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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 HOSPITAL & MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
8200 DODGE STREET

City or town, state or country, and ZIP + 4
OMAHA, NE 68114

**D Employer identification number**
47-0379754

**E Telephone number**
(402) 955-4116

**G** Gross receipts $ 224,375,585

**F** Name and address of principal officer
GARY A PERKINS
8200 DODGE STREET
OMAHA, NE 68114

**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 CHILDRENSOMAHA ORG

**K** Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1948 | **M** State of legal domicile NE

## Part I Summary

**1** Briefly describe the organization's mission or most significant activities
A FAMILY-CENTERED REGIONAL PROVIDER DEDICATED TO COST-EFFECTIVE, QUALITY HEALTHCARE Services & ADVOCACY FOR CHILDREN, INFANTS THROUGH ADOLESCENTS, WHILE ACTIVELY PROMOTING HEALTHCARE EDUCATION & Research

**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** | 20 |
| **4** | Number of independent voting members of the governing body (Part VI, line 1b) | **4** | 18 |
| **5** | Total number of individuals employed in calendar year 2011 (Part V, line 2a) | **5** | 1,998 |
| **6** | Total number of volunteers (estimate if necessary) | **6** | 297 |
| **7a** | Total unrelated business revenue from Part VIII, column (C), line 12 | **7a** | 0 |
| **b** | Net unrelated business taxable income from Form 990-T, line 34 | **7b** | 0 |

| | | Prior Year | Current Year |
|---|---|---|---|
| Revenue | **8** Contributions and grants (Part VIII, line 1h) | 6,856,976 | 4,284,969 |
| | **9** Program service revenue (Part VIII, line 2g) | 200,133,005 | 211,631,952 |
| | **10** Investment income (Part VIII, column (A), lines 3, 4, and 7d ) | 653,743 | -204,156 |
| | **11** Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 8,057,766 | 8,394,992 |
| | **12** Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 215,701,490 | 224,107,757 |
| Expenses | **13** Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) | 3,584,092 | 3,711,498 |
| | **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) | 98,984,678 | 103,961,568 |
| | **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) | 98,472,270 | 102,288,591 |
| | **18** Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) | 201,041,040 | 209,961,657 |
| | **19** Revenue less expenses Subtract line 18 from line 12 | 14,660,450 | 14,146,100 |

| | | Beginning of Current Year | End of Year |
|---|---|---|---|
| Net Assets or Fund Balances | **20** Total assets (Part X, line 16) | 257,508,374 | 280,529,833 |
| | **21** Total liabilities (Part X, line 26) | 140,536,958 | 150,153,513 |
| | **22** Net assets or fund balances Subtract line 21 from line 20 | 116,971,416 | 130,376,320 |

## 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**

****** | 2012-06-27
Signature of officer | Date

MICHAEL J BROWN SR VICE PRESIDENT & CFO
Type or print name and title

**Paid Preparer's Use Only**

Preparer's signature | Date | Check if self-employed ☐ | Preparer's taxpayer identification number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4: KPMG LLP, Two Central Park Plaza Suite 1501, Omaha, NE 681021626 | EIN ▶ | Phone no ▶ (402) 348-1450

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

SO THAT ALL CHILDREN MAY HAVE A BETTER CHANCE TO LIVE CHILDREN'S HOSPITAL & MEDICAL CENTER DELIVERS EXTRAORDINARY CARE TO CHILDREN, EDUCATES HEALTH CARE PROFESSIONALS, AND PROMOTES PEDIATRIC RESEARCH

**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 $ 196,617,970 including grants of $ 3,711,498 ) (Revenue $ 219,893,906 )

