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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

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

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

C Name of organization
Children's Health Care

Doing Business As
Children's Hospitals and Clinics of Minnesota

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2525 Chicago Avenue South

City or town, state or country, and ZIP + 4
Minneapolis, MN 554041844

D Employer identification number
41-1754276

E Telephone number
(612) 813-6000

G Gross receipts $ 618,141,222

F Name and address of principal officer
Jerry Massmann
2525 Chicago Avenue South
Minneapolis, MN 554041844

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 childrensmn org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1995

M State of legal domicile MN

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
Children's Hospitals and Clinics of Minnesota champions the special needs of children

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	25
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	21
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	4,581
6	Total number of volunteers (estimate if necessary)	6	1,226
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	82,495
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	34,049,233	32,929,702
	9	Program service revenue (Part VIII, line 2g)	533,758,861	555,819,124
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	32,667,649	25,409,612
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,322,913	2,647,188
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	602,798,656	616,805,626
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	345,688	634,284
	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)	332,518,318	340,044,362
	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–24e)	226,806,362	240,176,829
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	559,670,368	580,855,475
	19	Revenue less expenses Subtract line 18 from line 12	43,128,288	35,950,151

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	916,808,405	931,983,450
	21	Total liabilities (Part X, line 26)	416,355,035	426,913,792
	22	Net assets or fund balances Subtract line 21 from line 20	500,453,370	505,069,658

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

****** | 2012-10-30
Signature of officer | Date

JERRY MASSMANN CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ Kristina Rasmussen	Date	Check if self-employed ▶ ☐	Preparer's taxpayer identification number (see instructions) P00143920
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ DELOITTE TAX LLP, 50 SOUTH SIXTH STREET, MINNEAPOLIS, MN 55402			EIN ▶ 86-1065772
			Phone no ▶ (612) 397-4000

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

Children's Hospitals and Clinics of Minnesota champions the special health needs of children and their families We are committed to improving children's health by providing family centered pediatric services We advance these efforts through research and education

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured 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 $ 487,203,777 including grants of $ 368,003) (Revenue $ 552,312,369)

Hospital program services Families look to Children's Hospitals and Clinics of Minnesota ("Children's") for the finest in pediatric care With two pediatric hospital facilities and 347 staffed beds, we champion the special health needs of children and their families and are committed to providing high-quality, family centered pediatric services The Leapfrog Group's annual list of top hospitals named Children's Minneapolis and St Paul hospitals as two of the top ten pediatric hospitals in the country for quality and efficiency This is the third year in a row Children's has been recognized by the Leapfrog Group See Schedule O Children's was the only pediatric hospital in the five-state-region to receive a 2011 Leapfrog award For the sixth year in a row, Children's has been named one of the top pediatric hospitals in the nation according to the 2012-2013 U S News Media Group's Best Children's Hospitals rankings This year Children's ranked in two categories - cardiology and heart surgery and neonatology The U S News rankings give Children's high marks for patient volumes, safety, and overall outcomes in each of the clinical areas Children's also received high marks for nurse-to-patient staffing levels that continue to be among the nation's highest We are Minnesota's largest provider of care to children with complex surgical conditions, heart disease, cancer, diabetes, and extreme pre-maturity In 2011, Children's cared for 12,218 inpatient admissions representing 79,736 patient days, performed 20,435 surgical cases, treated 88,674 emergency room visits and cared for 148,973 outpatient clinic visits, many of which provided to inner city Minneapolis and St Paul residents Children's continues to serve a diverse population with 60,985 family encounters for language interpretation utilizing 46 different languages interpreted Children's designates certain major programs as a "Cornerstone program" These programs meet rigorous criteria for excellence, including outstanding use of evidence-based practices, clinical research, and advanced technologies These Cornerstone programs include - Cardiovascular Children's pediatric cardiovascular program is one of the largest in the region with some of the most impressive outcomes in the U S Team members care for thousands of the region's sickest children with heart conditions, including fetuses, newborns, infants, children, adolescents, and adult, long-term patients with pediatric cardiovascular conditions - Neonatal Intensive Care Children's specializes in caring for multiples, babies with congenital anomalies, very premature and very low birth weight babies, and infants born with other complex diagnoses We offer exceptional tertiary and quaternary care for babies, with survival outcomes among the best in the world Children's neonatal program is one of the nation's largest programs with 138 staffed beds and more than 35,000 patient days Our neonatal team includes highly-trained and experienced professionals from a full spectrum of medical specialties - Hematology/Oncology The hematology/oncology program at Children's is the largest in the upper Midwest with treatment outcomes that consistently rank Children's as one of the top ten programs in the U S In our nationally unique model, your child's or teen's care is spearheaded and coordinated by a board-certified hematologist/oncologist, who leads a highly experienced team of multidisciplinary professionals - Cystic Fibrosis The Cystic Fibrosis (CF) Center at Children's diagnoses and treats children in all stages of CF Our dedication to family-centered care and education helps children and their families learn to live with CF Care at Children's for patients with CF ranks among the top 10 programs nationally in key outcomes measured by the National Cystic Fibrosis Registry Children's provides a continuum of care through coordinated inpatient and outpatient services, from diagnosis through long-term follow-up The Cystic Fibrosis Center of Children's provides state-of-the art comprehensive care for children with CF - Diabetes/Endocrinology The McNeely Pediatric Diabetes Center is the only diabetes center in the region to specialize in working solely with children and teens The staff provide expert health care to help maintain a child's targeted blood sugar ranges Most children seen in the diabetes center have Type 1 diabetes A small but growing number have Type 2 In addition to diabetes, the clinic provides diagnostic services and treatment for children with disorders of growth, advanced or delayed sexual development, pituitary disorders, thyroid abnormalities, disorders of calcium balance, adrenal disorders, and hypoglycemia The McNeely Pediatric Diabetes Center has received recognition for its diabetes education program from the American Diabetes Association, by meeting the association's high educational standards - In addition to the Cornerstone programs, Children's provides other high quality programs such as Surgery Children's surgery teams deliver next-generation care in an award-winning environment that is exclusively dedicated to pediatrics Health professionals of many disciplines work together to provide children with the best possible surgery experience Children's bodies are different than adult's For example, they often require specially-sized surgical equipment They react differently to anesthesia and to pain Their bodies respond differently to illness and treatment, in part because they are still growing That's why children benefit from our highly accomplished, pediatric-specific surgery teams At Children's, over 20,000 surgeries are performed each year on fetuses, newborns, children, adolescents, and young adults from throughout the Upper Midwest Surgical treatment results rank Children's among the top hospitals in the U S in pediatric surgical care Children's has some of the lowest rates in the U S of post-surgery complications and some of the highest rates of patient and family satisfaction As a charitable organization, Children's also provides a broad spectrum of benefits to the communities we serve These services and donations account for a measureable portion of the hospital's costs and help to promote healthy lifestyles, community development, health education, and affordable access to care Please see IRS Form 990, Schedule H for a summary of these community benefits

4b (Code) (Expenses $ 3,717,873 including grants of $ 0) (Revenue $ 2,139,532)

Research In 2011 Children's conducted 403 research projects, 204 of which were clinical trials to examine the effectiveness of diagnostic, therapeutic, and preventive services In addition 70 peer-reviewed manuscripts were published Children's was awarded more than $12 million in funding from government, industry, foundation, and academic sub-awards for its research initiatives We continue to participate in multiple prestigious national collaborations and clinical trials We are also generating landmark investigator-initiated research, aimed at novel ways to deliver life-saving treatments, manage pain and symptoms and develop new methods for preventing or treating childhood diseases Every day, Children's researchers express their commitment to building better outcomes for our children These outcomes will have both immediate and lasting impact for children receiving state of the science care at our specialty centers Children with cardiac disease, cancer, genetic and blood disorders, diabetes, cystic fibrosis, and other life-impacting conditions all have benefited from research at Children's The vision and strategic innovation of our research leaders have brought us to impressive milestones in the past year We continue to take steps toward advancing our research and committed to thriving into the future with our children and families

4c (Code) (Expenses $ 4,893,532 including grants of $ 0) (Revenue $ 1,367,223)

Education Many efforts to improve the health and well being of children and youth require long-term investment in their future Children's provides education and training programs for providers, health care students, and other health professionals in the following areas 1)Community medical education for community physicians During the 2011 calendar year, Children's provided training to 380 individual residents and 35 individual fellows who performed one or more rotations at Children's Minneapolis, Children's St Paul, or both locations Full time equivalent (FTE) numbers were 43 2 FTEs for the residents and 7 1 FTEs for the fellows The rotations were performed in Children's Emergency Department, inpatient medical/surgical, PICU and neonatal inpatient care units, surgery and anesthesia, ENT surgery, urology, and subspecialty clinics The residents and fellows came from 38 different medical educational programs 27 of those programs were from the University of Minnesota, 3 from Mayo Clinic, 2 from Regions Hospital, 1 from United Hospital, 1 from HCMC, 1 from Rapid City Regional Hospital, 1 from UW Eau Claire, 1 from Jackson Memorial Hospital in Miami, and 1 from St John Hospital in Detroit Additionally, 195 medical students rotated to Children's Minneapolis, Children's St Paul, or both locations 2)Education and training of health care and other providers of services to children i)The Midwest Regional Children's Advocacy Center at Children's is a leader in improving the care of abused and neglected children whose goal is to improve services for abused children in local communities throughout the region The Center offers information, consultation, technical assistance, and training to physicians, nurses, and non-medical members of community child abuse teams, including law enforcement personnel, attorneys and child protection workers ii)Recognized, as the nation's leader in palliative care education, Children's Institute for Palliative Care (CIPC) developed a model for a regional training and consultation center CIPC develops and leads training seminars using recognized curriculum for pediatric palliative care, provides hospital-based consultation to children who are in need of hospice or palliative care while they are hospitalized, offers a regional 24/7 telephone consultation program providing education, support, and guidance to families and professional providers, and serves as a resource center for pediatric palliative care iii)The Minnesota Sudden Infant Death Syndrome (SID) Center is a statewide program that provides information, counseling, and support to anyone experiencing a sudden and unexpected infant death from any cause The SID Center is the state's resource for information on Sudden Infant Death Syndrome (SIDS) and SIDS risk reduction The Center conducts training and educational programs for health care providers, child-care workers, and other professional and community groups The Center also tracks and reports infant mortality trends in Minnesota and participates in local, state, and national initiatives to reduce the risk of sudden, unexpected infant death The Minnesota SID Center collaborates with the Minnesota Department of Health, county public health nurses, and medical examiners in every county throughout Minnesota iv)The Emergency Medical Services for Children (EMSC) Resource Center housed at Children's creates awareness regarding the special needs of children in emergency medical situations EMSC educational programs are designed to train pre-hospital personnel, first responders, physicians, nurses, and school nurses in the unique needs of infants and children in emergency situations The EMSC Resource Center also provides technical assistance, participates in statewide pediatric emergency/disaster preparedness planning, develops and disseminates pediatric emergency are guidelines, and conducts mortality reviews and research 3)Education and employment - Because disparities in child health are so closely associated with low educational attainment and poor job skills, Children's is engaged in several key community partnerships to improve educational success and earning potential among youth and adults Examples include the Roosevelt High School Health Careers Program that provides students interested in health care careers the opportunity to receive health care specific education and obtain internships with health care organizations, the Achieve Minneapolis/Step-up Summer Jobs Program that places youth in supervised summer internships at participating companies and organizations, and a partnership with Project for Pride in Living that recognizes that a healthy, sustainable community requires residents with well-paying jobs

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses**▶$ 495,815,182

Part IV **Checklist of Required Schedules**

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
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		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b	Yes	
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
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		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

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

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

					Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	403			
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	4,581			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O* . . .			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)? . . .			4a	Yes	
b	If "Yes," enter the name of the foreign country ►CJ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T? . . .			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible? . . .			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? . . .			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor? . . .			7a		No
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		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d	0			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? . . .			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? . . .			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? . . .			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? . . .			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966? . . .			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person? . . .			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders . . .	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them) . . .	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			13a		
b	Enter the aggregate 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 aggregate amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year? . . .			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			14b		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	25		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	21		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4	Yes	
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Did the organization have members or stockholders?		6		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

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

☐ Own website ☐ Another's website ☑ Upon request

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

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

Jerry Massmann CFO
2525 Chicago Avenue S
Minneapolis, MN 55404
(612) 813-6113

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position: Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
See Additional Data Table										

		(D)	(E)	(F)
1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	7,405,102	209,886	1,161,402

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶469

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
Cerner Corp PO Box 412702 Kansas City, MO 64141	Hardware & Software Maintenance	6,443,007
Children's Heart Clinic PA 2530 Chicago Ave S Suite 500 Minneapolis, MN 55404	Physician Services	4,229,396
Dell Marketing LLP 7489 Collections Center Drive Chicago, IL 60693	Patient Billing	4,016,593
Children's Respiratory & Critical Care S 2530 Chicago Ave S Suite 400 Minneapolis, MN 55404	Physician Services	3,742,479
Children's Heart Perfusion LLC 4104 Havenhill Circle St Paul, MN 55123	Physician Services	1,451,970

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶75

Part VIII Statement of Revenue

Section	Line	Description	Amount / Business Code	(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	22,568,223				
	e	Government grants (contributions) 1e	10,361,479				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f					
	g	Noncash contributions included in lines 1a-1f $ 1,392,872					
	h	**Total.** Add lines 1a-1f . . . . ▶		32,929,702			
Program Service Revenue			Business Code				
	2a	Patient Service Revenu	621400	393,271,837	393,271,837		
	b	Medicare/Medicaid paym	621400	159,114,679	159,114,679		
	c	Parking	812930	2,119,864		-25,367	2,145,231
	d	Pharmacy Revenue	621400	635,791			635,791
	e	Lab Revenue	621500	150,530		107,862	42,668
	f	All other program service revenue		526,423	526,423		
	g	**Total.** Add lines 2a–2f . . . . ▶		555,819,124			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . . ▶		15,114,474			15,114,474
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . ▶					
			(i) Real / (ii) Personal				
	6a	Gross rents	(i) 1,434,561 / (ii)				
	b	Less rental expenses	(i) 700,538 / (ii)				
	c	Rental income or (loss)	(i) 734,023 / (ii)				
	d	Net rental income or (loss) . . . . ▶		734,023			734,023
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	(i) 10,930,196 / (ii)				
	b	Less cost or other basis and sales expenses	(i) 0 / (ii) 635,058				
	c	Gain or (loss)	(i) 10,930,196 / (ii) -635,058				
	d	Net gain or (loss) . . . . ▶		10,295,138			10,295,138
	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	Cafeteria	722210	1,657,540			1,657,540
	b	Marketplace	453220	209,174			209,174
	c	Vending Machines	722210	20,293			20,293
	d	All other revenue		26,158			26,158
	e	**Total.** Add lines 11a–11d . . . . . . ▶		1,913,165			
	12	**Total revenue.** See Instructions . . . ▶		616,805,626	552,912,939	82,495	30,880,490

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)
Check if Schedule O contains a response to any question in this Part IX . . . .

