section 501(c)(3) and government organizations . . . . . ▶ 1

3 Enter total number of other organizations . . . . . ▶

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Use Schedule I-1 (Form 990) if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
PROCESS FOR AWARDS		AWARDS ARE MADE TO INVESTIGATORS/PHYSICIANS BY CHKD (CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS) FOR SPECIFIC PROJECT OR RESEARCH ENDEAVORS FUNDING REQUESTS ARE COMPLETED AND SUBMITTED WHERE THEY ARE REVIEWED BY THE FINANCE DEPARTMENT, THE CEO AND THE APPLICABLE BOARD AFTER AN AWARD IS MADE, THE AWARDEE MUST FILE QUARTERLY FINANCIAL SUMMARIES AND A FINAL REPORT TO BE SUBMITTED TO THE CEO AT THE END OF THE FUNDING PERIOD

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☑ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply			
	☑ Compensation committee	☐ Written employment contract		
	☑ Independent compensation consultant	☑ Compensation survey or study		
	☐ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) HUGH T MCPHEE MD	(i)	0	0	0	0	0	0	0
	(ii)	245,673	0	1,097	0	22,762	269,532	0
(2) JAMES D DAHLING	(i)	0	0	0	0	0	0	0
	(ii)	575,087	243,450	81,070	443,731	49,323	1,392,661	47,105
(3) SUZANNE STARLING	(i)	186,346	0	900	0	22,127	209,373	0
	(ii)	0	0	0	0	0	0	0
(4) JOHN HAMILTON	(i)	160,948	49,500	8,223	14,005	18,156	250,832	0
	(ii)	0	0	0	0	0	0	0
(5) JAMES DICE	(i)	130,159	11,675	28,378	0	15,924	186,136	0
	(ii)	0	0	0	0	0	0	0
(6) THOMAS BLACKBURN	(i)	156,672	0	8,209	0	22,165	187,046	0
	(ii)	0	0	0	0	0	0	0
(7) MICHAEL FACKELMANN	(i)	162,441	0	6,479	0	9,334	178,254	0
	(ii)	0	0	0	0	0	0	0
(8) ARNO ZARITSKY	(i)	350,486	105,000	17,208	91,281	33,132	597,107	0
	(ii)	0	0	0	0	0	0	0
(9) DAVID BOWERS	(i)	215,826	59,400	23,082	175,657	38,488	512,453	5,898
	(ii)	0	0	0	0	0	0	0
(10) JO-ANN BURKE	(i)	221,486	61,800	32,716	61,906	25,819	403,727	20,600
	(ii)	0	0	0	0	0	0	0
(11) JOANN ROGERS	(i)	254,894	73,590	28,404	162,193	33,150	552,231	13,117
	(ii)	0	0	0	0	0	0	0
(12) DENNIS RYAN	(i)	0	0	0	0	0	0	0
	(ii)	330,235	96,099	38,524	141,975	54,654	661,487	27,176
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8 Also complete this part for any additional information

Identifier	Return Reference	Explanation
SCHEDULE J, LINE 1		IN CONNECTION WITH A RETIREMENT PROGRAM, TAX GROSS-UP PAYMENTS ARE PROVIDED TO CERTAIN PARTICIPANTS WHOSE CONTRIBUTIONS ARE IMMEDIATELY TAXABLE, IN ORDER TO PROVIDE THEM WITH BENEFITS THAT ARE TAX-EQUIVALENT TO BENEFITS OF PARTICIPANTS WHOSE CONTRIBUTIONS ARE NOT IMMEDIATELY TAXABLE
SCHEDULE J, LINE 4B		CHILDREN'S HEALTH SYSTEM SPONSORS A SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("THE PLAN") THE PLAN IS DESIGNED TO RETAIN EXECUTIVES IN POSITIONS ESSENTIAL TO THE SUCCESS OF CHILDREN'S HEALTH SYSTEM JAMES DAHLING, DENNIS RYAN, ARNO ZARITSKY, JOANN ROGERS, DAVID BOWERS, AND JO-ANN BURKE PARTICIPATE IN THE PLAN DURING THE YEAR, THERE WERE NO PAYMENTS FROM THE PLAN
SCHEDULE J, LINE 7		OFFICERS AND VICE PRESIDENTS MAY RECEIVE ADDITIONAL COMPENSATION BASED ON CRITERIA SET UP BY THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS DEPARTMENT DIRECTORS MAY RECEIVE ADDITIONAL COMPENSATION BASED ON CRITERIA SET BY MANAGEMENT AND APPROVED BY THE BOARD OF DIRECTORS

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).**
▶ **Attach to Form 990.** ▶ **See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	VA SMALL BUSINESS FINANCING AUTHORITY	54-1300845	928104KD9	01-01-2006	78,000,000	Revenue & Refunding Bonds		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	78,904,564			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow	55,467,069			
7	Issuance costs from proceeds	689,744			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	22,747,751			
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2007			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?								
2	Are there any lease arrangements that may result in private business use of bond-financed property?								

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?								
b	Are there any research agreements that may result in private business use of bond-financed property?								
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?	X							
2	Is the bond issue a variable rate issue?	X							
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?		X						

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation
SUPPLEMENTAL INFORMATION	SCHEDULE K, PART II, LINE 3	INVESTMENT EARNINGS ON PROJECT FUND ADDED $904,564 IN PROCEEDS WHICH ARE REFLECTED IN PART II, LINE 3, BUT ARE NOT A COMPONENT OF "ISSUE PRICE" UNDER THE DEFINITION OF SUCH TERMS IN THE TREASURY REGULATIONS

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SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

NonCash Contributions

▸Complete if the organization answered "Yes" on Form 990, Part IV, lines 29 or 30.
▸ Attach to Form 990.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I Types of Property

	(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining oncash contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles	X	108	63,440	CASH ON SALE
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded	X	18	112,842	AVG FMV ON DATE REC
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ▸ (VARIOUS IN-KIND ITEMS)	X	1	1,141	AVG FMV ON DATE REC
26 Other ▸ ( )				
27 Other ▸ ( )				
28 Other ▸ ( )				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement . . . **29** 0

		Yes	No
30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	**30a**		No
b If "Yes," describe the arrangement in Part II			
31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	**31**	Yes	
32a Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions?	**32a**	Yes	
b If "Yes," describe in Part II			
33 If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II			

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
SCHEDULE M, LINE 32A		CHKD PAYS SYR, INC MANAGEMENT FEES TO MANAGE THRIFT STORES FOR THE BENEFIT OF THE ORGANIZATION CHKD ALSO PAYS TIDEWATER AUTO TO AUCTION CARS FOR THE BENEFIT OF THE ORGANIZATION

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Identifier	Return Reference	Explanation
GOVERNING BODY & MANAGEMENT ITEMS	PART VI, SECTION A LINES 6,7A,7B & 11	LINE 6 CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED IS A VIRGINIA NON-STOCK CORPORATION WITH A SOLE MEMBER THE SOLE MEMBER OF CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED IS CHILDREN'S HEALTH SYSTEM, INC , A VIRGINIA NON-STOCK NOT-FOR-PROFIT CORPORATION PURSUANT TO SECTION 13 1-852 1 OF THE CODE OF VIRGINIA, CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED IS MANAGED BY ITS SOLE MEMBER, CHILDREN'S HEALTH SYSTEM, INC LINE 7A CHILDREN'S HEALTH SYSTEM, INC , THE SOLE MEMBER OF CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED, IS A VIRGINIA NON-STOCK NOT-FOR-PROFIT CORPORATION PURSUANT TO SECTION 13 1-852 1 OF THE CODE OF VIRGINIA, CHILDREN'S HEALTH SYSTEM, INC , THE SOLE MEMBER OF CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED, MANAGES CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS ACCORDINGLY, THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC IS THE GOVERNING BODY FOR CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED AS A VIRGINIA NON-STOCK CORPORATION, CHILDREN'S HEALTH SYSTEM, INC HAS MEMBERS THAT ELECT THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC THE MEMBERS OF CHILDREN'S HEALTH SYSTEM, INC THAT ELECT THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC ARE THE CLASS A MEMBERS OF CHILDREN'S HEALTH SYSTEM, INC (I E , THE THEN CURRENT MEMBERS IN GOOD STANDING OF THE NORFOLK CITY UNION OF THE KING'S DAUGHTERS, INC , A VIRGINIA NON-STOCK NOT-FOR-PROFIT CORPORATION) AND THE CLASS B MEMBERS OF CHILDREN'S HEALTH SYSTEM INC (I E , THE THEN CURRENT DIRECTORS ON THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC) LINE7B THE FOLLOWING DECISIONS OF THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC , WHICH IS THE GOVERNING BODY FOR CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED, ARE SUBJECT TO APPROVAL BY THE CLASS A AND CLASS B MEMBERS OF CHILDREN'S HEALTH SYSTEM, INC 1) ANY AMENDMENTS TO THE ARTICLES OF INCORPORATION OF THE CORPORATION, AND 2) ANY PROPOSED MERGER OR CONSOLIDATION OF THE CORPORATION, OR ANY SALE, LEASE, EXCHANGE, MORTGAGE, PLEDGE OR OTHER DISPOSITION OF ALL, OR SUBSTANTIALLY ALL, OF THE PROPERTY AND ASSETS OF THE CORPORATION LINE 11 THE 990 IS PREPARED USING THE ANNUAL FINANCIAL STATEMENTS THAT IS REVIEWED BY THE BOARD AND AUDITED ANNUALLY AS A PART OF THE CONSOLIDATED FINANCIAL STATEMENTS OF CHILDREN'S HEALTH SYSTEM, INC UPON COMPLETION OF THE DRAFT OF THE RETURN AND PRIOR TO FILING, THE BOARD IS PROVIDED A COPY FOR REVIEW

Identifier	Return Reference	Explanation
POLICIES & DISCLOSURE ITEMS	990 PART VI SECTIONS B&C	CONFLICT POLICY CONSIDERATIONS CHKD CONFLICT OF INTEREST POLICY INCLUDES OFFICERS, MEMBERS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES, KEY EMPLOYEES, ALL OTHER EMPLOYEES, PROFESSIONAL STAFF AND SUBSTANTIAL DONORS ANNUALLY, A QUESTIONNAIRE IS DISTRIBUTED AND COLLECTED FROM OFFICERS, MEMBERS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES AND KEY EMPLOYEES THE QUESTIONNAIRES ARE REVIEWED BY THE LEGAL DEPARTMENT FOR KNOWN CONFLICTS, THE PERSON INVOLVED RECUSES HIMSELF OR HERSELF FROM DELIBERATIONS REGARDING THE TRANSACTION VIOLATIONS OF THE CONFLICTS OF INTEREST POLICY ARE REPORTED TO THE CHKD BOARD CHAIR OR THE CHKD COMPLIANCE OFFICER, AS APPLICABLE, AND MAY REQUIRE CORRECTIVE ACTION UP TO AND INCLUDING TERMINATION OF EMPLOYMENT COMPENSATION PROCESS CONSIDERATIONS CHILDREN'S HEALTH SYSTEM ESTABLISHES THE COMPENSATION OF THE CEO JAMES DAHLING CHILDREN'S HEALTH SYSTEM AND CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS USE THE FOLLOWING PROCESS TO ESTABLISH COMPENSATION FOR OFFICERS AND KEY EMPLOYEES AN INDEPENDENT COMPENSATION CONSULTANT APPROVED AND RETAINED BY THE COMPENSATION COMMITTEE OF THE BOARD ANNUALLY, USUALLY IN APRIL, PROVIDES EDUCATION AND PRESENTS TO THE FULL BOARD COMPARATIVE SALARIES AND SALARY RANGES FROM A DATABASE COMPRISED OF CHILDREN'S HOSPITALS AND OTHER APPLICABLE HOSPITALS FOR OFFICERS & EXECUTIVES FOR THE BOARD TO REVIEW THE COMPENSATION COMMITTEE WITH THE AID OF THE CONSULTANT REVIEWS AND MAKES DECISIONS AS TO EXECUTIVE SALARIES OF CHKD AND ITS SUBSIDIARIES THOSE SALARY CHANGES AND APPROVALS ARE DOCUMENTED BY MINUTES MAINTAINED BY THE COMPENSATION COMMITTEE AND SIGNED BY THE CHAIRMAN OF THE BOARD PART VI, C, LINE 19 FINANCIAL STATEMENTS (PART OF THE CONSOLIDATED FINANCIAL STATEMENTS OF CHILDREN'S HEALTH SYSTEM, INC) ALONG WITH THE GOVERNING DOCUMENTS INCLUDING THE CONFLICT OF INTEREST POLICY ARE AVAILABLE TO THE PUBLIC THROUGH DIRECT INQUIRY AND THE REQUEST OF THE ORGANIZATION

Identifier	Return Reference	Explanation
FORM 990, PART VII		THE FOLLOWING INDIVIDUALS WORK FOR MULTIPLE RELATED ORGANIZATIONS AS INDICATED BELOW HUGH MCPHEE - 40 HOURS CMG & 1 HOUR CHS DONALD NUSS - 16 HOURS CSSG & 1 HOUR CHS JIM DAHLING - 40 HOURS CHS AND 1 HOUR CHF DENNIS RYAN - 40 HOURS CHS AND 1 HOUR CHF

Identifier	Return Reference	Explanation
FORM 990, PART XI		OTHER CHANGES IN NET ASSETS IS MADE UP OF TRANSFERS OUT ($10,366,731), UNREALIZED GAIN ON INVESTMENTS $3,606,704, UNREALIZED GAIN ON DERIVATIVE $2,328,762 AND ROUNDING OF ($3)

