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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 JUL 1, 2010 and ending JUN 30, 2011

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

**C** Name of organization
LOS NINOS HOSPITAL, INC.

Doing Business As

Number and street (or P.O. box if mail is not delivered to street address) Room/suite
1402 E. SOUTH MOUNTAIN AVENUE

City or town, state or country, and ZIP + 4
PHOENIX, AZ 85040

**F** Name and address of principal officer: WILLIAM TIMMONS
SAME AS C ABOVE

**D** Employer identification number
86-0892673

**E** Telephone number
602-243-4231

**G** Gross receipts $ 28,396,639.

**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.HACIENDAHEALTHCARE.ORG

**K** Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

**L** Year of formation: 1997 **M** State of legal domicile: AZ

## Part I Summary

| | | | |
|---|---|---|---|
| 1 | Briefly describe the organization's mission or most significant activities: NON-PROFIT CHILDREN'S HOSPITAL | | |
| 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 | 12 |
| 4 | Number of independent voting members of the governing body (Part VI, line 1b) | 4 | 12 |
| 5 | Total number of individuals employed in calendar year 2010 (Part V, line 2a) | 5 | 202 |
| 6 | Total number of volunteers (estimate if necessary) | 6 | 190 |
| 7a | Total unrelated business revenue from Part VIII, column (C), line 12 | 7a | 0. |
| b | Net unrelated business taxable income from Form 990-T, line 34 | 7b | 0. |

| | | Prior Year | Current Year |
|---|---|---|---|
| 8 | Contributions and grants (Part VIII, line 1h) | 1,957. | 283,812. |
| 9 | Program service revenue (Part VIII, line 2g) | 17,295,035. | 17,087,890. |
| 10 | Investment income (Part VIII, column (A), lines 3, 4, and 7d) | 53,657. | 773,518. |
| 11 | Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 2,242. | 38,196. |
| 12 | Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 17,352,891. | 18,183,416. |
| 13 | Grants and similar amounts paid (Part IX, column (A), lines 1-3) | 50,000. | 0. |
| 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) | 6,533,693. | 6,868,965. |
| 16a | Professional fundraising fees (Part IX, column (A), line 11e) | 0. | 0. |
| b | Total fundraising expenses (Part IX, column (D), line 25) ▶ 0. | | |
| 17 | Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f) | 8,579,693. | 7,963,608. |
| 18 | Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25) | 15,163,386. | 14,832,573. |
| 19 | Revenue less expenses. Subtract line 18 from line 12 | 2,189,505. | 3,350,843. |

| | | Beginning of Current Year | End of Year |
|---|---|---|---|
| 20 | Total assets (Part X, line 16) | 21,918,043. | 26,803,974. |
| 21 | Total liabilities (Part X, line 26) | 1,188,593. | 1,545,621. |
| 22 | Net assets or fund balances. Subtract line 21 from line 20 | 20,729,450. | 25,258,353. |

RECEIVED MAY 18 2012 OGDEN, UT

## 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 CEC Date 5/15/12

▶ WILLIAM TIMMONS, 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 |
|---|---|---|---|---|
| COLETTE KAMPS, CPA | COLETTE KAMPS, CPA | 05/11/12 | ☐ | |

Firm's name ▶ HENRY & HORNE, LLP — Firm's EIN ▶

Firm's address ▶ 7098 E. COCHISE SUITE 100
SCOTTSDALE, AZ 85253-4517

Phone no. (480)483-1170

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



6/16 EXTENSION ATTACHED

SCANNED JUL 19 2012

**Part III Statement of Program Service Accomplishments**

Check if Schedule O contains a response to any question in this Part III [X]

1 Briefly describe the organization's mission:
TO PROVIDE ACUTE AND SUBACUTE HOSPITAL CARE TO INFANTS, CHILDREN AND TEENS.

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 [X] 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 [X] 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 $ 2,559,443. including grants of $ ) (Revenue $ 2,650,319. )
INPATIENT -INPATIENT CARE IS A 15-BED, FAMILY ORIENTED HOSPITAL SPECIALIZING IN HIGH QUALITY ACUTE AND SUB-ACUTE CARE FOR INFANTS, CHILDREN AND TEENS.

4b (Code ) (Expenses $ 3,103,747. including grants of $ ) (Revenue $ 4,138,028. )
HOME HEALTH CARE: HOME HEALTH CARE SPECIALIZES IN THE CARE OF INFANTS, CHILDREN AND ADULTS WITH SPECIAL HEALTH CARE NEEDS REQUIRING HOME HEALTH CARE FROM NURSES AND THERAPISTS WITH SPECIAL TRAINING.

4c (Code ) (Expenses $ 4,494,980. including grants of $ ) (Revenue $ 5,260,698. )
OUTPATIENT AND SYNAGIS CLINICS: THE ORGANIZATION OPERATES SIX OUTPATIENT SYNAGIS CLINICS LOCATED IN ARIZONA AND COLORADO. SYNAGIS IS AN INJECTABLE USED TO IMMUNIZE INFANTS AND YOUNG CHILDREN AGAINST RESPIRATORY SYNCYTIAL VIRUS (RSV). THE CLINICS ARE OPEN FROM NOVEMBER TO APRIL EACH YEAR, WHICH IS THE HIGH SEASON FOR RSV.

4d Other program services. (Describe in Schedule O)
(Expenses $ 3,957,281. including grants of $ ) (Revenue $ 5,077,041. )

4e **Total program service expenses** ▶ 14,115,451.

**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 | X | |
| 2 | Is the organization required to complete Schedule B, Schedule of Contributors? | 2 | X | |
| 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 | | X |
| 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 | | X |
| 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 | | X |
| 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 | | X |
| 8 | Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III* | 8 | | X |
| 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 | | X |
| 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 | | X |
| 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, line 10? *If "Yes," complete Schedule D, Part VI* | 11a | X | |
| 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 | | X |
| 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 | | X |
| 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 | X | |
| e | Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X* | 11e | X | |
| 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 | X | |
| 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 | X | |
| 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 | X | |
| 13 | Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E* | 13 | | X |
| 14a | Did the organization maintain an office, employees, or agents outside of the United States? | 14a | | X |
| 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 | | X |
| 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 United States? *If "Yes," complete Schedule F, Parts II and IV* | 15 | | X |
| 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 United States? *If "Yes," complete Schedule F, Parts III and IV* | 16 | | X |
| 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* | 17 | | X |
| 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 | | X |
| 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 | | X |
| 20a | Did the organization operate one or more hospitals? *If "Yes," complete Schedule H* | 20a | X | |
| b | If "Yes" to line 20a, did the organization attach its audited financial statements to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions) | 20b | X | |

**Part IV Checklist of Required Schedules** *(continued)*

| | | | Yes | No |
|---|---|---|---|---|
| 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 | | X |
| 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 | | X |
| 23 | Did the organization answer "Yes" to Part VII, Section A, line 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 | X | |
| 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 through 24d and complete Schedule K If "No", go to line 25* | 24a | | X |
| b | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? | 24b | | |
| 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 | | |
| d | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? | 24d | | |
| 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 | | X |
| 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 | | X |
| 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 | | X |
| 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 | | X |
| 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 | | X |
| b | A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV* | 28b | | X |
| 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 | X | |
| 29 | Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M* | 29 | | X |
| 30 | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M* | 30 | | X |
| 31 | Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I* | 31 | | X |
| 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 | | X |
| 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 | | X |
| 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 | X | |
| 35 | Is any related organization a controlled entity within the meaning of section 512(b)(13)? | 35 | | X |
| 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 | | X |
| 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 | | X |
| 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 | X | |

**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 | 5 | | |
| 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 | | |
| 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 | 202 | | |
| b | If at least one is reported on line 2a, did the organization file all required federal employment tax returns? | | 2b | X | |
| | **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 | | X |
| b | If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O* | | 3b | | |
| 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 | | X |
| 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 | | X |
| b | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? | | 5b | | X |
| 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 | | X |
| 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 | | X |
| b | If "Yes," did the organization notify the donor of the value of the goods or services provided? | | 7b | | |
| c | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? | | 7c | | X |
| 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 | | |
| f | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? | | 7f | | |
| 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 | | |
| 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? | | 13a | | |
| | **Note.** See the instructions for additional information the organization must report on Schedule O | | | | |
| 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 | | X |
| 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 line 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 [X]

## 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 | 12 | | |
| b | Enter the number of voting members included in line 1a, above, who are independent | 1b | 12 | | |
| 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 | | X |
| 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 | | X |
| 4 | Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? | | 4 | | X |
| 5 | Did the organization become aware during the year of a significant diversion of the organization's assets? | | 5 | | X |
| 6 | Does the organization have members or stockholders? | | 6 | | X |
| 7a | Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? | | 7a | | X |
| b | Are any decisions of the governing body subject to approval by members, stockholders, or other persons? | | 7b | | X |
| 8 | Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following. | | | | |
| a | The governing body? | | 8a | X | |
| b | Each committee with authority to act on behalf of the governing body? | | 8b | X | |
| 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 | | X |

## 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 | | X |
| 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 | X | |
| 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 | X | |
| b | Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? | 12b | X | |
| 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 | X | |
| 13 | Does the organization have a written whistleblower policy? | 13 | X | |
| 14 | Does the organization have a written document retention and destruction policy? | 14 | X | |
| 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 | X | |
| b | Other officers or key employees of the organization | 15b | X | |
| | 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 | | X |
| 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 | | |

## Section C. Disclosure

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

18 Section 6104 requires an organization to make its Forms 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 [X] 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

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

THE ORGANIZATION - 602-243-4231
1402 E. SOUTH MOUNTAIN AVENUE, PHOENIX, AZ 85040

**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 [X]

**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. 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 | | | |
| CARL MUNDING<br>BOARD MEMBER | 1.00 | X | | | | | | 0. | 0. | 0. |
| THOM NIEMIEC<br>BOARD MEMBER | 1.00 | X | | | | | | 0. | 0. | 0. |
| GARY ORMAN<br>BOARD MEMBER | 1.00 | X | | | | | | 0. | 0. | 0. |
| RALPH WALLWORK<br>BOARD MEMBER | 1.00 | X | | | | | | 0. | 0. | 0. |
| PATRICK WALSH<br>BOARD MEMBER | 1.00 | X | | | | | | 0. | 0. | 0. |
| WANDA O'MALLEY<br>BOARD MEMBER | 1.00 | X | | | | | | 0. | 0. | 0. |
| PATRICIA SHAW<br>BOARD MEMBER | 1.00 | X | | | | | | 0. | 0. | 0. |
| DICK KAUPIE<br>PRESIDENT | 2.00 | X | | X | | | | 0. | 0. | 0. |
| TOM POMEROY<br>EXECUTIVE VICE PRESIDENT | 2.00 | X | | X | | | | 0. | 0. | 0. |
| MICHAEL STONE<br>VICE PRESIDENT | 2.00 | X | | X | | | | 0. | 0. | 0. |
| PETER RANKE<br>TREASURER | 2.00 | X | | X | | | | 0. | 0. | 0. |
| BARRY GOLDSTIN<br>SECRETARY | 2.00 | X | | X | | | | 0. | 0. | 0. |
| WILLIAM TIMMONS<br>CHIEF EXECUTIVE OFFICER | 40.00 | | | X | | | | 0. | 378,315. | 22,964. |
| DALE SKURDAHL<br>CHIEF OPERATIONS OFFICER MEDICAL SER | 40.00 | | | X | | | | 0. | 193,366. | 41,354. |
| JAMES SMITH<br>CHIEF FINANCIAL OFFICER | 40.00 | | | X | | | | 0. | 161,691. | 14,379. |
| ROBERT MILLER<br>CHIEF OPERATIONS OFFICER | 40.00 | | | X | | | | 0. | 137,009. | 7,989. |
| DAVENA BALLARD<br>DIRECTOR SYNAGIS | 40.00 | | | | | X | | 104,429. | 0. | 23,138. |