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 United States See Part IV, line 21	634,284	634,284		
2 Grants and other assistance to individuals in the United States See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	5,845,447	1,454,749	4,390,698	
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	258,843,566	231,875,776	26,967,790	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	23,193,930	20,434,304	2,759,626	
9 Other employee benefits	34,309,862	26,358,068	7,951,794	
10 Payroll taxes	17,851,557	15,750,478	2,101,079	
11 Fees for services (non-employees)				
a Management	7,125,929	6,819,755	306,174	
b Legal	1,137,089	46,164	1,090,925	
c Accounting	345,757		345,757	
d Lobbying	138,086		138,086	
e Professional fundraising *See Part IV, line 17* . .				
f Investment management fees	1,514,375	1,514,375		
g Other	57,328,267	50,239,078	7,089,189	
12 Advertising and promotion	3,064,795	291,652	2,773,143	
13 Office expenses	6,485,388	4,741,745	1,743,643	
14 Information technology	12,278,814		12,278,814	
15 Royalties . .				
16 Occupancy	13,714,549	12,658,636	1,055,913	
17 Travel	1,391,576	1,059,770	331,806	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	1,494,923	1,279,054	215,869	
20 Interest	10,489,099	10,489,099		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	34,967,634	25,314,866	9,652,768	
23 Insurance	2,798,988	2,798,988		
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 Medical Supplies	51,624,462	51,624,462		
b MNCare Tax	10,165,938	10,165,938		
c Bad Debt	8,356,017	8,356,017		
d Medicaid Surcharge	7,324,065	7,324,065		
e				
f All other expenses	8,431,078	4,583,859	3,847,219	
25 **Total functional expenses.** Add lines 1 through 24f	580,855,475	495,815,182	85,040,293	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		5,521,505	1	10,778,117
	2	Savings and temporary cash investments		12,719,564	2	66,371,874
	3	Pledges and grants receivable, net		1,311,922	3	1,770,298
	4	Accounts receivable, net		63,818,408	4	68,185,487
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		215,411	5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		4,378,644	8	4,402,071
	9	Prepaid expenses and deferred charges		3,489,161	9	3,552,999
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 623,946,667			
	b	Less accumulated depreciation	10b 251,323,322	368,897,078	10c	372,623,345
	11	Investments—publicly traded securities		291,468,734	11	234,284,179
	12	Investments—other securities See Part IV, line 11		47,929,926	12	56,424,914
	13	Investments—program-related See Part IV, line 11		18,138,521	13	18,615,187
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		98,919,531	15	94,974,979
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		916,808,405	16	931,983,450
Liabilities	17	Accounts payable and accrued expenses		81,273,100	17	77,959,661
	18	Grants payable			18	
	19	Deferred revenue		1,296,309	19	5,370,488
	20	Tax-exempt bond liabilities		284,510,281	20	298,890,538
	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		397,672	23	368,426
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		48,877,673	25	44,324,679
	26	**Total liabilities.** Add lines 17 through 25		416,355,035	26	426,913,792
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		432,934,479	27	437,473,783
	28	Temporarily restricted net assets		40,704,791	28	40,477,466
	29	Permanently restricted net assets		26,814,100	29	27,118,409
		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		500,453,370	33	505,069,658
	34	Total liabilities and net assets/fund balances		916,808,405	34	931,983,450

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	616,805,626
2	Total expenses (must equal Part IX, column (A), line 25)	2	580,855,475
3	Revenue less expenses Subtract line 2 from line 1	3	35,950,151
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	500,453,370
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-31,333,863
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	505,069,658

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other ______________ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
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 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

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 **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 331/3% 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 331/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

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

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

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

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

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

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

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

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

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

Part II **Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 **Total support** (Add lines 7 through 10)						

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

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

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f)) | 14 |

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 | 15 |

16a **33 1/3% support test—2011.** 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—2010.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2011.** 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—2010.** 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 IRC 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)** 2007	**(b)** 2008	**(c)** 2009	**(d)** 2010	**(e)** 2011	**(f)** Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	**(a)** 2007	**(b)** 2008	**(c)** 2009	**(d)** 2010	**(e)** 2011	**(f)** Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

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

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from **2010** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2011.** 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—2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

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

Facts And Circumstances Test

Explanation

Additional Data

Software ID:
Software Version:
EIN: 41-1754276
Name: Children's Health Care

Form 990, Special Condition Description:

Special Condition Description

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Alan Goldbloom President & CEO	50 00	X		X				873,504	0	524,472
Raymond L Barton Chair	1 00	X		X				0	0	0
Russell Becker Board Member	1 00	X						0	0	0
Michael V Ciresi Board Member	1 00	X						0	0	0
Molly Culligan Board Member	1 00	X						0	0	0
Michael B Fiterman Board Member	1 00	X						0	0	0
Greg Goven Board Member	1 00	X						0	0	0
Sharon Jaeger Board Member	1 00	X						0	0	0
Bill Jeatran Board Member	1 00	X						0	0	0
Mary L Jeffries Board Member	1 00	X						0	0	0
Andrea Kmetz-Sheehy Board Member	1 00	X						0	0	0
Cynthia L Lesher Board Member	1 00	X						0	0	0
Chad M Lindbloom Board Member	1 00	X						0	0	0
Matt Majka Board Member	1 00	X						0	0	0
Gaye Adams Massey Board Member	1 00	X						0	0	0
Richard J Migliori MD Board Member	1 00	X						0	0	0
David Miller Board Member	1 00	X						0	0	0
Michael J Ott Board Member	1 00	X						0	0	0
Timothy J Pabst Board Member	1 00	X						0	0	0
Ryan D Robinson Treasurer	1 00	X		X				0	0	0
Patrick G Ryan Vice Chair	1 00	X		X				0	0	0
Susan Sencer Board Member	50 00	X						312,584	0	54,125
Robert Segal Board Member	50 00	X						275,323	0	48,923
Sandra Sackett MD Board Member	1 00	X						0	0	0
James D Sidman MD Board Member	1 00	X						0	0	0

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply): Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
Maria Christu General Counsel	50 00			X				300,892	0	43,012
Phil Kibort CMO, VP Medical Affairs	50 00			X				554,527	0	50,858
Jerry Massmann CFO, VP Finance	50 00			X				567,380	0	49,379
David Brumbaugh VP Human Resources	50 00			X				278,243	0	42,775
Theresa Pesch VP Dev & Exec Dir Fndtn	25 00			X				181,224	181,223	34,584
David Overman Chief Operating Officer	50 00			X				471,696	0	37,762
Roxanne Fernandes Chief Nursing Officer	50 00			X				308,099	0	12,171
Gloria Drake Sr Dir Clinical Svc Peri	50 00				X			160,856	28,663	40,573
Pamala VanHazinga Sr Dir Clinical Critical	50 00				X			147,685	0	34,020
Becky Bedore Sr Dir Clinical Svc Peds	50 00				X			141,571	0	26,931
Joseph Petronio Surg Dir Peds Neurosurg	50 00					X		667,259	0	24,993
Ted Cox Staff Physician	50 00					X		466,865	0	28,508
Karen Blumberg Medical Director	50 00					X		532,933	0	28,037
Richard Patterson Staff Physician	50 00					X		472,636	0	39,533
James Engels Staff Physician	50 00					X		532,929	0	39,533
Virginia Malone Chief Nursing Officer	0 00						X	158,896	0	1,213

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ Complete if the organization is described below.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

If the organization answered "Yes," to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes," to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization	Employer identification number
Children's Health Care	41-1754276

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1 Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV

2 Political expenditures ▶ $

3 Volunteer hours

Part I-B Complete if the organization is exempt under section 501(c)(3).

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ $

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

(a) Name	**(b)** Address	**(c)** EIN	**(d)** Amount paid from filing organization's funds If none, enter -0-	**(e)** Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

Part II-A **Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).**

A Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

B Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	**(a)** Filing Organization's Totals	**(b)** Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		

If the amount on line 1e, column (a) or (b) is:	**The lobbying nontaxable amount is:**
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

	(a)	(b)
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ **Yes** ☐ **No**

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	**(a)** 2008	**(b)** 2009	**(c)** 2010	**(d)** 2011	**(e)** Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B **Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).**

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		130,622
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		7,464
j	Total lines 1c through 1i			138,086
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A **Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).**

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of $2,000 or less?	2		
3	Did the organization agree to carryover lobbying and political expenditures from the prior year?	3		

Part III-B **Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".**

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures **(do not include amounts of political expenses for which the section 527(f) tax was paid).**		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV **Supplemental Information**

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1i
Also, complete this part for any additional information

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	Children's retains a lobbyist to assist directly with lobbying efforts at the state level Children's Director of Child Health Policy also occasionally will meet with state legislators, provide testimony on child health issues, or otherwise provide information to state lawmakers and their staffs With respect to federal lobbying efforts, Children's Director of Child Health Policy and CEO will occasionally travel to Washington to meet with federal lawmakers This is generally done in collaboration with industry organizations, such as NACHRI, who indirectly provide federal lobbying support on behalf of Children's Children's is a member of the National Association of Children's Hospitals (NACH) $7,464 of membership dues paid to NACH relate to lobbying activities

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

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

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

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

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

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a ☐ Public exhibition

b ☐ Scholarly research

c ☐ Preservation for future generations

d ☐ Loan or exchange programs

e ☐ Other

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

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

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

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

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

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

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

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

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	30,881,650	28,645,602	23,511,131	35,160,520	
b Contributions	883,411	371,730	1,160,044	819,502	
c Investment earnings or losses	-267,697	2,991,850	4,333,957	-10,484,516	
d Grants or scholarships	1,211,560	1,127,532	359,530	1,984,375	
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	30,285,804	30,881,650	28,645,602	23,511,131	

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

a Board designated or quasi-endowment ▶ 10 000 %

b Permanent endowment ▶ 79 000 %

c Term endowment ▶ 11 000 %

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)	Yes	
(ii) related organizations	3a(ii)	Yes	
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b	Yes	

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 property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		10,968,672		10,968,672
b Buildings		399,282,436	101,011,739	298,270,697
c Leasehold improvements		1,923,396	1,331,413	591,983
d Equipment		206,349,525	145,201,216	61,148,309
e Other		5,422,638	3,778,954	1,643,684
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				372,623,345

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) Brandywine	56,424,914	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	56,424,914	

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

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

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

(a) Description	(b) Book value
See Additional Data Table	
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . ▶	94,974,979

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
MN Care tax payable	2,207,176
Self-insurance reserve	915,831
RSVP retirement plan	22,949,901
Executive benefits liability	7,665,367
Post retirement benefits	4,215,737
Workers comp liability	1,810,644
Self-insurance equipment reserve	205,070
Accrual VERP	1,054,953
Long term deferred revenue	3,300,000
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	44,324,679

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

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	616,805,626
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	580,855,475
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	35,950,151
4	Net unrealized gains (losses) on investments	4	-12,139,124
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-19,194,739
9	Total adjustments (net) Add lines 4 - 8	9	-31,333,863
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	4,616,288

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	579,243,663
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-12,139,124		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	-26,758,435		
e	Add lines **2a** through **2d**			2e	-38,897,559
3	Subtract line **2e** from line **1**			3	618,141,222
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	-1,335,596		
c	Add lines **4a** and **4b**			4c	-1,335,596
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	616,805,626

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

1	Total expenses and losses per audited financial statements			1	572,975,050
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	1,335,596		
e	Add lines **2a** through **2d**			2e	1,335,596
3	Subtract line **2e** from line **1**			3	571,639,454
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	9,216,021		
c	Add lines **4a** and **4b**			4c	9,216,021
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	580,855,475

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Description of Intended Use of Endowment Funds	Part V, Line 4	The majority of endowment funds are held by Children's Health Care Foundation, a related organization The intended use of the funds is to support the programs at Children's Health Care There are also two endowment funds that are held and administered by US Bank, an unrelated organization, which are also used to support the programs at Children's Health Care Refer to Part III, Line 4 for a description of the programs of Children's Health Care
Description of Uncertain Tax Positions Under FIN 48	Part X	The Internal Revenue Service (IRS) has determined that Children's and its subsidiaries are exempt organizations as described in Section 501(C)(3) of the IRC Children's believes that it continues to meet the requirements of the IRC to sustain its tax-exempt status There are no federal income tax expenses, penalties, or interest recognized in the consolidated statements of operations and no unrecognized tax benefits for the years ended December 31, 2011 and 2010
Part XI, Line 8 - Other Adjustments		Change in beneficial interest in net assets of Foundation - 1,652,325 Change in value of interest rate swap valuation - 19,721,918 Unrealized Swap earnings 2,179,504 Total to Schedule D, Part XI, Line 8 -19,194,739
Part XII, Line 2d - Other Adjustments		Amortization expense ($860,004) RSVP retirement plan-related charges $2,179,504 Change in unrealized interest rate swap valuation ($19,721,918) Bad debt allowance ($8,356,017)
Part XII, Line 4b - Other Adjustments		Loss on sale of assets ($635,058) Rental expense ($700,538)
Part XIII, Line 2d - Other Adjustments		Loss on sale of assets $635,058 Rental expense $700,538
Part XIII, Line 4b - Other Adjustments		Amortization expense $860,004 Bad debt allowance $8,356,017

Additional Data

Software ID:
Software Version:
EIN: 41-1754276
Name: Children's Health Care

Form 990, Schedule D, Part IX, - Other Assets

(a) Description	**(b)** Book value
Assets of executive benefit plans	10,161,922
Unamortized bond insurance and deferred finance costs	5,325,769
Investment in land for possible expansion	3,240,298
Intercompany receivable	2,012,508
Nursing education loans receivable	176,135
Pharmaceutical services deposit	1,390,272
Physician relocation loans receivable	312,789
Facility deposit	134,000
United shared service arrangement	3,929,988
Beneficial interest in net asets of Foundation	67,681,158
Investment in laundry cooperative	610,140

Form 990, Schedule D, Part X, - Other Liabilities

1 **(a)** Description of Liability	**(b)** Amount
MN Care tax payable	2,207,176
Self-insurance reserve	915,831
RSVP retirement plan	22,949,901
Executive benefits liability	7,665,367
Post retirement benefits	4,215,737
Workers comp liability	1,810,644
Self-insurance equipment reserve	205,070
Accrual VERP	1,054,953
Long term deferred revenue	3,300,000

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SCHEDULE F (Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

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

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

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

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

	(a) Region	(b) Number of offices in the region	(c) Number of employees or agents in region or independent contractors	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for region/investments in region
	Central America & the Caribbean			Self Insurance for Medical Claims	N/A	89,258
	Central America & the Caribbean			Investments	N/A	6,875,781
3a	Sub-total	0	0			6,965,039
b	Total from continuation sheets to Part I	0	0			0
c	**Totals** (add lines 3a and 3b)	0	0			6,965,039

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

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

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

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

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

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

Part IV Foreign Forms

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

Part V **Supplemental Information**

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

Identifier	ReturnReference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

Part I Charity Care and Certain Other Community Benefits at Cost

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

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1)			7,871,995		7,871,995	1 380 %
b Medicaid (from Worksheet 3, column a)			224,826,281	167,894,382	56,931,899	9 940 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						0 %
d **Total** Charity Care and Means-Tested Government Programs			232,698,276	167,894,382	64,803,894	11 320 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			8,981,321	188,968	8,792,353	1 540 %
f Health professions education (from Worksheet 5)			6,513,807	1,256,813	5,256,994	0 920 %
g Subsidized health services (from Worksheet 6)			46,024,483	32,452,148	13,572,335	2 370 %
h Research (from Worksheet 7)			4,489,948	900	4,489,048	0 780 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			445,751		445,751	0 080 %
j **Total** Other Benefits			66,455,310	33,898,829	32,556,481	5 690 %
k **Total.** Add lines 7d and 7j			299,153,586	201,793,211	97,360,375	17 010 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

	(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			55,000		55,000	0 010 %
2 Economic development						0 %
3 Community support			1,620,815	98,713	1,522,102	0 260 %
4 Environmental improvements						0 %
5 Leadership development and training for community members						0 %
6 Coalition building			21,800		21,800	0 %
7 Community health improvement advocacy						0 %
8 Workforce development			45,000		45,000	0 010 %
9 Other						0 %
10 **Total**			1,742,615	98,713	1,643,902	0 280 %

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 Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2 3,827,484			
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3 956,871			
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	450,193
6	Enter Medicare allowable costs of care relating to payments on line 5	6	619,556
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-169,363

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

			Yes	No
9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes	
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	Yes	

Part IV Management Companies and Joint Ventures (see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size 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	Children's Health Care 2525 Chicago Avenue South Minneapolis, MN 55404	X	X	X	X		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: Children's Health Care

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 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☐ A definition of the community served by the hospital facility b ☐ Demographics of the community c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☐ How data was obtained e ☐ The health needs of the community f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☐ The process for identifying and prioritizing community health needs and services to meet those 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 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 ☐ Development of a community-wide community benefit plan for the facility d ☐ Participation in 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 CHNA g ☐ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 150 000000000000% If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing discounted care?	10	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 350 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Explained the basis for calculating amounts charged to patients?	11	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply) **a** ☑ Income level **b** ☑ Asset level **c** ☑ Medical indigency **d** ☑ Insurance status **e** ☑ Uninsured discount **f** ☑ Medicaid/Medicare **g** ☐ State regulation **h** ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12	Yes	
13 Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply) **a** ☐ The policy was posted at all times on the hospital facility's web site **b** ☐ The policy was attached to all billing invoices **c** ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms **d** ☐ The policy was posted in the hospital facility's admissions offices **e** ☐ The policy was provided, in writing, to patients upon admission to the hospital facility **f** ☑ The policy was available upon request **g** ☑ Other (describe in Part VI)			