Identifier	Return Reference	Explanation
FORM 990, PART III - PROGRAM SERVICE, LINE 4A		For more than 50 years, Children's Hospital of The King's Daughters (CHKD) has been the on ly facility of its kind in Virginia, serving the medical and surgical needs of children th roughout the state Its primary service area encompasses greater Hampton Roads, the Easter n Shore of Virginia and northeastern North Carolina, a region that is home to approximatel y 460,000 children CHKD w as established as an 88-bed, not-for-profit hospital in 1961 by The King's Daughters, a w omen's service organization dedicated to the health and w ellbeing of the community's indigent children The hospital has alw ays upheld the charitable missi on of its founders, and in FY2011, 57 percent of its inpatient days w ere covered by Medica id Over the past 50 years, CHKD has grow n into a 206-bed teaching hospital that is the he art of an extensive pediatric health care system Today, that system provides comprehensiv e medical care to children at the hospital and multi-service health centers in Virginia Be ach, New port News and Chesapeake Its services include everything from w ellness and preven tion initiatives to primary care, surgery and rehabilitation Many of its unique services and programs address pressing public health needs that w ould otherw ise go unmet As the pr emier provider of healthcare services to the region's children, CHKD has secured a place i n the heart of the community The hospital is an eager collaborator w ith other community o rganizations and institutions that share its concern for the w ell-being of young people an d offers a variety of education, research and health initiatives to improve the health and w ell-being of children in this community and beyond The Health System's primary services center on inpatient and outpatient care community outreach programs and medical education /research Section One Inpatient Care Children w ith a vast range of medical problems -- i ncluding life-threatening illnesses and injuries -- turn to CHKD for inpatient care In FY 2011, CHKD had 5,482 admissions resulting in 51,341 patient days Approximately 57 percent of these days, w ere covered by Medicaid, w hich is the highest percentage by far of any ac ute-care hospital in Virginia CHKD has 206 inpatient beds, and almost half of those are f or pediatric intensive care The hospital is home to the region's highest level Neonatal I ntensive Care Unit, w here each year critically ill new borns, some as young as 23 w eeks ges tation, benefit from a unique combination of advanced medical technology, developmental ca re and family support There w ere 530 admissions to the NICU in FY11 The hospital also op erates a Neonatal Step-Dow n Unit for babies from our NICU w ho require a transitional perio d before being discharged home The region's largest and most experienced Pediatric Intens ive Care Unit is at CHKD In this unit, a full-time staff of board-certified pediatric int ensive care physicians, critical care nurses and respiratory therapists provide extremely sophisticated, technologically-advanced care to children w ith life-threatening injuries an d illnesses Medical care is supplemented w ith support from child life specialists, social w orkers and chaplains w ho have extensive experience helping families through the trauma a nd stress of a severe illness or injury in a child There w ere 1051 admissions to our PICU in FY2011 Many patients are brought from other area hospitals to CHKD by the hospital's neonatal/pediatric Transport Program, w hich operates out of four fully-equipped mobile int ensive care units Tw o transport teams are available 24 hours a day, seven days a w eek to all area medical facilities that need to send sick or injured children to CHKD Each trans port call is answ ered by a neonatal/pediatric critical care nurse, a registered respirator y therapist and a certified EMT-paramedic trained in neonatal/pediatric care In FY11, the team transported 1,124 patients Nearly one third of those w ere new borns coming to our Ne onatal Intensive Care Unit CHKD's transport service is also under contract to the Naval M edical Center, Portsmouth, to provide all neonatal and pediatric military transports in th e region Besides ground transport, the team alerts fixed-w ing air and helicopter transpor ts w hen medically necessary CHKD operates the region's only acute inpatient Rehabilitatio n Unit exclusively for children, w here young patients receive comprehensive rehabilitation services needed to regain skills lost after accidents or illnesses Prior to the opening of this unit, families had to travel long distances outside of the area to receive this ki nd of care, w hich usually requires a hospitalization of several w eeks duration Admissions to the inpatient rehabilitation unit resulted in 1,692 patient days in FY11 CHKD's Trans itional Care Unit, w here technology-dependent children begin the process of moving from th e hospital to their homes, provides developmental, educational and emotional support as w e ll as high acuity medical care and parent/caregive

Identifier	Return Reference	Explanation
FORM 990, PART III - PROGRAM SERVICE, LINE 4A		r support and education Admissions to this unique unit resulted in 5,247 patient days in FY 11

Identifier	Return Reference	Explanation
CHKD OPERATES THE REGION'S ONLY PEDIATRIC SURGERY PROGRAM,		OFFERING YOUNG PEOPLE STATE-OF-THE-ART TREATMENT IN A SUPPORTIVE, NON-THREATENING ENVIRONM ENT CREATED EXCLUSIVELY TO MEET THEIR NEEDS IN FY11, SURGEONS PERFORMED 13,949 SURGERIES AT CHKD FACILITIES FOR A VAST RANGE OF PROBLEMS, FROM THE SIMPLEST OUTPATIENT PROCEDURES T O COMPLEX ORTHOPEDIC AND GENITOURINARY SURGERIES (SEE OUTPATIENT SERVICES AND PROGRAMS FO R MORE INFORMATION OF CHKD'S SURGERY PROGRAM) CHKD EMPLOYS DOZENS OF PROFESSIONALS WHO PR OVIDE EMOTIONAL, RECREATIONAL, SPIRITUAL AND PRACTICAL SUPPORT TO CHILDREN AND FAMILIES DU RING HOSPITALIZATIONS THE WORK OF THESE PROFESSIONALS COMPLEMENTS OUR EXPERT MEDICAL CARE TO CREATE A UNIQUE TREATMENT AND HEALING ENVIRONMENT FOR CHILDREN AND THEIR FAMILIES OUR CHAPLAINCY SERVICES PROVIDE EMOTIONAL SUPPORT, PASTORAL CARE, ETHICAL REFLECTION, BEREAVE MENT RESOURCES/FOLLOW-UP AND SPIRITUAL GUIDANCE TO PATIENTS, FAMILIES AND STAFF WITH IN-HO SPITAL PRESENCE SEVEN DAYS A WEEK, WITH 24-HOUR ON-CALL AVAILABILITY THE HOSPITAL EMPLOYS THREE FULL-TIME CHAPLAINS, ONE PART-TIME AND EIGHT PER-DIEM CHAPLAINS WHO REFLECT THE DIV ERSITY OF THE COMMUNITY AND ARE PROFESSIONALLY TRAINED TO MEET THE VARIED SPIRITUAL NEEDS OF FAMILIES WITH RESPECT AND COMPASSION THE CHAPLAINS ALSO FACILITATE EDUCATIONAL PROGRAM S FOR HOSPITAL STAFF AND PHYSICIANS, AS WELL AS PLANNING AND PARTICIPATING IN OUTREACH TO THE COMMUNITY THE HOSPITAL EMPLOYS 16 CHILD LIFE STAFF MEMBERS WHO HELP CHILDREN ADJUST A ND COPE DURING HOSPITALIZATION THEIR GOAL IS TO MAKE THE CHILD'S HOSPITAL EXPERIENCE AS N ORMAL AS POSSIBLE BY DEVELOPING SUPPORTIVE RELATIONSHIPS WITH PATIENTS AND FAMILIES, PROVI DING AGE-APPROPRIATE PREPARATION FOR MEDICAL PROCEDURES, COPING STRATEGIES AND PLAY OPPORT UNITIES FOR CHILDREN TO RELIEVE STRESS CHILD LIFE STAFF MEMBERS ALSO SCHEDULE AND FACILIT ATE COMMUNITY GROUP VISITORS TO THE HOSPITAL AND MANAGE APPROXIMATELY 100 VOLUNTEERS WEEKL Y THE CHILD LIFE STAFF ALSO MAINTAINS FOUR POPULAR ACTIVITY AREAS THROUGHOUT THE HOSPITAL , WHICH PROVIDE HOSPITALIZED CHILDREN OPPORTUNITIES FOR SOCIALIZATION AND CREATIVE PLAY A ND CHILD LIFE SPECIALISTS WORK WITH CHKD'S VOLUNTEER SERVICES DIVISION TO MANAGE THE HOSPI TAL'S POPULAR PET THERAPY PROGRAM -- THE BUDDY BRIGADE -- WHICH BRINGS VISITS OF DOG/HANDL ER TEAMS TO THE HOSPITAL SEVERAL TIMES EACH WEEK THEY ALSO MANAGE OUR VERY POPULAR DAVID WRIGHT VIDEO LIBRARY, WHICH PROVIDES HUNDREDS OF GAMES AND ENTERTAINMENT VIDEOS FOR HOSPIT ALIZED CHILDREN CHKD'S DEPARTMENT OF SOCIAL WORK HELPS MEET SOCIAL, EMOTIONAL AND PSYCHOL OGICAL NEEDS THAT MAY ARISE WHEN A CHILD IS HOSPITALIZED OR WHEN AN EMERGENCY ARISES OUR 24 LICENSED SOCIAL WORKERS ALSO WORK WITH CHILDREN IN OUR OUTPATIENT SPECIALTY CLINICS, ES PECIALLY THOSE CATERING TO CHILDREN WITH CHRONIC ILLNESSES AMONG THE SERVICES OUR SOCIAL WORKERS PROVIDE ARE THE FOLLOWING COORDINATE REFERRALS AND ONGOING COMMUNICATIONS TO OTHE R COMMUNITY RESOURCES FACILITATE SUPPORT GROUPS FOR CHKD FAMILIES DEALING WITH CHRONIC IL LNESS AND LOSS CONDUCT PSYCHOSOCIAL HISTORY AND MENTAL HEALTH ASSESSMENTS OF PATIENTS TO A ID CAREGIVERS IN DEVELOPING TREATMENT PLANS HELP PATIENTS AND FAMILIES DEAL WITH SITUATION AL CRISES WORK WITH FAMILIES AND CHKD'S ELIGIBILITY WORKERS TO COMPLETE APPLICATIONS FOR I NSURANCE COVERAGE FOR MEDICAL CARE 24-HOUR PER-DIEM COVERAGE FOR NIGHTS, WEEKENDS, HOLIDAY S UNTIL 11 30PM FOR AVAILABLE ASSISTANCE SOCIAL WORKERS ALSO FACILITATE A VARIETY OF SUPPO RT GROUPS THAT HELP PATIENTS AND FAMILIES CONNECT WITH OTHERS IN THE COMMUNITY WHO SHARE T HEIR CHALLENGES CHKD SPONSORS SUPPORT GROUPS FOR PATIENTS AND THEIR FAMILIES WITH HEART C ONDITIONS, DIABETES, TURNER'S SYNDROME, PRADER-WILLI SYNDROME, CANCER, AND SICKLE CELL FA MILIES OF NICU PATIENTS MEET PERIODICALLY TO SHARE INFORMATION, AND OUR RECREATION-BASED G ROUP FOR BROTHERS AND SISTERS OF CHILDREN WITH SPECIAL NEEDS -- CALLED SIBSHOPS -- MEETS R EGULARLY TO SUPPORT SIBLINGS THE DEPARTMENT OF SOCIAL WORK MANAGES THE HALO FUND OF DONAT ED MONIES TO ASSIST PARENTS AND PATIENTS WITH THE COST OF TRANSPORTATION, MEALS, MEDICATIO NS AND SPECIFIC NEEDS AT DISCHARGE THESE DONATED FUNDS MAY ALSO BE USED IN EMERGENCY SITU ATIONS TO ASSIST WITH SPECIAL NEEDS, WHICH HAVE CONSISTED OF PARTIAL OR ONE-TIME PAY MENTS FOR UTILITY SERVICES THAT ARE VITAL TO THE CARE OF THE DISCHARGED PATIENT AND THE PURCHASE OF CORRECTIVE SHOES, HEARING AIDS OR OTHER EQUIPMENT FOR FAMILIES WHO COULD NOT AFFORD TH EM THIS FUND HELPED OVER 700 FAMILIES IN FY11 CHKD'S MEDICAL INTERPRETER PROGRAM EMPLOYS A PART-TIME CULTURAL LIAISON TO WORK WITH PATIENTS WHO HAVE LIMITED ENGLISH PROFICIENCY A ND TO COORDINATE THE ASSESSMENT AND TRAINING OF MEDICAL INTERPRETERS ELEVEN VOLUNTEER MED ICAL INTERPRETERS WHO ARE EMPLOYED IN VARIOUS POSITIONS THROUGHOUT THE ORGANIZATION ASSIST WITH TRANSLATIONS, AND SEVERAL DEPARTMENTS HAVE HIRED PROFESSIONAL STAFF MEMBERS WHO CAN ALSO FUNCTION AS INTERPRETERS IN THEIR AREAS THIS HAS IMPROVED CUSTOMER SERVICE AND CONSI STENCY OF CARE WHEN AN INTERPRETER IS NOT AVAILAB

Identifier	Return Reference	Explanation
CHKD OPERATES THE REGION'S ONLY PEDIATRIC SURGERY PROGRAM,		LE ONSITE, THE ENTIRE CHKD HEALTH SYSTEM HAS ACCESS TO MEDICAL INTERPRETATION BY PHONE 24 HOURS A DAY IN FY11, CHKD PROVIDED INTERPRETATIONS SERVICES IN 2,915 ENCOUNTERS WITH PATI ENTS AND FAMILIES AND BEGAN THE PROCESS OF ADAPTING TO MEET NEW JOINT COMMISSION STANDARDS FOR PATIENT CENTERED COMMUNICATION, CREATING A LANGUAGE SERVICES DEPARTMENT AND REVISING TRAINING AND PROFICIENCY TESTING METHODS AND STANDARDS FOR MEDICAL INTERPRETERS AS THE RE GIONAL PROVIDER OF PEDIATRIC CARE, CHKD IS AN INTEGRAL PART OF THE COMMUNITY'S NATURAL OR MAN-MADE DISASTER PLANNING EFFORTS CHKDHS RECOGNIZES THE IMPORTANCE OF A NATIONAL INCIDEN T MANAGEMENT SYSTEM (NIMS) COMMUNITY-INTEGRATED, ALL-HAZARD EMERGENCY OPERATIONS PLAN THI S PLAN IS PREPARED, EXERCISED AND SHARED INTERNALLY AND EXTERNALLY WITH COMMUNITY EMERGENC Y RESPONSE AGENTS