**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 | | | |
| STACI GLASS<br>DIRECTOR OF MARKETING | 40.00 | | | | | X | | 0. | 142,085. | 36,590. |
| JOSEPH O'MALLEY<br>CONTROLLER/FINANCIAL ANALYST | 40.00 | | | | | X | | 0. | 116,029. | 15,719. |
| MELINDA MORALES<br>DIRECTOR OF HUMAN RESOURCES | 40.00 | | | | | X | | 0. | 110,161. | 11,300. |
| JANET LOVELADY<br>DIRECTOR OF NURSING | 40.00 | | | | | X | | 0. | 110,126. | 7,086. |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| **1b Sub-total** ▶ | | | | | | | | 104,429. | 1,348,782. | 180,519. |
| **c Total from continuation sheets to Part VII, Section A** ▶ | | | | | | | | 0. | 0. | 0. |
| **d Total (add lines 1b and 1c)** ▶ | | | | | | | | 104,429. | 1,348,782. | 180,519. |

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 ▶ 1

| | | | 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 | | X |
| 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 | X | |
| 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 | | X |

**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 |
|---|---|---|
| HACIENDA, INC., 1402 E. SOUTH MOUNTAIN AVE., PHOENIX, AZ 85042 | MANAGEMENT FEES | 636,000. |
| | | |
| | | |
| | | |
| | | |

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 ▶ 1

**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 | | | | |
| | d Related organizations 1d | | | | |
| | e Government grants (contributions) 1e | | | | |
| | f All other contributions, gifts, grants, and similar amounts not included above 1f 283,812. | | | | |
| | g Noncash contributions included in lines 1a-1f $ 1,187. | | | | |
| | h **Total.** Add lines 1a-1f ▶ | 283,812. | | | |
| Program Service Revenue | | Business Code | | | |
| | 2a PRIVATE SECTOR REVENUE | 623990 | 9789252. | 9789252. | |
| | b GOVERNMENT REVENUE | 623990 | 6631913. | 6631913. | |
| | c THERAPY INCOME FROM RE | 621610 | 666,725. | 666,725. | |
| | d | | | | |
| | e | | | | |
| | f All other program service revenue | | | | |
| | g **Total.** Add lines 2a-2f ▶ | 17,087,890. | | | |
| Other Revenue | 3 Investment income (including dividends, interest, and other similar amounts) ▶ | 284,747. | | | 284,747. |
| | 4 Income from investment of tax-exempt bond proceeds ▶ | | | | |
| | 5 Royalties ▶ | | | | |
| | | (i) Real | (ii) Personal | | |
| | 6a Gross Rents | | | | |
| | b Less: rental expenses | | | | |
| | c Rental income or (loss) | | | | |
| | d Net rental income or (loss) ▶ | | | | |
| | | (i) Securities | (ii) Other | | |
| | 7a Gross amount from sales of assets other than inventory | 10,701,994. | | | |
| | b Less cost or other basis and sales expenses | 10,213,223. | | | |
| | c Gain or (loss) | 488771. | | | |
| | d Net gain or (loss) ▶ | 488,771. | | | 488,771. |
| | 8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c). See Part IV, line 18 a | | | | |
| | b Less direct expenses b | | | | |
| | c Net income or (loss) from fundraising events ▶ | | | | |
| | 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 ▶ | | | | |
| | 10a Gross sales of inventory, less returns and allowances a | | | | |
| | b Less cost of goods sold b | | | | |
| | c Net income or (loss) from sales of inventory ▶ | | | | |
| | Miscellaneous Revenue | Business Code | | | |
| | 11a MISCELLANEOUS | 900099 | 38,196. | 38,196. | |
| | b | | | | |
| | c | | | | |
| | d All other revenue | | | | |
| | e **Total.** Add lines 11a-11d ▶ | 38,196. | | | |
| | 12 **Total revenue.** See instructions. ▶ | 18,183,416. | 17,126,086. | 0. | 773,518. |

**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 | | | | |
| 2 Grants and other assistance to individuals in the U.S See Part IV, line 22 | | | | |
| 3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16 | | | | |
| 4 Benefits paid to or for members | | | | |
| 5 Compensation of current officers, directors, trustees, and key employees | 111,607. | 111,607. | | |
| 6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) | | | | |
| 7 Other salaries and wages | 5,772,429. | 5,772,429. | | |
| 8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions) | 107,920. | 107,920. | | |
| 9 Other employee benefits | 438,910. | 436,481. | 2,429. | |
| 10 Payroll taxes | 438,099. | 438,099. | | |
| 11 Fees for services (non-employees): | | | | |
| a Management | 636,000. | | 636,000. | |
| b Legal | | | | |
| c Accounting | 2,250. | | 2,250. | |
| d Lobbying | | | | |
| e Professional fundraising services. See Part IV, line 17 | | | | |
| f Investment management fees | | | | |
| g Other | 280,745. | 280,088. | 657. | |
| 12 Advertising and promotion | 22,434. | 22,434. | | |
| 13 Office expenses | 93,500. | 18,118. | 75,382. | |
| 14 Information technology | | | | |
| 15 Royalties | | | | |
| 16 Occupancy | 555,667. | 555,667. | | |
| 17 Travel | 17,394. | 17,394. | | |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials | | | | |
| 19 Conferences, conventions, and meetings | | | | |
| 20 Interest | 4,601. | 4,601. | | |
| 21 Payments to affiliates | | | | |
| 22 Depreciation, depletion, and amortization | 291,204. | 291,204. | | |
| 23 Insurance | 170,870. | 170,870. | | |
| 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 | 5,449,016. | 5,449,016. | 0. | |
| b EQUIPMENT EXPENSE | 220,071. | 220,071. | 0. | |
| c BAD DEBT EXPENSE | 70,085. | 70,085. | 0. | |
| d MISCELLANEOUS | 61,842. | 61,738. | 104. | |
| e FLEET EXPENSES | 43,041. | 43,041. | 0. | |
| f All other expenses | 44,888. | 44,588. | 300. | |
| 25 **Total functional expenses** Add lines 1 through 24f | 14,832,573. | 14,115,451. | 717,122. | 0. |
| 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 | | 6,138,789. | 1 | 2,589,745. |
| | 2 | Savings and temporary cash investments | | | 2 | |
| | 3 | Pledges and grants receivable, net | | | 3 | |
| | 4 | Accounts receivable, net | | 1,545,158. | 4 | 1,645,589. |
| | 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) | | | 6 | |
| | 7 | Notes and loans receivable, net | | | 7 | |
| | 8 | Inventories for sale or use | | 309,976. | 8 | 540,566. |
| | 9 | Prepaid expenses and deferred charges | | 23,188. | 9 | 36,743. |
| | 10a | Land, buildings, and equipment. cost or other basis Complete Part VI of Schedule D | 10a 4,933,156. | | | |
| | b | Less: accumulated depreciation | 10b 3,130,320. | 1,836,609. | 10c | 1,802,836. |
| | 11 | Investments - publicly traded securities | | 117,966. | 11 | 14,606,370. |
| | 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 | | 11,946,357. | 15 | 5,582,125. |
| | 16 | **Total assets.** Add lines 1 through 15 (must equal line 34) | | 21,918,043. | 16 | 26,803,974. |
| Liabilities | 17 | Accounts payable and accrued expenses | | 1,133,215. | 17 | 1,411,652. |
| | 18 | Grants payable | | | 18 | |
| | 19 | Deferred revenue | | | 19 | |
| | 20 | Tax-exempt bond liabilities | | | 20 | |
| | 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 | | 55,378. | 25 | 133,969. |
| | 26 | **Total liabilities.** Add lines 17 through 25 | | 1,188,593. | 26 | 1,545,621. |
| Net Assets or Fund Balances | | **Organizations that follow SFAS 117, check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.** | | | | |
| | 27 | Unrestricted net assets | | 20,722,161. | 27 | 25,247,792. |
| | 28 | Temporarily restricted net assets | | 7,289. | 28 | 10,561. |
| | 29 | Permanently restricted net assets | | | 29 | |
| | | **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 | | 20,729,450. | 33 | 25,258,353. |
| | 34 | Total liabilities and net assets/fund balances | | 21,918,043. | 34 | 26,803,974. |

## Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI [X]

| | | | |
|---|---|---|---|
| 1 | Total revenue (must equal Part VIII, column (A), line 12) | 1 | 18,183,416. |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 14,832,573. |
| 3 | Revenue less expenses Subtract line 2 from line 1 | 3 | 3,350,843. |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | 20,729,450. |
| 5 | Other changes in net assets or fund balances (explain in Schedule O) | 5 | 1,178,060. |
| 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 | 25,258,353. |

## 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 [X] 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 | | X |
| b | Were the organization's financial statements audited by an independent accountant? | 2b | X | |
| c | If "Yes" to line 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 | X | |
| 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 [X] Both consolidated and separate 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 | | X |
| 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 | | |

**SCHEDULE A** (Form 990 or 990-EZ)

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 | Employer identification number |
|---|---|
| LOS NINOS HOSPITAL, INC. | 86-0892673 |

**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 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 section 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 from 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 a 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 ") | 47,113. | 5,228. | 160,496. | 1,957. | 283,812. | 498,606. |
| 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 | 14,446,794. | 16,118,706. | 17,102,257. | 17,295,035. | 17,087,890. | 82,050,682. |
| 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 | 14,493,907. | 16,123,934. | 17,262,753. | 17,296,992. | 17,371,702. | 82,549,288. |
| 7a Amounts included on lines 1, 2, and 3 received from disqualified persons | | | | | | 0. |
| 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 | | | | | | 0. |
| c Add lines 7a and 7b | | | | | | 0. |
| 8 **Public support** (Subtract line 7c from line 6) | | | | | | 82,549,288. |

### 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 | 14,493,907. | 16,123,934. | 17,262,753. | 17,296,992. | 17,371,702. | 82,549,288. |
| 10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources | 225,632. | 77,303. | 91,250. | 53,657. | 284,747. | 732,589. |
| b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 | | | | | | |
| c Add lines 10a and 10b | 225,632. | 77,303. | 91,250. | 53,657. | 284,747. | 732,589. |
| 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) | | | | | 38,196. | 38,196. |
| 13 **Total support** (Add lines 9, 10c, 11, and 12) | 14,719,539. | 16,201,237. | 17,354,003. | 17,350,649. | 17,694,645. | 83,320,073. |

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(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 | 99.07 % |
| 16 Public support percentage from 2009 Schedule A, Part III, line 15 | 16 | 99.28 % |

### Section D. Computation of Investment Income Percentage

| | | |
|---|---|---|
| 17 Investment income percentage for **2010** (line 10c, column (f) divided by line 13, column (f)) | 17 | .88 % |
| 18 Investment income percentage from **2009** Schedule A, Part III, line 17 | 18 | .72 % |

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 ▶ ☐

**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**
LOS NINOS HOSPITAL, INC.

**Employer identification number**
86-0892673

## 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 can 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 education)
- ☐ Protection of natural habitat
- ☐ Preservation of open space
- ☐ Preservation of an historically important land area
- ☐ Preservation of a certified historic structure

2 Complete lines 2a through 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 Tax 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, and not on a historic structure listed in the National Register | 2d | |

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 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 (ASC 958), 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 (ASC 958), 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 (ASC 958) 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 acquisition, 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 | | | | | |
| b | Contributions | | | | | |
| c | Net investment earnings, gains, and losses | | | | | |
| d | Grants or scholarships | | | | | |
| e | Other expenditures for facilities and programs | | | | | |
| f | Administrative expenses | | | | | |
| g | End of year balance | | | | | |