Billing and Collections

		Yes	No
14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15 Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP **a** ☐ Reporting to credit agency **b** ☐ Lawsuits **c** ☐ Liens on residences **d** ☐ Body attachments or arrests **e** ☐ Other similar actions (describe in Part VI)			
16 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
If "Yes," check all actions in which the hospital facility or a third party engaged **a** ☐ Reporting to credit agency **b** ☐ Lawsuits **c** ☐ Liens on residences **d** ☐ Body attachments **e** ☐ Other similar actions (describe in Part VI)			
17 Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) **a** ☐ Notified patients of the financial assistance policy upon admission **b** ☐ Notified patients of the financial assistance policy prior to discharge **c** ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills **d** ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy **e** ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
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)			

Individuals Eligible for Financial Assistance

		Yes	No
19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		No
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?	**21**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

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

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

	Name and address	Type of Facility (Describe)
1	Children's Clinics - Woodwinds 1825 Woodwinds Drive Suite 400 Woodbury, MN 55125	Specialty and Rehabilitation Clinic
2	Children's - Maple Grove 7767 Elm Creek Blvd Suite 300 Maple Grove, MN 55369	Specialty and Rehabilitation Clinic
3	Rehabilitation Clinic 5950 Clearwater Drive Suite 500 Minnetonka, MN 55343	Specialty and Rehabilitation Clinic
4	Children's - Roseville 1835 W County Rd C Roseville, MN 55113	Specialty and Rehabilitation Clinic
5	McNeeley Pediatric Diabetes Center 6060 Clearwater Drive Suite 204 Minnetonka, MN 55343	Pediatric Clinic
6	Pediatric and Adolescent Care (PACE) 1547 Livingston Ave West St Paul, MN 55118	Pediatric Clinic
7	Northeast Pediatric Clinic 4520 Centerville Road Vadnais Heights, MN 55127	Pediatric Clinic
8		
9		
10		

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, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
		Part I, Line 3c FPG is the primary measurement used to determine eligibility for charity care However, policy exceptions may be granted for families who either have income exceeding the guidelines established or who with the sliding scale discount continue to have insufficient means to pay Part I line 6a Children's Hospitals and Clinics of Minnesota prepares an annual community benefits report The community benefits report is available to the public

Identifier	ReturnReference	Explanation
		Part I, Line 7g Subsidized health services benefits include the subsidized costs of two physician clinics A clinic is located on both the Minneapolis and St Paul campuses These clinics serve the local communities that include a high percentage of minorities and low-income families Net community benefit expenses related to these clinics were $1,138,000 for the twelve months of 2011

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) Bad debt expense of $8,356,018 was subtracted for purposes of calculating the percentage in Schedule H, Part I, line 7, column (f)

Identifier	ReturnReference	Explanation
		Part I, line 7 A ratio of patient care cost to charges, as calculated using Form 990, Schedule H, Worksheet 2 - Ratio of Patient Care Cost to Charges, was used to calculate community benefit costs for Schedule H, Part I, Line 7, rows (a)(c) Community benefit costs for rows (b)(e)(f)(g)(h)(i)(j) were calculated using a full-absorption costing model that combines direct costing and the allocation of indirect costs through an activity-based costing methodology

Identifier	ReturnReference	Explanation
		Part II Community building activities Children's provided the following community building activities in 2011 - STEP-UP and Health Careers at Roosevelt High School the mission of this program is to provide educational opportunities to a diverse body of students from the local community who are interested in preparing for a career in health care - Project for Pride in Living this is a nonprofit agency working with lower-income individuals and families throughout the Twin Cities metro area to achieve greater self-sufficiency through housing, employment training, education, and support services - Midwest Regional Outreach The Midwest Children's Resource Center is a regional center providing specialty services for children who are possibly abused, their families, and the professionals who work with them MCRC brings together a multi-disciplinary team of child abuse specialist who provide a broad range of services, including medical and psychological consultation The center works as an advocate for the children who have been abused, seeking to significantly advance protection, treatment, and healing of these children

Identifier	ReturnReference	Explanation
		Part III, Line 4 Bad debt is defined as the unpaid obligation for care provided to patients who have been determined to be able to pay, but have not demonstrated a willingness to pay The amounts attributable to patients eligible under the organization's charity care policy are determined by a patient's willingness to pay with a documented inability to pay per measures established by our policy Both amounts are estimated by applying the ratio of patient care cost to charges, as calculated on Form 990, Schedule H, Worksheet 2, to the actual patient charges The organization estimates that twenty-five percent of bad debt expenses are attributable to patients who likely would qualify for financial assistance under the organization's charity care policy if sufficient information had been available to make a determination of their eligibility The estimate of twenty-five percent is based on historical trends and the experience of area supervisors Footnote from 2011 audited financials Patient Accounts Receivable - Patient accounts receivable represent amounts due from federal and state agencies, managed health care plans, commercial insurance companies, employers, and patients Children's grants credit to patients, most of whom are insured under third-party payer agreements, without collateral or any other security to support amounts due Children's determines an allowance for doubtful accounts by considering a number of factors, including, but not limited to, the length of time accounts receivable are past due, its previous loss history, the existence of a third-party payer, reimbursement trends, and other collection indicators Accounts are written off when all reasonable internal and external collection efforts have been performed and payments subsequently received on such receivables are credited to the allowance Children's recognizes that revenues and receivables from government agencies are significant to its operations, but does not believe there are significant credit risks associated with these government agencies In 2011, net revenue from the top four third-party payers accounted for 42%, 24%, 13%, and 9% of net patient service revenue In 2010, net revenue from the top four third-party payers accounted for 42%, 25%, 14%, and 8% of net patient service revenue

Identifier	ReturnReference	Explanation
		Part III, Line 8 The organization primarily serves pediatric patients and does not generate significant Medicare revenues The organization files a Medicare cost report annually Form 990, Schedule H, Worksheet 3 - Unreimbursed Medicaid and Other Means-Tested Government Programs was used to calculate the costs associated with Medicare charges reported in Part III, Line 6 The organization does not report any amounts from Part III, Line 7 as community benefit

Identifier	ReturnReference	Explanation
		Part III, Line 9b When collecting medical debt, Children's Hospitals and Clinics of Minnesota treats its patient families with honor, dignity, and courtesy, demonstrates compassion, and are good stewards of health care resources There is a zero tolerance for abusive, harassing, oppressive, false, deceptive, or misleading language or collections conduct by Children's employees and contractors who collect medical debt from patient families This policy applies broadly to all patient families we serve Components of Children's collection policy include During the pre-registration, registration, or admission process, Children's attempts to identify and inform patient families who may be eligible for charity care or discounted care through the uninsured discount or charity care policy All Children's employees and contracted staff who have direct contact with patients are educated on an annual basis of Children's financial assistance policies The education informs staff of programs available and how a patient family may obtain more information and submit an application for financial assistance A financial assistance application is sent with the initial letter explaining the process for obtaining financial assistance to all self pay patient families If a patient family indicates the need for financial assistance during the registration process, financial assistance information is provided to the family by the registration staff All correspondence seeking collection of medical debts contain a reference to the availability of financial assistance Minnesota hospital providers have jointly developed consistent collection guidelines set out in formal agreements with the Minnesota Attorney General's Office This agreement is consistent with Children's collection policy The Audit Committee of our Board of Directors annually reviews this policy and all policies concerning collection of medical debt, uninsured discount, and charity care The Audit Committee also reviews the results of an annual audit related to these areas in accordance with the Minnesota Attorney General's Agreement

Identifier	ReturnReference	Explanation
Children's Health Care		Part V, Section B, Line 13g The policy is available upon request, however, every self pay patient at registration is given a flyer of the key items on the policy and there is a reference to the policy in every self pay statement sent in accordance with the AG agreement

Identifier	ReturnReference	Explanation
Children's Health Care		Part V, Section B, Line 19d We charge everybody the same, however, the discount applied to FAP eligible individuals is based on the financial assistance policy so a discount on charge between 50% and 100% based on income guidelines or 44% discount for the uninsured based on our largest commercial payer

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Needs Assessment The health care needs of the community served by Children's Hospitals & Clinics of Minnesota is determined as follows a Board of Directors the organization's governing body, comprised of community members who reside locally, provides governance that includes the health care services provided to the local community b Children's employed physicians, independent physicians who provide care at Children's, and numerous clinical care providers assess community needs daily through the pediatric care provided throughout the community c The Family Advisory Council a diverse group of families whose children are present or past patients of Children's provide input as to Children's services Council members represent a wide range of inpatient and outpatient experiences to help enhance the quality of child and family care experiences at Children's Council responsibilities include -Develop, implement, and evaluate service and facility standards -Communicate to management the recommendations and concerns expressed by parents, family members, parent associations, and others -Advise on policy review, promote family-centered care, and support program development d Community partnerships partnerships with groups such as the Minnesota Hospital Association Policy and Advocacy Committee and the Hennepin County Health Department Community Advisory Group helps the organization identify community needs Children's also partners with Raise it for Health, a tobacco cessation coalition, as well as with the Minnesota Prematurity Coalition, a group devoted to increasing awareness of the unique health and development issues premature infants face through advocating for access to quality health care, and identification, consolidation and dissemination of resources for parents and families e Youth Advisory Council is a dedicated group of patients, ages 10 to 18, who help hospital staff, leaders, doctors, and parents understand what is important to children, teens, and siblings during hospital stays, clinic visits, and emergency care YAC brings a valuable perspective and voice to Children's by participating in activities that promote discussion and thought about health care services for pediatric and young adult patients The council also brings great perspective to let other children know how to make their stay at Children's a more comfortable and positive experience f Children's maintains an advocacy department that is responsible for identifying community health needs and leading efforts that advocate for pediatric health needs Children's advocacy department maintains an advocacy database of over 400 members, all of whom can share advocacy input with the Children's Advocacy team The advocacy department is also currently partnering with local public health departments and statewide health care providers to create a Hennepin County Community Health Improvement Plan This plan will inform a portion of Children's upcoming Community Health Needs Assessment The Assessment is in its drafting stages, and will be complete mid-2013 g Other methods include and are not limited to partnerships and projects with third party-payers and other community physicians and hospitals, monitoring and reporting of infectious disease data, disaster readiness efforts, research and education, support groups, and others

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Patient Education of Eligibility for Assistance Components of Children's collection policy include During the pre-registration, registration, or admission process, Children's will attempt to identify and inform patient families who may be eligible for charity care or discounted care through the uninsured discount or charity care policy All Children's employees and contracted staff who have direct contact with patients will be educated on an annual basis of Children's financial assistance policies The education will inform staff of programs available and how a patient family may obtain more information and submit an application for financial assistance A financial assistance application will be sent with the initial letter explaining the process for obtaining financial assistance to all self pay patient families If a patient family indicates the need for financial assistance during the registration process, financial assistance information is provided to the family by the registration staff All correspondence seeking collection of medical debts will contain a reference to the availability of financial assistance Minnesota hospital providers have jointly developed consistent collection guidelines set out in formal agreements with the Minnesota Attorney General's Office This agreement is consistent with Children's collection policy The Board of Directors (Audit Committee) performs an annual review of this policy and all policies concerning collection of medical debt, uninsured discount, and charity care The Audit Committee shall also review the results of an annual audit related to these areas in accordance with the Minnesota Attorney General's Agreement

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Community information (communities we serve) Children's Hospitals & Clinics of Minnesota serves the five state area of the upper Midwest (Minnesota, North Dakota, South Dakota, Iowa, and Wisconsin) Approximately seventy-five percent of inpatient admissions are from the seven county metropolitan areas of the Twin Cities The remaining twenty-five percent of inpatient admissions are from outstate Minnesota and the surrounding states These patients represented one-hundred percent of Minnesota counties and sixty-four percent of the total counties in the five state area The age of patients reflects the pediatric health services provided with seventy-six percent of patients being under the age of ten and eighty-nine percent under the age of fifteen Patient diversity at Children's, and specifically non-Caucasion patient volumes, more than double the population demographics of the seven county metropolitan area As such, Children's provides interpreter services for forty-six languages with the most frequent languages being Spanish, Somali, and Hmong Children's also serves a disproportionate share of economically disadvantaged patients with forty-two percent of net patient revenues from government programs The Minneapolis campus is located within the Phillips-Powderhorn neighborhood (MUA), home to one of the most ethnically diverse communities in Minnesota

Identifier	ReturnReference	Explanation
		Part VI, Line 5 Other Information As a charitable organization, Children's provides a broad spectrum of benefits to the communities it serves that would otherwise be unavailable or insufficient to meet patient demand for the express purpose of improving the health status of children in the community These include programs such as free clinics, health screenings, support counseling for patients and families, crisis intervention, disaster readiness and the cost of providing community health partnerships and educations These services and donations account for a measurable portion of the hospital's costs and help to promote healthy lifestyles, community development, health education, and affordable access to care Example programs include - Children's is one of the local hospitals and health plans in the Twin Cities that advises Portico Healthnet on issues related to program services and provides funding for medical services to participants Portico Healthnet, a nonprofit health and human services organization, serves the community by assisting children, parents, and individuals who are uninsured with applications to health care programs and by offering a primary and preventive health care access program for people ineligible for public programs Since 1995, as reported by Portico Healthnet, 10,000 uninsured children and adults have enrolled in Portico's safety-net coverage program, and another 17,000 have been enrolled in public coverage programs with assistance from Portico Healthnet - Women, Infants & Children (WIC) Program WIC is a nutrition program provided by Children's that helps eligible pregnant women, new mothers, babies and young children eat well, learn about nutrition, and stay healthy An important component of this funding is that it will provide health care to underserved populations in Minneapolis, particularly those in the Latino and Somali communities - The EMSC Resource Center provides technical assistance to agencies to improve pediatric emergency care The EMSC works to reduce child morbidity and mortality due to trauma and critical illness and is the only statewide program that focuses on improving pediatric components of medical care - The Sudden Infant Death Center provides support to families and promotes awareness within both the medical and lay communities of SIDS and other causes of sudden infant death The center works to identify causes of sudden, unexpected infant death throughout Minnesota, reaches out with information and support to families, educates professionals and the public, and participates in research - The Simulation Center is a motor coach outfitted with simulation equipment and staffed with Children's trainers that travels throughout the Midwest to train staff from hospitals in the best practices when responding to pediatric or neonatal medical emergencies

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	MN

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . . ▶ ☐

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
(1) Abbott Northwestern Hospital Foundation800 East 28th Street Minneapolis,MN 554073799	04-3643816	501(c)(3)	6,000				Table sponsorship - 2011 Medicine Ball
(2) Children's Hospital Association2525 Chicago Ave S Minneapolis,MN 55404	41-0711605	501(c)(3)	10,000				Sponsorship - Storybook Ball fundraiser
(3) Children's Heartlink5075 Arcadia Ave Minneapolis,MN 554362306	41-1307457	501(c)(3)	7,500				Sponsorship - Heartlink gala
(4) March of Dimes5233 Edina Industrial Blvd Edina,MN 55439	13-1846366	501(c)(3)	7,500				Sponsorship - 2011 Nurse of the year & 2011 Signature Chefs Auction
(5) Medica Health Plans401 Carlson Parkway Minnetonka,MN 55305	41-1242261	501(c)(4)	10,000				Sponsorship - 2011 LaborCare Health Fair
(6) National Association of Children's HospitalsNACH PO Box 79334 Baltimore,MD 212790334	51-0120256	501(c)(6)	26,270				Medicaid Advocacy Camp 2011
(7) Portico Healthnet2610 University Ave W Suite 550 St Paul,MN 551142007	41-1814659	501(c)(3)	100,000				Help families to get medical assistance coverage
(8) Project for Pride in Living 1035 E Franklin Ave Minneapolis,MN 55406	23-7232208	501(c)(3)	75,000				Support Project for Pride in Livings health careers job training program
(9) Ronald McDonald House 818 Fulton St SE Minneapolis,MN 55414	41-1313107	501(c)(3)	12,200				Sponsorships - Golf benefit & Fam Glam benefit
(10) Roosevelt High School 4029 28th Ave S Minneapolis,MN 55406	41-0851980	501(c)(3)	20,000				Support Roosevelt HS Health careers program
(11) Smith Partners400 Second Ave S Suite 1200 Minneapolis,MN 55401	20-3663831		21,800				Support Phillips Partnership
(12) HealthTeacher209 10th Ave S Suite 350 Nashville,TN 37203			266,281				Promotion of Health Education