Identifier	Return Reference	Explanation
II OUTPATIENT SERVICES AND PROGRAMS CHKD ALSO OFFERS THE		COMMUNITY MANY IMPORTANT PEDIATRIC SERVICES ON AN OUTPATIENT BASIS IN 2011, CHILDREN MADE MORE THAN 664,500 OUTPATIENT VISITS TO CHKD, ITS COMMUNITY-BASED HEALTH CENTERS AND AFFILIATED PHYSICIAN PRACTICES THEY MADE 429,089 VISITS TO THE PRIMARY CARE PEDIATRICIANS OF CHKD'S MEDICAL GROUP, WHICH OFFERS CARE IN 24 LOCATIONS THROUGHOUT OUR SERVICE AREA CHKD'S SURGICAL SPECIALTY GROUP MAKES THE SERVICES OF THE REGION'S ONLY PEDIATRIC GENERAL, UROLOGICAL, CARDIAC, NEUROSURGICAL, PLASTIC AND ORTHOPEDIC SURGEONS AVAILABLE TO THOUSANDS OF CHILDREN WHO MIGHT OTHERWISE HAVE TO TRAVEL OUTSIDE OF THE AREA FOR SURGERY CHILDREN MADE 37,981 VISITS TO THE SURGICAL GROUP PRACTICES IN FY11 THE SURGEONS PERFORMED 5,587 SURGICAL CASES THE HOSPITAL ALSO PROVIDES CARE TO CHILDREN FACING HEALTH CONDITIONS SUCH AS CANCER, GENETIC DISORDERS, OBESITY, HEART PROBLEMS, DEVELOPMENTAL DISABILITIES, ASTHMA/ALLERGIES AND DIABETES THROUGH MORE THAN 50 OUTPATIENT SPECIALTY CLINICS OFFERING SPECIALIZED PEDIATRIC CARE IN FY11, CHILDREN MADE 148,135 VISITS TO OUR OUTPATIENT CLINICS CHILDREN'S HOSPITAL WAS FOUNDED ON THE PREMISE THAT ALL CHILDREN DESERVE EQUAL ACCESS TO QUALITY PEDIATRIC CARE AS OUR POPULATION GREW AND SETTLED INTO THE FAR CORNERS OF OUR BRIDGE- AND TUNNEL-LACED REGION, TRAVEL TO CHKD'S MAIN FACILITY IN NORFOLK BECAME MORE OF A HARDSHIP FOR FAMILIES TO EASE THAT BURDEN AND IMPROVE CHILDREN'S ACCESS TO CARE IN EVERY CORNER OF OUR SERVICE AREA, CHKD HAS ESTABLISHED FOUR MULTI-SERVICE HEALTH CENTERS AND TWO SATELLITE SITES IN STRATEGIC LOCATIONS THE CHKD HEALTH AND SURGERY CENTER AT OYSTER POINT OFFERS FAMILIES WHO LIVE NORTH OF THE HAMPTON ROADS BRIDGE TUNNEL A WEALTH OF IMPORTANT SERVICES IN A CONVENIENT LOCATION THE CENTER IS HOME TO THE REGION'S FIRST PEDIATRIC AMBULATORY SURGERY CENTER OTHER SERVICES OFFERED AT THE SITE INCLUDE PRIMARY, SURGICAL AND SUB-SPECIALTY PEDIATRICS, LAB AND RADIOLOGY (INCLUDING ULTRASOUND AND MRI), AUDIOLOGY TESTING AND OCCUPATIONAL, SPEECH AND PHYSICAL THERAPY SPORTS MEDICINE PHYSICAL THERAPY, AQUATIC THERAPY AND CHILD ABUSE PROGRAM SERVICES ARE ALSO AVAILABLE THERE THE CHKD HEALTH CENTER AT OAKBROOKE SERVES FAMILIES IN CHESAPEAKE AND NORTHEASTERN NORTH CAROLINA IT IS HOME TO A PRIMARY CARE PEDIATRIC PRACTICE, PHYSICAL, OCCUPATIONAL AND SPEECH THERAPY, X-RAY AND LAB SERVICES, A SPORTS MEDICINE GYM, SLEEP STUDIES UNIT AND THERAPY POOL, AS WELL AS CLINIC SPACE FOR A VARIETY OF PEDIATRIC SPECIALISTS AND SURGEONS PROVIDING EVALUATION, TREATMENT AND FOLLOW-UP THE CHKD HEALTH AND SURGERY CENTER AT PRINCESS ANNE SERVES THE GROWING MEDICAL NEEDS OF FAMILIES IN VIRGINIA BEACH THE CENTER IS HOME TO VIRGINIA BEACH'S FIRST AMBULATORY SURGERY CENTER EXCLUSIVELY FOR CHILDREN BEACH FAMILIES CAN ALSO FIND PRIMARY CARE PEDIATRICIANS AND IN-HOUSE LAB AND RADIOLOGY SERVICES - INCLUDING MRI -- AT THE CENTER OTHER SERVICES INCLUDE SPECIALTY CARE PEDIATRICS FOR HELP WITH CHRONIC PROBLEMS SUCH AS ASTHMA AND DIABETES, CHKD'S CHILD ABUSE PROGRAM AND PHYSICAL, SPEECH, OCCUPATIONAL AND SPORTS MEDICINE THERAPY CHKD'S CHILD ABUSE PROGRAM COORDINATES THE REGION'S EFFORTS TO ACCURATELY IDENTIFY, TREAT AND PROTECT CHILDREN WHO HAVE BEEN ABUSED OR NEGLECTED THE PROGRAM PROVIDES COMPREHENSIVE ASSESSMENT, EVALUATION AND TREATMENT SERVICES TO SUSPECTED VICTIMS OF ABUSE AND NEGLECT THESE SERVICES INCLUDE FORENSIC INTERVIEWING, MEDICAL EXAMINATIONS AND CONSULTATIONS, WHICH INCLUDE 24/7 COVERAGE OF ACUTE SEXUAL ASSAULTS OF CHILDREN, AND AN ARRAY OF EVIDENCE-BASED MENTAL HEALTH SERVICES THE PROGRAM ALSO HELPS COORDINATE THE EFFORTS OF INVESTIGATIVE AGENCIES INVOLVED IN THE INVESTIGATION AND PROSECUTION OF ABUSE THE PROGRAM, WHICH IS ACCREDITED BY THE NATIONAL CHILDREN'S ALLIANCE, PROVIDED SERVICES TO 986 CHILDREN IN FY11 SERVICES ARE ALSO AVAILABLE AT CHKD'S OUTPATIENT CENTERS IN VIRGINIA BEACH AND NEWPORT NEWS

Identifier	Return Reference	Explanation
THE PROBLEM OF CHILDHOOD OBESITY POSES A SIGNIFICANT THREAT TO THE		CURRENT AND FUTURE HEALTH OF OUR CHILDREN IN RESPONSE TO THIS ALARMING PUBLIC HEALTH CRISIS, THE HOSPITAL PROVIDES A MULTI-DISCIPLINARY PEDIATRIC WEIGHT MANAGEMENT PROGRAM FOR CHILDREN BETWEEN 3 AND 18 YEARS OF AGE CALLED "HEALTHY YOU FOR LIFE," THE PROGRAM OFFERS CLINICAL AND PSYCHOSOCIAL EVALUATION AND PLANNING, ONGOING CLASSES TO HELP OVERWEIGHT YOUTH AND THEIR PARENTS MAKE LIFESTYLE CHANGES AND FOLLOW UP CLINICS FOR UP TO A YEAR AFTER FINISHING THE 7-WEEK SESSIONS THE EXERCISE COMPONENT OF THE PROGRAM IS STRENGTHENED BY A REGIONAL PARTNERSHIP WITH THE YMCA WHICH OFFERS FAMILIES A 6-WEEK TRIAL MEMBERSHIP ADDITIONAL INDIVIDUAL COUNSELING SESSIONS, USE OF MULTI-MEDIA COMMUNICATION SUCH AS E-MAILS AND TEXT MESSAGE AS WELL AS WEEKEND EXERCISE OPPORTUNITIES ARE ALSO AVAILABLE TO ENHANCE PATIENT'S ABILITY TO EMBRACE A HEALTHIER LIFESTYLE MORE THAN 370 CLINIC PATIENTS AND 310 LIFESTYLE CLASS CHILDREN AND THEIR PARENTS PARTICIPATED IN THE PROGRAM IN FY11 CHKD'S DIABETES EDUCATION PROGRAM HELPS APPROXIMATELY 1,300 LOCAL CHILDREN WHO LIVE WITH THE CHRONIC DISEASE TWO CERTIFIED DIABETES EDUCATORS, A SOCIAL WORKER, NURSE AND DEPARTMENT COORDINATOR HELP PATIENTS AND FAMILIES AT THE ONSET OF THE DISEASE AND UNTIL ADULTHOOD THE DIABETES CENTER PROVIDES INPATIENT AND OUTPATIENT CLINICAL MANAGEMENT, DIABETES EDUCATION, SUPPORT GROUPS, AND PROFESSIONAL AND COMMUNITY EDUCATION PROGRAMS A TRANSITION PROGRAM HELPS THE OLDER TEENS AND YOUNG ADULTS BEGIN TRANSFERRING CARE TO ADULT PROVIDERS IN THE COMMUNITY THE CHILDREN'S CANCER AND BLOOD DISORDERS CENTER IS ONE OF THE HOSPITAL'S BUSIEST OUTPATIENT SPECIALTY CLINICS WITH 11,291 PATIENT VISITS IN FY11 THE PROGRAM PROVIDES CARE TO YOUNG PEOPLE WITH CANCER, SICKLE CELL DISEASE, BLEEDING AND OTHER BLOOD DISORDER THROUGH TREATMENT PROGRAMS THAT ENCOMPASS CHILDREN'S PHYSICAL, EMOTIONAL AND EDUCATIONAL NEEDS AND INCORPORATES THE WHOLE FAMILY THE REGION'S ONLY PEDIATRIC EMERGENCY CENTER IS LOCATED AT CHKD IN 2010, CHILDREN MADE 47,026 VISITS TO OUR EMERGENCY CENTER CHILDREN'S HOSPITAL OFFERS THE ONLY PEDIATRIC RENAL DIALYSIS SERVICE IN THE AREA DIALYSIS IS A TIME-CONSUMING PROCESS AND CHILDREN APPRECIATE THE CHANCE TO HAVE THE SERVICE IN A SETTING WHERE THEY CAN MEET WITH FRIENDS THEIR OWN AGES AS WELL AS HOSPITAL SUPPORT STAFF AND SCHOOLTEACHERS ONE MARK OF CHKD'S DISTINCTIVE PEDIATRIC CARE HAS ALWAYS BEEN CHILD-CENTERED DIAGNOSTIC SERVICES, SUCH AS RADIOLOGY AND LABORATORY OVER THE PAST SEVERAL YEARS, CHKD HAS WORKED HARD TO MAKE THESE UNIQUE SERVICES MORE ACCESSIBLE TO FAMILIES THROUGHOUT OUR SERVICE REGION THE HOSPITAL NOW HAS LABORATORIES IN ITS OYSTER POINT, PRINCESS ANNE AND OAKBROOKE HEALTH CENTERS AS WELL AS DRAW SITES AT PEDIATRIC PRACTICES IN NORFOLK AND WILLIAMSBURG THE LABORATORY ALSO OPERATES A COURIER SERVICE THAT FACILITATES QUICK TURNAROUND OF SPECIMENS OF THE APPROXIMATELY 922,050 TESTS PERFORMED IN FY2011, 61 PERCENT WERE FOR OUTPATIENTS CHKD RADIOLOGY SERVICES ARE ALSO AVAILABLE TO FAMILIES AT OUR OYSTER POINT, KEMPSVILLE, OAKBROOKE AND PRINCESS ANNE HEALTH CENTERS THE RADIOLOGY DEPARTMENT IS A FULLY-INTEGRATED DIGITAL IMAGING CENTER THAT ALLOWS DIAGNOSTIC IMAGES AND REPORTS TO BE TRANSMITTED AND VIEWED ELECTRONICALLY IN 2011, 75,957 DIAGNOSTIC EXAMS WERE PERFORMED, INCLUDING X-RAYS, FLUOROSCOPIC TESTS, URODYNAMICS AND BONE DENSITY TESTS, CT AND MRI SCANS, ULTRASOUND AND NUCLEAR MEDICINE STUDIES CHKD'S REHABILITATIVE THERAPY SERVICES ARE OFFERED IN SIX LOCATIONS THROUGHOUT THE COMMUNITY, INCLUDING NORFOLK, CHESAPEAKE, VIRGINIA BEACH, SUFFOLK, WILLIAMSBURG AND NEWPORT NEWS IN ADDITION TO ITS HIGHLY-SPECIALIZED PEDIATRIC PHYSICAL, OCCUPATIONAL AND SPEECH THERAPY, THEY DEPARTMENT ALSO OFFERS AQUATIC THERAPY - PHYSICAL AND OCCUPATIONAL THERAPISTS WORK WITH CHILDREN IN THE WATER TO HELP RELAX TIGHT MUSCULATURE, INCREASE RANGE OF MOTION AND IMPROVE STRENGTH, BALANCE AND ENDURANCE ASSISTIVE TECHNOLOGY/AUGMENTATIVE PROGRAM - SERVICES PROVIDED FOR CHILDREN WHO ARE UNABLE TO COMMUNICATE VERBALLY OR THROUGH GESTURES DUE TO VARIOUS MEDICAL CONDITIONS IN FY11, WE DID 173 AUGMENTATIVE COMMUNICATION EVALUATIONS