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

a Board designated or quasi-endowment ▶ _____%
b Permanent endowment ▶ _____%
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) | |
| (ii) | related organizations | 3a(ii) | |
| 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 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 | | 795,024. | | 795,024. |
| b Buildings | | | | |
| c Leasehold improvements | | 267,630. | 136,350. | 131,280. |
| d Equipment | | 3,591,907. | 2,757,121. | 834,786. |
| e Other | | 278,595. | 236,849. | 41,746. |
| **Total.** Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶ | | | | 1,802,836. |

**Schedule D (Form 990) 2010**

**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 | | |
| (3) Other | | |
| (A) | | |
| (B) | | |
| (C) | | |
| (D) | | |
| (E) | | |
| (F) | | |
| (G) | | |
| (H) | | |
| (I) | | |
| Total. (Col (b) must 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 |
|---|---|---|
| (1) | | |
| (2) | | |
| (3) | | |
| (4) | | |
| (5) | | |
| (6) | | |
| (7) | | |
| (8) | | |
| (9) | | |
| (10) | | |
| Total. (Col (b) must 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 |
|---|---|
| (1) DUE FROM RELATED AFFILIATES | 5,575,859. |
| (2) EMPLOYEE RECEIVABLES | 6,266. |
| (3) | |
| (4) | |
| (5) | |
| (6) | |
| (7) | |
| (8) | |
| (9) | |
| (10) | |
| Total. *(Column (b) must equal Form 990, Part X, col (B) line 15 )* ▶ | 5,582,125. |

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

| 1. (a) Description of liability | (b) Amount |
|---|---|
| (1) Federal income taxes | |
| (2) CAPITAL LEASE | 133,969. |
| (3) | |
| (4) | |
| (5) | |
| (6) | |
| (7) | |
| (8) | |
| (9) | |
| (10) | |
| (11) | |
| Total. *(Column (b) must equal Form 990, Part X, col (B) line 25.)* ▶ | 133,969. |

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 (ASC 740)

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

| | | | |
|---|---|---|---|
| 1 | Total revenue (Form 990, Part VIII, column (A), line 12) | 1 | 18,183,416. |
| 2 | Total expenses (Form 990, Part IX, column (A), line 25) | 2 | 14,832,573. |
| 3 | Excess or (deficit) for the year. Subtract line 2 from line 1 | 3 | 3,350,843. |
| 4 | Net unrealized gains (losses) on investments | 4 | 813,191. |
| 5 | Donated services and use of facilities | 5 | |
| 6 | Investment expenses | 6 | |
| 7 | Prior period adjustments | 7 | 364,869. |
| 8 | Other (Describe in Part XIV) | 8 | |
| 9 | Total adjustments (net) Add lines 4 through 8 | 9 | 1,178,060. |
| 10 | Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9 | 10 | 4,528,903. |

**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 | 18,996,607. |
| 2 | Amounts included on line 1 but not on Form 990, Part VIII, line 12 | | | | |
| a | Net unrealized gains on investments | 2a | 813,191. | | |
| 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 | 813,191. |
| 3 | Subtract line **2e** from line **1** | | | 3 | 18,183,416. |
| 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 | 0. |
| 5 | Total revenue Add lines **3** and **4c.** *(This must equal Form 990, Part I, line 12.)* | | | 5 | 18,183,416. |

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

| | | | | | |
|---|---|---|---|---|---|
| 1 | Total expenses and losses per audited financial statements | | | 1 | 14,832,573. |
| 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 | 0. |
| 3 | Subtract line **2e** from line **1** | | | 3 | 14,832,573. |
| 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 | 0. |
| 5 | Total expenses. Add lines **3** and **4c.** *(This must equal Form 990, Part I, line 18.)* | | | 5 | 14,832,573. |

**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, line 2, 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.

PART X, LINE 2: THE ORGANIZATION RECOGNIZES UNCERTAIN TAX POSITIONS IN THE FINANCIAL STATEMENTS WHEN IT IS MORE LIKELY THAN NOT THE POSITIONS WILL NOT BE SUSTAINED UPON EXAMINATION BY THE TAX AUTHORITIES. AS OF JUNE 30, 2011, THE ORGANIZATION HAD NO UNCERTAIN TAX POSITIONS THAT QUALIFY FOR EITHER RECOGNITION OR DISCLOSURE IN THE FINANCIAL STATEMENTS.

**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** LOS NINOS HOSPITAL, INC.

**Employer identification number** 86-0892673

## 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 | X | |
| b | If "Yes," was it a written policy? | 1b | X | |
| 2 | If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year<br>☐ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities<br>☐ Generally tailored to individual hospital facilities | | | |
| 3 | Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year | | | |
| a | Did 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 was the FPG family income limit for eligibility for free care<br>☒ 100% ☐ 150% ☐ 200% ☐ Other _____ % | 3a | X | |
| b | Did the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care<br>☒ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ % | 3b | X | |
| c | If the organization did 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 used 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 | X | |
| 5a | Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? | 5a | | X |
| b | If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? | 5b | | |
| 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 eligible for free or discounted care? | 5c | | |
| 6a | Did the organization prepare a community benefit report during the tax year? | 6a | | X |
| b | If "Yes," did the organization make it available to the public? | 6b | | |

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) | | | | | | |
| b Unreimbursed Medicaid (from Worksheet 3, column a) | | | 254,143. | | 254,143. | 1.71% |
| c Unreimbursed costs - other means-tested government programs (from Worksheet 3, column b) | | | | | | |
| d **Total** Financial Assistance and Means-Tested Government Programs | | | 254,143. | | 254,143. | 1.71% |
| **Other Benefits** | | | | | | |
| e Community health improvement services and community benefit operations (from Worksheet 4) | | | | | | |
| f Health professions education (from Worksheet 5) | | | | | | |
| g Subsidized health services (from Worksheet 6) | | | | | | |
| h Research (from Worksheet 7) | | | | | | |
| i Cash and in-kind contributions to community groups (from Worksheet 8) | | | | | | |
| j **Total.** Other Benefits | | | | | | |
| k **Total.** Add lines 7d and 7j | | | 254,143. | | 254,143. | 1.71% |

**Part II Community Building Activities** Complete this table if the organization conducted any 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 | X | |
| 2 | Enter the amount of the organization's bad debt expense (at cost) | 2 | 65,518. | | |
| 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 | | | |
| 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 | 53,630. | | |
| 6 | Enter Medicare allowable costs of care relating to payments on line 5 | 6 | 43,585. | | |
| 7 | Subtract line 6 from line 5. This is the surplus (or shortfall) | 7 | 10,045. | | |
| 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 | Did the organization have a written debt collection policy during the tax year? | | 9a | X | |
| b | If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI | | 9b | X | |

**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 % |
|---|---|---|---|---|
| | | | | |
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**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? 1

| 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 LOS NINOS HOSPITAL<br>2303 E. THOMAS RD.<br>PHOENIX, AZ 85016 | X | | X | | | | | | |

**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:** LOS NINOS HOSPITAL, INC.

**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 line 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 its 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 and 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 Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care? | 8 | X | |
| 9 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? | 9 | X | |
| If "Yes," indicate the FPG family income limit for eligibility for free care: 100 % | | | |

**Part V Facility Information** *(continued)* LOS NINOS HOSPITAL, INC.

| | | | Yes | No |
|---|---|---|---|---|
| 10 | Used FPG to determine eligibility for providing *discounted* care to low income individuals? | 10 | X | |
| | If "Yes," indicate the FPG family income limit for eligibility for discounted care: 200 % | | | |
| 11 | Explained the basis for calculating amounts charged to patients? | 11 | X | |
| | If "Yes," indicate the factors used in determining such amounts (check all that apply) | | | |
| a | [X] Income level | | | |
| b | [ ] Asset level | | | |
| c | [X] Medical indigency | | | |
| d | [X] Insurance status | | | |
| e | [X] Uninsured discount | | | |
| f | [X] Medicaid/Medicare | | | |
| g | [ ] State regulation | | | |
| h | [ ] Other (describe in Part VI) | | | |
| 12 | Explained the method for applying for financial assistance? | 12 | X | |
| 13 | Included measures to publicize the policy within the community served by the hospital facility? | 13 | X | |
| | If "Yes," indicate how the hospital facility publicized the policy (check all that apply): | | | |
| a | [ ] The policy was posted on the hospital facility's website | | | |
| b | [X] The policy was attached to 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 on admission to the hospital facility | | | |
| f | [X] The policy was available on 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 | X | |
| 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 | [X] Reporting to credit agency | | | |
| b | [X] Lawsuits | | | |
| c | [ ] Liens on residences | | | |
| d | [ ] Body attachments | | | |
| e | [X] Other actions (describe in Part VI) | | | |
| 16 | Did the hospital facility engage in or authorize a third party to perform any of the following collection actions during the tax year? | 16 | | X |
| | 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 actions (describe in Part VI) | | | |
| 17 | Indicate which actions the hospital facility took before initiating any of the collection actions checked in line 16 (check all that apply). | | | |
| a | [ ] Notified patients of the financial assistance policy on 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)* LOS NINOS HOSPITAL, INC.

**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 | | X |
| | If "No," indicate the reasons why (check all that apply) | | | |
| a | [X] 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 | [X] 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? If "Yes," explain in Part VI | 20 | | X |
| 21 | Did the hospital facility charge any of its patients an amount equal to the gross charge for any service provided to that patient? If "Yes," explain in Part VI. | 21 | | X |

**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? 0

| Name and address | Type of Facility (describe) |
|---|---|
| | |
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| | |

**Part VI Supplemental Information**

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions 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

PART I, LINE 7, COLUMN (F): THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS $ 70085.

PART III, LINE 4: THE CARRYING AMOUNT OF ACCOUNTS RECEIVABLE MAY BE REDUCED BY A VALUATION ALLOWANCE THAT REFLECTS MANAGEMENT'S BEST ESTIMATE OF UNCOLLECTIBLE AMOUNTS. MANAGEMENT REVIEWS ALL ACCOUNTS RECEIVABLE BALANCES PERIODICALLY, AND BASED ON AN ASSESSMENT OF CREDITWORTHINESS AND AN ANALYSIS OF THE AGING OF INVOICES, ESTIMATES THE PORTION, IF ANY, OF THE BALANCES THAT WILL NOT BE COLLECTED. BECAUSE OF THE INHERENT UNCERTAINTIES IN ESTIMATING THE ALLOWANCE FOR DOUBTFUL ACCOUNTS, IT IS AT LEAST REASONABLY POSSIBLE THAT THE ESTIMATES USED WILL CHANGE WITHIN THE NEAR TERM.

PART III, LINE 9B: ALL GUARANTORS WITH SELF-PAY BALANCES ARE PROVIDED WITH A CHARITY CARE FINANCIAL ASSISTANCE APPLICATION TO DETERMINE IF THEY QUALIFY FOR ASSISTANCE. HOSPITAL BILLING STAFF REVIEWS EACH RETURNED APPLICATION, FOLLOWS UP WITH THE GUARANTOR FOR ANY QUESTIONS AND MISSING

**Part VI | Supplemental Information**

INFORMATION, AND COMMUNICATES ELIGIBILITY STATUS TO THE GUARANTOR.

PART VI, LINE 4: AS DESCRIBED IN FORM 990, PART III, SUPPLEMENTED IN SCHEDULE O, LOS NINOS HOSPITAL PROVIDES A VARIETY OF CLINICAL PROGRAMS THAT ARE CRITICAL TO THE HEALTH OF INFANTS, CHILDREN AND YOUNG ADULTS WHO ARE CHRONICALLY ILL AND MEDICALLY FRAGILE. NEARLY ALL PATIENTS ARE COVERED BY GOVERNMENTAL HEALTH PROGRAMS, SUCH AS THE STATE OF ARIZONA'S DIVISION OF DEVELOPMENTAL DISABILITIES, THE ARIZONA MEDICAID PROGRAM (KNOWN AS AHCCCS), OR MEDICAID MANAGED CARE PLANS. AS A RESULT, FEW PATIENTS HAVE A NEED FOR CHARITY DISCOUNTS.