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . ▶ 8

3 Enter total number of other organizations listed in the line 1 table . . . . ▶ 4

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

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

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

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 From time to time, Children's grants monies to other organizations conducting programs and/or research that will benefit the children that Children's serves Children's also occasionally provides monetary support to organizations that promote careers in the health care field and community organizations that support the economic development of the area surrounding the Children's Minneapolis campus Children's receives periodic updates regarding the use of the funds

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 41-1754276
Name: Children's Health Care

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Abbott Northwestern Hospital Foundation 800 East 28th Street Minneapolis, MN 554073799	04-3643816	501(c)(3)	6,000				Table sponsorship - 2011 Medicine Ball
Children's Hospital Association2525 Chicago Ave S Minneapolis, MN 55404	41-0711605	501(c)(3)	10,000				Sponsorship - Storybook Ball fundraiser

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Children's Heartlink 5075 Arcadia Ave Minneapolis, MN 554362306	41-1307457	501(c)(3)	7,500				Sponsorship - Heartlink gala
March of Dimes 5233 Edina Industrial Blvd Edina, MN 55439	13-1846366	501(c)(3)	7,500				Sponsorship - 2011 Nurse of the year & 2011 Signature Chefs Auction

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Medica Health Plans401 Carlson Parkway Minnetonka, MN 55305	41-1242261	501(c)(4)	10,000				Sponsorship - 2011 LaborCare Health Fair
National Association of Children's Hospitals NACH PO Box 79334 Baltimore, MD 212790334	51-0120256	501(c)(6)	26,270				Medicaid Advocacy Camp 2011

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Portico Healthnet 2610 University Ave W Suite 550 St Paul,MN 551142007	41-1814659	501(c)(3)	100,000				Help families to get medical assistance coverage
Project for Pride in Living1035 E Franklin Ave Minneapolis,MN 55406	23-7232208	501(c)(3)	75,000				Support Project for Pride in Livings health careers job training program

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Ronald McDonald House818 Fulton St SE Minneapolis,MN 55414	41-1313107	501(c)(3)	12,200				Sponsorships - Golf benefit & Fam Glam benefit
Roosevelt High School4029 28th Ave S Minneapolis,MN 55406	41-0851980	501(c)(3)	20,000				Support Roosevelt HS Health careers program

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Smith Partners400 Second Ave S Suite 1200 Minneapolis, MN 55401	20-3663831		21,800				Support Phillips Partnership
HealthTeacher209 10th Ave S Suite 350 Nashville, TN 37203			266,281				Promotion of Health Education

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space 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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(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				
See Additional Data Table								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 1a	Alan Goldbloom is reimbursed for his membership fees for the Minneapolis Club, which is used solely for business purposes
	Part I, Lines 4a-b	Certain employees of Children's Health Care are provided the opportunity to participate in the Supplemental Executive Retirement Plan (the SERP) The SERP requires that the employee have an agreement in order to be eligible to participate in the SERP Payments from the SERP occur at retirement and are based on years of service and percentage of salary The following amount represents the amount deferred under the SERP in 2011 Alan Goldbloom $485,866 Certain employee of Children's Health Care are provided the opportunity to participate in the Capital Accumulation Plan (the Capital Plan) The Capital Plan requires that the employee is a physician or executive and is a 5 FTE or more in order to be eligible to participate in the Capital Plan Payments from the Capital Plan occur at vesting and are based on percentage of salary The following amounts represent the amount paid under the Capital Plan in 2011 Alan Goldbloom $122,034 Jerry Massmann $44,459 Phil Kibort $99,755 David Brumbaugh $26,040 Maria Christu $20,110 Theresa Pesch $21,848 David Overman $61,998 Karen Blumberg $56,747 Richard Patterson $33,241 James Engels $37,242 Susan Sencer $18,783 Robert Segal $18,319 Certain employee of Children's Health Care are provided the opportunity to participate in the Deferral Account Pay Plan (the Deferral Plan) The Deferral Plan requires that the employee is a physician or executive and is a 5 FTE or more in order to be eligible to participate in the Deferral Plan Payments from the Deferral Plan occur at vesting and are based on percentage of salary The following represents the amount paid under the Deferral Plan in 2011 Robert Segal $10,653 Virginia Malone was paid a severance payment in the amount of $158,896 during 2011
	Part I, Line 7	Certain executives and physicians are eligible for participation in the Executive Incentive Plan (EIP) or Physician Incentive Plan (PIP) The EIP and PIP provide eligible participants with the opportunity to receive an incentive payment based on attainment of established organization and individual goals

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 41-1754276
Name: Children's Health Care

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation (i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation	(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
Alan Goldbloom	(i)	733,610	0	139,894	508,256	16,216	1,397,976	122,034
	(ii)	0	0	0	0	0	0	0
Susan Sencer	(i)	281,776	0	30,808	33,580	20,545	366,709	18,783
	(ii)	0	0	0	0	0	0	0
Robert Segal	(i)	225,595	0	49,728	28,801	20,122	324,246	28,972
	(ii)	0	0	0	0	0	0	0
Maria Christu	(i)	277,006	0	23,886	22,115	20,897	343,904	20,110
	(ii)	0	0	0	0	0	0	0
Phil Kibort	(i)	440,790	0	113,737	29,700	21,158	605,385	99,755
	(ii)	0	0	0	0	0	0	0
Jerry Massmann	(i)	402,239	0	165,141	33,180	16,199	616,759	44,459
	(ii)	0	0	0	0	0	0	0
David Brumbaugh	(i)	248,414	0	29,829	22,115	20,660	321,018	26,040
	(ii)	0	0	0	0	0	0	0
Theresa Pesch	(i)	145,756	0	35,468	9,216	8,076	198,516	10,924
	(ii)	145,755	0	35,468	9,216	8,076	198,515	10,924
David Overman	(i)	407,699	0	63,997	21,565	16,197	509,458	61,998
	(ii)	0	0	0	0	0	0	0
Roxanne Fernandes	(i)	173,538	0	134,561	0	12,171	320,270	0
	(ii)	0	0	0	0	0	0	0
Gloria Drake	(i)	159,160	0	1,696	20,812	13,624	195,292	0
	(ii)	28,361	0	302	3,709	2,428	34,800	0
Pamala VanHazinga	(i)	147,685	0	0	15,299	18,721	181,705	0
	(ii)	0	0	0	0	0	0	0
Becky Bedore	(i)	141,571	0	0	19,108	7,823	168,502	0
	(ii)	0	0	0	0	0	0	0
Joseph Petronio	(i)	617,259	0	50,000	7,350	17,643	692,252	0
	(ii)	0	0	0	0	0	0	0
Ted Cox	(i)	426,865	0	40,000	7,350	21,158	495,373	0
	(ii)	0	0	0	0	0	0	0
Karen Blumberg	(i)	471,412	0	61,521	18,375	9,662	560,970	56,747
	(ii)	0	0	0	0	0	0	0
Richard Patterson	(i)	439,395	0	33,241	18,375	21,158	512,169	33,241
	(ii)	0	0	0	0	0	0	0
James Engels	(i)	469,878	0	63,051	18,375	21,158	572,462	37,242
	(ii)	0	0	0	0	0	0	0

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** 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 compensation				
Virginia Malone	(i)	0	0	158,896	0	1,213	160,109	0
	(ii)	0	0	0	0	0	0	0

Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased Yes	(g) Defeased No	(h) On Behalf of Issuer Yes	(h) On Behalf of Issuer No	(i) Pool financing Yes	(i) Pool financing No
A	1995B 2004A - See Part VI	41-6005375	603695FG7	08-24-2004	77,550,000	Hlth Care Equip&Bldg & Ref Bnd Issued 10/2/95		X		X		X
B	2004B - See Part VI	41-6005375	603695FH5	05-25-2005	51,550,000	Refunding of Taxable Bond Issued 8/24/04		X		X		X
C	2007A - See Part VI	41-6005375	603695FP7	11-15-2007	103,000,000	Facility Expansion and Upgrade		X		X		X
D	1995B 2004A-1 2010A - See Part VI	41-6005375	603695GQ4	03-25-2010	97,051,274	Facility Expns & Upgrd & Ref Bnd Issd 8/24/04		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	55,650,000	14,875,000	1,800,000	1,150,000
2	Amount of bonds defeased				
3	Total proceeds of issue	77,550,000	51,550,000	106,148,383	97,071,507
4	Gross proceeds in reserve funds	146	258	727	637
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	810,064		862,000	
8	Credit enhancement from proceeds	1,239,936		1,582,951	
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	50,000,000		103,703,432	51,120,684
11	Other spent proceeds	25,500,000	51,550,000		45,950,468
12	Other unspent proceeds				355
13	Year of substantial completion	2004		2009	2011

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D No
3a	Are there any management or service contracts that may result in private business use?	X		X		X		X	
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X		X	
c	Are there any research agreements that may result in private business use of bond-financed property?	X		X		X		X	
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X		X		X	
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %		0 %		0 010 %		0 %	
6	Total of lines 4 and 5	0 %		0 %		0 010 %		0 %	
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X		X	

Part IV Arbitrage

		A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		X
2	Is the bond issue a variable rate issue?	X		X		X			X
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X		X		X			X
b	Name of provider	Piper Jaffrey		Piper Jaffrey		Piper Jaffrey			
c	Term of hedge	30 200000000000		20 200000000000		29 800000000000			
d	Was the hedge superintegrated?		X		X		X		
e	Was a hedge terminated?		X		X		X		
4a	Were gross proceeds invested in a GIC?		X		X		X		X
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
6	Did the bond issue qualify for an exception to rebate?	X		X		X		X	

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . ☐ Yes ☑ No

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule K, Supplemental Information		The report periods selected for all four bond issues recorded on Schedule K are not the same as the fiscal year end for the rest of the Form 990 Schedule K uses the bond year ending of August 15, 2012 Part I, Column (g) A Though these bonds are not defeased, a portion of the bonds was currently refunded by a reissuance on 3/25/2010 Part II, Line 3 Differences between Part I, ,column (e) and Part II, line 3 are due to investment earnings
Schedule K, Part II, Line 13 Year of Substantial Completion		B As this bond issue consists entirely of refunding bonds, it is Children's understanding that the concept of "year of substantial completion" does not apply to this issue Schedule K, Part III, Column B Part III is not required for these bonds, but information is entered anyway, due to software limitations
Schedule K, Part III, Line 5		C A small portion of Children's laboratory department is financed with bond proceeds A portion of some laboratory services are provided to outside organizations, not for direct patient care, of which Children's is reporting as UBI
Schedule K, Part I, Line 1 Column A		Health Care Facilities Revenue Bonds 1995B/2004A - Issuer of the bond is City of Minneapolis, MN (41-6005375) and Housing and Redevelopment Authority of the City of St Paul, MN (41-6005521) Schedule K, Part I, Line 2 Column A Health Care Facilities Revenue Bonds 2004B - Issuer of the bond is City of Minneapolis, MN (41-6005375) and Housing and Redevelopment Authority of the City of St Paul, MN (41-6005521) Schedule K, Part I, Line 3 Column A Health Care Facilities Revenue Bonds 2007A - Issuer of the bond is City of Minneapolis, MN (41-6005375) and Housing and Redevelopment Authority of the City of St Paul, MN (41-6005521) Schedule K, Part I, Line 4 Column A Health Care Facilities Revenue Bonds 1995B/2004A-1/2010A - Issuer of the bond is City of Minneapolis, MN (41-6005375) and Housing and Redevelopment Authority of the City of St Paul, MN (41-6005521)
Schedule K, Part V		During calendar year 2012, Children's is adopting written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations

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, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶See separate instructions.

OMB No 1545-0047
2011
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Name of the organization
Children's Health Care

Employer identification number
41-1754276

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	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?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total . . . . ▶ $										

Part III Grants or Assistance Benefitting 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 of grant or type of assistance

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
(1) Pediatric ENT Association	James Sidman, President of Pediatric ENT Association	123,445	Medical Payment to Pediatric ENT Association for Medical Director services		No

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation

SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

NonCash Contributions

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

Part I **Types of Property**

	(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications	X	[redacted]	10,994	Cost or selling price
5 Clothing and household goods	X	[redacted]	384,524	Cost or selling price
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory	X	10	73,726	Cost or selling price
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ▶ (Entertainment)	X	33	120,362	Cost or selling price
26 Other ▶ (Geek Squad)	X	1	627,150	Cost or selling price
27 Other ▶ (Building Materials)	X	6	17,578	Cost or selling price
28 Other ▶ (Other)	X	4	158,538	Cost or selling price

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

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

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

Identifier	Return Reference	Explanation

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SCHEDULE O (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 4	Children's bylaws were amended in 2011 for the following significant changes 1 Election of directors beyond the six-year term limit The bylaws currently provide for election of directors for an additional year or two beyond the six-year term limit in certain circumstances Specifically, this is allowed in situations where the director is serving as chair or vice chair of the board during his or her sixth year and so needs to serve an additional term to complete the appointment as chair or vice chair, and also in situations where the board desires to elect an immediate past chair for an additional term The amendment clarifies the language in the Hospital bylaws so that a director serving as chair or vice-chair of the Hospital are eligible to be elected for an additional term 2 Removal of Conflict of Interest Policy A number of years ago the conflict of interest policy was included as part of the Hospital by laws Children's is not required by any regulatory agency to maintain the policy as part of the bylaws and has determined, based on consultation with outside counsel, that common practice today among tax-exempt healthcare entities is to maintain the policy as a stand along policy, not part of the bylaws This allows, among other things, the ability to modify the policy without the requirement of a bylaw amendment The resolutions delete the conflict of interest policy from the bylaws of the Hospital, and require the corporation to maintain the policy a separate organizational policy

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	Children's senior management reviews the draft Form 990 with the Audit and Compliance Committee of the governing body prior to filing of the Form This review includes an overview of the Form and discussion related to key sections Copies of the final Form 990 are made available to members of the Committee and all directors prior to the Form being filed The Audit and Compliance Committee has been delegated the authority to oversee the completion and filing of the Form 990 by the full board, and the Committee reports the results of its review and approval to the full board at a regularly scheduled board meeting

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	Management of Children's ensure that conflict of interest disclosure forms are completed by all members of the governing body and board committees at least annually Forms are completed at the beginning of the year, and directors and committee members are instructed to provide additional disclosures if necessary during the course of the year The Governance Committee of the governing body, along with senior management (CEO and General Counsel) review all disclosures provided by governing board members The results of this review and any concerns, limitations, etc , are reported by the Governance Committee to the full board If conflicts are identified, the Governance Committee and management work to ensure that directors do not participate in discussion or voting on the affected matter

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	Children's follows the requirements set forth in the IRS rebuttable presumption of reasonableness in determining compensation for the CEO and other officers and executive leaders of Children's This function is performed by the Compensation Committee of the governing board, which is composed of only independent directors The process includes review of comparability data, retention of an outside compensation consultant and contemporaneous substantiation of the deliberation and decision through detailed minutes of the Compensation Committee and full board meetings where executive compensation is considered

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Children's makes financial statement information public through a summary of financial performance in its annual report In addition, financial statements are provided to Children's bond trustee, who therefore make this information publicly available Children's governing documents and conflict of interest policy are not available to the public

Identifier	Return Reference	Explanation
	Form 990, Part VII	The follow ing individuals held positions at both Children's Health Care and Children's - Minnetonka The hours listed on Part VII are the average hours per w eek these individuals devoted to Children's Health Care during the year In addition, these individuals also devoted the follow ing average hours per w eek to Children's - Minnetonka Phil Kibort 1 5 hours Jerry Massmann 1 5 hours Gloria Drake 6 0 hours The follow ing individuals held positions at both Children's Health Care and Children's Health Care Foundation The hours listed on Part VII are the average hours per w eek these individuals devoted to Children's Health Care during the year In addition, these individuals also devoted the follow ing average hours per w eek to Children's Health Care Foundation Alan Goldbloom 1 0 hour Maria Christu 1 0 hour Jerry Massmann 1 0 hour Theresa Pesch 25 0 hours Raymond Barton 1 0 hour Russell Becker 1 0 hour Michael Ciresi 1 0 hour Molly Culligan 1 0 hour Michael Fiterman 1 0 hour Greg Goven 1 0 hour Sharon Jaeger 1 0 hour Bill Jeatran 1 0 hour Mary Jeffries 1 0 hour Andrea Kmetz-Sheehy 1 0 hour Cynthia Lesher 1 0 hour Chad Lindbloom 1 0 hour Matt Majka 1 0 hour Gaye Adams Massey 1 0 hour Richard Migliori 1 0 hour David Miller 1 0 hour Michael Ott 1 0 hour Timothy Pabst 1 0 hour Ryan Robinson 1 0 hour Patrick Ryan 1 0 hour Sandra Sackett 1 0 hour James Sidman 1 0 hour Susan Sencer 1 0 hour Robert Segal 1 0 hour