Identifier	Return Reference	Explanation
CAR SEAT PROGRAM - SPECIALLY TRAINED THERAPISTS OFFER CAR SEAT SAFETY		RESTRAINT EVALUATIONS FOR PATIENTS WITH SPECIAL NEEDS IN FY11, WE DID 238 CAR SEAT EVALUATIONS, DISTRIBUTED 197 SPECIAL NEEDS CAR SEATS AND PARTICIPATED IN EIGHT COMMUNITY-BASED CAR SEAT SAFETY CHECKS THROUGH THIS PROGRAM WHEELCHAIR CLINIC - CERTIFIED THERAPISTS COMPLETE A COMPREHENSIVE EVALUATION TO DETERMINE AND PRESCRIBE THE APPROPRIATE WHEELCHAIR AND SEATING SYSTEM CHILDREN MADE ALMOST 1106 VISITS TO THIS CLINIC IN FY11 FOR EVALUATION AND TECHNICAL ADJUSTMENTS SECTION THREE COMMUNITY OUTREACH CHKD REACHED FAMILIES IN THEIR HOMES, DOCTORS' OFFICES, NEIGHBORHOODS AND COMMUNITY CENTERS WITH A WIDE VARIETY OF PROGRAMS AND PUBLICATIONS THAT PROMOTE WELLNESS, PREVENT INJURIES, AND STRENGTHEN FAMILIES CHKD EMPLOYS A TEAM OF HEALTH BENEFITS ANALYSTS WHOSE SOLE JOB IS TO IDENTIFY CHILDREN WHO ARE ELIGIBLE FOR FREE AND SUBSIDIZED HEALTH CARE ONCE THEY IDENTIFY THE FAMILIES, THE ANALYSTS WORK WITH THEM TO ASSEMBLE THE NECESSARY PAPERWORK AND HELP FILL OUT THE OFTEN-CUMBERSOME APPLICATIONS WHEN FAMILIES ARE REJECTED INAPPROPRIATELY, THEY HELP FILE APPEALS IN ADDITION TO WORKING IN THE HOSPITAL, OUR HEALTH BENEFITS ANALYSTS MAKE HOMES VISITS, WORKING TO GET AS MANY CHILDREN INSURED AS POSSIBLE IN FY11, THEY OBTAINED INSURANCE THAT COVERED MORE THAN $64 6 MILLION IN OUTSTANDING MEDICAL BILLS FOR UNINSURED FAMILIES OBTAINING THIS INSURANCE NOT ONLY COVERED THE MEDICAL BILLS, IT COVERS FUTURE VISITS TO DOCTORS AND DENTISTS FOR OUR PATIENTS AS WELL AS THEIR BROTHERS AND SISTERS OUR COMMUNITY OUTREACH EXPERTS COORDINATED 241 PARENT, PROFESSIONAL, STUDENT PROGRAMS THAT BROUGHT IMPORTANT HEALTH, SAFETY AND WELLNESS INFORMATION TO MORE THAN 32,628 PARTICIPANTS THROUGH A PARTNERSHIP WITH KOHL'S DEPARTMENT STORES, CHKD OFFERED 59 SCHOOL-BASED PROGRAMS ON HEALTHY LIFESTYLES REACHING MORE THAN 22,000 PARTICIPANTS CHKD IS A SITE OF THE NATIONAL "REACH OUT AND READ" LITERACY PROGRAM, WHICH ENCOURAGES READING BY DISTRIBUTING FREE BOOKS TO CHILDREN AT THEIR WELL CHILD VISITS TO THEIR PEDIATRICIANS THROUGH THE DONOR-FUNDED PROGRAM, CHKD PRIMARY CARE PEDIATRICIANS GAVE 70,043 BOOKS TO CHILDREN IN FY 2011 CHKD'S WEBSITE, WWW CHKD ORG, CONTINUES TO BE A POPULAR AND EFFECTIVE METHOD OF COMMUNICATION, AVERAGING OVER 100,000 UNIQUE VISITORS A MONTH FOR FY11 CHKD UTILIZED SOCIAL MEDIA OUTLETS SUCH AS FACEBOOK AND TWITTER TO INCREASE DIRECT INTERACTION WITH OUR PATIENTS AND THEIR FAMILIES THE WEBSITE CONTINUES TO BE A RESOURCE FOR OUR SERVICES AND HEALTH INFORMATION CHKD IS ONE OF SIX LOCATIONS IN THE STATE FOR THE CARE CONNECTION FOR CHILDREN (CCC), THE FEDERALLY-FUNDED TITLE V PROGRAM THAT PROVIDES COMPREHENSIVE CARE COORDINATION, INFORMATION AND REFERRAL FOR CHILDREN AND YOUTH WITH SPECIAL HEALTH CARE NEEDS THERE ARE APPROXIMATELY 12,000 CHILDREN WITH SPECIAL HEALTHCARE NEEDS IN THE REGION'S PUBLIC HEALTH DISTRICTS IN FY11, CCC ASSISTED WITH 586 INFORMATION AND REFERRAL CALLS AND PROVIDED CASE MANAGEMENT SERVICES TO MORE THAN 426 FAMILIES FINANCIAL ASSISTANCE WAS PROVIDED FOR 52 CHILDREN WHO WERE UNINSURED OR UNDERINSURED AND 178 FAMILIES WERE ASSISTED IN APPLYING FOR STATE HEALTH PROGRAMS THE STAFF AT CCC ALSO PROVIDED SEVERAL TRAINING SESSIONS FOR FAMILIES AND PROVIDERS ON MEDICAID WAIVER SERVICES AND EPSDT BENEFITS AND EDUCATION FOR PEDIATRIC RESIDENTS WITH THE UNIQUE "FAMILIES AS EDUCATORS" PROGRAM CHKD'S PHYSICIANS, ADMINISTRATORS AND STAFF MEMBERS LEND THEIR KNOWLEDGE AND TIME AS VOLUNTEERS TO MANY NATIONAL, STATE AND LOCAL ORGANIZATIONS THAT SHARE OUR CONCERN FOR CHILDREN THESE INCLUDE THE NATIONAL ASSOCIATION OF CHILDREN'S HOSPITALS AND RELATED INSTITUTIONS, THE AMERICAN ACADEMY OF PEDIATRICS, THE CHILDREN'S MIRACLE NETWORK, THE NATIONAL SAFE KIDS CAMPAIGN, THE UNITED WAY, THE VIRGINIA HOSPITAL ASSOCIATION, AS WELL AS LOCAL ORGANIZATIONS SUCH AS VOLUNTEER HAMPTON ROADS AND THE AMERICAN RED CROSS

Identifier	Return Reference	Explanation
IV MEDICAL EDUCATION/RESEARCH CHKD INVESTS IN THE PRESENT AND		FUTURE HEALTH OF OUR CHILDREN THROUGH A VARIETY OF RESEARCH PROGRAMS AND EDUCATIONAL ACTIVITIES CHILDREN'S HOSPITAL IS HOME TO EASTERN VIRGINIA MEDICAL SCHOOL'S PEDIATRIC RESIDENCY PROGRAM, WHERE NEW PHYSICIANS BECOME SPECIALISTS IN THE FIELD OF PEDIATRICS MANY OF THEM STAY IN THIS COMMUNITY OR IN THE STATE TO PRACTICE PEDIATRICS AFTER THEY COMPLETE THEIR RESIDENCIES CHKD ALSO SERVES AS THE EXCLUSIVE PEDIATRIC TEACHING SITE FOR RESIDENTS IN FAMILY MEDICINE PRACTICE, EMERGENCY PRACTICE, ENT AND PHYSICIAN ASSISTANTS, AS WELL AS THE EXCLUSIVE SITE FOR 120 THIRD-YEAR MEDICAL SCHOOL STUDENTS FOR THEIR EIGHT-WEEK PEDIATRIC ROTATION CHKD PROVIDES A SETTING FOR MANY CLINICAL RESEARCH TRIALS HIGHLIGHTS OF THE BASIC SCIENCE RESEARCH INCLUDE PROTECTION OF THE NEWBORN BRAIN FROM THE EFFECTS OF HYPOXIC INJURY, NEW INNOVATIONS TO COMBAT SERIOUS INVASIVE INFECTION, MANAGEMENT OF AUTISM, AND EMERGENCY INTERVENTIONS FOR ASTHMA IN ADDITION, RESEARCH INCLUDES NEW MEDICATIONS AND OTHER THERAPIES, CLINICAL OUTCOMES ANALYSES AND EPIDEMIOLOGICAL STUDIES SANCTIONED BY THE EASTERN VIRGINIA MEDICAL SCHOOL INSTITUTIONAL REVIEW BOARD THERE WERE 186 IRB-APPROVED ACTIVE FUNDED STUDIES IN FY11 TOPICS OF STUDY INCLUDED HEMATOLOGY/ONCOLOGY, ALLERGY/ASTHMA, INFECTIOUS DISEASE, NEUROLOGY, PEDIATRIC SURGERY, CARDIOLOGY, OTOLARYNGOLOGY, PULMONOLOGY, GASTROENTEROLOGY, CHILD ABUSE, ENDOCRINOLOGY, DERMATOLOGY, NEONATOLOGY AND MENTAL HEALTH MANY OF THESE STUDIES ARE STAGE-THREE CLINICAL TRIALS THAT BRING CUTTING-EDGE TREATMENTS TO CHKD PATIENTS YEARS BEFORE THEY ARE AVAILABLE TO THE PUBLIC OUR DIVISION OF COMMUNITY HEALTH AND RESEARCH HAS FOCUSED INTENSELY ON RELEVANT TOPICS TO CHILDHOOD HEALTH, SUCH AS CHILDHOOD OBESITY, INFANT MORTALITY, ACCESS TO CARE AND IMMUNIZATION, ALL REQUIRING OVER $3 MILLION IN EXTERNAL GRANT SUPPORT THE NUSS PROCEDURE FOR THE CORRECTION OF PECTUS EXCAVATUM, DEVELOPED AT CHKD MORE THAN 20 YEARS AGO, CONTINUES TO DRAW NATIONAL ATTENTION FROM BOTH PATIENTS AND SURGEONS IN FY11, CHKD'S SURGEONS HOSTED THE 9TH ANNUAL WORKSHOP ON THE SURGICAL PROCEDURE, TEACHING A KINDER, GENTLER CORRECTION FOR THIS COMMON BIRTH DEFECT TO MORE THAN 30 SURGEONS FROM ALL OVER THE UNITED STATES, EUROPE, ASIA AND THE MIDDLE EAST A NEW FOCUS FOR CORRECTING CHEST WALL DEFORMITY WAS INITIATED AT CHKD WITH A FIRST-IN-THE-U S BRACING TREATMENT PERFORMED TO HELP CHILDREN WITH PECTUS CARINATUM, A DEFECT THAT IS THE OPPOSITE OF PECTUS EXCAVATUM THE HOSPITAL CONTINUED ITS MULTI-SITE RESEARCH STUDY ON THE GENETICS MARKERS OF PECTUS EXCAVATUM TO DATE, MORE THAN 1,250 SURGICAL PATIENTS HAVE UNDERGONE THE NUSS PROCEDURE AT CHKD CHKD IS A MEMBER OF CHILDREN'S ONCOLOGY GROUP (COG), AN INTERNATIONAL RESEARCH GROUP THAT CONDUCTS CLINICAL TRIALS FOR CHILDREN WITH CANCER AS A MEMBER, CHKD HAS ACCESS TO THE LATEST PROTOCOLS FOR TREATMENT OF CHILDHOOD CANCER, PROVIDING THE COMMUNITY AND REGION WITH THE BEST PRACTICES AND TREATMENT RESULTS FROM MORE THAN 240 COG-MEMBER HOSPITALS IN NORTH AMERICA, AUSTRALIA, NEW ZEALAND, AND EUROPE IN FY11, CHKD HAD 80 COG STUDIES OPEN TO ENROLLMENT OR UNDERGOING DATA ANALYSIS SEVERAL OF THESE STUDIES WERE INCLUDED IN COG'S LONG-TERM FOLLOW-UP STUDY, WHICH COLLECTS DATA ON PATIENTS WHO HAVE PARTICIPATED IN STUDIES THAT ARE NO LONGER OPEN TO ENROLLMENT IN ALL, APPROXIMATELY 220 CHKD PATIENTS PARTICIPATED IN EITHER OPEN OR FOLLOW-UP COG STUDIES IN FY11 IN FY11, CHKD HOSTED 43 INDIVIDUAL CONTINUING MEDICAL EDUCATION EVENTS IN VARIOUS LOCATIONS THROUGHOUT THE REGION, HELPING CHILD HEALTH EXPERTS IN OUR REGION KEEP UP WITH THEIR SKILLS AND THEIR ACCREDITATION AND THE HOSPITAL HELD ITS NINTH SUMMER NURSE EXTERNSHIP, INTRODUCING EIGHT NURSING STUDENTS TO OUR HOSPITAL FOR SUMMER EMPLOYMENT