THE HOSPITAL OPERATES A 145-BED PEDIATRIC HOSPITAL, WHICH INCLUDES SEVEN SURGICAL SUITES, A HYBRID HEART CATHETERIZATION LAB, 30 OUTPATIENT SPECIALTY CLINICS, AND A 33-BED OUTPATIENT "DAY HOSPITAL" KNOWN AS CHILDREN'S AMBULATORY RECOVERY AND EXPRESS STAY (CARES) UNIT, IN ADDITION TO OFFERING OUTPATIENT EATING DISORDER SERVICES AND PROVIDING A FULL ARRAY OF PEDIATRIC HOME HEALTH CARE SERVICES TO CHILDREN AND ADOLESCENTS WHO HAVE IMMEDIATE OR LONG-TERM HEALTH CARE NEEDS, INCLUDING HOME MEDICAL EQUIPMENT RENTALS AND SALES, HOME HEALTH NURSING, IN-HOME PRIVATE DUTY NURSING, CENTER BASED PRIVATE DUTY NURSING AT CHILDREN'S HOME HEALTHCARE'S WORLD, AND HOME INFUSION THERAPY SERVICES CHILDREN'S HOSPITAL & MEDICAL CENTER IS THE ONLY DEDICATED PEDIATRIC EMERGENCY DEPARTMENT IN THE REGION AND ALSO PROVIDES SPECIALTY PEDIATRIC SERVICES IN LINCOLN, NEBRASKA

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

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

**4d** Other program services (Describe in Schedule O )
(Expenses $ including grants of $ ) (Revenue $ )

**4e** **Total program service expenses** ▶ $ 196,617,970

## 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 | | |
| 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 | | No |
| c | Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.* | 11c | | No |
| d | Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.* | 11d | | No |
| e | Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.* | 11e | Yes | |
| f | Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.* | 11f | Yes | |
| 12a | Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII* | 12a | | No |
| b | Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional* | 12b | Yes | |
| 13 | Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E* | 13 | | No |
| 14a | Did the organization maintain an office, employees, or agents outside of the United States? | 14a | | No |
| b | Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, 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 | | No |
| 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** | Yes | |
| **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** | | No |
| **29** | Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M* | **29** | | No |
| **30** | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M* | **30** | | No |
| **31** | Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I* | **31** | | No |
| **32** | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II* | **32** | | No |
| **33** | Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I* | **33** | | No |
| **34** | Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1* | **34** | Yes | |
| **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** | 43 | | |
| **b** | Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable | **1b** | 0 | | |
| **c** | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? . . . . . | | | **1c** | Yes | |
| **2a** | Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return . . . . . | **2a** | 1,998 | | | |
| **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** | | No |
| **b** | If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O* . . . . . | | | **3b** | | |
| **4a** | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)? . . . . . | | | **4a** | | No |
| **b** | If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts | | | | | |
| **5a** | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . | | | **5a** | | No |
| **b** | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? | | | **5b** | | No |
| **c** | If "Yes" to line 5a or 5b, did the organization file Form 8886-T? . . . . . | | | **5c** | | |
| **6a** | Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible? . . . . . | | | **6a** | | No |
| **b** | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? . . . . . | | | **6b** | | |
| **7** | **Organizations that may receive deductible contributions under section 170(c).** | | | | | |
| **a** | Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor? . . . . . | | | **7a** | | 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** | | | | |
| **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 | 20 | | |
| b | Enter the number of voting members included in line 1a, above, who are independent . . . . . | 1b | 18 | | |
| 2 | Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . . | | 2 | | No |
| 3 | Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . | | 3 | | No |
| 4 | Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? | | 4 | | No |
| 5 | Did the organization become aware during the year of a significant diversion of the organization's assets? . | | 5 | | No |
| 6 | 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 ▶