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized losses on investments -12,139,124 Change in beneficial interest in net assets of Foundation -1,652,325 Change in value of interest rate swap valuation -19,721,918 Unrealized Swap earnings 2,179,504 Total to Form 990, Part XI, Line 5 -31,333,863

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

2011

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) Children's Health Insurance Network LTD PO Box 30600 Grand Cayman, Catman Islands KY1-1203 CJ	Insurance	CJ	1,059,983	6,875,781	Children's Health Care

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization Yes	No
(1) Children's Health Care Services Inc DBA Minnetonka 2525 Chicago Ave S Minneapolis, MN 55404 41-1756478	Healthcare	MN	501(c)(3)	Line 3 170(b)(1)(a)	Children's Health Care	Yes	
(2) Children's Health Care Foundation 2525 Chicago Ave S Minneapolis, MN 554021844 41-1814223	Healthcare	MN	501(c)(3)	Line 7 170(b)(1)(a)	Children's Health Care	Yes	

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership

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

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

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

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

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 41-1754276
Name: Children's Health Care

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	Children's Health Care Foundation	C	22,568,223	Accrual
(2)	Children's Health Care Foundation	L	5,109,050	Accrual
(3)	Children's Health Care Foundation	O	3,876,260	Accrual
(4)	Children's Health Care Foundation	R	19,361,491	Accrual
(5)	Children's Health Care Services Inc dba Children's - Minnetonka	I	36,384	Accrual
(6)	Children's Health Care Services Inc dba Children's - Minnetonka	L	252,638	Accrual
(7)	Children's Health Care Services Inc dba Children's - Minnetonka	N	283,847	Accrual
(8)	Children's Health Care Services Inc dba Children's - Minnetonka	O	6,513,001	Accrual
(9)	Children's Health Care Services Inc dba Children's - Minnetonka	P	9,007,662	Accrual

TY 2011 Earnings and Profits Other Adjustments Statement

Name: Children's Health Care

EIN: 41-1754276

Description	Amount
REVERSAL OF NET INSURANCE INCOME	-1,165,233

TY 2011 Itemized Other Current Assets Schedule

Name: Children's Health Care

EIN: 41-1754276

Corporation Name	Corporation EIN	Other Current Assets Description	Beginning Amount	Ending Amount
CHILDREN'S HEALTH INSURANCE NETWORK LTD		PREMIUM RECEIVABLE	1,231,829	1,644,490
		SECURITIES AVAILABLE FOR SALE		4,935,616

TY 2011 Other Deductions Schedule

Name: Children's Health Care

EIN: 41-1754276

Description	Foreign Amount (should only be used when attached to 5471 Schedule C Line 16)	Amount
BANK FEES	525	525
MEETING EXPENSES	5,917	5,917
GOVERNMENT FEES	11,098	11,098
AUDIT FEES	20,960	20,960
MANAGEMENT FEES	40,000	40,000
MISCELLANEOUS EXPENSES	758	758
REALIZED LOSS ON SECURITIES	15,992	15,992
ACTUARY FEES	10,000	10,000

TY 2011 Itemized Other Liabilities Schedule

Name: Children's Health Care

EIN: 41-1754276

TY 2011 Itemized Other Liabilities Schedule

Corporation Name	Corporation EIN	Other Liabilities Description	Beginning Amount	Ending Amount
CHILDREN'S HEALTH INSURANCE NETWORK LTD		SELF-INSURANCE RESERVE	2,279,023	2,267,971
		UNEARNED PREMIUM RESERVES	1,231,830	1,233,367
		ACCOUNTS PAYABLE AND ACCRUED EXPENSES	18,100	30,000

TY 2011 Other Income Statement

Name: Children's Health Care

EIN: 41-1754276

Description	Foreign Amount	Amount
GROSS PREMIUM ASSUMED	1,644,490	1,644,490
CHANGE IN UNEARNED PREMIUM RESERVES	-1,538	-1,538
CHANGE IN LOSS RESERVES	-477,719	-477,719

Children's Health Care

Consolidated Financial Statements as of and
for the Years Ended December 31, 2011 and 2010,
Additional Information as of and for the
Year Ended December 31, 2011, and
Independent Auditors' Report

CHILDREN'S HEALTH CARE

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Children's Health Care
Minneapolis, Minnesota

We have audited the accompanying consolidated statements of financial position of Children's Health Care ("Children's") as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Children's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Children's Health Care as of December 31, 2011 and 2010, and the consolidated results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The 2011 consolidating schedules as listed in the foregoing table of contents are presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and are not a required part of the basic consolidated financial statements. The schedules are the responsibility of Children's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the 2011 basic consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the 2011 basic consolidated financial statements taken as a whole.

Deloitte & Touche LLP

March 14, 2012

CHILDREN'S HEALTH CARE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010
(In thousands)

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 11,849	$ 11,551
Short-term investments (Note 2)	70,946	12,720
Funds held by trustee (Notes 2 and 4)	2,913	9,747
Patient accounts receivable — less allowance for uncollectible accounts of $6,472 and $6,296 at 2011 and 2010, respectively	63,295	54,493
Prepaid expenses and other current assets	26,635	30,019
Total current assets	175,638	118,530
DONOR-RESTRICTED CASH AND INVESTMENTS (Note 2)	46,124	45,518
UNRESTRICTED INVESTMENTS (Note 2)	289,040	329,652
OTHER ASSETS (Note 10)	54,331	56,932
LAND, BUILDINGS, AND EQUIPMENT — Net (Note 3)	379,306	376,560
TOTAL	$944,439	$927,192
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt (Note 4)	$ 7,325	$ 5,230
Accounts payable and accrued expenses	28,505	40,110
Accrued salaries, wages, and benefits	49,461	45,601
Other current liabilities	9,238	6,750
Total current liabilities	94,529	97,691
FAIR VALUE OF INTEREST RATE SWAPS (Note 2)	42,592	22,870
OTHER LONG-TERM LIABILITIES	43,350	41,885
LONG-TERM DEBT — Excluding current maturities (Note 4)	248,974	256,410
Total liabilities	429,445	418,856
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS		
Unrestricted	447,398	440,817
Temporarily restricted (Note 5)	40,478	40,705
Permanently restricted (Note 5)	27,118	26,814
Total net assets	514,994	508,336
TOTAL	$944,439	$927,192

See notes to consolidated financial statements

CHILDREN'S HEALTH CARE

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands)

	2011	2010
REVENUE		
Net patient service revenue	$ 558,280	$ 536,112
Foundation transfers for operations	8,932	7,567
Other	22,317	25,756
Total revenue	589,529	569,435
EXPENSES		
Salaries, wages, and employee benefits	348,883	339,716
Professional fees and purchased services	69,952	62,205
Supplies	57,098	53,766
Facilities	13,176	12,986
Depreciation and amortization	35,370	36,004
Financing costs	10,554	9,972
Provision for uncollectibles	8,582	9,238
Health services taxes	17,641	17,313
Other	26,455	24,061
Total expenses	587,711	565,261
OPERATING INCOME BEFORE NONRECURRING ITEMS	1,818	4,174
EXPENSES RELATED TO WORKFORCE REDUCTION	-	846
EXPENSES RELATED TO NURSING WORK STOPPAGE	-	1,161
OPERATING INCOME	1,818	2,167
NONOPERATING (LOSSES) GAINS		
Investment income and realized gains	21,180	26,597
Income on investments accounted for under the equity method	3,340	4,699
Net change in unrealized (losses) gains on investments	(12,117)	4,457
Change in fair value of interest rate swaps (Note 2)	(19,722)	(6,479)
Other	(860)	(859)
Total nonoperating (losses) gains	(8,179)	28,415
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(6,361)	30,582
OTHER CHANGES		
Net assets released from restrictions — capital acquisitions	10,762	11,022
RSVP plan-related changes other than net periodic plan expense	2,180	(2,179)
CHANGE IN UNRESTRICTED NET ASSETS	$ 6,581	$ 39,425

See notes to consolidated financial statements

CHILDREN'S HEALTH CARE

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands)

	2011	2010
UNRESTRICTED NET ASSETS		
(Deficiency) excess of revenue over expenses	$ (6,361)	$ 30,582
Net assets released from restrictions — capital acquisitions	10,762	11,022
RSVP plan-related changes other than net periodic plan expense	2,180	(2,179)
Increase in unrestricted net assets	6,581	39,425
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	19,351	11,234
Investment income	1,757	1,275
Net change in unrealized (losses) gains on investments	(1,641)	1,739
Net assets released from restrictions — operations	(8,932)	(7,567)
Net assets released from restrictions — capital acquisitions	(10,762)	(11,022)
Decrease in temporarily restricted net assets	(227)	(4,341)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	661	158
Change in value of perpetual trusts held by others and other	(357)	192
Increase in permanently restricted net assets	304	350
INCREASE IN NET ASSETS	6,658	35,434
NET ASSETS — Beginning of year	508,336	472,902
NET ASSETS — End of year	$ 514,994	$ 508,336

See notes to consolidated financial statements.

CHILDREN'S HEALTH CARE

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 6,658	$ 35,434
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	35,370	36,004
Net change in unrealized losses (gains) on investments	13,758	(6,179)
Net realized gains on investments	(12,063)	(18,129)
RSVP plan-related changes other than net periodic plan expense	(2,180)	2,179
Change in fair value of interest rate swaps	19,722	6,479
Contributions restricted for long-lived purposes	(6,447)	(3,998)
Income on investments accounted for under the equity method	(3,340)	(4,699)
Provision for uncollectibles	8,582	9,238
Other	1,936	(4)
Changes in assets and liabilities		
Patient accounts receivable	(17,384)	(5,414)
Prepaid expenses and other current assets	3,384	(97)
Other assets	1,277	7,661
Accounts payable and accrued expenses	(3,638)	7,663
Accrued salaries, wages, and benefits	3,860	(431)
Other liabilities	6,712	(7,896)
Net cash provided by operating activities	56,207	57,811
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings, and equipment	(46,115)	(103,537)
Purchase of investments, funds held by trustee, and other assets	(233,528)	(348,387)
Proceeds from sale and maturities of investments and funds held by trustee	219,316	340,214
Net cash used in investing activities	(60,327)	(111,710)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(5,230)	(7,905)
Proceeds from issuance of long-term debt	-	94,625
Retirement of long-term debt	-	(44,625)
Deferred debt acquisition costs	-	2,426
Contributions restricted for long-lived purposes	9,648	6,878
Net cash provided by financing activities	4,418	51,399
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	298	(2,500)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,551	14,051
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11,849	$ 11,551
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Purchase of land, buildings, and equipment and other assets in accounts payable and accrued expenses	$ 3,264	$ 4,834
Cash paid for interest	$ 5,434	$ 2,150
Contributions of land, buildings, and equipment	$ -	$ 222

See notes to consolidated financial statements

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Children's Health Care, d/b/a Children's Hospitals and Clinics of Minnesota ("Children's"), is a not-for-profit corporation organized under the laws of the State of Minnesota for the treatment and care of infants, children, and adolescents and the promotion and administration of charitable care, research, and educational activities.

Children's owns and operates two tertiary facilities, Children's — Minneapolis and Children's — St. Paul, two separate and controlled not-for-profit corporations, Children's Health Care Services, Inc., d/b/a Children's — Minnetonka and Children's Health Care Foundation, d/b/a Children's Foundation (the "Foundation"), and a wholly owned subsidiary, Children's Health Insurance Network, Ltd., which handles professional liability claims (see Note 6). The consolidated financial statements include the accounts of Children's and all subsidiaries. The departments of Children's — Minneapolis, Children's — St. Paul, and Corporate, plus the subsidiary Children's — Minnetonka, collectively, are the "Obligated Group."

Basis of Accounting — The consolidated financial statements are prepared on the accrual basis of accounting.

Consolidation — All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements. Investments in entities that Children's does not control, but in which Children's has a substantial ownership interest and can exercise significant influence, are accounted for using the equity method. Investments in entities that Children's does not control, does not have a substantial ownership interest, and cannot exercise significant influence are accounted for using the cost method.

Related Party Transactions — Children's has determined that it has the indirect ability to determine the direction of management and policies of Children's Health Care Physician Hospital Organization ("CPN"), but does not have an economic interest in CPN. Accordingly, transactions with CPN are considered related party and the entity is not consolidated into the financial statements of Children's. Children's had a payable balance due to CPN of $3,134 and $2,992 at December 31, 2011 and 2010, respectively.

Joint Operating Agreement — Children's has entered into a joint operating agreement with Allina Health System ("Allina"), a Minnesota nonprofit corporation that operates ten hospitals and jointly owns and operates one other hospital, to collaborate on certain obstetric, normal newborn, perinatology, and neonatal service lines. The joint operating agreement is herein referred to as the "Mother-Baby" program and will be governed by a joint operating committee with equal membership from Children's and Allina for a twenty-year term, with extension provisions, that began on January 1, 2011. Under this collaborative arrangement, there is an equalization payment whereby Children's receives 73% of the cash flows related to these service lines and Allina receives 27% of the cash flows related to these service lines. Net equalization costs are reported as other operating expenses and were $1,476 for the year ended December 31, 2011. At December 31, 2011, the amount due to Allina is $375, which is included in accounts payable and accrued expenses in the consolidated statements of financial position.

A new jointly-owned facility is being constructed on the Children's — Minneapolis campus at a projected incremental cost of $50,000, of which Children's will contribute $26,000, in addition to a $10,000 in-kind contribution of existing ambulatory, parking, and power-plant facilities, and will own 60% of the building. Construction was initiated in the third quarter of 2011, with expected completion in the first quarter of 2013. Payments made to date are recorded in construction in progress (see Note 3).

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimated amounts in the consolidated financial statements include contractual allowances, allowance for uncollectible accounts and pledges, depreciable lives, benefit obligations, accrued salary, bonuses, and benefit costs, and interest rate swap valuation.

Subsequent Events — Children's has evaluated all events or transactions that occurred after December 31, 2011 through March 14, 2012, the date the consolidated financial statements were issued. Children's is not aware of any material subsequent events that would require recognition or disclosure in the 2011 consolidated financial statements.

Cash and Cash Equivalents — All short-term investments purchased with a maturity of three months or less, and not otherwise classified as noncurrent assets, are considered to be cash and cash equivalents and are carried at cost, which approximates fair value.

Patient Accounts Receivable — Patient accounts receivable represent amounts due from federal and state agencies, managed health care plans, commercial insurance companies, employers, and patients. Children's grants credit to patients, most of whom are insured under third-party payer agreements, without collateral or any other security to support amounts due. Children's determines an allowance for doubtful accounts by considering a number of factors, including, but not limited to, the length of time accounts receivable are past due, previous loss history, the existence of a third-party payer, reimbursement trends, and other collection indicators. Accounts are written off when all reasonable internal and external collection efforts have been performed and payments subsequently received on such receivables are credited to the allowance. Children's recognizes that revenues and receivables from government agencies are significant to its operations, but does not believe there are significant credit risks associated with these government agencies. In 2011, net revenue from the top four third-party payers accounted for 42%, 24%, 13%, and 9% of net patient service revenue. In 2010, net revenue from the top four third-party payers accounted for 42%, 25%, 14%, and 8% of net patient service revenue.

Investments — Investments are carried at fair value, which generally equals quoted market price at December 31, 2011 and 2010. Funds held by trustee are held under bond indenture agreements for debt service payments and project specific expenditures. A portion of unrestricted investments are not intended to be used for current operations, and therefore, are classified as noncurrent assets. Realized gains and losses on sales of securities are recognized using the specific-identification basis.