THE LOS NINOS HOSPITAL INPATIENT UNIT PROVIDES ACUTE AND SUBACUTE HOSPITAL CARE TO INFANTS AND CHILDREN LESS EXPENSIVELY THAN LARGER ACCUTE CARE HOSPITALS. MEDICAL SERVICES PAYORS OFTEN REQUIRE THE TRANSFER OF PATIENTS TO LOS NINOS FROM MORE EXPENSIVE SETTINGS WHEN THEY'RE CLINICALLY APPROPRIATE, THEREBY SAVING SCARCE GOVERNMENT FUNDS.

LOS NINOS HOSPITAL'S SIX SYNAGIS CLINICS PROTECT HIGH RISK INFANTS FROM CONTRACTING RESPRITORY SYNCYTIAL VIRUS, THEREBY SAVING LIVES AND MINIMIZING THE POTENTIAL FOR EXPENSIVE LIFE-LONG RESPIRATORY TREATMENT.

LOS NINOS HOSPITAL'S HOME VENTILATOR PROGRAM AND HOME HEALTH SEVICES PROVIDE PATIENTS WITH EFFECTIVE HEALTH CARE IN THEIR HOMES, A FAR LESS EXPENSIVE SETTING THAN HOSPITALS, THEREBY FURTHER SAVING INCREASINGLY SCARCE GOVERNMENT FUNDS.

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, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

**2010**

Open to Public Inspection

Name of the organization

LOS NINOS HOSPITAL, INC.

Employer identification number

86-0892673

## Part I Questions Regarding Compensation

| | | | Yes | No |
|---|---|---|---|---|
| 1a | Check the appropriate 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 indemnification 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 on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain | 1b | | |
| 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 | | |
| 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 | | X |
| b | Participate in, or receive payment from, a supplemental nonqualified retirement plan? | 4b | X | |
| c | Participate in, or receive payment from, an equity-based compensation arrangement? | 4c | | X |
| | If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III. | | | |
| | **Only section 501(c)(3) and 501(c)(4) organizations 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 | | X |
| b | Any related organization? | 5b | | X |
| | 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 | | X |
| b | Any related organization? | 6b | | X |
| | 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 | | X |
| 8 | Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III | 8 | | X |
| 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 WILLIAM TIMMONS | (i) | 0. | 0. | 0. | 0. | 0. | 0. | 0. |
| | (ii) | 333,315. | 45,000. | 0. | 14,512. | 8,452. | 401,279. | 0. |
| 2 DALE SKURDAHL | (i) | 0. | 0. | 0. | 0. | 0. | 0. | 0. |
| | (ii) | 183,904. | 9,462. | 0. | 10,210. | 31,144. | 234,720. | 0. |
| 3 JAMES SMITH | (i) | 0. | 0. | 0. | 0. | 0. | 0. | 0. |
| | (ii) | 156,741. | 4,950. | 0. | 0. | 14,379. | 176,070. | 0. |
| 4 STACI GLASS | (i) | 0. | 0. | 0. | 0. | 0. | 0. | 0. |
| | (ii) | 104,918. | 37,167. | 0. | 6,206. | 30,384. | 178,675. | 0. |
| 5 | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 6 | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 7 | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 8 | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 9 | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 10 | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 11 | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 12 | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 13 | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 14 | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 15 | (i) | | | | | | | |
| | (ii) | | | | | | | |
| 16 | (i) | | | | | | | |
| | (ii) | | | | | | | |

SCHEDULE L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

# Transactions With Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

**2010**

Open To Public Inspection

Name of the organization

LOS NINOS HOSPITAL, INC.

Employer identification number

86-0892673

## Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only)

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

| 1 (a) Name of disqualified person | (b) Description of transaction | (c) Corrected? Yes | (c) Corrected? No |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ $

## Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

| (a) Name of interested person and purpose | (b) Loan to or from the organization? To | (b) Loan to or from the organization? From | (c) Original principal amount | (d) Balance due | (e) In default? Yes | (e) In default? No | (f) Approved by board or committee? Yes | (f) Approved by board or committee? No | (g) Written agreement? Yes | (g) Written agreement? No |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |
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| | | | | | | | | | | |
| | | | | | | | | | | |
| Total | | | ▶ $ | | | | | | | |

## Part III Grants or Assistance Benefiting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount and type of assistance |
|---|---|---|
| | | |
| | | |
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**Part IV Business Transactions Involving Interested Persons.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction | (e) Sharing of organization's revenues? | |
|---|---|---|---|---|---|
| | | | | Yes | No |
| SOUTH MOUNTAIN HEALTH SUPP | OFFICERS OF SMHS AR | 5,175,000. | LOS NINOS H | | X |
| SOUTH MOUNTAIN HEALTH SUPP | OFFICERS OF SMHS AR | 34,629. | LOS NINOS H | | X |
| | | | | | |
| | | | | | |
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**Part V Supplemental Information**

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

SCH L, PART IV, BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS:

(A) NAME OF PERSON: SOUTH MOUNTAIN HEALTH SUPPLY, INC.(SMHS)

(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION:

OFFICERS OF SMHS ARE BOARD MEMBERS OF FILING ORGANIZATION

(D) DESCRIPTION OF TRANSACTION: LOS NINOS HOSPITAL PURCHASES HEALTH CARE SUPPLIES FROM SMHS.

(A) NAME OF PERSON: SOUTH MOUNTAIN HEALTH SUPPLY, INC. (SMHS)

(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION:

OFFICERS OF SMHS ARE BOARD MEMBERS OF FILING ORGANIZATION

(D) DESCRIPTION OF TRANSACTION: LOS NINOS HOSPITAL LEASES EQUIPMENT FROM SMHS.

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 990-EZ 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: LOS NINOS HOSPITAL, INC.

Employer identification number: 86-0892673

FORM 990, PART III, LINE 4D, OTHER PROGRAM SERVICES:

THERAPY SERVICES: THERAPY SERVICES PROVIDE PHYSICAL, OCCUPATIONAL AND SPEECH THERAPY TO INFANTS, CHILDREN AND ADULTS. SERVICES ARE PROVIDED IN BOTH INPATIENT AND OUTPATIENT SETTINGS, INCLUDING HOME HEALTH CARE. THESE SERVICES INCLUDE EVALUATIONS, CONSULTATIONS, INTERVENTION, SKILLED HANDS-ON CARE, ADAPTIVE EQUIPMENT AND FAMILY/CAREGIVER TRAINING.

THERAPY CLINIC: THERAPY CLINIC WAS AN EXTENSION OF THE HOME BASED THERAPY SERVICES PROGRAM. THE CLINIC PROVIDED PHYSICAL, OCCUPATIONAL AND SPEECH THERAPY TO CHILDREN AND ADULTS IN AN OUTPATIENT CLINIC SETTING. THIS PROGRAM WAS MERGED WITH THE THERAPY SERVICES PROGRAM DURING THE YEAR ENDED JUNE 30, 2011.

REGISTRY SERVICES: INNOVATIVE STAFFING, BEGAN IN 2005, PROVIDES STAFFING NEEDS TO FILL VACANT POSITIONS AND OPEN SHIFTS WITH MEDICAL PROFESSIONALS INCLUDING REGISTERED NURSES, LICENSED PRACTICAL NURSES, CERTIFIED NURSING ASSISTANTS, CAREGIVERS AND RESPIRATORY THERAPISTS.

NURSE CONSULTING: THE ORGANIZATION CONTRACTS WITH THE DIVISION OF DEVELOPMENTAL DISABILITIES (DDD), A DIVISION OF THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY, FOR CERTAIN SPECIALIZED CLINICAL CONSULTING SERVICES. UNDER THE ARRANGEMENT AND ON BEHALF OF DDD, QUALIFIED NURSING PERSONNEL EMPLOYED BY THE ORGANIZATION ASSESS AND MONITOR NURSING SERVICES RENDERED BY VARIOUS PROVIDERS OF SERVICES TO DEVELOPMENTALLY DISABLED CONSUMERS IN ARIZONA. SUCH SERVICES INCLUDE

Name of the organization: LOS NINOS HOSPITAL, INC.

Employer identification number: 86-0892673

THOSE PROVIDED IN A CONSUMER'S HOME, A GROUP HOME, A DEVELOPMENTAL HOME, A LEVEL II OR LEVEL III BEHAVIORAL HEALTH FACILITY AND ANY DAY CARE PROGRAM.

VENTILATOR PROGRAM: THE VENTILATOR PROGRAM ENABLES VENTILATOR DEPENDENT INDIVIDUALS TO FUNCTION IN SOCIETY AT THE OPTIMAL LEVEL OF THEIR CAPABILITIES AND POTENTIAL BY COMBINING TECHNOLOGY, SERVICES AND MEDICAL SUPPLIES. THIS IS ACHIEVED BY PROVIDING PRODUCTS, EDUCATION, TRAINING AND ON-GOING MONITORING OF EQUIPMENT. THE VENTILATOR PROGRAM PROVIDES SERVICE ON VENTILATORS AND OTHER MEDICAL EQUIPMENT IN PATIENTS' HOMES, AS WELL AS A HOME ENTERAL FEEDING SERVICE THAT SERVES THE NUTRITIONAL NEEDS OF MEDICALLY FRAGILE PATIENTS BY PROVIDING FORMULA AND SUPPLIES.

EXPENSES $ 3,957,281. INCLUDING GRANTS OF $ 0. REVENUE $ 5,077,041.

THERAPY SERVICES- PROVIDES A BROAD RANGE OF PHYSICAL, OCCUPATIONAL, AND SPEECH THERAPY SERVICES. SERVICES ARE PROVIDED THROUGH INPATIENT,OUTPATIENT AND HOME HEALTH CARE.

FORM 990, PART VI, SECTION B, LINE 11: THE ORGANIZATION'S BOARD TREASURER, CEO AND CONTROLLER WILL REVIEW AND APPROVE THE FORM 990 PRIOR TO FILING. THEY WILL THEN REVIEW THE FINAL FORM 990 WITH THE ENTIRE BOARD.

FORM 990, PART VI, SECTION B, LINE 12C: THE ORGANIZATION HAS A CONFLICT OF INTEREST POLICY THAT ADDRESSES THE CONSIDERATION OF POTENTIAL CONFLICTS OF INTEREST BY THE BOARD OF DIRECTORS, COMMITTEE MEMBERS, KEY EMPLOYEES, AND THEIR RELATIVES. AS PER THE POLICY, SUCH PERSONS MUST MAKE DISCLOSURE OF ANY POTENTIAL CONFLICTS OF INTEREST AND MUST ABSTAIN FROM VOTING ON ANY

Name of the organization: LOS NINOS HOSPITAL, INC.
Employer identification number: 86-0892673

ACTION IN WHICH THEY MAY HAVE AN INTEREST. ON AN ANNUAL BASIS, ALL BOARD MEMBERS ARE REQUIRED TO SIGN OFF ON AN ANNUAL CONFLICT OF INTEREST FORM, EITHER STATING ANY KNOWN CONFLICTS, OR STATING THAT THERE ARE NONE.

FORM 990, PART VI, SECTION B, LINE 15: THE BOARD OF DIRECTORS DETERMINES REASONABLE AND APPROPRIATE SALARIES FOR KEY EMPLOYEES OF THE ORGANIZATION.

FORM 990, PART VI, SECTION C, LINE 19: THE ORGANIZATION GENERALLY MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST.

FORM 990, PART VII, LINE 1A
COMPENSATION FROM RELATED ORGANIZATION
LOS NINOS HOSPITAL, INC. IS RELATED TO TWO TAX EXEMPT AFFILIATES, HACIENDA, INC. AND HACIENDA SKILLED NURSING FACILITY, INC. THESE THREE ORGANIZATIONS SHARE A COMMON MANAGEMENT TEAM. THE INDIVIDUALS ON THE MANAGEMENT TEAM ARE COMPENSATED AS EMPLOYEES THROUGH HACIENDA, INC.