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) CHILDREN'S HEALTH SYSTEM INC 601 CHILDRENS LANE NORFOLK, VA 23507 54-1278830	HEALTHCARE	VA	501(c)(3)	11C	NA		
(2) CHILDREN'S HEALTH FOUNDATION INC 601 CHILDRENS LANE NORFOLK, VA 23507 54-1278865	FUNDRAISING	VA	501(c)(3)	11C	NA		
(3) NORFOLK CITY UNION OF THE KING'S DAUGHTE 601 CHILDRENS LANE Norfolk, VA 23507 54-1283946	CHARITY PROMO	VA	501(c)(3)	7	NA		

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) CHILREN'S SURGICAL SPECIALTY GROUP INC 601 CHILDRENS LANE NORFOLK, VA23507 31-1610834	HEALTHCARE	VA	NA	C CORP			
(2) CHILDREN'S MEDICAL GROUP INC 601 CHILDRENS LANE NORFOLK, VA23507 54-1778786	HEALTHCARE	VA	NA	C CORP			
(3) CMG OF NORTH CAROLINA INC 601 CHILDRENS LANE NORFOLK, VA23507 56-1960102	HEALTHCARE	NC	NA	C CORP			
(4) CHILDREN'S HEALTH SYSTEM INSURANCE LTD 4TH FLOOR 41 CEDAR AVENUE HAMILTON HM12 BD	INSURANCE	BD	NA	C CORP			

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

		Yes	No
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a	Yes	
b Gift, grant, or capital contribution to other organization(s)	1b	Yes	
c Gift, grant, or capital contribution from other organization(s)	1c	Yes	
d Loans or loan guarantees to or for other organization(s)	1d	Yes	
e Loans or loan guarantees by other organization(s)	1e	Yes	
f Sale of assets to other organization(s)	1f		No
g Purchase of assets from other organization(s)	1g		No
h Exchange of assets	1h		No
i Lease of facilities, equipment, or other assets to other organization(s)	1i	Yes	
j Lease of facilities, equipment, or other assets from other organization(s)	1j	Yes	
k Performance of services or membership or fundraising solicitations for other organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by other organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets	1m		No
n Sharing of paid employees	1n	Yes	
o Reimbursement paid to other organization for expenses	1o	Yes	
p Reimbursement paid by other organization for expenses	1p		No
q Other transfer of cash or property to other organization(s)	1q	Yes	
r Other transfer of cash or property from other organization(s)	1r		No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization See instructions regarding exclusion for certain investment partnerships

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 54-0506321
Name: Children's Hospital of the King's Daughters

Form 990, Schedule R, Part V - Transactions With Related Organizations

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	CHILDREN'S SPECIALTY SURGICAL GROUP INC	A, I	922,650	
(2)	CHILDREN'S MEDICAL GROUP INC	A, I	433,656	
(3)	CHILDREN'S HEALTH SYSTEM INC	O	9,636,962	
(4)	CHILDREN'S HEALTH FOUNDATION INC	C	220,692	
(5)	NORFOLK CITY UNION OF THE KING'S DAUGHTERS	C	300,000	
(6)	NORFOLK CITY UNION OF THE KING'S DAUGHTERS	N, I	214,331	
(7)	CHILDREN'S HEALTH SYSTEM INC	E	1,408,284	
(8)	CHILDREN'S HEALTH FOUNDATION INC	D	181,759	
(9)	CHILDREN'S MEDICAL GROUP INC	D	597,385	
(10)	CHILDREN'S HEALTH FOUNDATION INC	Q,b	4,856,728	
(11)	CHILDREN'S SURGICAL SPECIALTY GROUP INC	Q,b	5,510,003	

KPMG

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Financial Statements and
Supplemental Schedules

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Table of Contents

KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

The Board of Directors
Children's Health System, Inc

We have audited the accompanying consolidated balance sheets of Children's Health System, Inc and subsidiaries (the Health System) as of June 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended These consolidated financial statements are the responsibility of the Health System's management Our responsibility is to express an opinion on these consolidated financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health System's internal control over financial reporting Accordingly, we express no such opinion An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children's Health System, Inc and subsidiaries as of June 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with U S generally accepted accounting principles

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole The consolidating information included in schedules 1 and 2 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole

KPMG LLP

October 24, 2011

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2011 and 2010

(Dollars in thousands)

Assets		2011	2010
Current assets			
Cash and cash equivalents	$	32,216	25,167
Receivables, net		34,455	34,232
Pledges receivable, net		1,827	2,233
Supplies inventory		4,651	4,420
Prepaid expenses and other current assets		5,890	14,151
Total current assets		79,039	80,203
Pledges receivable, net		1,580	2,311
Investments and assets whose use is limited		213,657	161,765
Property, plant and equipment, net		161,795	164,249
Other assets, net		6,609	5,444
Total assets	$	462,680	413,972
Liabilities and Net Assets			
Current liabilities			
Accounts payable	$	7,531	13,045
Accrued expenses		22,861	23,014
Current installment of long-term debt		1,600	—
Total current liabilities		31,992	36,059
Long-term debt		76,400	78,000
Other long-term liabilities		26,697	28,256
Total liabilities		135,089	142,315
Net assets			
Unrestricted		298,603	244,715
Temporarily restricted		8,866	6,924
Permanently restricted		20,122	20,018
Total net assets		327,591	271,657
Total liabilities and net assets	$	462,680	413,972

See accompanying notes to consolidated financial statements

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2011 and 2010

(Dollars in thousands)

	2011	2010
Unrestricted operating revenues, gains, and other support		
Net patient service revenue	$ 339,209	329,075
Other operating revenue	8,840	8,297
Net assets released from restrictions for operations	1,440	3,831
Total operating revenues, gains, and other support	349,489	341,203
Operating expenses		
Salaries and employee benefits	193,826	181,061
Supplies	47,340	44,260
Purchased services	32,117	30,787
Other	31,080	29,070
Depreciation and amortization	16,198	16,432
Provision for bad debts	7,438	7,367
Interest expense	3,602	3,595
Research and development expense	1,002	762
Total operating expenses	332,603	313,334
Operating income	16,886	27,869
Nonoperating income		
Contributions	9,217	9,047
Investment income, net	7,456	303
Net realized gains on sale of investments	5,043	3,670
Total nonoperating income	21,716	13,020
Excess of revenues over expenses	38,602	40,889
Net unrealized gains on investments	13,478	3,058
Other changes in pension liability	1,154	(2,164)
Net assets released from restrictions for capital acquisitions	654	730
Increase in unrestricted net assets	53,888	42,513
Temporarily restricted net assets		
Contributions	2,693	2,006
Endowment appreciation	1,343	—
Net assets released from restrictions	(2,094)	(4,561)
Increase (decrease) in temporarily restricted net assets	1,942	(2,555)
Permanently restricted net assets		
Contributions	73	659
Change in value of trusts	31	(5)
Increase in permanently restricted net assets	104	654
Increase in net assets	55,934	40,612
Net assets at beginning of year	271,657	231,045
Net assets at end of year	$ 327,591	271,657

See accompanying notes to consolidated financial statements

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2011 and 2010

(Dollars in thousands)

	2011	2010
Cash flows from operating activities		
Increase in net assets	$ 55,934	40,612
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Provision for bad debts	7,438	7,367
Depreciation and amortization	16,198	16,432
Net realized and unrealized gains on investments	(19,558)	(6,728)
Change in fair value of derivative instruments	(2,328)	3,616
Loss on disposal of property, plant and equipment	308	65
Other changes in pension liability	(1,154)	2,164
Restricted contributions	(2,766)	(2,665)
Changes in		
Receivables	(7,661)	(7,536)
Pledges receivable, net	1,137	870
Supplies inventory	(231)	221
Prepaid expenses and other current assets	8,261	(673)
Accounts payable	(5,514)	1,733
Accrued expenses	(153)	(1,858)
Other assets	(1,225)	(1,099)
Other long-term liabilities	1,923	1,468
Net cash provided by operating activities	50,609	53,989
Cash flows from investing activities		
Proceeds from sales of investments and assets whose use is limited	16,770	44,291
Purchases of investments and assets whose use is limited	(49,104)	(80,476)
Proceeds from disposal of property, plant and equipment	104	16
Purchases of property, plant and equipment	(14,096)	(21,009)
Net cash used in investing activities	(46,326)	(57,178)
Cash flows from financing activity		
Restricted contributions received	2,766	2,665
Net cash provided by financing activity	2,766	2,665
Increase (decrease) in cash and cash equivalents	7,049	(524)
Cash and cash equivalents at beginning of year	25,167	25,691
Cash and cash equivalents at end of year	$ 32,216	25,167
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 3,481	3,616

See accompanying notes to consolidated financial statements

(1) Corporate Organization and Principles of Consolidation

(a) Corporate Organization

Children's Health System, Inc (CHS or the Health System) is a nonstock, nonprofit Virginia corporation formed to coordinate, promote and plan for the provision of healthcare services, medical education, and healthcare-related educational development for the community To fulfill its corporate purpose, CHS is the parent holding company of six controlled subsidiary corporations, Children's Hospital of The King's Daughters, Inc (the Hospital), Children's Health Foundation, Inc (the Foundation), Children's Medical Group, Inc (CMG), CMG of North Carolina, Inc , a wholly owned subsidiary of CMG (CMG-NC), Children's Surgical Specialty Group, Inc (CSSG) and Children's Health System Insurance Limited (CHSIL) CHS is the sole member of the Hospital and the Foundation and the sole shareholder of CMG, CSSG and CHSIL As the sole member, or sole shareholder of these subsidiaries, CHS has those rights and powers prescribed by law and the rights and powers provided in the Articles of Incorporation and Bylaws of the subsidiaries, including the power to approve any alteration or amendment of the Articles of Incorporation and the Bylaws and the adoption of new bylaws

(b) Principles of Consolidation

The consolidated financial statements include the accounts of CHS and the following subsidiaries

- The Hospital, a Virginia nonstock, nonprofit corporation, which provides a wide range of healthcare services for children The Hospital provides inpatient and ambulatory care services across many pediatric specialties, including a high percentage of neonatal and pediatric intensive care services It is Virginia's only free-standing, full-service pediatric hospital treating children from birth through age 21 The Hospital is not only a health care facility, but a teaching hospital licensed for 206 beds,
- The Foundation, a Virginia nonstock, nonprofit corporation, which was established to raise funds, manage investments and fund education, research and other programs for Children's Health System,
- CMG, a Virginia stock corporation, which owns and operates pediatric physician practices,
- CMG-NC, a North Carolina stock corporation, which owns and operates a pediatric physician practice in northeastern North Carolina,
- CSSG, a Virginia stock corporation, which owns and operates pediatric surgical subspecialty practices, including pediatric general surgery, pediatric urology, pediatric cardiac surgery, pediatric orthopedic surgery and sports and adolescent medicine, pediatric neurosurgery and pediatric plastic surgery, and
- CHSIL, a captive insurance company incorporated in Bermuda, which provides commercial general liability coverage for CHS and its subsidiaries and medical professional liability coverage for nonphysician practitioners employed by CHS and its subsidiaries

All significant intercompany balances and transactions have been eliminated in consolidation

(Dollars in thousands)

(2) Summary of Significant Accounting Policies

(a) Healthcare Industry Reporting Practices

The financial statement presentation and significant accounting policies adopted by CHS conform to general practice within the healthcare industry, as published by the American Institute of Certified Public Accountants (AICPA) in its audit and accounting guide, *Health Care Organizations*

(b) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive adjustments, including revisions to estimated settlements as a result of audits by the intermediary, are accrued on an estimated basis in the period their related services are rendered and adjusted in future periods as final settlements are determined Net patient service revenue was increased by approximately $3,994 and $2,244 for the years ended June 30, 2011 and 2010, respectively, as a result of changes in estimates associated with settlements and other revisions to prior years for third-party settlement amounts The estimated amounts due from third-party payors at June 30, 2011 and 2010 were approximately $2,345 and $11,492, respectively, and are included in prepaid expenses and other current assets in the accompanying consolidated balance sheets The estimated amounts due to third-party payors at June 30, 2011 and 2010 were approximately $3,914 and $2,160, respectively, and are included in accrued expenses in the accompanying consolidated balance sheets

Net patient service revenue for the Hospital includes payments for services provided to beneficiaries of various plans for the years ended June 30, 2011 and 2010, as follows

		2011	2010
Virginia and North Carolina Medical Assistance Programs and Medicaid managed care plans (Medicaid)	$	109,083	101,548
Anthem Services, Inc (Anthem)		56,120	58,226
Optima Health Plan		32,709	27,511
Tricare		26,447	28,237
All others		44,772	50,403
Net patient service revenue	$	269,131	265,925

Payments to the Hospital are at amounts differing from its established rates Payments are under the provisions of reimbursement arrangements in effect for each payor A summary of the payment arrangements with major third-party payors follows

Medicaid Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates based on a blend of per patient day and per discharge payments Inpatient nonacute services and certain outpatient services rendered to Medicaid beneficiaries are

paid based on a cost reimbursement methodology The Hospital is reimbursed at a tentative rate with final settlements determined after submission of annual cost reports by the Hospital and audits thereof by Medicaid The Hospital's Virginia and North Carolina Medicaid cost reports have been audited through June 30, 2009 and June 30, 2004, respectively

Anthem Inpatient services rendered to Anthem subscribers are reimbursed at prospectively determined per diem rates and outpatient services are reimbursed at prospectively determined discounted rates The amounts reimbursed are not subject to retroactive adjustment

Optima Health Plan Inpatient services are reimbursed on a rate per discharge basis Outpatient services are reimbursed at prospectively determined discounted rates

Tricare Inpatient services are reimbursed based on a fixed amount per discharge, along with retrospectively determined amounts for capital and medical education costs