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 ▶

MICHAEL J BROWN
8200 DODGE STREET
OMAHA, NE 68114
(402) 955-4116

## 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 | | | |
| (1) SUZANNE SCOTT MEMBER | 1 0 | X | | | | | | 0 | 0 | 0 |
| (2) BARBARA SCHAEFER CHAIR | 1 0 | X | | X | | | | 0 | 0 | 0 |
| (3) DEB PERRY MD SECRETARY | 1 0 | X | | X | | | | 0 | 0 | 0 |
| (4) GARY A PERKINS FACHE PRESIDENT/CEO/MEMBER | 40 0 | X | | X | | | | 1,118,191 | 0 | 62,401 |
| (5) ERIC BUTLER MEMBER | 1 0 | X | | | | | | 0 | 0 | 0 |
| (6) JIM LANDEN MEMBER | 1 0 | X | | | | | | 0 | 0 | 0 |
| (7) SUSAN WEIDNER MEMBER | 1 0 | X | | | | | | 0 | 0 | 0 |
| (8) JOHN MOORE MD MEMBER | 40 0 | X | | | | | | 225,536 | 0 | 28,301 |
| (9) DANA BRADFORD MEMBER | 1 0 | X | | | | | | 0 | 0 | 0 |
| (10) SID DINSDALE MEMBER | 1 0 | X | | | | | | 0 | 0 | 0 |
| (11) DAN HAMANN TREASURER | 1 0 | X | | X | | | | 0 | 0 | 0 |
| (12) JIM SIMPSON VICE CHAIRMAN | 1 0 | X | | X | | | | 0 | 0 | 0 |
| (13) ROWEN ZETTERMAN MD MEMBER | 1 0 | X | | | | | | 0 | 0 | 0 |
| (14) RICH ANDERL MEMBER | 1 0 | X | | | | | | 0 | 0 | 0 |
| (15) RODRIGO LOPEZ MEMBER | 1 0 | X | | | | | | 0 | 0 | 0 |
| (16) MATTHEW MILLER MEMBER | 1 0 | X | | | | | | 0 | 0 | 0 |
| (17) ELLEN WRIGHT MEMBER | 1 0 | X | | | | | | 0 | 0 | 0 |

**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 (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 | | | |
| (18) STEVE RAYNOR MD MEMBER | 1 0 | X | | | | | | 0 | 0 | 0 |
| (19) LORRAINE CHANG MEMBER | 1 0 | X | | | | | | 0 | 0 | 0 |
| (20) KATHY ENGLISH EVP/COO | 40 0 | | | X | | | | 423,743 | 0 | 47,555 |
| (21) MICHAEL BROWN SVP/CFO | 40 0 | | | X | | | | 439,423 | 0 | 29,995 |
| (22) CARL GUMBINER MD SVP/CMO | 40 0 | | | X | | | | 343,836 | 0 | 12,978 |
| (23) GEORGE E REYNOLDS MD VP/CMIO/CIO | 40 0 | | | | | X | | 457,428 | 0 | 48,804 |
| (24) BETSY J STEPHENSON MD PHYSICIAN | 40 0 | | | | | X | | 310,551 | 0 | 33,857 |
| (25) JOHN ANDERSEN MD PHYSICIAN | 40 0 | | | | | X | | 374,017 | 0 | 21,295 |
| (26) MICHAEL WILCZEWSKI MD PHYSICIAN | 40 0 | | | | | X | | 300,461 | 0 | 19,793 |
| (27) DAWN GARY MD PHYSICIAN | 40 0 | | | | | X | | 292,602 | 0 | 29,287 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| **1b Sub-Total** . . . . . ▶ | | | | | | | | | | |
| **c Total from continuation sheets to Part VII, Section A** . . . . ▶ | | | | | | | | | | |
| **d Total (add lines 1b and 1c)** . . . . . ▶ | | | | | | | | 4,285,788 | 0 | 334,266 |

**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 ▶ 83

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

## Section B. Independent Contractors

**1** Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization 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 |
|---|---|---|
| KIEWIT BUILDING GROUP INC<br>3921 MASON STREET<br>OMAHA, NE 681051840 | CONSTRUCTION | 5,914,970 |
| ELECTRIC COMPANY OF OMAHA<br>815 S 21ST STREET<br>OMAHA, NE 68103 | ELECTRICAL CONTRACT | 707,769 |
| ALLSCRIPTS HEALTHCARE LLC<br>PO BOX 8538-0133<br>PHILADELPHIA, PA 19171 | IT SUPPORT SERVICES | 3,356,515 |
| PYRAMID HEALTHCARE SOLUTION<br>PO BOX 17389<br>CLEARWATER, FL 337620389 | MGMT STAFFING SVC | 877,351 |
| EPIC SYSTEMS CORP<br>PO BOX 88314<br>MILWAUKEE, WI 532880314 | IT SUPPORT SERVICES | 638,944 |