HACIENDA, INC. CHARGES A MANAGEMENT FEE FOR THESE SERVICES TO BOTH LOS NINOS HOSPITAL, INC. AND TO HACIENDA SKILLED NURSING FACILITY, INC. THE COMPENSATION AMOUNTS LISTED IN PART VII ARE THE TOTAL GROSS WAGES AND OTHER COMPENSATION PAID TO THESE INDIVIDUALS FOR THEIR SERVICES TO ALL THREE ORGANIZATIONS.

FORM 990, PART XI, LINE 5, CHANGES IN NET ASSETS:

| | |
|---|---|
| NET UNREALIZED GAINS ON INVESTMENTS: | 813,191. |
| PRIOR PERIOD ADJUSTMENTS: | 364,869. |
| TOTAL TO FORM 990, PART XI, LINE 5 | 1,178,060. |

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
LOS NINOS HOSPITAL, INC.

Employer identification number
86-0892673

**Part I Identification of Disregarded Entities** (Complete if the organization answered "Yes" to 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" to 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 entity? Yes | (g) No |
|---|---|---|---|---|---|---|---|
| HACIENDA HEALTHCARE - 27-2988610<br>1402 E. SOUTH MOUNTAIN AVE.<br>PHOENIX, AZ 85042 | BRAND NAME FOR RELATED ORGANIZATIONS | ARIZONA | 501(C)(3) | LINE 9 | N/A | | X |
| HACIENDA SKILLED NURSING FACILITY, INC. - 14-1906233, 1402 E. SOUTH MOUNTAIN AVE.,<br>PHOENIX, AZ 85042 | NURSING CARE & RESPIRATORY INTERVENTION | ARIZONA | 501(C)(3) | LINE 9 | N/A | | X |
| HACIENDA, INC. - 86-0253158<br>1402 E. SOUTH MOUNTAIN AVE.<br>PHOENIX, AZ 85042 | PROVIDE SERVICES FOR HANDICAPPED & CHRONICALLY ILL CHILDREN | ARIZONA | 501(C)(3) | LINE 9 | N/A | | X |
| | | | | | | | |

**Part III** **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to 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) Disproportionate 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" to 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 |
|---|---|---|---|---|---|---|---|
| SOUTH MOUNTAIN HEALTH SUPPLY - 86-0858893<br>1402 E. SOUTH MOUNTAIN AVE.<br>PHOENIX, AZ 85042 | MEDICAL SUPPLY COMPANY | AZ | HACIENDA HEALTHCARE | C CORP | | | |
| INNOVATIVE HOME HEALTH, INC. - 26-2398755<br>1402 E. SOUTH MOUNTAIN AVE.<br>PHOENIX, AZ 85042 | HOME HEALTH NURSING SERVICES | AZ | HACIENDA HEALTHCARE | C CORP | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

**Part V Transactions With Related Organizations** (Complete if the organization answered "Yes" to 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 of this schedule. | | Yes | No |
|---|---|---|---|
| 1 During the tax year, did the organization 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 or **(iv)** rent from a controlled entity | 1a | | X |
| b Gift, grant, or capital contribution to other organization(s) | 1b | | X |
| c Gift, grant, or capital contribution from other organization(s) | 1c | | X |
| d Loans or loan guarantees to or for other organization(s) | 1d | X | |
| e Loans or loan guarantees by other organization(s) | 1e | | X |
| f Sale of assets to other organization(s) | 1f | | X |
| g Purchase of assets from other organization(s) | 1g | | X |
| h Exchange of assets | 1h | | X |
| i Lease of facilities, equipment, or other assets to other organization(s) | 1i | | X |
| j Lease of facilities, equipment, or other assets from other organization(s) | 1j | X | |
| k Performance of services or membership or fundraising solicitations for other organization(s) | 1k | X | |
| l Performance of services or membership or fundraising solicitations by other organization(s) | 1l | X | |
| m Sharing of facilities, equipment, mailing lists, or other assets | 1m | X | |
| n Sharing of paid employees | 1n | X | |
| o Reimbursement paid to other organization for expenses | 1o | X | |
| p Reimbursement paid by other organization for expenses | 1p | | X |
| q Other transfer of cash or property to other organization(s) | 1q | | X |
| r Other transfer of cash or property from other organization(s) | 1r | | X |

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) | | | | |
| (2) | | | | |
| (3) | | | | |
| (4) | | | | |
| (5) | | | | |
| (6) | | | | |

**Part VI Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to 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? Yes | (d) No | (e) Share of end-of-year assets | (f) Disproportionate allocations? Yes | (f) No | (g) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065) | (h) General or managing partner? Yes | (h) No |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
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| | | | | | | | | | | |
| | | | | | | | | | | |

**Part VII Supplemental Information**

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

Form **8868**
(Rev. January 2011)
Department of the Treasury
Internal Revenue Service

# Application for Extension of Time To File an Exempt Organization Return

▶ **File a separate application for each return.**

OMB No. 1545-1709

- If you are filing for an **Automatic 3-Month Extension, complete only Part I** and check this box ▶ [X]
- If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** (on page 2 of this form).

**Do not complete Part II unless** you have already been granted an automatic 3-month extension on a previously filed Form 8868.

**Electronic filing (e-file).** You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit *www.irs.gov/efile* and click on *e-file for Charities & Nonprofits.*

## Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete Part I only ▶ [ ]

*All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.*

| Type or print | Name of exempt organization | Employer identification number |
|---|---|---|
| File by the due date for filing your return See instructions | LOS NINOS HOSPITAL, INC. | 86-0892673 |
| | Number, street, and room or suite no. If a P.O. box, see instructions.<br>1402 E. SOUTH MOUNTAIN AVENUE | |
| | City, town or post office, state, and ZIP code. For a foreign address, see instructions<br>PHOENIX, AZ 85040 | |

Enter the Return code for the return that this application is for (file a separate application for each return) 01

| Application Is For | Return Code | Application Is For | Return Code |
|---|---|---|---|
| Form 990 | 01 | Form 990-T (corporation) | 07 |
| Form 990-BL | 02 | Form 1041-A | 08 |
| Form 990-EZ | 03 | Form 4720 | 09 |
| Form 990-PF | 04 | Form 5227 | 10 |
| Form 990-T (sec. 401(a) or 408(a) trust) | 05 | Form 6069 | 11 |
| Form 990-T (trust other than above) | 06 | Form 8870 | 12 |

- The books are in the care of ▶ THE ORGANIZATION 1402 E. SOUTH MOUNTAIN AVENUE - PHOENIX, AZ 85040
  Telephone No. ▶ 602-243-4231 FAX No. ▶
- If the organization does not have an office or place of business in the United States, check this box ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ [ ]. If it is for part of the group, check this box ▶ [ ] and attach a list with the names and EINs of all members the extension is for.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until FEBRUARY 15, 2012, to file the exempt organization return for the organization named above. The extension is for the organization's return for:
▶ [ ] calendar year _____ or
▶ [X] tax year beginning JUL 1, 2010, and ending JUN 30, 2011.

2 If the tax year entered in line 1 is for less than 12 months, check reason: [ ] Initial return [ ] Final return [ ] Change in accounting period

| | | | |
|---|---|---|---|
| 3a | If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions. | 3a | $ 0. |
| b | If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit. | 3b | $ 0. |
| c | **Balance due.** Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions. | 3c | $ 0. |

**Caution.** If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

LHA **For Paperwork Reduction Act Notice, see Instructions.** Form **8868** (Rev. 1-2011)

023841
01-03-11

- If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** and check this box ▶ [X]

**Note.** Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

- If you are filing for an **Automatic 3-Month Extension, complete only Part I** (on page 1).

**Part II** **Additional (Not Automatic) 3-Month Extension of Time.** Only file the original (no copies needed).

| Type or print | Name of exempt organization | Employer identification number |
|---|---|---|
| File by the extended due date for filing your return See instructions | LOS NINOS HOSPITAL, INC. | 86-0892673 |
| | Number, street, and room or suite no. If a P O. box, see instructions. 1402 E. SOUTH MOUNTAIN AVENUE | |
| | City, town or post office, state, and ZIP code For a foreign address, see instructions PHOENIX, AZ 85040 | |

Enter the Return code for the return that this application is for (file a separate application for each return) 0 1

| Application Is For | Return Code | Application Is For | Return Code |
|---|---|---|---|
| Form 990 | 01 | | |
| Form 990-BL | 02 | Form 1041-A | 08 |
| Form 990-EZ | 03 | Form 4720 | 09 |
| Form 990-PF | 04 | Form 5227 | 10 |
| Form 990-T (sec 401(a) or 408(a) trust) | 05 | Form 6069 | 11 |
| Form 990-T (trust other than above) | 06 | Form 8870 | 12 |

**STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.**

- The books are in the care of ▶ THE ORGANIZATION 1402 E. SOUTH MOUNTAIN AVENUE - PHOENIX, AZ 85040
  Telephone No ▶ 602-243-4231 FAX No. ▶
- If the organization does not have an office or place of business in the United States, check this box ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ [ ]. If it is for part of the group, check this box ▶ [ ] and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until MAY 15, 2012

5 For calendar year _____, or other tax year beginning JUL 1, 2010, and ending JUN 30, 2011.

6 If the tax year entered in line 5 is for less than 12 months, check reason. [ ] Initial return [ ] Final return
[ ] Change in accounting period

7 State in detail why you need the extension
THE INFORMATION NECESSARY FOR A COMPLETE AND ACCURATE RETURN IS NOT YET AVAILABLE. WE RESPECTIVELY REQUEST THE ADDITIONAL TIME TO FILE.

| | | | |
|---|---|---|---|
| 8a | If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits See instructions. | 8a | $ 0. |
| b | If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868. | 8b | $ 0. |
| c | **Balance due.** Subtract line 8b from line 8a Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions | 8c | $ 0. |

## Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ [signature] Title ▶ CPA Date ▶ 12/21/11



023842
01-24-11

HENRY & HORNE, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Los Niños Hospital

**PHOENIX, ARIZONA**

FINANCIAL STATEMENTS

Years Ended June 30, 2011 and 2010

HENRY & HORNE, LLP
Certified Public Accountants

# INDEPENDENT AUDITORS' REPORT

Board of Directors
Los Niños Hospital, Inc.
Phoenix, Arizona

We have audited the accompanying statements of financial position of Los Niños Hospital, Inc. (an Arizona not-for-profit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the financial position of Los Niños Hospital, Inc. as of June 30, 2011 and 2010, and the changes in its assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 13 to the financial statements, the 2010 financial statements have been restated to correct a misstatement.

Henry + Horne, LLP

Scottsdale, Arizona
January 24, 2012


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(480) 839-4900
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**Casa Grande**
1115 E Cottonwood Lane
Suite 100
Casa Grande, AZ 85122-2950
(520) 836-8201
Fax (520) 426-9432

www.henryandhorne.com

LOS NIÑOS HOSPITAL, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

| | 2011 | 2010 (Restated) |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 2,589,745 | $ 6,138,789 |
| Accounts receivable, net of allowance for doubtful accounts of $23,000 and $43,000 for the years ended June 30, 2011 and 2010, respectively | 1,645,589 | 1,545,158 |
| Employee and school loans receivables | 6,266 | 12,136 |
| Prepaid expenses | 36,743 | 23,188 |
| Inventory | 540,566 | 309,976 |
| Due from related affiliates | 5,575,859 | 4,103,556 |
| TOTAL CURRENT ASSETS | 10,394,768 | 12,132,803 |
| INVESTMENTS | 14,606,370 | 8,313,500 |
| PROPERTY AND EQUIPMENT, net | 1,802,836 | 1,836,609 |
| TOTAL ASSETS | $ 26,803,974 | $ 22,282,912 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Current maturity of capital lease | $ 36,679 | $ 12,083 |
| Accounts payable | 1,228,049 | 771,468 |
| Accrued expenses | 183,603 | 361,747 |
| TOTAL CURRENT LIABILITIES | 1,448,331 | 1,145,298 |
| CAPITAL LEASE, net of current portion | 97,290 | 43,295 |
| TOTAL LIABILITIES | 1,545,621 | 1,188,593 |
| NET ASSETS | | |
| Unrestricted | 25,247,792 | 21,087,030 |
| Temporarily restricted | 10,561 | 7,289 |
| TOTAL NET ASSETS | 25,258,353 | 21,094,319 |
| TOTAL LIABILITIES AND NET ASSETS | $ 26,803,974 | $ 22,282,912 |

See accompanying notes.