Revenues from the Medicaid and Anthem programs accounted for approximately 41% and 21%, respectively, of the Hospital's net patient service revenue for the year ended June 30, 2011 (38% and 22%, respectively, for the year ended June 30, 2010)

Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term CHS believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the consolidated financial statements Compliance with such laws and regulations is subject to government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicaid program

CHS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates Because CHS does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue, however, the expenses incurred in providing these services are included in CHS' operating expenses

(c) Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions Accordingly, net assets of CHS and changes therein are classified and reported as follows

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of CHS and/or by the passage of time

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that are required to be maintained in perpetuity by CHS

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions Expenses are reported as decreases in unrestricted net assets

Releases of temporarily restricted net assets used for operating purposes are included as unrestricted support in the period the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished Releases of temporarily restricted net assets used for the purchase of long-lived assets are included as unrestricted support and are excluded from the excess of revenues over expenses

(d) Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received Conditional promises to give are not recognized until they become substantially unconditional, that is, when the conditions on which they depend are substantially met Contributions of assets other than cash are recorded at their estimated fair value Contributions that are to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fund-raising activity Similarly, unconditional promises to make contributions are recognized as expenses in the period the promise is made

(e) Excess of Revenues over Expenses

The accompanying consolidated statements of operations and changes in net assets include excess of revenues over expenses (the performance indicator) Changes in unrestricted net assets, which are excluded from the performance indicator, consistent with industry practice, include unrealized gains or losses on investments other than trading securities, changes in pension liability and net assets released from restrictions used for the purchase of property, plant and equipment

(f) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash held in checking accounts, bank repurchase agreements, certificates of deposit and money market funds, with original maturities of three months or less

(g) Receivables

Receivables are primarily comprised of patient receivables and are presented net of allowances for contractual adjustments and uncollectible receivables The allowances for uncollectible receivables are $5,973 and $5,233 at June 30, 2011 and 2010, respectively This allowance is management's best estimate of the amount of probable credit losses in CHS' existing receivables CHS determines the allowance based on historical write-off experience Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote CHS does not have any off-balance-sheet credit exposure related to its customers

(h) Supplies Inventory

Inventories, primarily medical supplies, are stated at the lower of cost (first-in, first-out) or market

(i) Derivative Financial Instruments

CHS recognizes the fair value of derivative financial instruments, currently consisting of an interest rate swap agreement, as an asset or liability in the accompanying consolidated balance sheets The change in the fair value of this instrument is included in investment income, net Net cash settlement amounts are included in interest expense in the accompanying consolidated statements of operations and changes in net assets

(j) Investments

All investments, except for the portion required for payment of current liabilities, are classified as noncurrent assets Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value Investment income (including realized gains and losses) is included in the performance indicator Unrealized losses on investments due to other-than-temporary declines in value are considered realized with the cost basis of the underlying investments being reduced and the loss recognized in the performance indicator Unrealized gains and losses on readily marketable investments are excluded from the performance indicator unless the investments are designated as trading securities

Investments with losses of more than 25% of cost basis that has been in a loss position for more than nine months are deemed to be other-than-temporarily impaired

CHS' investments include various types of investment securities and investment vehicles These investments are exposed to several risks, such as interest rate, currency, market and credit risks Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in estimated values will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements

Investments in hedge funds and real asset funds, included in investments, are accounted for under the equity method using net asset value These amounts represent CHS' contribution to the investment plus or minus CHS' portion of the investment's gains and losses, which are allocated according to CHS' ownership percentage Because of the inherent uncertainties in the valuation of nonreadily marketable investments, the carrying values of these investments could differ materially from the values that would have been used had a ready market for the investments existed CHS' equity in the earnings of these investments is included in investment income, net in the accompany statements of operations and changes in net assets

(Continued)

(Dollars in thousands)

(k) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost Donated property, plant and equipment are recorded at fair market value at date of donation, which is then treated as cost Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets Leasehold improvements are amortized on the straight-line method over the shorter of the lease term or the estimated useful life The estimated useful lives of each major class of depreciable assets are as follows

Buildings and improvements	5 – 40 years
Leasehold improvements	2 – 20 years
Fixed equipment	2 – 30 years
Movable equipment	2 – 20 years

The carrying value of property, plant, and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value

(l) Goodwill

Goodwill represents the excess or deficiency of the purchase price over the fair value of the net assets of an acquired business In conjunction with the implementation of Accounting Standards Update (ASU) 2010-07, *Not-for-Profit Entities (Topic 958) Note-for-Profit Entities Mergers and Acquisitions* (ASU 2010-7), effective July 1, 2010, the Health System no longer amortizes goodwill, but tests the carrying value of goodwill annually for impairment Total goodwill recognized on acquisitions of physician practices, less accumulated depreciation, was $1,767,469 and $2,037,977 as of June 30, 2011 and 2010, respectively, and is included in other assets, net in the accompanying consolidated balance sheets

(m) Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported

(n) Research and Development Costs

CHS expenses its research and development costs as incurred

(o) Income Taxes

CHS, the Hospital and the Foundation have been recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code of 1986 (the Code) and as a public charity under Section 509(a) of the Code CMG, CMG-NC and CSSG are taxable corporations

CHS' for-profit subsidiaries have cumulative net operating loss carryforwards of approximately $74,000 through June 30, 2011 for income tax purposes, which expire in various years from 2012 through 2029. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. Due to historical losses of the for-profit subsidiaries, CHS has recorded a full valuation allowance against its net operating loss carryforwards in the accompanying consolidated financial statements.

CHSIL is incorporated in Bermuda and is generally not subject to income or capital gains taxes in the United States of America or Bermuda. Accordingly, no provision for income taxes is made in the accompanying consolidated financial statements for this entity.

CHS recognizes any benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. If applicable, the tax benefits recognized in the consolidated financial statements from such a position would be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. CHS does not believe its consolidated financial statements include any uncertain tax provisions.

(p) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant items subject to such estimates and assumptions include valuation allowances for receivables, self-insurance liabilities, third-party settlement liabilities, retirement obligations, tax asset valuation allowances, and the carrying amount of property, plant and equipment and investments.

(q) New or Recent Accounting Pronouncements

On July 1, 2010, the Health System adopted ASU 2010-07, which amends financial accounting and reporting for not-for-profit business combinations. The pronouncement establishes principles and requirements regarding how a not-for-profit entity determines whether a combination is a merger or an acquisition, applies the carryover method in accounting for a merger, applies the acquisition method in accounting for an acquisition, including determining which of the combining entities is the acquirer, and determines the format to disclose to enable users of financial statements to evaluate the nature and financial effects of a merger or an acquisition. Additionally, goodwill is no longer amortized and negative goodwill is credited to net assets. The adoption of ASU 2010-07 had no impact to the consolidated financial statements of the Health System.

The Financial Accounting Standards Board (FASB) issued ASU 2010-23, *Measuring Charity Care for Disclosure* in August 2010 and is effective for fiscal years beginning after December 15, 2010. ASU 2010-23 amends ASC Subtopic 954-605, *Health Care Entities – Revenue Recognition* to require that cost be used as the measurement basis for charity care disclosure purposes. The method used to estimate such costs as well as any funds received to offset or subsidize charity services

(Dollars in thousands)

provided will be required to be disclosed The Health System will adopt this ASU in fiscal year 2012

The FASB issued ASU 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*, in August 2010 ASU 2010-24 amends ASC Subtopic 054-450, *Health Care Entities – Contingencies*, to clarify that a health care entity should not net insurance recoveries against a related liability and the claim liability should be determined without consideration of insurance recoveries The ASU is effective for fiscal year 2012 and is not expected to have a significant impact to the Health System's consolidated financial statements

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* This ASU will change the Health System's presentation of provision for bad debts in the consolidated statements of operations and changes in net assets from operating expenses to a deduction from net patient service revenue It also expands disclosures regarding policies for recognizing revenue, assessing contra revenue line items, and activity in the allowance for bad debts The Health System will adopt this ASU in fiscal year 2012

(3) Charity Care and Other Mission-Related Costs

CHS provides services to eligible patients at reduced rates or at no charge based upon the individual patient's financial situation Records are kept to identify, approve and monitor those charges foregone under the charity care policy The following table sets forth the level of charity care provided during the years ended June 30, 2011 and 2010

		2011	2010
Charges foregone, based on established rates	$	3,894	2,604
Percentage of charges foregone to gross patient service revenue		0 49%	0 37%

As part of its mission, CHS continually underwrites much of the cost of training physicians and residents in its emergency rooms, clinics and inpatient facilities

CHS has a long-standing commitment to providing free or low-cost outreach, educational and clinical programs as a benefit back to the community Community benefit programs include full-service medical and psychosocial evaluative services for victims of abuse and neglect, special-needs car safety seat distribution, community-wide school-age field trips to CHS, programs tackling childhood obesity, parent education classes, a literacy program supplying books to children, numerous support groups and a multitude of associations and partnerships with community groups and agencies

(Dollars in thousands)

(4) Net Patient Service Revenue

Net patient service revenue is summarized as follows for the years ended June 30, 2011 and 2010

		2011	2010
Gross patient service revenue	$	791,753	711,650
Deductions from gross patient service revenue			
Contractual adjustments		(471,745)	(403,152)
Policy discounts		(8,660)	(7,056)
Total deductions from patient service revenue		(480,405)	(410,208)
Disproportionate share payments		27,861	27,633
Net patient service revenue	$	339,209	329,075

(5) Pledges Receivable

As of June 30, 2011 and 2010, CHS contributors have made unrestricted written and oral unconditional promises to give of $4,288 and $5,497, respectively, to CHS These amounts are recorded at net present value using discount rates of approximately 4 1% and 4 3% CHS projects that contributors will remit these contributions as follows

		2011	2010
Due within one year	$	1,827	2,233
Due within one to five years		2,334	2,719
Due after five years		127	545
Total pledges receivable		4,288	5,497
Less allowance for uncollectible pledges and discount		(881)	(953)
Pledges receivable, net	$	3,407	4,544

(Continued)

(Dollars in thousands)

(6) Investments and Assets Whose Use Is Limited

The composition of investments and assets whose use is limited at June 30, 2011 and 2010 was as follows

		2011	2010
Investments			
Fixed income mutual funds	$	100,967	71,303
Equity mutual funds		48,952	36,003
Real asset funds		2,370	1,910
Hedge fund		9,318	8,712
		161,607	117,928
Investments related to restricted net assets			
Fixed income mutual funds		11,996	10,899
Equity mutual funds		5,627	4,854
Real asset funds		755	609
Hedge fund		2,950	2,759
		21,328	19,121
Board designated			
Fixed income mutual funds		14,546	12,151
Equity mutual funds		13,170	9,823
Real asset funds		552	447
Hedge fund		2,454	2,295
		30,722	24,716
Total investments	$	213,657	161,765

Management continually reviews its investment portfolio and evaluates whether declines in the fair value of securities should be considered other than temporary Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of advisors and the length of time and extent to which the fair value was less than cost No losses were recognized for other-than-temporary declines in the fair market value of investments during the year ended June 30, 2011 or 2010

(Continued)

(Dollars in thousands)

The following table shows the gross unrealized losses and fair value of the investments with unrealized losses that are deemed to be not other-than-temporarily impaired, aggregated by length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2011

	Less than 12 months		12 months or greater	
	Fair value	Unrealized losses	Fair value	Unrealized losses
Fixed income mutual funds	$ 24,473	(157)	—	—
Equity mutual funds	199	(1)	—	—
Total	$ 24,672	(158)	—	—

The temporary declines in value of mutual funds are primarily due to market volatility and interest rate fluctuations

Investment return is comprised of the following for the years ended June 30, 2011 and 2010

	2011	2010
Nonoperating income		
Investment income, net of related fees	$ 5,128	3,919
Change in fair value of derivative instruments	2,328	(3,616)
Equity in gains (losses) of alternative investments	1,608	(267)
Net realized gains on investment sales	3,435	3,937
	12,499	3,973
Other changes in unrestricted net assets		
Net unrealized gains on investments	13,478	3,058
Changes in temporarily restricted net assets		
Endowment appreciation	1,343	—
Total investment return	$ 27,320	7,031

(7) Fair Value Measurements

The fair value of a financial instrument represents management's best estimate of the amount that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at that date Those fair value measurements maximize the use of observable inputs However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects CHS' own judgments about the assumptions that market participants would use in pricing the asset or liability Those judgments are developed by CHS based on the best information available in the circumstances

(Continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments

Cash and cash equivalents, receivables, net, accounts payable and accrued expenses The carrying amounts materially approximate fair value because of the short maturity of these instruments

Pledges receivable, net CHS values contributions receivable using the present value of future cash flows as described in note 5

Investments and assets whose use is limited – Equity and Fixed Income Mutual Funds Investments in this category are based on the market approach Each fund is measured using daily net asset valuations at the reporting date

Investments and assets whose use is limited – Hedge Funds and Real Asset Funds Investments in these funds are generally valued at net asset value per share as provided by the external investment managers without further adjustment Accordingly, such values may differ from values that would have been used had a ready market for the investments existed The net asset values provided by the investment managers are monitored on a quarterly basis and the carrying value is adjusted based on CHS' percentage of ownership

Debt Debt is carried at the principal amount outstanding The fair value of debt is presented in note 11 The fair value of variable rate debt approximates the carrying value because the financial instruments bear interest rates, which approximate current market rates for loans with similar maturities and credit quality

Interest rate swaps The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and CHS

ASC 820 establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3) If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and the reliability and transparency of the assumptions used to determine fair value The hierarchy requires the use of observable market data when available The levels of the hierarchy are defined as follows

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not

(Dollars in thousands)

active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement

The following table presents the balances of assets and liabilities measured at fair value in the consolidated balance sheet on a recurring basis as of June 30, 2011, by level within the fair value hierarchy