Children's invests in various securities, including corporate stocks, corporate bonds, U.S. government and U.S. government agencies obligations, foreign investments, mutual funds, and municipal debt. Investment securities, in general, are exposed to various market risks, such as interest rate, credit, liquidity, foreign exchange, and price volatility. Because of these possible risks associated with the equity and bond markets, it is reasonably possible that changes in the values of various investment positions could occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Children's is exposed to the risk of equity market and interest rate fluctuations on its investments. To monitor the risk of the investment portfolio, Children's has investment policies in place and monitors the performance of all securities on a regular basis.

Land, Buildings, and Equipment — Land, buildings, and equipment are recorded at cost at the date of purchase or fair market value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets, which range from three years for certain equipment to forty years for buildings. Equipment under capital leases are depreciated on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

During 2011 and 2010, a change in estimate of the useful lives of certain assets was made as a result of the campus capital expansion projects, reducing the remaining useful lives of the assets impacted by the expansions. The additional depreciation expense taken related to these shortened remaining useful lives was $101 and $1,338 for 2011 and 2010, respectively.

Deferred Financing Costs — Deferred financing costs are amortized to financing costs over the term of the related bonds using the straight-line method, which approximates the effective interest method.

Temporarily and Permanently Restricted Net Assets — Temporarily restricted net assets are those whose use at Children's has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Children's in perpetuity.

Donor-Restricted Gifts — Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as income of unrestricted net assets.

Net Patient Service Revenue — Children's has agreements with third-party payers that provide for payments to Children's at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, discounted charges, and per-diem payments.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services provided, including settlement amounts under reimbursement agreements with third-party payers. Settlements are accrued on an estimated basis in the period the related services are provided and are adjusted in future periods as final settlements are determined.

Foundation Transfers for Operations — Foundation transfers for operations are amounts that represent all unrestricted donations and income from unrestricted funds received by the Foundation in support of Children's operations.

Community Benefits and Charity Care — To further its purpose as a charitable organization, Children's provides a wide variety of benefits to the community. These services and donations account for a measurable portion of Children's costs and serve to promote healthy lifestyles, community development, health education, and affordable access to care. Included in these community benefits are the costs of charity care. Children's provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because Children's does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges forgone for services provided under Children's charity care policy were $2,012 and $2,161 for the years ended December 31, 2011 and 2010, respectively. Total direct and indirect costs related to these forgone charges were $1,032 and $1,125, respectively, based on an average ratio of cost to gross charges.

Other Revenue — Other revenue primarily includes revenues from cafeterias, parking ramps, medical education, pharmacies, grants, and other miscellaneous sources. Revenue is recognized upon delivery of the service or the product. Investment income from those investments designated for operating activities is also included in other operating revenue.

Pledges Receivable — The Foundation records pledges receivable at the time a pledge agreement is signed. All pledges receivable are classified as temporarily restricted and represent pledges to be used primarily for the capital campaign and other program initiatives. Long-term pledges are recorded at net present value, less an allowance for uncollectible pledges.

Pledges receivable from various corporations, foundations, and individuals due in more than one year were discounted at an average rate of 3% at December 31, 2011 and 2010, and were as follows:

	2011	2010
Pledges due:		
In less than one year	$ 10,296	$ 10,069
In one to five years	12,116	13,854
	22,412	23,923
Less allowance for uncollectible pledges	(942)	(1,921)
Pledges receivable — net	$ 21,470	$ 22,002
Classified as:		
Prepaid expenses and other current assets	$ 10,296	$ 10,069
Other assets	11,174	11,933
	$ 21,470	$ 22,002

Tax-Exempt Status — The Internal Revenue Service has determined that Children's and its subsidiaries are exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code ("IRC").

Concentration of Risk — At December 31, 2011, Children's had 42.1% of its employee population covered under labor contracts. Of those employees, 17% are covered under labor contracts that are set to expire in 2012 and 83% are covered under labor contracts that are set to expire in 2013. Work stoppages in the course of contract negotiations are possible, which could lead to the disruption of normal operations. Any resulting disruption could have an adverse impact on operating costs and/or net patient service revenue.

Statements of Operations — Children's consolidated results of operations include all unrestricted revenue and expenses, including transfers from temporarily restricted funds. Nonoperating gains and losses included in the consolidated results of operations primarily include unrestricted investment gains and losses, income and losses from investments accounted for under the equity method, unrealized gains or losses on investments, and the change in interest rate swap valuation. Net assets released from restrictions for capital acquisitions and the RSVP plan-related changes other than net periodic plan expense are reported directly as changes to unrestricted net assets.

Nonrecurring Items — Operating expenses that are not expected to recur on a regular basis are classified as nonrecurring expenses. During 2010, Children's incurred payroll and other costs related to the nurses' work stoppage, which were classified as nonrecurring expenses because of their infrequent nature. Furthermore, Children's incurred payroll costs related to a workforce reduction initiative, which were classified as nonrecurring expenses because of their infrequent nature.

Derivative Instruments and Hedging Activities — Children's management prohibits trading in derivative financial instruments on a speculative basis. Children's makes use of certain exchange-traded options and futures contracts to manage its overall equity exposure, which are included in investments and recorded at fair value based on published market prices. Children's also makes use of interest rate swap agreements to hedge interest rate exposure on its variable rate long-term debt. Interest rate swaps are recorded at fair value in the consolidated statements of financial position representing the funds that would be paid or received if the swap agreements were terminated. Changes in the fair values are recorded as a component of nonoperating gains or losses in the consolidated statements of operations. Fair value is determined based on the use of models that consider various assumptions, including time value, yield curves, as well as other relevant economic measures, which are inputs that are classified as Level 2 in the valuation hierarchy (see Note 2). The net interest paid or received on interest rate swaps is recognized as financing costs in the consolidated statements of operations.

Recently Issued Accounting Standards — In April 2011, the Financial Accounting Standards Board ("FASB") issued new guidance to achieve common fair value measurement and disclosure requirements between GAAP and International Financial Reporting Standards. This new guidance amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. This new guidance is effective for Children's in 2012. Children's does not believe the adoption of the new guidance will have a material impact on the consolidated financial statements.

In July 2011, the FASB issued new guidance to provide greater transparency about a health care entity's net patient service revenue and the related allowance for doubtful accounts. Specifically, this new guidance requires certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. This new guidance is effective for Children's in 2012. Children's does not believe the adoption of the new guidance will have a material impact on the consolidated financial statements.

In December 2011, the FASB issued new guidance requiring an entity to enhance disclosures about offsetting (netting) assets and liabilities and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This new guidance is effective for Children's in 2013. Children's does not believe the adoption of the new guidance will have a material impact on the consolidated financial statements.

Recently Adopted Accounting Standards — In September 2011, the FASB issued new guidance to provide greater transparency in financial reporting by requiring additional disclosures about an employer's participation in a multiemployer pension plan. The additional disclosures will increase awareness about the commitments that an employer has made to a multiemployer pension plan and the potential future cash flow implications of an employer's participation in the plan. This new guidance was effective for Children's in 2011. The appropriate disclosures under this guidance have been included in the notes to the consolidated financial statements.

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT ACTIVITIES, AND FAIR VALUE

Investments — The market value of Children's marketable debt and equity securities, at December 31, 2011 and 2010, are shown below:

	2011	2010
Fixed income securities	$241,739	$277,547
Corporate equities	80,874	50,944
Foreign investments	72,595	65,030
Perpetual trusts held by others	4,038	4,394
Pending trades	8,870	(1,792)
Interest and dividends receivable	907	1,514
Total	$409,023	$397,637
Investments are reported as:		
Short-term investments	$ 70,946	$ 12,720
Funds held by trustee — current	2,913	9,747
Donor-restricted cash and investments	46,124	45,518
Unrestricted investments	289,040	329,652
Total	$409,023	$397,637

Classification of marketable securities as current or noncurrent is dependent on their availability for current operations. Availability for current operations is determined by management intention, investment maturity date, and liquidity.

Children's continues to elect the fair value option for all debt and equity securities. The election of the fair value option results in these securities being recorded at fair value, with unrealized gains and losses being recorded as nonoperating gains (losses).

As of December 31, 2011 and 2010, the following schedule summarizes the investment gains (losses) and its classification in the consolidated statements of operations and changes in net assets:

	2011	2010
Investment earnings (losses) in unrestricted net assets:		
Interest and dividend income	$ 11,993	$ 11,201
Net realized gains on investments	9,486	16,021
Net unrealized (losses) gains on investments	(12,117)	4,457
Total	9,362	31,679
Investment earnings (losses) in restricted net assets:		
Interest and dividend income	806	714
Net realized gains on investments	951	561
Net unrealized (losses) gains on investments	(1,641)	1,739
Total	116	3,014
Total investment gains	$ 9,478	$ 34,693
Reported within:		
Other operating revenue	$ 299	$ 625
Investment income and realized gains	21,180	26,597
Net change in unrealized (losses) gains on investments	(12,117)	4,457
Changes in restricted net assets	116	3,014
Total investment gains	$ 9,478	$ 34,693

Children's periodically invests in futures and option contracts within its investment policies. These derivative positions are not designated as hedges for accounting purposes. The changes in fair market value of these instruments are recorded as investments gains (losses) in the consolidated statements of operations. Children's had no futures or option contracts during the years ended December 31, 2011 and 2010.

Risk Management — Children's is exposed to interest rate risk with its variable rate debt structure and its investments in fixed rate securities. To manage these risks Children's has entered into certain fixed payer swap agreements that hedge a portion of its variable interest rate risk. Generally, under these swaps, Children's agrees with a counterparty to exchange the difference between fixed-rate and floating-rate interest amounts based on an agreed upon notional principal amount. Swap valuations are dependent on the LIBOR swap curve and fluctuate with directional or yield curve changes in that market.

Interest Rate Swaps — Children's has four fixed payer interest rate swap agreements outstanding, which hedge the variable interest rate exposure associated with certain of its variable rate long-term debt.

Children's records changes in the fair values of the interest rate swaps as a component of nonoperating gains (losses) in the consolidated statements of operations. Children's has elected to not apply hedge accounting to these swap agreements. The fair values of the interest rate swaps were a liability of $42,592 as of December 31, 2011 and $22,870 as of December 31, 2010. This liability would have to be paid if the swap agreements were terminated There are no current collateral posting thresholds or requirements under the swap agreements The change in fair value of the interest rate swaps was $(19.722) and $(6.479) for the years ended December 31. 2011 and 2010. respectively Children's recognized financing costs related to these swap agreements in the amounts of $6.037 and $6.015 during the years ended December 31. 2011 and 2010. respectively

The following table summarizes the notional amounts and interest rates of the interest rate swaps at December 31. 2011 and 2010

Swap Agreement	Fair Value	Current Notional Amount	Rate Paid	Rate Received
As of December 31. 2011				
2004A	$ (6.659)	$ 22.525	4 127 %	70% LIBOR
2004B	(8.344)	38.725	4 266	70% LIBOR
2007A1	(13.793)	51.500	3 518	67% LIBOR
2007A2	(13.796)	51.500	3 518	67% LIBOR
	$ (42.592)	$ 164.250		
As of December 31. 2010				
2004A	$ (3.940)	$ 23.025	4 127 %	70% LIBOR
2004B	(6.123)	40.700	4 266	70% LIBOR
2007A1	(6.403)	51.500	3 518	67% LIBOR
2007A2	(6.404)	51.500	3 518	67% LIBOR
	$ (22.870)	$ 166.725		

Children's is exposed to the risk of loss through counterparty credit risk in the event of nonperformance by the counterparty in the interest rate swap agreements Children's manages this risk through a guaranteed replacement swap undertaking agreement

Fair Value of Financial Instruments — The carrying values of cash and cash equivalents. patient accounts receivable. accounts payable. and other accrued expenses approximate fair value due to their short-term nature Marketable securities are carried at fair value All other assets and liabilities that qualify as financial instruments under GAAP are carried at contractual amounts. which approximate fair value

Children's values its financial assets and liabilities in accordance with the accounting guidance that establishes a three-tier fair value hierarchy Level 1 provides the most reliable measure of fair value. while Level 3 generally requires significant management judgment Considerable judgment may be required in interpreting market data used to develop the estimates of fair value Accordingly. the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value Three levels are defined as follows

Level 1 — Inputs represent unadjusted quoted prices for identical assets or liabilities exchanged in active markets

Level 2 — Inputs include directly or indirectly observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities exchanged in active or inactive markets; quoted prices for identical assets or liabilities exchanged in inactive markets; or other inputs that are considered in fair value determinations of assets or liabilities.

Level 3 — Inputs include unobservable inputs used in the measurement of assets and liabilities. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or liabilities or related observable inputs that can be corroborated at the measurement date.

Financial assets and liabilities measured at fair value on a recurring basis at December 31, 2011 and 2010, are summarized in the following table by type of inputs applicable to the fair value measurements:

	Fair Value		
	Level 1	Level 2	Total
As of December 31, 2011			
Cash equivalents	$ 9,686	$ -	$ 9,686
Investments			
Fixed income securities			
Money market and short-term bond funds	$ 44,013	$ -	$ 44,013
U.S. gov't and U.S. gov't agencies obligations	10,065	-	10,065
Municipal obligations	15,034	-	15,034
Closed-end bond funds	53,723	15	53,738
Mortgage-backed securities	9,397	-	9,397
Commercial mortgage-backed securities	-	7,088	7,088
Investment grade corporate bonds	71,964	2,587	74,551
High yield bonds	17,535	10,318	27,853
Total fixed income securities	221,731	20,008	241,739
Corporate equities			
Large cap	38,362	-	38,362
Mid cap	20,395	-	20,395
Small cap	22,117	-	22,117
Total corporate equities	80,874	-	80,874
Foreign investments			
Foreign bonds	4,688	58,485	63,173
Foreign equities	9,422	-	9,422
Total foreign investments	14,110	58,485	72,595
Perpetual trusts held by others	4,038	-	4,038
Pending trades	8,870	-	8,870
Interest and dividends receivable	907	-	907
Total investments	$ 330,530	$ 78,493	$ 409,023
Other assets — deferred compensation	$ 8,354	$ -	$ 8,354
Fair value of interest rate swaps liability	$ -	$ 42,592	$ 42,592

	Fair Value		
	Level 1	Level 2	Total
As of December 31, 2010			
Cash equivalents — money market funds	$ 11,887	$ -	$ 11,887
Investments			
Fixed income securities			
Money market and short-term bond funds	$ 35,988	$ -	$ 35,988
U.S. gov't and U.S. gov't agencies obligations	40,153	-	40,153
Municipal obligations	28,977	-	28,977
Closed-end bond funds	34,081	-	34,081
Investment grade corporate bonds	102,907	-	102,907
High yield bonds	35,441	-	35,441
Total fixed income securities	277,547	-	277,547
Corporate equities			
Large cap	20,642	-	20,642
Mid cap	14,487	-	14,487
Small cap	15,815	-	15,815
Total corporate equities	50,944	-	50,944
Foreign investments			
Foreign bonds	10,709	42,281	52,990
Foreign equities	4,220	7,820	12,040
Total foreign investments	14,929	50,101	65,030
Perpetual trusts held by others	4,394	-	4,394
Pending trades	(1,792)	-	(1,792)
Interest and dividends receivable	1,514	-	1,514
Total investments	$ 347,536	$ 50,101	$ 397,637
Other assets — deferred compensation	$ 8,624	$ -	$ 8,624
Fair value of interest rate swaps liability	$ -	$ 22,870	$ 22,870

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Level 2 valuation methodologies are listed below. There have been no changes in the valuation methodologies used at December 31, 2011 and 2010.

Fixed Income Securities — Level 2 fixed income securities include all commercial mortgage-backed securities, and certain close-end bond funds, investment grade corporate bonds, and high yield bonds. These investments are valued on a compilation of observable market information rather than market quotes.

Foreign Investments — Level 2 foreign investments represent commingled funds. These investments are valued based on net asset values per fund share (the unit of account), derived generally from the quoted prices in active market of the underlying securities.

Interest Rate Swap Agreements — Valued based on observable inputs as of the valuation date, including prices of instruments with similar maturities and characteristics, interest rate yield curves, and measures of interest rate volatility.

For the years ended December 31, 2011 and December 31, 2010, Children's held no assets in which significant unobservable inputs (Level 3) were used in determining fair value. Children's made a $13,606 transfer from Level 1 to Level 2 as of December 31, 2011, and none as of December 31, 2010. This transfer was based on a re-evaluation of the observable inputs used in the fair value calculation and the amount reported as a transfer represents the fair value as of the end of the reporting period.