LOS NIÑOS HOSPITAL, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2011 and 2010

| | 2011 | | |
|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Total |
| PUBLIC SUPPORT AND REVENUE | | | |
| Community contributions | $ - | $ 283,812 | $ 283,812 |
| Government fees for services | 6,631,913 | - | 6,631,913 |
| Private sector revenues | 9,789,252 | - | 9,789,252 |
| Therapy income from related affiliates | 666,725 | - | 666,725 |
| Investment return | 1,586,709 | - | 1,586,709 |
| Miscellaneous income | 38,196 | - | 38,196 |
| Net assets released from restrictions | 280,540 | (280,540) | - |
| | 18,993,335 | 3,272 | 18,996,607 |
| EXPENDITURES | | | |
| Program services | | | |
| Inpatient Care | 2,559,443 | - | 2,559,443 |
| Ventilator Program | 2,073,048 | - | 2,073,048 |
| Synagis Clinics | 4,494,980 | - | 4,494,980 |
| Therapy Services | 678,692 | - | 678,692 |
| Home Health Care | 3,103,747 | - | 3,103,747 |
| Therapy Clinic | 59,764 | - | 59,764 |
| Registry Services | 557,856 | - | 557,856 |
| Nurse Consulting | 587,921 | - | 587,921 |
| | 14,115,451 | - | 14,115,451 |
| Supporting services | | | |
| Management and general | 717,122 | - | 717,122 |
| | 14,832,573 | - | 14,832,573 |
| CHANGE IN NET ASSETS | 4,160,762 | 3,272 | 4,164,034 |
| NET ASSETS AT BEGINNING OF YEAR, as restated in 2010 | 21,087,030 | 7,289 | 21,094,319 |
| NET ASSETS AT END OF YEAR | $ 25,247,792 | $ 10,561 | $ 25,258,353 |

See accompanying notes.

| 2010 (Restated) | | |
|---|---|---|
| Unrestricted | Temporarily Restricted | Total |
| $ 1,957 | $ - | $ 1,957 |
| 5,949,832 | - | 5,949,832 |
| 10,362,872 | - | 10,362,872 |
| 982,331 | - | 982,331 |
| 429,415 | - | 429,415 |
| 2,242 | - | 2,242 |
| 83,423 | (83,423) | - |
| 17,812,072 | (83,423) | 17,728,649 |
| 2,777,478 | - | 2,777,478 |
| 1,873,391 | - | 1,873,391 |
| 5,065,749 | - | 5,065,749 |
| 749,076 | - | 749,076 |
| 2,810,956 | - | 2,810,956 |
| 145,676 | - | 145,676 |
| 437,089 | - | 437,089 |
| 539,219 | - | 539,219 |
| 14,398,634 | - | 14,398,634 |
| 764,752 | - | 764,752 |
| 15,163,386 | - | 15,163,386 |
| 2,648,686 | (83,423) | 2,565,263 |
| 18,438,344 | 90,712 | 18,529,056 |
| $ 21,087,030 | $ 7,289 | $ 21,094,319 |

LOS NIÑOS HOSPITAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

| | Inpatient Care | Ventilator Program | Synagis Clinics | Therapy Services | Home Health Care |
|---|---|---|---|---|---|
| Advertising and marketing | $ 2,865 | $ 82 | $ 529 | $ 508 | $ 8,659 |
| Bad debt expense | 16,194 | 5,930 | 39,341 | 70 | 7,993 |
| Bank and investment fees | - | - | - | - | - |
| Client expenses | 1,677 | - | - | - | 3,456 |
| Depreciation | 66,271 | 206,080 | 4,507 | 3,056 | 7,350 |
| Dues, licenses and permits | 6,841 | 5,871 | 456 | - | 1,407 |
| Employee costs | 233,865 | 101,192 | 64,725 | 72,662 | 390,294 |
| Equipment expense | 34,822 | 132,677 | 34,541 | 3,262 | 12,440 |
| Fleet expenses | 2,375 | 40,666 | - | - | - |
| Food | 12,288 | - | - | - | - |
| Insurance | 57,394 | 30,809 | 17,911 | 13,889 | 45,844 |
| Interest | - | 4,601 | - | - | - |
| Management fees | - | - | - | - | - |
| Medical professionals | 49,337 | 593 | 3,627 | 56,252 | 11,553 |
| Medical services | 6,852 | - | - | - | 2,220 |
| Medical staff registry | - | - | - | - | - |
| Miscellaneous | 10,891 | 6,116 | 7,620 | 6,302 | 24,626 |
| Other professional fees | 1,573 | - | - | - | - |
| Postage | 308 | 3,963 | 763 | - | 1,557 |
| Printing and publications | 4,174 | 2,124 | 1,302 | 138 | 3,539 |
| Property tax | 3,427 | - | 1,287 | - | - |
| Rental expense | 137,631 | 74,260 | 158,027 | 9,995 | 46,187 |
| Repairs and maintenance | 12,157 | 191 | 1,372 | - | - |
| Salaries and wages | 1,373,596 | 514,859 | 327,678 | 506,315 | 2,260,550 |
| Staff training | 5,589 | 1,010 | 6,252 | 1,928 | 2,346 |
| Subcontract labor | 3,780 | - | - | - | - |
| Supplies | 468,979 | 924,546 | 3,790,573 | 3,889 | 259,969 |
| Temporary staffing | - | - | 2,689 | - | - |
| Travel expenses | 2,285 | - | - | - | 1,629 |
| Utilities | 44,272 | 17,478 | 31,780 | 426 | 12,128 |
| Total | $ 2,559,443 | $ 2,073,048 | $ 4,494,980 | $ 678,692 | $ 3,103,747 |

See accompanying notes.

| Therapy Clinic | Registry Services | Nurse Consulting | Total Program Services | Management and General | Total |
|---|---|---|---|---|---|
| $ 868 | $ 7,522 | $ 1,401 | $ 22,434 | $ - | $ 22,434 |
| 557 | - | - | 70,085 | - | 70,085 |
| - | - | - | - | 75,382 | 75,382 |
| - | - | - | 5,133 | - | 5,133 |
| 3,223 | 717 | - | 291,204 | - | 291,204 |
| - | - | - | 14,575 | 300 | 14,875 |
| 4,472 | 43,003 | 72,287 | 982,500 | 2,429 | 984,929 |
| 1,600 | 729 | - | 220,071 | - | 220,071 |
| - | - | - | 43,041 | - | 43,041 |
| - | - | - | 12,288 | - | 12,288 |
| - | 2,319 | 2,704 | 170,870 | - | 170,870 |
| - | - | - | 4,601 | - | 4,601 |
| - | - | - | - | 636,000 | 636,000 |
| 130 | - | - | 121,492 | - | 121,492 |
| 495 | - | - | 9,567 | - | 9,567 |
| - | - | 29,269 | 29,269 | - | 29,269 |
| 523 | 527 | - | 56,605 | 104 | 56,709 |
| - | - | - | 1,573 | 2,907 | 4,480 |
| - | - | - | 6,591 | - | 6,591 |
| 250 | - | - | 11,527 | - | 11,527 |
| - | - | - | 4,714 | - | 4,714 |
| 1,428 | - | - | 427,528 | - | 427,528 |
| 362 | - | - | 14,082 | - | 14,082 |
| 44,598 | 390,776 | 465,664 | 5,884,036 | - | 5,884,036 |
| 55 | 545 | - | 17,725 | - | 17,725 |
| - | 111,177 | - | 114,957 | - | 114,957 |
| 1,060 | - | - | 5,449,016 | - | 5,449,016 |
| - | 541 | - | 3,230 | - | 3,230 |
| - | - | 13,480 | 17,394 | - | 17,394 |
| 143 | - | 3,116 | 109,343 | - | 109,343 |
| $ 59,764 | $ 557,856 | $ 587,921 | $ 14,115,451 | $ 717,122 | $ 14,832,573 |

LOS NIÑOS HOSPITAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2010

| | Inpatient Care | Ventilator Program | Synagis Clinics | Therapy Services | Home Health Care |
|---|---|---|---|---|---|
| Advertising and marketing | $ 4,274 | $ 181 | $ 6,771 | $ 1,700 | $ 8,026 |
| Bad debt expense (recovery) | (5,008) | 16,444 | 19,007 | 921 | 9,151 |
| Bank charges | - | - | - | - | - |
| Client expenses | 797 | - | - | - | 4,754 |
| Contribution expense | - | - | - | - | - |
| Depreciation | 71,586 | 187,624 | 5,734 | - | 9,616 |
| Dues, licenses and permits | 5,254 | 5,873 | 161 | 158 | 354 |
| Employee costs | 280,831 | 95,605 | 73,210 | 105,807 | 340,902 |
| Equipment expense | 34,425 | 107,289 | 26,804 | 49 | 11,828 |
| Fleet expenses | 869 | 30,426 | - | - | - |
| Food | 8,748 | - | - | - | - |
| Insurance | 50,915 | 27,936 | 13,332 | 13,194 | 36,176 |
| Interest | 76 | 4 | 11 | - | - |
| Management fees | - | - | - | - | - |
| Medical professionals | 113,706 | 379 | 3,618 | 7,485 | 17,676 |
| Medical services | 8,718 | - | - | - | 4,783 |
| Medical staff registry | 320 | - | - | - | - |
| Miscellaneous | 2,504 | 1,159 | 12,904 | 7,234 | 24,199 |
| Other professional fees | 1,249 | - | - | - | - |
| Postage | 1,356 | 3,773 | 116 | - | 3,097 |
| Printing and publications | 3,025 | 1,663 | 1,900 | - | 2,330 |
| Property tax | 14,198 | - | - | - | - |
| Rental expense | 124,651 | 64,716 | 145,359 | 8,567 | 45,483 |
| Repairs and maintenance | 19,456 | 96 | 2,694 | - | - |
| Salaries and wages | 1,458,056 | 481,026 | 359,899 | 602,208 | 2,032,241 |
| Staff training | 6,062 | 36 | 2,188 | 1,020 | 994 |
| Subcontract labor | 4,590 | - | - | - | - |
| Supplies | 520,994 | 833,815 | 4,363,732 | 251 | 242,290 |
| Temporary staffing | - | - | - | - | - |
| Travel expenses | - | - | - | - | 4,156 |
| Utilities | 45,826 | 15,346 | 28,309 | 482 | 12,900 |
| Total | $ 2,777,478 | $ 1,873,391 | $ 5,065,749 | $ 749,076 | $ 2,810,956 |

See accompanying notes.