**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 ▶ 19

## Part VIII Statement of Revenue

| | | | | (A) Total revenue | (B) Related or exempt function revenue | (C) Unrelated business revenue | (D) Revenue excluded from tax under sections 512, 513, or 514 |
|---|---|---|---|---|---|---|---|
| Contributions, gifts, grants and other similar amounts | 1a | Federated campaigns | 1a | | | | |
| | b | Membership dues | 1b | | | | |
| | c | Fundraising events | 1c | | | | |
| | d | Related organizations | 1d | 3,236,964 | | | |
| | e | Government grants (contributions) | 1e | 1,048,005 | | | |
| | f | All other contributions, gifts, grants, and similar amounts not included above | 1f | | | | |
| | g | Noncash contributions included in lines 1a-1f $ | | | | | |
| | h | **Total.** Add lines 1a-1f | | 4,284,969 | | | |
| Program Service Revenue | | | Business Code | | | | |
| | 2a | NET PATIENT SERVICE REVENUE | 621110 | 211,631,952 | 211,631,952 | | |
| | b | | | | | | |
| | c | | | | | | |
| | d | | | | | | |
| | e | | | | | | |
| | f | All other program service revenue | | | | | |
| | g | **Total.** Add lines 2a–2f | | 211,631,952 | | | |
| | 3 | Investment income (including dividends, interest and other similar amounts) | | 63,672 | | | 63,672 |
| | 4 | Income from investment of tax-exempt bond proceeds | | 0 | | | |
| | 5 | Royalties | | 0 | | | |
| | | | (i) Real | (ii) Personal | | | |
| | 6a | Gross rents | 133,038 | | | | |
| | b | Less rental expenses | | | | | |
| | c | Rental income or (loss) | 133,038 | | | | |
| | d | Net rental income or (loss) | | 133,038 | | | 133,038 |
| | | | (i) Securities | (ii) Other | | | |
| | 7a | Gross amount from sales of assets other than inventory | | | | | |
| | b | Less cost or other basis and sales expenses | | 267,828 | | | |
| | c | Gain or (loss) | | -267,828 | | | |
| | d | Net gain or (loss) | | -267,828 | | | -267,828 |
| Other Revenue | 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 | | 0 | | | |
| | 9a | Gross income from gaming activities See Part IV, line 19 | a | | | | |
| | b | Less direct expenses | b | | | | |
| | c | Net income or (loss) from gaming activities | | 0 | | | |
| | 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 | | 0 | | | |
| | | Miscellaneous Revenue | Business Code | | | | |
| | 11a | MANAGEMENT FEE | 541610 | 4,293,226 | 4,293,226 | | |
| | b | OTHER REVENUE | 900099 | 3,030,315 | 3,030,315 | | |
| | c | METHODIST SERV INCOME | 541900 | 938,413 | 938,413 | | |
| | d | All other revenue | | | | | |
| | e | **Total.** Add lines 11a–11d | | 8,261,954 | | | |
| | 12 | **Total revenue.** See Instructions | | 224,107,757 | 219,893,906 | | -71,118 |