Long-Term Debt — Children's variable rate debt is marketed daily by two remarketing agents and consistently trades at par. By observing our own pricing experience and by comparing it to the pricing of similar issues, Children's estimates the fair value of its variable rate debt approximates its carrying value. Children's estimates the fair value of its fixed rate debt based on trading activity on or around December 31, 2011. The fair value of Children's long-term debt was $262,487 and $260,494 at December 31, 2011 and 2010, respectively.

3. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at December 31, 2011 and 2010, consisted of the following:

	2011	2010
Land	$ 11,644	$ 11,644
Buildings and building improvements	419,348	350,036
Furniture, fixtures, and equipment	213,538	213,532
Construction in progress	2,488	49,675
	647,018	624,887
Less accumulated depreciation	(267,712)	(248,327)
Land, buildings, and equipment — net	$ 379,306	$ 376,560

Construction in Progress — At December 31, 2011 and 2010, there was $2,488 of construction in progress for the Mother-Baby facility and $49,675 of construction in progress for the facility expansions at the Minneapolis and St. Paul campuses, respectively. Interest capitalized on construction for the years ended December 31, 2011 and 2010, was $1,319 and $1,994, respectively.

Depreciation expense for the years ended December 31, 2011 and 2010, was $34,768 and $35,331, respectively.

4. LONG-TERM DEBT

Long-term debt at December 31, 2011 and 2010, consisted of the following:

	2011	2010
Health Care Revenue Bonds, Series 1995B (remarketed), remaining fixed interest rate range from 4.0% to 5.0%, due in installments through August 15, 2025	$ 19,600	$ 20,600
Health Care Revenue Bonds, Series 2004A, interest rate at a variable rate, due through August 15, 2034 (average of 0.157% for 2011, 0.241% for 2010)	22,525	23,025
Health Care Revenue Bonds, Series 2004A-1 (remarketed), remaining fixed interest rate range from 3.0% to 5.0%, due in installments through August 15, 2034	21,850	22,475
Health Care Revenue Bonds, Series 2004B, interest rate at a variable rate, due through August 15, 2025 (average of 0.122% for 2011, 0.223% for 2010)	38,725	40,700
Health Care Revenue Bonds, Series 2007A, interest rate at a variable rate, due through August 15, 2037 (average of 0.157% for 2011, 0.242% for 2010)	103,000	103,000
Health Care Revenue Bonds, Series 2010A, remaining fixed interest rate range from 3.0% to 5.25%, due in installments through August 15, 2035	48,870	50,000
Total long-term debt	254,570	259,800
In addition (less)		
Unamortized bond premium	1,729	1,840
Current maturities	(7,325)	(5,230)
Long-term portion	$ 248,974	$ 256,410

During 2010, Children's issued $50 million of fixed rate Health Care Facilities Revenues bonds, Series 2010A, to reimburse the organization for costs incurred in connection with its expansion and improvement projects. Furthermore, the Obligated Group remarketed the Series 1995B and a portion of the Series 2004A from variable rate demand bonds to fixed rate bonds. The "remarketed bonds" are herein designated Series 1995B (remarketed) and Series 2004A-1 (remarketed). The costs of the issuance and conversion were $510 and are reflected in financing costs on the consolidated statements of operations. Children's continues to retain the ability to convert the interest rate mode on the Series 2004A, Series 2004B, and Series 2007A bonds, subject to certain conditions.

All the bonds were issued through the conduit organizations of the City of Minneapolis, Minnesota (the "City") and the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the "Authority") on behalf of the Obligated Group, pursuant to the Master Trust Indenture. The bonds are secured by a security interest in the unrestricted receivables of the Obligated Group, as defined under the Master Trust Indenture. All bonds, except for the 2010A bonds, are insured by Assured Guaranty Municipal Corp., a division of Assured Guaranty Ltd., which is currently rated AA- with a stable outlook by Standard & Poor's and Aa3 with a negative outlook by Moody's Investors Service.

The Obligated Group must meet certain financial covenants required by the bond insurer and is limited in the amount of additional variable rate indebtedness that can be incurred under Supplemental Indenture No. 7, dated March 1, 2010, to the Master Trust Indenture. The Obligated Group was in compliance with the financial covenants at December 31, 2011. The Series 1995B bonds, Series 2004A bonds, Series 2004A-1 bonds, Series 2004B bonds, Series 2007A bonds, and the Series 2010A bonds are subject to optional redemption by Children's, in whole or in part, at redemption price equal to 100% of the principal, plus accrued interest during various times as described in the Master Trust Indenture.

Currently, interest rates are set daily on all variable rate demand bond series by remarketing agents. Holders of the bonds have the option to tender the bonds for repurchase. The remarketing agent has agreed to remarket the bonds tendered for purchase upon the conditions, in the manner and at the times specified, in the indentures related to such bond series. Children's has a series of Standby Bond Purchase Agreements with U.S. Bank National Association, establishing an aggregate liquidity facility in the amount of $166,545 to provide credit in the event it is required to purchase tendered bonds that are not converted. These liquidity facilities utilize a matrix pricing format with re-pricing for a variety of potential Assured Guaranty Municipal Corp. credit ratings and are renewable on June 30, 2013 with an expiration date of June 30, 2014.

The only remaining balance of defeased debt that is outstanding totals $2,340 at December 31, 2011.

Under the Master Trust Indenture and related agreements for each bond series, the Obligated Group maintains with a trustee a project fund, a bond interest fund, and a bond principal fund, the aggregated balances of which were as follows:

	2011	2010
Project fund	$ -	$ 8,939
Bond interest fund	1,369	808
Bond principal fund	1,544	-
Funds held by trustee	$ 2,913	$ 9,747

The funds are available to meet debt service and project specific expenditures.

Aggregate annual maturities of long-term debt for each of the five years following December 31, 2011, and thereafter, are as follows:

Years Ending December 31	
2012	$ 7,325
2013	7,610
2014	7,910
2015	8,180
2016	8,485
Thereafter	215,060
Total	$ 254,570

5. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2011 and 2010, are available for the following purposes:

	2011	2010
Department uses	$ 14,979	$ 10,554
Purchase of buildings and equipment	20,267	24,529
Health education and research	4,419	3,765
Community service	813	1,857
Total	$ 40,478	$ 40,705

Net assets released from restrictions used for operations are included in other unrestricted revenue in the consolidated statements of operations. Net assets as of December 31, 2011 and 2010, were released from donor restrictions by incurring expenses or by making capital expenditures satisfying the restricted purposes of the following:

	2011	2010
Department uses	$ 6,663	$ 4,452
Purchases of buildings and equipment	10,762	11,022
Health education and research	1,233	1,182
Community service	1,036	1,933
Total	$ 19,694	$ 18,589

Permanently restricted net assets represent investments to be held in perpetuity, a portion of the investment (loss) income from which is to be expended to support health care services, and the remainder of which is to be permanently restricted by donors.

Children's endowment consists of approximately 104 individual funds established by donors for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Included in permanently restricted net assets are two perpetual trusts in the aggregate amounts of $4,038 and $4,394 at December 31, 2011 and 2010, respectively. Children's has the irrevocable right to receive the income on these trust assets, subject to certain limitations, but will never receive the assets held in trust. The unrealized gains or losses and the undistributed earnings on the trusts are reported as changes to the permanently restricted net asset balance.

Interpretation of Relevant Law — Children's has interpreted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Children's classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Children's in a manner consistent with the standard of prudence prescribed by UPMIFA and donor intent.

	Endowments			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
For the year ended December 31, 2011				
Endowment net assets — beginning of year	$ -	$ 4,068	$ 26,814	$ 30,882
Net assets released from restrictions	1,212	(1,212)	-	-
Investment returns				
Investment gains	-	1,716	-	1,716
Net change in unrealized losses	(23)	(1,605)	-	(1,628)
Change in value of perpetual trusts held by others	-	-	(357)	(357)
Total investment returns	(23)	111	(357)	(269)
Contributions	-	223	661	884
Appropriations of endowment assets for expenditure	(1,212)	-	-	(1,212)
Endowment net assets — end of year	$ (23)	$ 3,190	$ 27,118	$ 30,285

	Endowments			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
For the year ended December 31, 2010				
Endowment net assets — beginning of year	$ (68)	$ 2,249	$ 26,464	$ 28,645
Net assets released from restrictions	1,127	(1,127)	-	-
Investment returns				
Investment gains	-	1,246	-	1,246
Net change in unrealized gains	68	1,486	-	1,554
Change in value of perpetual trusts held by others	-	-	192	192
Total investment returns	68	2,732	192	2,992
Contributions	-	214	158	372
Appropriations of endowment assets for expenditure	(1,127)	-	-	(1,127)
Endowment net assets — end of year	$ -	$ 4,068	$ 26,814	$ 30,882

Funds with Deficiencies — From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or accounting guidance requires Children's to retain as a fund of perpetual duration. Deficiencies of this nature are funded by unrestricted net assets until the fair value of the assets returns to the required perpetual level. There were deficiencies of $23 as of December 31, 2011 and none as of December 31, 2010.

Return Objectives and Risk Parameters — Children's has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. In the current investment environment, Children's expects its endowment funds to provide an annualized rate of return greater than its spending rate of 4.5%. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives — To satisfy its rate-of-return objectives, Children's relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). Children's targets a diversified asset allocation that places a dual emphasis on current income and long-term preservation of capital to achieve its return objectives within prudent risk constraints.

Spending Policy and how the Investment Objectives Relate to Spending Policy — Children's has a policy of appropriating each year's earnings in accordance with donor intent and restrictions. The endowment corpus is to be maintained in perpetuity. Certain donor-restricted endowments require a portion of annual earnings to be maintained in perpetuity along with the corpus. Only amounts exceeding the amounts required to be maintained in perpetuity are available for spending. The 2011 spending rate allocation for 2012 appropriations is 4.5%.

6. INSURANCE

Children's has a wholly owned subsidiary, Children's Health Insurance Network, Ltd. ("CHIN") that handles professional liability claims. CHIN is domiciled in the Cayman Islands. CHIN is funded through Children's operations. Premiums paid to the captive for the professional liability coverage during 2011 and 2010 were $1,643 and $1,527, respectively. CHIN insures Children's for hospital professional liability for $1,000 for each claim and $3,000 in the annual aggregate. In addition, Children's has purchased excess professional liability insurance for claims above the respective limits from commercial carriers in the amount of $35 million.

The consolidated financial statements of Children's include the investments held for professional liability claims, claims payments, and estimated professional liability reserves. The liability for losses and loss adjustment expenses (undiscounted) of $2,268 and $2,279 at December 31, 2011 and 2010, respectively, includes an amount determined from loss reports and individual cases and an amount, based on past experience and an actuarial report, for further development of reported losses. These estimates are continually reviewed and are subject to the impact of future changes in such factors as claim severity and frequency. Although management has made its best estimate of the liability for losses and loss adjustment expenses using the available information, ultimate settlement could vary significantly from such liability. Any adjustments to recorded liabilities will be reflected in the periods in which they become known.

For claims prior to October 1, 2007, the date CHIN was established, Children's insured its professional liability risks under a claims-made policy held by an external carrier. Children's has recorded a liability for the estimated costs of known claims and claims incurred but not reported, which was $916 and $882 as of December 31, 2011 and 2010, respectively.

Children's is self-insured for medical, dental, and workers' compensation claims and has recorded a liability for the estimated cost of claims incurred in accounts payable and accrued liabilities in the consolidated statements of financial position.

7. EMPLOYEE BENEFIT PLANS

Children's has noncontract and various union-sponsored pension or retirement plans covering substantially all employees.

Pension Plan — The Children's Health Care RSVP Retirement Plan provides benefits to eligible noncontract employees based on final average salary and accumulated pension credits, which are based on years of service.

Contributions to the plan are made in accordance with funding principles as recommended by Children's actuaries and in accordance with Employee Retirement Income Security Act of 1974 requirements as amended by the Pension Protection Act of 2006. Assets of the plan are invested primarily in common stocks, U.S. government debt securities, corporate debt instruments, municipal debt, fixed income, international equities, and dividend growth mutual funds. Children's uses a December 31 measurement date for its benefit plans.

The plan was amended effective December 31, 2012 to freeze benefits for plan participants. During 2012, no new employees will be eligible to join the plan and all current employees enrolled in the plan will continue to earn benefits. To offset these plan changes, Children's defined contribution plan was enhanced as discussed below. These plan changes eliminate future benefit accruals after the effective date, which meets the criteria for a curtailment as defined by authoritative accounting guidance.

Accordingly, pension plan assets and liabilities were remeasured as of December 31, 2011, resulting in a decrease to the pension benefit obligation of $9,072. In conjunction with the curtailment, participants will receive an annual earnings credit, which resulted in an increase to the accumulated benefit obligation.

The information for the defined benefit pension plan as of and for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Change in benefit obligation		
Obligation — beginning of year	$ 89,147	$ 76,793
Service cost	6,185	5,790
Interest cost	4,405	4,348
Plan curtailment	(9,072)	-
Actuarial loss	(1,607)	1,829
Adjustments to reflect assumption changes	6,753	4,153
Benefit payments	(4,844)	(3,766)
Obligation — end of year	$ 90,967	$ 89,147
Change in plan assets		
Fair value of plan assets — beginning of year	$ 51,401	$ 41,800
Employer contributions	14,580	7,600
Benefit payments	(4,844)	(3,766)
Actual return on plan assets	(148)	5,767
Fair value of plan assets — end of year	$ 60,989	$ 51,401
Net amount recognized		
Current portion (included in accrued salaries, wages, and benefits)	$ (7,029)	$ (10,884)
Long-term portion (included in other long-term liabilities)	(22,949)	(26,862)
Funded status — end of year	$ (29,978)	$ (37,746)
Accumulated benefit obligation	$ 90,591	$ 64,431

Components of net periodic benefit cost for the plan for 2011 and 2010 are as follows:

	2011	2010
Service cost	$ 6,185	$ 5,790
Interest cost	4,405	4,348
Expected return on plan assets	(3,833)	(3,340)
Amortization of prior service cost	159	159
Curtailment loss	546	-
Amortization of loss	1,530	1,216
Net periodic pension cost	$ 8,992	$ 8,173

Components of RSVP plan-related changes other than net periodic plan expense for 2011 and 2010 are as follows:

	2011	2010
Net loss	$ (55)	$ (3,554)
Amortization of prior service cost	705	159
Amortization of loss	1,530	1,216
Total	$ 2,180	$ (2,179)

Amounts recognized as changes in unrestricted net assets but not yet recognized as a component of net periodic benefit cost for the plan at December 31, 2011 and 2010 are as follows:

	2011	2010
Prior service cost	$ -	$ (705)
Accumulated loss	(22,156)	(23,631)
Total	$ (22,156)	$ (24,336)

Weighted-average assumptions used to determine the benefit obligations and net periodic benefit costs at December 31, 2011 and 2010 are as follows:

	2011	2010
Discount rate — benefit obligation	4.41 %	5.25 %
Discount rate — net periodic benefit cost	5.25	5.75
Rate of compensation increase	3.90	3.90
Expected return on plan assets	7.75	7.75

Children's pension plan asset allocation at December 31, 2011 and 2010, by asset category, are as follows:

	Plan Assets	
	2011	2010
Cash and cash equivalents	3 %	3 %
Common, preferred, and foreign stock	21	24
Equity index strategy	15	17
Collective investment fund	-	7
Mutual funds	61	49
Total	100 %	100 %

The pension plan's target asset allocation is approximately 50% equities and 50% fixed income.