| Therapy Clinic | Registry Services | Nurse Consulting | Total Program Services | Management and General | Total |
|---|---|---|---|---|---|
| $ 2,585 | $ 6,080 | $ 2,022 | $ 31,639 | $ - | $ 31,639 |
| 2,696 | 26,530 | - | 69,741 | - | 69,741 |
| - | - | - | - | 1,666 | 1,666 |
| - | - | - | 5,551 | - | 5,551 |
| - | - | - | - | 50,600 | 50,600 |
| 7,414 | 1,540 | - | 283,514 | - | 283,514 |
| 200 | 390 | - | 12,390 | 10 | 12,400 |
| 9,637 | 17,226 | 59,145 | 982,363 | 3,796 | 986,159 |
| 3,819 | 3,678 | - | 187,892 | - | 187,892 |
| - | - | - | 31,295 | - | 31,295 |
| - | - | - | 8,748 | - | 8,748 |
| 118 | 937 | 1,701 | 144,309 | - | 144,309 |
| 16 | 16 | - | 123 | - | 123 |
| - | - | - | - | 636,000 | 636,000 |
| 11,156 | - | - | 154,020 | - | 154,020 |
| 1,693 | - | - | 15,194 | - | 15,194 |
| - | - | 12,183 | 12,503 | - | 12,503 |
| (51) | 1,524 | 28 | 49,501 | - | 49,501 |
| - | - | - | 1,249 | 46,119 | 47,368 |
| - | - | - | 8,342 | - | 8,342 |
| 85 | 210 | - | 9,213 | - | 9,213 |
| - | - | - | 14,198 | - | 14,198 |
| 3,381 | - | - | 392,157 | - | 392,157 |
| - | - | - | 22,246 | - | 22,246 |
| 100,320 | 70,050 | 443,734 | 5,547,534 | - | 5,547,534 |
| 1,464 | 16 | - | 11,780 | - | 11,780 |
| - | 306,545 | - | 311,135 | - | 311,135 |
| 813 | 477 | - | 5,962,372 | 15,561 | 5,977,933 |
| - | 1,870 | - | 1,870 | - | 1,870 |
| - | - | 18,153 | 22,309 | - | 22,309 |
| 330 | - | 2,253 | 105,446 | 11,000 | 116,446 |
| $ 145,676 | $ 437,089 | $ 539,219 | $ 14,398,634 | $ 764,752 | $ 15,163,386 |

LOS NIÑOS HOSPITAL, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010

| | 2011 | 2010 (Restated) |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ 4,164,034 | $ 2,565,263 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 291,204 | 283,514 |
| Bad debt expense | 70,085 | 69,741 |
| Unrealized/realized gain on investments | (1,301,962) | (266,582) |
| (Increase) decrease in: | | |
| Accounts receivable | (170,516) | (249,675) |
| Disproportionate share hospital receivable | - | 140,000 |
| Prepaid expenses | (11,426) | (2,958) |
| Inventory | (230,590) | (8,719) |
| Due from related affiliates | (20,572) | (288,558) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 278,437 | (9,185) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 3,068,694 | 2,232,841 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (157,312) | (7,242) |
| Proceeds from disposal of property and equipment | 8,500 | - |
| Purchases of investments | (15,695,031) | (7,277,642) |
| Proceeds from sales of investments | 10,701,994 | 1,673,052 |
| Net advances to and payments from employees | 5,870 | 2,817 |
| Net related affiliate transactions | (1,451,731) | 266,332 |
| NET CASH USED BY INVESTING ACTIVITIES | (6,587,710) | (5,342,683) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on capital lease | (30,028) | (6,569) |
| DECREASE IN CASH AND CASH EQUIVALENTS | (3,549,044) | (3,116,411) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 6,138,789 | 9,255,200 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 2,589,745 | $ 6,138,789 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the year for interest | $ 4,601 | $ 1,800 |
| Noncash investing and financing transaction: | | |
| Equipment acquired through capital lease | $ 108,619 | $ 60,418 |

See accompanying notes.

LOS NIÑOS HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Los Niños Hospital, Inc. (the Organization) was formed in 1997 to serve the needs of acute and chronically ill patients. The Organization is part of a group of entities which are all affiliated under the name of Hacienda HealthCare. This group includes Hacienda, Inc. (Hacienda), Hacienda Skilled Nursing Facility, Inc. (SNF), Children's Angel Foundation (CAF) and South Mountain Health Supply (SMHS). Hacienda and SNF are related to the Organization by common board members.

The funding and revenue sources to support these programs come from various federal and state programs as well as payments from private sector health insurance companies. The majority of services are provided in the Phoenix metropolitan area.

The major programs are:

Inpatient care: Inpatient care is a 15-bed, family oriented hospital specializing in high quality acute and sub-acute care for infants, children and teens.

Ventilator program: The ventilator program enables ventilator dependent individuals to function in society at the optimal level of their capabilities and potential by combining technology, services and medical supplies. This is achieved by providing products, education, training and on-going monitoring of equipment. The ventilator program provides service on ventilators and other medical equipment in patients' homes, as well as a home enteral feeding service that serves the nutritional needs of medically fragile patients by providing formula and supplies.

Synagis clinics: The Organization operates six outpatient synagis clinics located in Arizona and Colorado. Synagis is an injectable used to immunize infants and young children against Respiratory Syncytial Virus (RSV). The clinics are open from November to April each year, which is the high season for RSV.

Therapy services: Therapy services provide physical, occupational and speech therapy to infants, children and adults. Services are provided in both inpatient and outpatient settings, including home health care. These services include evaluations, consultations, intervention, skilled hands-on care, adaptive equipment and family/caregiver training.

Home health care: Home health care specializes in the care of infants, children and adults with special health care needs requiring home health care from nurses and therapists with special training.

Therapy clinic: Therapy clinic was an extension of the home based therapy services program. The clinic provided physical, occupational and speech therapy to children and adults in an outpatient clinic setting. This program was merged with the therapy services program during the year ended June 30, 2011.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Registry services: Innovative Staffing, began in 2005, provides staffing needs to fill vacant positions and open shifts with medical professionals including registered nurses, licensed practical nurses, certified nursing assistants, caregivers and respiratory therapists.

Nurse consulting: The Organization contracts with the Division of Developmental Disabilities (DDD), a division of the Arizona Department of Economic Security, for certain specialized clinical consulting services. Under the arrangement and on behalf of DDD, qualified nursing personnel employed by the Organization assess and monitor nursing services rendered by various providers of services to developmentally disabled consumers in Arizona. Such services include those provided in a consumer's home, a group home, a developmental home, a Level II or Level III behavioral health facility and any day care program.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand or held by financial institutions as well as certificates of deposit and time deposits with original maturities of three months or less at date of acquisition.

Accounts Receivable

Accounts receivable are uncollateralized obligations arising from health services provided, due under normal trade terms, requiring payment within thirty days from the invoice date. Unpaid accounts receivable with invoice dates over thirty days old may bear interest. Due to the uncertainty regarding collections, interest on accounts receivable is recognized as income when received. Accounts receivable are stated at the amount billed to the customer, and then netted down to expected payment where a contractual arrangement exists. Payments of receivables are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

The carrying amount of accounts receivable may be reduced by a valuation allowance that reflects management's best estimate of uncollectible amounts. Management reviews all accounts receivable balances periodically, and based on an assessment of creditworthiness and an analysis of the aging of invoices, estimates the portion, if any, of the balances that will not be collected. Because of the inherent uncertainties in estimating the allowance for doubtful accounts, it is at least reasonably possible that the estimates used will change within the near term.

Payments received from payer sources in excess of the amounts billed are recorded as overpayments from payer sources and are reported as a liability on the accompanying statements of financial position.

School Loans

The Organization provides school loans to those eligible employees pursuing their education in the nursing or therapy field. As repayment for these school loans, the employee is required to work a predetermined number of hours with the Organization. If the employee separates employment from the Organization before the loan is fully repaid, a payment plan will be set up to repay the unpaid portion of the loan to the Organization. The loan is recorded as a receivable for the amount the Organization advanced to the employee for educational expenses. The loan balance is expensed over the time period that the employee works the required hours to repay the loan.

Inventory

Inventories are recorded at cost using the first-in, first-out (FIFO) method and consist of the following at June 30:

| | 2011 | 2010 |
|---|---|---|
| Medical supplies | $ 58,919 | $ 58,944 |
| Synagis injectable material | 481,647 | 251,032 |
| | $ 540,566 | $ 309,976 |

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets 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 future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

Fair Value Measurements

A framework for measuring fair value has been established by the Accounting Standards Codification and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

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 inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Organization's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investments are reported in the statement of financial position at fair value and any realized or unrealized gains and losses are reported in the statements of activities. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur.

Risks and Uncertainties

The Organization may invest in various types of investments that are exposed to various risks, such as interest rate, market and credit risks. Due to the levels of risk associated with investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amount reported in the statement of activities.

Property and Equipment

Acquisitions of property and equipment in excess of $1,000 are capitalized. Property and equipment are recorded at cost, or if donated, at the estimated fair value at the date of donation. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs which do not extend the useful lives are charged to expenses as incurred. When the assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any related gain or loss is included in operations.

Revenue Recognition

Revenues are recognized when services are provided at standard charges adjusted to amounts estimated to be received under governmental programs and other third-party contractual arrangements based on contractual terms and historical experience. These revenues and receivables are reported at their estimated net realizable amounts and are subject to audit and retroactive adjustment.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Retroactive adjustments are estimated in the recording of revenues in the period the related services are rendered. These amounts are adjusted in the future periods as adjustments become known or as cost reporting years are no longer subject to audits, reviews or investigations.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with laws and regulations governing the Medicare and Medicaid programs are subject to government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. In addition, under the Medicare program, if the federal government makes a formal demand for reimbursement, even related to contested items, payment must be made for those items before the provider is given an opportunity to appeal and resolve the issue.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated non-monetary assets (in-kind donations) are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation services, are recorded at their fair market values in the period received. For the years ended June 30, 2011 and 2010, the Organization received the benefit of approximately 1,060 and 1,000 hours of service from volunteers, respectively. This support has not been recorded in the accompanying financial statements as it does not meet recognition criteria. During the years ended June 30, 2011 and 2010, the Organization received approximately $1,200 and $2,000 in donated supplies.

Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2011 and 2010, advertising costs were approximately $22,000 and $30,000, respectively.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the Organization's programs have been summarized in the statements of functional expenses. Costs paid directly for management services and certain professional fees have been allocated to the management and general functional category.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization recognizes uncertain tax positions in the financial statements when it is more likely-than-not the positions will not be sustained upon examination by the tax authorities. As of June 30, 2011 and 2010, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Organization's federal and state exempt returns are no longer subject to examination by the Internal Revenue Service and the State of Arizona for fiscal years prior to June 30, 2008 and 2007, respectively, generally three to four years after they were filed.

The Organization recognizes interest and penalties associated with income taxes in operating expenses. During the years ended June 30, 2011 and 2010, the Organization did not have any income tax related interest and penalty expense.

Management's Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Total revenue is a material estimate that is particularly susceptible to significant change due to the possibility of retroactive adjustments, as is common in the healthcare industry.

Date of Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 24, 2012, the date the financial statements were available to be issued.

## NOTE 2 CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Organization to potential concentrations of credit risk consist principally of cash, receivables and revenues.

The Organization maintains its cash in bank accounts, which at times may exceed federally insured limits. The Organization's main operating account is swept daily and the available balance is invested in overnight deposits in commercial paper. This is a pooled account that consists of funds from the Organization, Hacienda, Inc., and Hacienda Skilled Nursing Facility, Inc. (see Note 3). The bank balances of all three of these related affiliates are swept into this pooled account. Amounts in this account are not insured by the Federal Deposit Insurance Corporation or any other governmental or regulatory entity. The total balance in this sweep account as of June 30, 2011 and 2010 was $1,561,526 and $5,673,755, respectively.