		Level 1	Level 2	Level 3	Total
Assets					
Mutual funds					
Index funds	$	56,665	—	—	56,665
Balanced funds		5,590	—	—	5,590
Growth funds		33,544	—	—	33,544
Fixed income funds		75,118	6,969	—	82,087
Other funds		17,372	—	—	17,372
Total	$	188,289	6,969	—	195,258
Liabilities					
Interest rate swap agreement	$	—	—	9,662	9,662

The following table presents the balances of assets and liabilities measured at fair value in the consolidated balance sheet on a recurring basis as of June 30, 2010, by level within the fair value hierarchy

		Level 1	Level 2	Level 3	Total
Assets					
Mutual funds					
Index funds	$	52,289	—	—	52,289
Balanced funds		3,459	—	—	3,459
Growth funds		25,014	—	—	25,014
Fixed income funds		58,534	5,737	—	64,271
Total	$	139,296	5,737	—	145,033
Liabilities					
Interest rate swap agreement	$	—	—	11,990	11,990

(Continued)

(Dollars in thousands)

The following table summarizes changes in Level 3 liabilities

	Interest rate swap agreement
Liabilities	
Beginning balance as of July 1, 2010	$ 11,990
Total net gains included in Change in net assets	(2,328)
Ending balance as of June 30, 2011	$ 9,662
Net unrealized gains included in change in net assets for the period relating to assets held at June 30, 2011	$ 2,328

A summary of hedge fund and real asset funds accounted for under the equity method included in investments in the accompanying June 30 consolidated balance sheets is as follows

	Ownership percentage	2011	2010
Access Hedge Fund Investors Segregated Portfolio I	3 4%	$ 14,722	13,766
Blackrock Diamond Property Fund	0 4	1,497	1,164
ING Clarion Partners Lion Value Fund	0 7	2,180	1,802
Total hedge fund and real asset funds		$ 18,399	16,732

CHS' hedge fund and real asset funds are reported on the equity method based on the underlying net asset value of the investment Due to the nature of the underlying investments held, changes in market conditions and the economic environment may significantly impact the investments' net asset value and the carrying value of CHS' interest

These funds are redeemable quarterly at their net asset value under the current terms of the subscription agreements, and therefore, their carrying value approximates their estimated fair value However, it is possible that these redemption rights may be restricted or eliminated by the funds in accordance with the underlying agreements in the future

(8) Endowment Net Assets

CHS' endowments consist of approximately 152 individual funds established for a variety of purposes including both donor-restricted endowment funds and term endowments The portion of a term endowment that must be maintained for a specified term is classified as temporarily restricted net assets Net assets

associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions

Interpretation of Relevant Law

CHS has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act of 2007 (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary As a result of this interpretation, CHS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CHS in a manner consistent with the standard of prudence prescribed by the Act In accordance with the Act, CHS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

1 The duration and preservation of the fund

2 The purposes of the Foundation and the donor-restricted endowment fund

3 General economic conditions

4 The possible effect of inflation and deflation

5 The expected total return from income and the appreciation or depreciation of investments

6 Other resources of the Foundation

7 The investment policies of the Foundation

Endowment net assets consist of the following at June 30, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	887	20,122	21,009

(Continued)

(Dollars in thousands)

Endowment net assets consist of the following at June 30, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (1,280)	126	20,018	18,864

Changes in endowment net assets for the year ended June 30, 2011 are as follows

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2010	$ (1,280)	126	20,018	18,864
Contributions	—	—	73	73
Investment gain and net appreciation	1,280	1,343	31	2,654
Appropriation of endowment assets for expenditure	—	(582)	—	(582)
Endowment net assets, June 30, 2011	$ —	887	20,122	21,009

Changes in endowment net assets for the year ended June 30, 2010 are as follows

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2009	$ (2,593)	177	19,364	16,948
Contributions	—	—	659	659
Investment gain (loss) and net appreciation (depreciation)	1,313	—	(5)	1,308
Appropriation of endowment assets for expenditure	—	(51)	—	(51)
Endowment net assets, June 30, 2010	$ (1,280)	126	20,018	18,864

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires CHS to retain as a fund of perpetual duration Deficiencies of this nature that are reported in unrestricted net assets were $1,280 as of June 30, 2010, which were funded through the transfer of operating funds These deficiencies resulted from unfavorable market fluctuations There were no deficiencies reported in unrestricted net assets as of June 30, 2011 Subsequent market increases will be classified as an increase in unrestricted net assets until the deficiencies are recouped

Return Objectives and Risk Parameters

CHS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity or for a donor-specified period as well as board-designated funds CHS attempts to manage the endowment to provide long-term real returns that compare favorably with the returns of other endowments on a risk-adjusted basis The long-term expected return equals 6 5% for the Foundation The returns and risks are frequently measured against a comparable universe

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, CHS relies on a portfolio benchmark comprised of public market indices At present, this policy benchmark is 60% equity, 10% real estate, and 30% fixed income The strategic asset allocation is prudently diversified across asset classes and lies near the efficient frontier of portfolios that provide the highest expected return per unit of risk and the lowest risk per unit of expected return CHS relies on the risk controls based on tolerance for volatility, but also to ensure adequate liquidity The Foundation maintains a small amount of cash to meet operational needs

Spending Policy and How the Investment Objectives Relate to Spending Policy

CHS has a policy of appropriating for distribution each year a target of 5 0% or less of the endowment funds In establishing this policy, CHS considered the expected return on its endowment Accordingly, the Foundation expects the current spending policy to allow the endowment to maintain its purchasing power by growing at a rate equal to planned spending and the underlying inflation rate Additional real growth will be provided through new gifts and any excess investment return The endowment spending rate is monitored at each Board meeting and evaluated annually as part of the Foundation's Operating Budget approval process Donor spending restrictions accepted by the Foundation shall be honored unless the donor consents or when a change is permitted by the gift instrument or applicable law Due to investment losses in previous years, board-approved appropriations for the years ended June 30, 2011 and 2010 were limited to the unspent appropriations from June 30, 2008

(Dollars in thousands)

(9) Property, Plant and Equipment

Property, plant and equipment as of June 30, 2011 and 2010 are summarized as follows:

	2011	2010
Land	$ 7,845	7,845
Land improvements	243	243
Buildings and leasehold improvements	162,049	159,830
Fixed equipment	16,065	15,037
Movable equipment	113,858	105,391
	300,060	288,346
Less accumulated depreciation and amortization	145,522	132,126
	154,538	156,220
Construction in progress	7,257	8,029
	$ 161,795	164,249

Depreciation expense for the years ended June 30, 2011 and 2010 totaled $16,138 and $16,374, respectively. At June 30, 2011 and 2010, accumulated depreciation for assets acquired under capital lease was $722 and $401, respectively.

At June 30, 2011, the estimated cost to complete projects under construction approximated $8,275, which related primarily to information technology upgrades.

(10) Derivative Instruments

CHS has only limited involvement with derivative financial instruments and does not use them for trading purposes. In October 2005, CHS entered into an interest rate swap agreement having a notional amount of $78,000 to reduce interest rate risk on the variable rate Revenue and Refunding Bonds Series 2006 (Series 2006 Bonds). Under terms of the swap agreement, CHS receives amounts based upon 64% of the one-month LIBOR (approximately 0.12% at June 30, 2011) and makes payments at 3.39% and settles with the counterparty on a monthly basis. The swap agreement carries a 30-year term, and the agreement provides that the notional amount will be reduced in the same amount, and at the same time, the principal of the Series 2006 Bonds is scheduled to be paid upon redemption or at maturity. The net cash settlement amounts incurred on the swap agreement totaled approximately $2,517 and $2,513 for the years ended June 30, 2011 and 2010, respectively, and are included in interest expense in the accompanying consolidated statements of operations and changes in net assets.

The fair value of the interest rate swap agreement is the estimated amount that CHS would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of the interest rate swap agreement at June 30, 2011 and 2010 was a liability of $9,662 and $11,990, respectively, and is included in other liabilities in the accompanying consolidated balance sheets. The changes in the fair market value of the

(Continued)

(Dollars in thousands)

interest rate swap agreement for the years ended June 30, 2011 and 2010 was an increase (decrease) of $2,328 and $(3,617), respectively, and are included in investment income, net in the accompanying consolidated statements of operations and changes in net assets CHS is exposed to credit loss in the event of nonperformance by the swap counterparties CHS monitors the credit standing of its counterparties

(11) Long-Term Debt

Long-term debt as of June 30, 2011 and 2010 is summarized as follows

	2011	2010
Bonds payable		
Hospital Revenue and Refunding Bonds Series 2006	$ 78,000	78,000

The fair value of all bonds at June 30, 2011 and 2010 was approximately $78,000

The principal maturities of the bonds payable for each fiscal year ending June 30 are as follows

	Bonds payable
2012	$ 1,600
2013	1,700
2014	1,800
2015	1,900
2016	2,000
Thereafter	69,000
	$ 78,000

On January 1, 2006, the Hospital issued Series 2006 Bonds in the amount of $78,000 The bonds bear interest at a variable weekly rate based on the remarketing of the bonds (approximately 0 09% and 0 35% at June 30, 2011 and 2010, respectively) The Series 2006 Bonds are repayable in annual installments ranging from $1,600 due January 1, 2012 to $4,400 due January 1, 2036

A portion of the proceeds were used to finance the construction of a freestanding ambulatory surgery and multispecialty center in Virginia Beach, Virginia, the construction of a multispecialty center in Chesapeake, Virginia and the major renovation of the Hospital's surgery and outpatient clinic areas The remaining proceeds were used to pay off the outstanding Series 1999 and Series 1993 Bonds and the term loans The Series 2006 Bonds are collateralized by a letter of credit, which expires on December 15, 2012

CHS' bonds are not secured by any security interest in or lien on any revenues or real or personal property owned by the Hospital or Foundation (the Obligated Group) The Master Trust Indenture places certain restrictions on the Obligated Group relative to operating ratios, incurrence of additional indebtedness and financial reporting requirements

(Dollars in thousands)

(12) Bank Lines of Credit

At June 30, 2011, CHS had unsecured bank lines of credit with no amounts outstanding and could borrow a total of $12,000 on the lines of credit with Bank of America, N A , which expires on January 31, 2012 Interest on outstanding amounts accrues at the BBA LIBOR plus 0 45% At June 30, 2010, CHS had unsecured bank lines of credit with no amounts outstanding and could borrow a total of $12,000 on the lines of credit with Bank of America, N A , which expires on January 31, 2011 Interest on outstanding amounts accrues at the BBA LIBOR plus 0 75%

(13) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2011 and 2010

		2011	2010
Satellite health centers	$	598	728
Charitable remainder trusts		3,450	2,233
Community outreach		732	537
Research		206	109
Nursing education		145	9
Cancer program		110	88
Child abuse program		329	298
Various other specific purpose projects		3,296	2,922
	$	8,866	6,924

Permanently restricted net assets at June 30, 2011 and 2010 are restricted to

		2011	2010
Investments to be held in perpetuity, the income from which is expendable to support			
Healthcare services for the child abuse program	$	7,608	7,630
Healthcare services for cancer programs		1,467	1,380
Healthcare services for the neonatal intensive care unit		2,582	2,557
Healthcare services for pediatric research		1,999	1,999
Various other healthcare services		6,466	6,452
	$	20,122	20,018

(14) Pension Plan

CHS maintains an unfunded supplemental executive retirement plan (the retirement plan) for certain executives The benefits of the retirement plan are based on years of service and the executive's compensation during the last five years of employment In 2011 and 2010, pension expense of $2,008 and $1,284, respectively, was recorded as operating expense CHS does not expect to contribute any amount to this plan in fiscal year 2012 to cover benefit payments

(Continued)

(Dollars in thousands)

No pension benefits are expected to be paid in either 2012 or 2013. Pension benefits expected to be paid in each year from 2014 to 2016 are $345, $599 and $490, respectively. The aggregate benefits expected to be paid in the five years from 2017 to 2021 are $7,508. The expected benefits to be paid are based on the same assumptions used to measure CHS' benefit obligation at June 30 and include estimated future employee service. CHS pays all benefits on a current basis.

Benefit obligations of the plan are included as other long-term liabilities in the consolidated balance sheets. The following table provides a reconciliation of the changes in the retirement plan's benefit obligation for the years ended June 30:

		2011	2010
Reconciliation of benefit obligation			
Benefit obligation at July 1	$	10,233	6,895
Service cost		1,046	616
Interest cost		504	407
Actuarial (gain) loss		(695)	2,315
Benefit payments		(154)	—
Benefit obligation at June 30	$	10,934	10,233

The following table provides the components of net periodic benefit cost for the retirement plan for the years ended June 30:

		2011	2010
Service cost	$	1,046	616
Interest cost		504	407
Prior service cost recognized		257	257
Recognized losses		201	4
Net periodic pension cost	$	2,008	1,284

The amounts included in unrestricted net assets that have yet to be recognized in net periodic benefit expense as of June 30, 2011 are as follows:

Prior service	$	1,156
Accumulated loss		2,136
	$	3,292

The net loss and prior service credit for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $116 and $257, respectively.