At December 31, 2011 and 2010, Children's pension plan investments were carried at fair value measured on a recurring basis and are summarized in the following table by type of inputs applicable to the fair value measurements:

	Fair Value		
	Level 1	Level 2	Total
As of December 31, 2011			
Common stock			
Large cap equity	$ 1,516	$ -	$ 1,516
Mid cap equity	5,629	-	5,629
Small cap equity	5,482	-	5,482
Total common, preferred and foreign stock	12,627	-	12,627
Equity index strategy investments			
Money market	1,151	-	1,151
U.S. government agency and municipal issues	701	-	701
Mutual funds	59	-	59
Corporate bonds and debentures	712	-	712
Asset-backed securities	-	5,278	5,278
Collateralized mortgage obligations	-	1,586	1,586
Total equity index strategy investments	2,623	6,864	9,487
Mutual funds			
Dividend growth fund and other	2,860	-	2,860
International stock fund	4,771	-	4,771
Fixed income funds	29,307	-	29,307
Total mutual funds	36,938	-	36,938
Total pension plan investments	$ 52,188	$ 6,864	$ 59,052

	Fair Value		
	Level 1	Level 2	Total
As of December 31, 2010			
Common stock			
Large cap equity	$ 911	$ -	$ 911
Mid cap equity	6,056	-	6,056
Small cap equity	5,441	-	5,441
Total common, preferred, and foreign stock	12,408	-	12,408
Equity index strategy investments			
Money market	1,184	-	1,184
Exchange traded futures variation margin	(127)	-	(127)
U.S. government and municipal issues	2,666	-	2,666
Mutual funds	328	-	328
Corporate bonds and debentures	710	-	710
Asset-backed corporate bonds	1,991	-	1,991
Federal home loan securities	1,836	-	1,836
Total equity index strategy investments	8,588	-	8,588
Collective investment fund — Artio Global Investors	-	3,698	3,698
Mutual funds			
Dividend growth fund	1,619	-	1,619
International stock fund	4,015	-	4,015
Fixed income funds	19,759	-	19,759
Total mutual funds	25,393	-	25,393
Total pension plan investments	$ 46,389	$ 3,698	$ 50,087

See footnote 2 for discussion over the fair value hierarchy, fair value inputs and valuation methodologies used at December 31, 2011 and 2010.

Children's made an $866 transfer from Level 1 to Level 2 as of December 31, 2011, and none as of December 31, 2010. Children's made a $527 transfer from Level 2 to Level 1 as of December 31, 2011 and none as of December 31, 2010. These transfers were based on a re-evaluation of the observable inputs used in the fair value calculation and the amounts reported as transfers represent the fair value as of the end of the reporting period.

Benefits expected to be paid through the defined benefit pension plan, by year, are as follows:

2012	$ 6,544
2013	6,775
2014	6,429
2015	6,320
2016	6,759
Subsequent five years	33,449

Children's expects to contribute $7,029 to the defined benefit pension plan during 2012. The estimated net actuarial loss for the plan that will be amortized from unrestricted net assets into net periodic benefit cost during 2012 is $1,120 and there is no prior service cost as a result of the curtailment noted above.

The long-term rate of return on assets reflected in the 2011 expense was 7.75%. The rate is determined based on Children's investment policy of 70% equities and 30% fixed income, and an actuarial model that analyzes historical returns and projects a range of future annual returns. Annually, management reviews the actual long-term rate of return on assets and compares this return with the actuarial model of expected returns and adjusts accordingly.

Multiemployer Plans — Children's contributes to various union-sponsored multiemployer pension plans under the terms of collective bargaining agreements. These contributions are determined in accordance with the provisions of negotiated labor contracts and generally are based on salary and the number of hours worked. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If Children's chooses to stop participating in some of its multiemployer plans, Children's may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Children's participation in these plans for the year ended December 31, 2011, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2011 and 2010 is for the plan's year-end at December 31, 2011 and December 31, 2010, respectively. The zone status is based on information that Children's received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plans are subject. There have been no significant changes that affect the comparability of 2011 and 2010 contributions.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status (a) January 1, 2011	2010	FIP/RP Status Pending/ Implemented	Contributions of Children's Plan Year ended 2011	2010	Surcharge Imposed	Date of Collective-Bargaining Agreement
Twin City Hospitals — Minnesota Nurses Association Pension Plan	41-6184922 001	Yellow	Yellow	Yes	$9,312	$9,492	No	5/31/2013
Other funds	-	-	-	-	386	371	-	-
Total contributions					$9,698	$9,863		

(a) The Plan's funding level on January 1, 2011, is determined based on the actual December 31, 2010, asset values and projected liabilities as of January 1, 2011, that are a rollforward of liabilities from the previous valuation date of January 1, 2010, assuming no actuarial gains/losses occur during the period.

Children's expects to contribute approximately $10,403 to the Twin City Hospitals — Minnesota Nurses Association Pension Plan during 2012, which is Children's proportionate share of the minimum contribution requirement according to the collective bargaining agreement.

Children's was listed in the Twin City Hospitals — Minnesota Nurses Association Pension Plan Form 5500 as providing more than 5 percent of the total contributions for the plan years ended December 31, 2010 and 2009. At the date the financial statements were issued, Forms 5500 were not available for the plan year ended in 2011.

Postretirement Health Care Plan — Children's extends health insurance coverage to nurses covered by the Minnesota Nurses Association labor contract who elect to retire and begin receiving pension benefits at age 55 or older. The postretirement health care benefit plans are unfunded. The accumulated postretirement benefit obligation and the amounts recognized in the consolidated financial statements as of and for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Change in benefit obligations:		
Obligation — beginning of year	$ 4,220	$ 3,365
Service cost	201	170
Interest cost	218	205
Net (loss) gain	(187)	595
Benefit payments	(118)	(115)
Obligation, included in accrued salaries, wages, and benefits — end of year	$ 4,334	$ 4,220

The discount rate used in determining the accrued postretirement liability was 4.1% for 2011 and 5.0% for 2010. For measurement purposes, a 7.5% annual rate increase in the cost of covered health care benefits was assumed for 2012; the rate was assumed to decrease 0.5% per year for five years, reaching 5.0% in 2017 and thereafter. Health care cost trend rates would impact the accrued postretirement obligation and the sum of service cost and interest cost as follows:

	1% Increase	1% Decrease
Accrued postretirement benefit liability	$ 506	$ (437)
Sum of service cost and interest cost	58	(49)

Supplemental Executive Retirement Plan — Children's has a supplemental executive retirement plan (SERP) to provide supplemental retirement benefits for an executive. There were no benefits paid under the plan in 2011 or 2010. The benefit obligation as of December 31, 2011 and 2010, was $1,619 and $1,133, respectively.

Defined Contribution Plan — Children's has a defined contribution plan, covering substantially all employees, whereby it will match 50% of employee contributions up to 6% of total salaries. The amount expensed to the consolidated statements of operations was $4,472 and $4,633 for the years ended December 31, 2011 and 2010, respectively.

In conjunction with the RSVP plan amendment effective December 31, 2012 to freeze benefits for plan participants (see curtailment impact discussed above) Children's will enhance the defined contribution plan. Effective January 1, 2013, Children's will match 100% of contributions made up to 6% of total salaries. New employees will have a five-year vesting period to receive the employer match, vesting an additive 20% per year of employment. The vesting requirement will be waived for all current employees.

Deferred Compensation Plans — Children's also maintains other nonqualified deferred compensation plans to provide supplemental retirement benefits for executive management and employed physicians. As of December 31, 2011, there were 10 executives and 131 employed physicians active in the plan. The liability for these plans at December 31, 2011 and 2010, was $8,354 and $8,620, respectively, of which $6,046 and $6,156 were included in other long-term liabilities and $2,308 and $2,464 were included in accrued salaries, wages, and benefits in the consolidated statements of financial position.

8. FUNCTIONAL EXPENSES

Children's provides general health care services to residents primarily within its geographic location. Expenses related to providing these services included in the consolidated statements of operations for the years ended December 31, 2011 and 2010, are as follows:

	2011	2010
Health care services	$495,838	$480,986
General and administrative	86,119	80,642
Fund-raising	5,754	5,640
Total expenses	$587,711	$567,268

9. INCOME TAXES

The Internal Revenue Service (IRS) has determined that Children's and its subsidiaries are exempt organizations as described in Section 501(C)(3) of the IRC. Children's believes that it continues to meet the requirements of the IRC to sustain its tax-exempt status. There are no federal income tax expenses, penalties, or interest recognized in the consolidated statements of operations and no unrecognized tax benefits for the years ended December 31, 2011 and 2010. Children's completed an IRS tax examination for tax year 2006, during 2008, and is not subject to an income tax examination for years before 2008.

10. OTHER ASSETS

Other assets for the years ended December 31, 2011 and 2010, consist of the following:

	2011	2010
Investments in unconsolidated joint ventures	$18,975	$18,509
Cash surrender value of life insurance	221	1,952
Deferred compensation	8,354	8,624
Shared Service early termination agreement	1,720	2,580
Foundation long-term pledges receivable-restricted	11,174	11,933
Other	13,887	13,334
Total other assets	$54,331	$56,932

Children's uses the equity method of accounting for joint ventures or investments in which Children's has determined that it has significant influence. The summary of such equity investments, which are included in other assets in the consolidated statements of financial position at December 31, 2011, consists of the following:

	Children's Ownership
HealthEast Woodwinds Hospital — Diagnostic Treatment Center	20 %
Critical Care Services, Inc. (d/b/a Life Link III)	16
Health System Cooperative Laundries	4

Summarized combined financial information for the three entities listed above for the years ended December 31, 2011 and 2010, were:

	2011	2010
Assets	$ 37,616	$ 35,455
Liabilities	6,872	8,278
Equity	$ 30,744	$ 27,177
Revenues	$ 136,681	$ 140,748
Expenses	118,354	118,103
Excess of revenues over expenses	$ 18,327	$ 22,645

Investments accounted for under the cost method were $7,000 at December 31, 2011 and 2010, and are recorded as investments in unconsolidated joint ventures in other assets.

11. COMMITMENTS AND CONTINGENCIES

Litigation — Children's is a defendant in legal proceedings arising in the ordinary course of business. Although the outcome of these proceedings cannot presently be determined, in the opinion of management, disposition of these proceedings will not have a material adverse effect on the consolidated financial statements of Children's.

Compliance with Laws and Regulations — The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretations, as well as regulatory actions unknown and unasserted at this time. Government activity continues to focus on possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues. Management believes that Children's compliance procedures lead to substantial compliance with current laws and regulations.

Letter of Credit — Children's is required by the Minnesota Department of Commerce to maintain a standby letter of credit for the purposes of funding the workers' compensation liabilities, which total $3,353. As of December 31, 2011, Children's has a letter of credit in the amount $3,841 to meet this requirement.

12. ACCOUNTS RECEIVABLE BY PAYER

Children's grants credit without collateral to its patients, most of whom are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at December 31, 2011 and 2010, was as follows:

	2011	2010
Government payors	34 %	34 %
Other third-party payors	53	56
Patients	13	10
	100 %	100 %

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ADDITIONAL INFORMATION

CHILDREN'S HEALTH CARE

CONSOLIDATING SCHEDULE OF STATEMENT OF FINANCIAL POSITION INFORMATION AS OF DECEMBER 31, 2011 (In thousands)

	Obligated Group Total	Children's Foundation	Children's Health Insurance Network, Ltd	Eliminating Entries	Consolidated Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 10,778	$ 775	$ 296	$ -	$ 11,849
Short-term investments	66,372	883	3,691	-	70,946
Funds held by trustee	2,913	-	-	-	2,913
Patient accounts receivable — net	63,295	-	-	-	63,295
Prepaid expenses and other current assets	15,903	10,321	411	-	26,635
Total current assets	159,261	11,979	4,398	-	175,638
INTERCOMPANY ACCOUNTS	2,093	-	-	(2,093)	-
DONOR-RESTRICTED CASH AND INVESTMENTS	-	46,124	-	-	46,124
UNRESTRICTED INVESTMENTS	287,796	-	1,244	-	289,040
BENEFICIAL INTEREST IN NET ASSETS OF THE FOUNDATION	67,681	-	-	(67,681)	-
OTHER ASSETS	43,407	11,174	-	(250)	54,331
LAND, BUILDINGS, AND EQUIPMENT — Net	378,809	497	-	-	379,306
TOTAL	$ 939,047	$ 69,774	$ 5,642	$ (70,024)	$ 944,439
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current maturities of long-term debt	$ 7,325	$ -	$ -	$ -	$ 7,325
Accounts payable and accrued expenses	28,475	-	30	-	28,505
Accrued salaries, wages, and benefits	49,461	-	-	-	49,461
Other current liabilities	8,955	-	283	-	9,238
Total current liabilities	94,216	-	313	-	94,529
INTERCOMPANY ACCOUNTS	-	2,093	-	(2,093)	-
FAIR VALUE OF INTEREST RATE SWAPS	42,592	-	-	-	42,592
OTHER LONG-TERM LIABILITIES	41,365	-	1,985	-	43,350
LONG-TERM DEBT — Excluding current maturities	248,974	-	-	-	248,974
Total liabilities	427,147	2,093	2,298	(2,093)	429,445
NET ASSETS					
Unrestricted	444,304	85	3,344	(335)	447,398
Temporarily restricted	40,478	40,478	-	(40,478)	40,478
Permanently restricted	27,118	27,118	-	(27,118)	27,118
Total net assets	511,900	67,681	3,344	(67,931)	514,994
TOTAL	$ 939,047	$ 69,774	$ 5,642	$ (70,024)	$ 944,439

See notes to consolidating schedules of financial statements information

CHILDREN'S HEALTH CARE

CONSOLIDATING SCHEDULE OF STATEMENT OF OPERATIONS INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011
(In thousands)

	Obligated Group Total	Children's Foundation	Children's Health Insurance Network, Ltd	Eliminating Entries	Consolidated Total
REVENUE					
Net patient service revenue	$558.280	$ -	$ -	$ -	$558.280
Foundation transfers for operations	11.807	19.694	-	(22.569)	8.932
Other	20.518	6.907	1.643	(6.751)	22.317
Total revenue	590.605	26.601	1.643	(29.320)	589.529
EXPENSES					
Salaries, wages, and employee benefits	345.615	3.268	-	-	348.883
Professional fees and purchased services	74.145	845	71	(5.109)	69.952
Supplies	56.984	114	-	-	57.098
Facilities	13.176	-	-	-	13.176
Depreciation and amortization	35.263	107	-	-	35.370
Financing costs	10.554	-	-	-	10.554
Provision for uncollectibles	8.582	-	-	-	8.582
Health services taxes	17.641	-	-	-	17.641
Other	26.182	23.988	496	(24.211)	26.455
Total expenses	588.142	28.322	567	(29.320)	587.711
OPERATING INCOME (LOSS)	2.463	(1.721)	1.076	-	1.818
NONOPERATING (LOSSES) GAINS					
Investment income and realized gains	21.180	-	-	-	21.180
Income on investments accounted for under the equity method	3.340	-	-	-	3.340
Net change in unrealized (losses) gains on investments	(12.139)	(9)	31	-	(12.117)
Change in unrealized interest rate swap valuation	(19.722)	-	-	-	(19.722)
Other	(860)	-	-	-	(860)
Total nonoperating (losses) gains	(8.201)	(9)	31	-	(8.179)
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(5.738)	(1.730)	1.107	-	(6.361)
OTHER CHANGES					
Net assets released from restrictions — capital acquisitions	10.762	-	-	-	10.762
RSVP plan-related changes other than net periodic plan expense	2.180	-	-	-	2.180
Change in beneficial interest in net assets of the foundation	(1.730)	-	-	1.730	-
CHANGE IN UNRESTRICTED NET ASSETS	$ 5.474	$ (1.730)	$1.107	$ 1.730	$ 6.581

See notes to consolidating schedules of financial statements information

1. OBLIGATED GROUP

Children's Health Care ("Children's") master indenture provides for the creation of a group of entities ("Obligated Group"), the members of which are jointly and severally obligated for the payment of debt services on all obligations issued thereunder. The Obligated Group currently consists of Children's and Children's Health Care Services, Inc. ("Children's — Minnetonka"), a Minnesota nonprofit corporation that is a wholly controlled affiliate. Children's Health Care Foundation, d/b/a Children's Foundation (the "Foundation"), which performs fund-raising functions and endowment management, and Children's Health Insurance Network, Ltd. ("CHIN"), a Cayman Island domiciled insurance entity, are wholly controlled affiliates of Children's and are not currently members of the Obligated Group.

2. BASIS OF REPORTING

The consolidating schedule of statement of financial position information and the consolidating schedule of statement of operations information are presented for additional analysis of the sources and uses of funds within the consolidated amounts. The operating amounts shown for the Foundation and for CHIN reflect the sources and uses of funds raised and expended on behalf of the Obligated Group, and the amounts shown for the financial position of the Foundation reflects funds held on behalf of the Obligated Group, which are recorded by the Obligated Group as a beneficial interest in net assets of the Foundation. All significant intercompany balances and transactions have been eliminated for consolidation purposes.

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