The Organization also maintains cash balances with one brokerage firm. Cash balances are insured up to $250,000 by the Securities Investor Protection Corporation. Approximately $1,129,000 and $483,500 was held at this brokerage firm as of June 30, 2011 and 2010, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

The accounts receivable balance at June 30, 2011 includes approximately $772,000 from one source, which represents 46% of the gross accounts receivable balance. The accounts receivable balance at June 30, 2010 includes approximately $958,000 from one source which represents 60% of the gross accounts receivable balance. Concentrations of credit risk with respect to receivables are limited due to the nature of the receivables and the collection history of these types of accounts and payer sources. The Organization requires no collateral on its receivables.

During the years ended June 30, 2011 and 2010, approximately 38% and 34%, respectively, of total revenue was derived from several contracts with the managed care division of the Division of Developmental Disabilities (DDD) for providing durable medical equipment services (home ventilator and enteral feeding) and for services provided by the Organization's programs. The contract is in effect until September 30, 2011. The Organization expects the renewal of contract terms into the foreseeable future.

Revenue from Mercy Care was approximately 13% and 17% of total revenue during the years ended June 30, 2011 and 2010, respectively. The Organization expects continued renewals of their contract with Mercy Care into the foreseeable future.

## NOTE 3 SHARED CASH ACCOUNTS

The Organization, Hacienda and SNF deposit their funds into a pooled cash sweep account. All excess cash from these entities is consolidated into the sweep account on a daily basis. Any shortages in cash in these entities are also covered by daily transfers from the sweep account. As of the year ended June 30, 2011, as well as in years prior, the Organization has generated the excess cash in the account. Accordingly, the balance of the account has been allocated to the Organization. In addition, a shared cash account held by a brokerage firm has been allocated to the Organization. Any transfers from these shared accounts to Hacienda and SNF are included as advances due from affiliates on the accompanying statements of financial position.

## NOTE 4 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments with readily determinable fair values are measured at fair value in the statements of financial position as determined by quoted market prices in active markets (Level 1) or measured based on prices for identical assets in non-active markets (Level 2). The Organization also holds investments with the Arizona Community Foundation (ACF). These investments are recorded at fair value and are invested by ACF in 50% equity mutual funds and 50% fixed income mutual funds (Level 2). The fair value of these investments is based on observable inputs which include the fair value of the underlying assets held by ACF.

The following is a summary of the fair value of investments at June 30:

| | 2011 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity securities | $ 5,809,720 | $ - | $ - | $ 5,809,720 |
| Bond funds | 3,961,712 | - | - | 3,961,712 |
| Government securities | 1,052,141 | - | - | 1,052,141 |
| Standard & Poor's depository receipts (SPDR) - gold | 871,626 | - | - | 871,626 |
| Exchange traded funds (ETF) | 798,545 | - | - | 798,545 |
| International bond fund | 684,251 | - | - | 684,251 |
| Emerging markets | 574,071 | - | - | 574,071 |
| Foreign currencies | 518,498 | - | - | 518,498 |
| Commodity fund | 200,728 | - | - | 200,728 |
| ACF | - | 135,078 | - | 135,078 |
| | $ 14,471,292 | $ 135,078 | $ - | $ 14,606,370 |

NOTE 4 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

| | 2010 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity securities | $ 2,139,743 | $ - | $ - | $ 2,139,743 |
| Municipal bonds | - | 4,000,000 | - | 4,000,000 |
| Government securities | 1,189,973 | - | - | 1,189,973 |
| Corporate bonds | - | 699,116 | - | 699,116 |
| Exchange traded funds | 166,702 | - | - | 166,702 |
| ACF | - | 117,966 | - | 117,966 |
| | $ 3,496,418 | $ 4,817,082 | $ - | $ 8,313,500 |

Investment return consists of the following, earned on the above investment, as well as cash accounts, at June 30:

| | 2011 | 2010 |
|---|---|---|
| Interest and dividends | $ 284,747 | $ 162,833 |
| Net unrealized gain on investments | 813,191 | 193,641 |
| Net realized gain on investments | 488,771 | 72,941 |
| | $ 1,586,709 | $ 429,415 |

## NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

| | 2011 | 2010 |
|---|---|---|
| Land | $ 795,024 | $ 795,024 |
| Building improvements | 267,630 | 263,146 |
| Furniture and fixtures | 77,069 | 77,069 |
| Vehicles | 201,526 | 201,526 |
| Equipment | 3,591,907 | 3,338,985 |
| | 4,933,156 | 4,675,750 |
| Accumulated depreciation | (3,130,320) | (2,839,141) |
| | $ 1,802,836 | $ 1,836,609 |

Depreciation expense amounted to $291,204 and $283,514 for the years ended June 30, 2011 and 2010, respectively.

## NOTE 6 CAPITAL LEASE

The Organization leases equipment under two capital lease obligations with SMHS, a related affiliate, which expire through July 2015. The assets and liabilities under these capital leases are recorded at the lower of the present value of the minimum future lease payments or the fair value of the asset. The asset is depreciated over the relative lease term. The cost and related depreciation amounts are as follows:

| | 2011 | 2010 |
|---|---|---|
| Equipment | $ 183,398 | $ 60,418 |
| Accumulated depreciation | (26,867) | (4,315) |
| | $ 156,531 | $ 56,103 |

Amortization of assets held under this capital lease is included with depreciation expense.

NOTE 6 CAPITAL LEASE (Continued)

Future minimum annual lease payments under these leases having remaining terms in excess of one year are as follows:

| Year Ending June 30: | |
|---|---|
| 2012 | $ 36,679 |
| 2013 | 36,678 |
| 2014 | 36,678 |
| 2015 | 31,644 |
| 2016 | 2,049 |
| | 143,728 |
| Amount representing interest | (9,759) |
| | 133,969 |
| Less: current portion | 36,679 |
| | $ 97,290 |

NOTE 7 OVERPAYMENTS FROM PAYER SOURCES

Included in accounts payable on the accompanying statements of financial position at June 30, 2011 and 2010, is $727,661 and $561,620, respectively, in overpayments from various payer sources. These amounts are a result of overpayments made to the Organization from these payer sources for patient services provided. The majority of these amounts are expected be recouped by the respective payer sources from future patient services provided.

## NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

| | 2011 | 2010 |
|---|---|---|
| Equipment - cribs | $ 5,319 | $ 5,319 |
| Therapy services | 3,272 | - |
| Healing garden | 1,970 | 1,970 |
| | $ 10,561 | $ 7,289 |

## NOTE 9 OPERATING LEASE COMMITMENTS

The Organization leases its facilities and certain equipment under various non-cancelable leases, which expire at various times through July 2014. Monthly lease payments total approximately $32,000 and $35,000 during the years ended June 30, 2011 and 2010, respectively. Rental expense totaled approximately $469,000 and $442,000 for the years ended June 30, 2011 and 2010, respectively, which is included in equipment expense and rental expense on the accompanying statements of functional expenses.

Future minimum annual lease payments under non-cancelable operating leases having remaining terms of excess of one year are as follows:

| Year Ending June 30, | |
|---|---|
| 2012 | $ 321,562 |
| 2013 | 187,349 |
| 2014 | 109,336 |
| 2015 | 7,404 |
| | $ 625,651 |

## NOTE 10 RETIREMENT PLAN

The Organization has a qualified 403(b) plan covering substantially all full-time eligible employees. Participating employees' contributions to the Plan are fully vested. Employer matching contributions are at the discretion of management of at least 1% and not more than 4% of the employee's contribution. Employer matching contributions are vested by a percentage each year and are fully vested after six years of service. Plan expense for the years ended June 30, 2011 and 2010 was approximately $108,000 and $109,000, respectively.

## NOTE 11 RELATED PARTY TRANSACTIONS

The Organization is related by common Board members to Hacienda and SNF and by common management to CAF and SMHS. During the years ended June 30, 2011 and 2010, the Organization had the following transactions with these affiliates.

The Organization receives management services from Hacienda. The management agreement provides for defined monthly fees. Management fees of approximately $636,000 were either paid or accrued by the Organization to Hacienda during each of the years ended June 30, 2011 and 2010.

The Organization occupies space in SNF's nursing facility. Rent is based on the percentage of actual square footage occupied by the Organization. Total rental fees in the approximate amounts of $11,000 were either paid or accrued by the Organization to SNF during each of the years ended June 30, 2011 and 2010.

The Organization provides nursing registry services and therapy services to Hacienda and SNF. Total services provided to Hacienda amounted to approximately $18,500 and $38,500 during the years ended June 30, 2011 and 2010, respectively. Total services provided to SNF amounted to approximately $648,000 and $898,000 during the years ended June 30, 2011 and 2010, respectively.

The transactions noted above between the Organization, Hacienda and SNF are included in the due from affiliates on the accompanying statements of financial position. Also included in the due from affiliates balance are any transfers to and from the pooled cash account (Note 3). The balance in due from affiliates is unsecured, no interest is accrued and there are no specific repayment terms.

NOTE 11 RELATED PARTY TRANSACTIONS (Continued)

Net amounts advanced to and from related affiliates are as follows during the years ended June 30:

| | 2011 | 2010 |
|---|---|---|
| Balance, beginning of year | $ 4,103,556 | $ 4,081,330 |
| Management fees accrued | (636,000) | (636,000) |
| Registry and therapy fees charged to affiliates | 667,995 | 935,981 |
| Rental expense accrued | (11,423) | (11,423) |
| Net other affiliate transactions | 1,451,731 | (266,332) |
| | $ 5,575,859 | $ 4,103,556 |

The Organization guarantees a $2,000,000 line of credit held by Hacienda, along with SNF and Hacienda HealthCare. There was no outstanding balance on this line of credit as of June 30, 2011. There was a balance of $151,257 outstanding on this line of credit as of June 30, 2010.

The Organization guarantees a $6,000,000 loan, held by SNF, along with Hacienda and Hacienda Healthcare. The loan is collateralized by the SNF facility and is due in full September 2013. The Organization would be obligated to perform under this guarantee if SNF failed to pay principal and interest payments to the lender when due. As of June 30, 2011, SNF is current with this loan obligation. This loan is cross-collateralized by the assets owned by the Organization.

During the years ended June 30, 2011 and 2010, the Organization purchased supplies from SMHS totaling approximately $5,175,000 and $5,562,300, respectively. Management asserts that supplies are purchased from SMHS at preferred rates and that no officers or directors of SMHS receive benefits as a result of these purchases.

The Organization had a payable balance as of June 30, 2011 and 2010 due to SMHS for supplies purchased in the amount of approximately $312,000 and $145,000, respectively. These balances are included in accounts payable on the accompanying statements of financial position and represent approximately 62% and 69% of accounts payable at June 30, 2011 and 2010, respectively.

During each of the years ended June 30, 2011 and 2010, the Organization entered into agreements to lease equipment from SMHS (See Note 6). The Organization paid $34,629 and $5,040 to SMHS for lease payments during the years ended June 30, 2011 and 2010, respectively.

## NOTE 12 CONTINGENCIES

In the ordinary course of conducting its business, the Organization has the potential to be subject to claims, legal actions, contractual and government reviews or other proceedings. In the opinion of management, neither the financial position nor results of operations of the Organization would be materially affected by the outcome of any of these potential matters.

## NOTE 13 PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2011 management determined that investments held by Hacienda were originally purchased with funds generated by the Organization through the pooled cash account. As a result of this determination, Hacienda transferred these investments to the Organization. Accordingly, investments were understated and due from related affiliates was overstated in the amount of $8,195,534 at June 30, 2010. In addition, investment return was understated in the amount of $364,869 at June 30, 2010.

The effects of these restatements on the accompanying financial statements for the year ended June 30, 2010 are as follows:

| | As previously reported | Restated |
|---|---|---|
| Due from related affiliates | $ 11,934,221 | $ 4,103,556 |
| Investments | $ 117,966 | $ 8,313,500 |
| Investment return | $ 64,546 | $ 429,415 |
| Change in unrestricted net assets | $ 2,283,817 | $ 2,648,686 |
| Unrestricted net assets | $ 20,722,161 | $ 21,087,030 |