(Continued)

(Dollars in thousands)

Unrecognized prior service costs are amortized on a straight-line basis over the average remaining service period of active participants Gains and losses in excess of 10% of the benefit obligation are amortized over the average remaining service period of active participants

The assumptions used in the measurement of CHS' benefit obligation and benefit cost as of June 30 are shown in the following table

	2011	2010
Discount rate	5 25%	5 00%
Rate of compensation increase	5 00	5 00

CHS maintains two tax-exempt, defined contribution plans, which cover substantially all employees of the Hospital and certain subsidiaries of CHS Employees become eligible for the plans after completing one year of service and may elect to make annual plan contributions in one plan subject to Internal Revenue Service limitations CHS matches one-half of each employee's contribution to one of the plans, however, the matching contribution cannot exceed 3% of the employee's income CHS contributes an additional 1% to every employee's account in the other plan CHS' total expenses under these plans were $3,610 and $4,764 for the years ended June 30, 2011 and 2010, respectively

CHS also maintains a Director's Nonqualified Deferred Annuity Plan This defined contribution plan is available to full-time directors and certain employees designated by CHS Eligible participants must complete three years of service as a full-time director Compensation expense of $764 and $677 was recorded for the plan for the years ended June 30, 2011 and 2010, respectively There were no liabilities recorded as of June 30, 2011 and 2010 related to this plan

(15) Commitments and Contingencies

(a) Malpractice Insurance

The Hospital's malpractice insurance is obtained through CHS' wholly owned captive insurance company, CHSIL CHSIL is in compliance with minimum statutory capital requirements pursuant to its license as of June 30, 2011 and 2010 Under the terms of the Hospital's malpractice policy, coverage is subject to annual limits of $250 per occurrence and $1,000 in the aggregate

CHS maintains a separate malpractice insurance policy for its physicians The policy is on a claims-made basis CHS is insured for losses up to $2,000 per claim and $4,000 in the aggregate Should CHS not renew its policy or replace it with equivalent insurance, occurrences during its term but asserted after its term will be uninsured unless CHS obtains tail coverage CHS management believes that the accompanying consolidated financial statements will not be materially affected by retrospective adjustments or the ultimate cost related to unasserted claims, if any, at June 30, 2011

CHS also maintains primary and secondary excess general and professional liability umbrella policies through Homeland Insurance Company of New York and Darwin, which are each subject to annual limits of $10,000 per occurrence and in the aggregate

(Dollars in thousands)

(b) Litigation

The Company is involved in litigation arising during the normal course of business There are known claims and incidents that may result in assertion of additional claims, as well as claims from unknown incidents arising from services provided to patients that may be asserted However, management does not believe that the asserted or unasserted claims will exceed the total amount of insurance coverage

(c) Industry and Regulatory Environment

The health care industry is subject to numerous laws and regulations of federal, state and local governments These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, governmental health care program participation requirements, reimbursement for patient services and Medicare fraud and abuse Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed Management believes that the Company is in compliance with fraud and abuse and other applicable government laws and regulations

(d) Minimum Lease Payments

Several of the subsidiaries of CHS have entered into operating leases for office space and equipment Rental expense for the years ended June 30, 2011 and 2010 was $8,991 and $8,906, respectively, and is included in other operating expenses and purchased services in the accompanying consolidated statements of operations and changes in net assets

The following is a schedule of future minimum lease payments expected to be paid in the following years ending June 30

2012	$	8,085
2013		7,232
2014		5,924
2015		3,968
2016		2,297
Thereafter		5,030
	$	32,536

(Continued)

(Dollars in thousands)

(16) Concentration of Credit Risk

Patient receivables and net patient service revenue consist of amounts earned for patient care whereby payments are made either directly or indirectly by patients or by third-party payors, including state (Medicaid) governments, Tricare and private insurance carriers Services are generally provided without requiring collateral from patients or third-party payors A breakdown of net patient accounts receivable of the Hospital by significant type of payor follows for the years ended June 30, 2011 and 2010

	2011	2010
Medicaid	29%	40%
Tricare	13	12
Anthem (Blue Cross)	20	12
Optima Health Plan	16	13
All others (none more than 10%)	22	23
	100%	100%

The Health System places its cash and cash equivalents on deposit with financial institutions in the United States In October and November 2008, the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to $250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating noninterest-bearing transaction accounts The increased coverage is scheduled to expire on December 31, 2013, at which time it is anticipated amounts insured by FDIC will return to $100,000 During the year, CHS may have had amounts on deposit in excess of the insured limits

(17) Functional Expenses

CHS provides pediatric healthcare services to residents of the Hampton Roads area of Virginia and the surrounding areas Expenses related to providing these services are classified as follows for the years ended June 30, 2011 and 2010

		2011	2010
Healthcare services	$	288,698	271,979
General and administrative		42,433	39,971
Fund-raising expense		1,472	1,384
	$	332,603	313,334

(18) Reclassifications

Certain reclassifications have been made to the 2010 consolidated financial statements to conform to the 2011 consolidated financial statement presentation The reclassifications had no effect on net assets or excess of revenues for the year ended June 30, 2010

(Continued)

(19) Subsequent Events

In August 2011, Children's Medical Tower, LLC (CMT), a single member LLC owned by Children's Hospital of The King's Daughters, was created With the establishment of CMT, the Health System purchased a building and associated land and improvements for $20,500 Funding for the building was obtained through the sale of $11,000 in investments and a drawdown from the line of credit with Bank of America, N A of $9,500 The borrowing limit on the line of credit was increased by $8,000 to $20,000

CHS has evaluated subsequent events for potential recognition and/or disclosure through October 24, 2011, the date of issuance of these consolidated financial statements

Schedule 1

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2011

(Dollars in thousands)

Assets	Children's Hospital of The King's Daughters, Inc.	Children's Health Foundation, Inc.	Children's Surgical Specialty Group, Inc.	Children's Medical Group, Inc.	Children's Health System, Inc.	Children's Health System Insurance Limited	Eliminations	Consolidated
Current assets								
Cash and cash equivalents	$ 17,021	4,911	518	4,723	1,471	3,572	—	32,216
Receivables, net	30,908	—	1,069	2,478	—	—	—	34,455
Pledges receivable, net	1,827	—	—	—	—	—	—	1,827
Supplies inventory	4,651	—	—	—	—	—	—	4,651
Intercompany receivable	—	—	27	—	1,679	6	(1,712)	—
Prepaid expenses and other current assets	5,359	42	50	191	243	5	—	5,890
Total current assets	59,766	4,953	1,664	7,392	3,393	3,583	(1,712)	79,039
Pledges receivable, net	1,580	—	—	—	—	—	—	1,580
Investments and assets whose use is limited	89,428	118,505	—	—	5,724	—	—	213,657
Property, plant and equipment, net	159,207	—	965	1,547	76	—	—	161,795
Other assets, net	4,274	—	65	2,119	151	—	—	6,609
Investments in subsidiaries	—	—	—	—	41,147	—	(41,147)	—
Total assets	$ 314,255	123,458	2,694	11,058	50,491	3,583	(42,859)	462,680

(Continued)

Schedule 1

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2011

(Dollars in thousands)

Liabilities and Net Assets	Children's Hospital of The King's Daughters, Inc.	Children's Health Foundation, Inc.	Children's Surgical Specialty Group, Inc.	Children's Medical Group, Inc.	Children's Health System, Inc.	Children's Health System Insurance Limited	Eliminations	Consolidated
Current liabilities								
Accounts payable	$ 5,950	25	40	959	510	47	—	7,531
Accrued expenses	15,831	—	737	4,452	591	1,250	—	22,861
Intercompany liability	587	214	—	911	—	—	(1,712)	—
Current installment of long-term debt	1,600	—	—	—	—	—	—	1,600
Total current liabilities	23,968	239	777	6,322	1,101	1,297	(1,712)	31,992
Long-term debt	76,400	—	—	—	—	—	—	76,400
Other long-term liabilities	12,091	92	680	1,181	12,653	—	—	26,697
Total liabilities	112,459	331	1,457	7,503	13,754	1,297	(1,712)	135,089
Net assets								
Common stock	—	—	13,850	27,047	—	250	(41,147)	—
Unrestricted net assets and retained deficit	172,808	123,127	(12,613)	(23,492)	36,737	2,036	—	298,603
Temporarily restricted	8,866	—	—	—	—	—	—	8,866
Permanently restricted	20,122	—	—	—	—	—	—	20,122
Total net assets	201,796	123,127	1,237	3,555	36,737	2,286	(41,147)	327,591
Total liabilities and net assets	$ 314,255	123,458	2,694	11,058	50,491	3,583	(42,859)	462,680

See accompanying independent auditors' report

Schedule 2

CHILDREN'S HEALTH SYSTEM, INC AND SUBSIDIARIES

Consolidating Statement of Operations and Changes in Unrestricted Net Assets Information

Year ended June 30 2011

(Dollars in thousands)

	Children's Hospital of The King's Daughters, Inc	Children's Health Foundation, Inc	Children's Surgical Specialty Group, Inc	Children's Medical Group, Inc	Children's Health System, Inc	Children's Health System Insurance Limited	Eliminations	Consolidated
Operating revenues gains and other support								
Net patient service revenue	$ 269 131	—	11 475	58 697	—	—	(94)	339 209
Other operating revenue	9 915	—	129	153	12 941	673	(14 971)	8 840
Net assets released from restrictions	1 440	—	—	—	—	—	—	1 440
Total operating revenues gains and other support	280 486	—	11 604	58 850	12 941	673	(15 065)	349 489
Operating expenses								
Salaries and employee benefits	132 601	—	14 267	38 127	8 831	—	—	193 826
Supplies	36 529	—	356	10 426	29	—	—	47 340
Purchased services	28 612	—	441	1 851	1 307	—	(94)	32 117
Other	23 657	169	1 442	4 598	2 751	492	(2 029)	31 080
Depreciation and amortization	15 563	—	169	441	25	—	—	16 198
Provision for bad debts	6 681	—	427	330	—	—	—	7 438
Interest expense	3 602	—	—	—	—	—	—	3 602
Research and development expense	—	1 002	—	—	—	—	—	1 002
Corporate support allocation	9 637	—	533	2 772	—	—	(12 942)	—
Total operating expenses	256 882	1 171	17 635	58 545	12 943	492	(15 065)	332 603
Operating income (loss)	23 604	(1 171)	(6 031)	305	(2)	181	—	16 886
Contributions	9 217	—	—	—	—	—	—	9 217
Investment income net	4 291	3 031	—	—	133	1	—	7 456
Net realized gains on sales of investments	1 385	3 623	—	—	35	—	—	5 043
Excess (deficiency) of revenues over expenses	38 497	5 483	(6 031)	305	166	182	—	38 602
Transfers	(10 367)	4 857	6 043	—	(533)	—	—	—
Net unrealized gains on investments	3 607	9 109	—	—	762	—	—	13 478
Other changes in pension liability	—	—	—	—	1 154	—	—	1 154
Net assets released from restrictions used for capital acquisitions	654	—	—	—	—	—	—	654
Increase in unrestricted net assets	$ 32 391	19 449	12	305	1 549	182	—	53 888

See accompanying independent auditors' report

Additional Data

Software ID:
Software Version:
EIN: 54-0506321
Name: Children's Hospital of the King's Daughters

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
ELIZABETH M WELLER TREASURER/DIRECTOR	2 0	X		X				0	0	0
MARYELLEN BALDWIN DIRECTOR	1 0	X						0	0	0
SARAH BISHOP DIRECTOR	1 0	X						0	0	0
HAROLD J COBB JR DD DIRECTOR	1 0	X						0	0	0
PAMELA Q COMBS M ED DIRECTOR	1 0	X						0	0	0
J JERRY KANTOR CHAIRMAN/DIRECTOR	3 0	X		X				0	0	0
CYNTHIA S KELLY MD DIRECTOR	1 0	X						0	0	0
BARBARA C LIPSKIS VICE CHAIRMAN/DIRECTOR	2 0	X		X				0	0	0
J CHRISTOPHER PERRY DIRECTOR	1 0	X						0	0	0
KAREN PRIEST DIRECTOR	1 0	X						0	0	0
BRIAN SKINNER DIRECTOR	1 0	X						0	0	0
KEVIN RACK ESQ DIRECTOR	1 0	X						0	0	0
LLOYD NOLAND III DIRECTOR	1 0	X						0	0	0
CONRAD M HALL SECRETARY/DIRECTOR	2 0	X		X				0	0	0
MARK R WARDEN DIRECTOR	1 0	X						0	0	0
ROLF WILLIAMS DIRECTOR	1 0	X						0	0	0
ELIZABETH D LANOUE MD DIRECTOR	1 0	X						0	0	0
HUGH T MCPHEE MD DIRECTOR	1 0	X						0	246,770	22,762
DONALD NUSS MB CH B DIRECTOR	1 0	X						0	41,611	7,711
MAURICE JONES DIRECTOR	1 0	X						0	0	0
JAMES D DAHLING PRESIDENT/DIRECTOR	1 0	X		X				0	899,607	493,054
EDWARD HEIDT DIRECTOR	1 0	X						0	0	0
DENNIS RYAN CFO/Assist Treas/Assist Sect	1 0			X				0	464,858	196,629
ARNO ZARITSKY SR VP CLINICAL SERVICES	40 0				X			472,694	0	124,413
DAVID BOWERS VP HR AND SUPPORT SERVICES	40 0				X			298,308	0	214,145

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
JO-ANN BURKE VP PATIENT CARE SERVICES	40 0				X			316,002	0	87,725
JOANN ROGERS SR VP PHY PRACT SRVCS	40 0				X			356,888	0	195,343
SUZANNE STARLING MEDICAL DIRECTOR	40 0					X		187,246	0	22,127
JOHN HAMILTON VP PHYSICIAN PRACTICE MGMT	40 0					X		218,671	0	32,161
JAMES DICE DIRECTOR PHARMACY	40 0					X		170,212	0	15,924
THOMAS BLACKBURN CARDIOVASCULAR PERFUSIONIST	40 0					X		164,881	0	22,165
MICHAEL FACKELMANN RN 1ST ASST CARDIAC PROGRAM	40 0					X		168,920	0	9,334