## 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 | 479,000 | 479,000 | | |
| 2 | Grants and other assistance to individuals in the United States See Part IV, line 22 | 3,232,498 | 3,232,498 | | |
| 3 | Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16 | 0 | | | |
| 4 | Benefits paid to or for members | 0 | | | |
| 5 | Compensation of current officers, directors, trustees, and key employees . . . . | 3,015,612 | | 3,015,612 | |
| 6 | Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . | 0 | | | |
| 7 | Other salaries and wages | 83,878,110 | 83,878,110 | | |
| 8 | Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . | 4,566,597 | 4,566,597 | | |
| 9 | Other employee benefits . . . . . | 6,609,536 | 6,609,536 | | |
| 10 | Payroll taxes . . . . . | 5,891,713 | 5,891,713 | | |
| 11 | Fees for services (non-employees) | | | | |
| a | Management . . . . . | 0 | | | |
| b | Legal . . . . . | 192,560 | 192,560 | | |
| c | Accounting . . . . . | 157,663 | 157,663 | | |
| d | Lobbying . . . . . | 21,188 | 21,188 | | |
| e | Professional fundraising *See Part IV, line 17* . . | 0 | | | |
| f | Investment management fees . . . . . | 0 | | | |
| g | Other . . . . . | 16,797,547 | 10,792,298 | 6,005,249 | |
| 12 | Advertising and promotion . . . . | 2,705,023 | | 2,705,023 | |
| 13 | Office expenses . . . . . | 30,937,516 | 30,937,516 | | |
| 14 | Information technology . . . . . | 5,528,991 | 5,528,991 | | |
| 15 | Royalties . . | 0 | | | |
| 16 | Occupancy . . . . . | 6,573,754 | 6,573,754 | | |
| 17 | Travel . . . . . | 433,146 | 433,146 | | |
| 18 | Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . . | 0 | | | |
| 19 | Conferences, conventions, and meetings . . . . | 0 | | | |
| 20 | Interest . . . . . | 5,840,770 | 5,840,770 | | |
| 21 | Payments to affiliates . . . . . | 10,281,706 | 10,281,706 | | |
| 22 | Depreciation, depletion, and amortization . . . . . | 17,179,673 | 17,179,673 | | |
| 23 | Insurance . . . . . | 1,231,819 | | 1,231,819 | |
| 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 | COLLECTION EXPENSE | 1,430,096 | 1,430,096 | | |
| b | OPERATING LEASES | 1,010,941 | 1,010,941 | | |
| c | BUILDING MAINTENANCE | 959,436 | 959,436 | | |
| d | PROFESSIONAL DUES & SUBSCRIP | 385,984 | | 385,984 | |
| e | | | | | |
| f | All other expenses | 620,778 | 620,778 | | |
| 25 | **Total functional expenses.** Add lines 1 through 24f | 209,961,657 | 196,617,970 | 13,343,687 | 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 | | 4,193,063 | 1 | 4,134,523 |
| | 2 | Savings and temporary cash investments | | 15,996,973 | 2 | 31,271,941 |
| | 3 | Pledges and grants receivable, net | | 1,506,000 | 3 | 1,408,000 |
| | 4 | Accounts receivable, net | | 32,795,432 | 4 | 37,143,949 |
| | 5 | Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L | | 0 | 5 | 0 |
| | 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 | | 0 | 6 | 0 |
| | 7 | Notes and loans receivable, net | | 0 | 7 | 0 |
| | 8 | Inventories for sale or use | | 2,654,723 | 8 | 2,855,497 |
| | 9 | Prepaid expenses and deferred charges | | 1,907,180 | 9 | 1,904,593 |
| | 10a | Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* | 10a 300,069,679 | | | |
| | b | Less accumulated depreciation | 10b 126,141,918 | 175,030,197 | 10c | 173,927,761 |
| | 11 | Investments—publicly traded securities | | 0 | 11 | 0 |
| | 12 | Investments—other securities See Part IV, line 11 | | 10,471,372 | 12 | 13,180,949 |
| | 13 | Investments—program-related See Part IV, line 11 | | 3,154,554 | 13 | 4,137,356 |
| | 14 | Intangible assets | | 374,983 | 14 | 179,340 |
| | 15 | Other assets See Part IV, line 11 | | 9,423,897 | 15 | 10,385,924 |
| | 16 | **Total assets.** Add lines 1 through 15 (must equal line 34) | | 257,508,374 | 16 | 280,529,833 |
| Liabilities | 17 | Accounts payable and accrued expenses | | 26,750,591 | 17 | 31,997,654 |
| | 18 | Grants payable | | 0 | 18 | 0 |
| | 19 | Deferred revenue | | 37,014 | 19 | 55,627 |
| | 20 | Tax-exempt bond liabilities | | 100,426,669 | 20 | 100,380,922 |
| | 21 | Escrow or custodial account liability *Complete Part IV of Schedule D* | | 0 | 21 | 0 |
| | 22 | Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L* | | 0 | 22 | 0 |
| | 23 | Secured mortgages and notes payable to unrelated third parties | | 7,078,768 | 23 | 6,896,147 |
| | 24 | Unsecured notes and loans payable to unrelated third parties | | 0 | 24 | 0 |
| | 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 | | 6,243,916 | 25 | 10,823,163 |
| | 26 | **Total liabilities.** Add lines 17 through 25 | | 140,536,958 | 26 | 150,153,513 |
| 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 | | 115,465,416 | 27 | 128,968,320 |
| | 28 | Temporarily restricted net assets | | 1,506,000 | 28 | 1,408,000 |
| | 29 | Permanently restricted net assets | | 0 | 29 | 0 |
| | | **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 | | 116,971,416 | 33 | 130,376,320 |
| | 34 | Total liabilities and net assets/fund balances | | 257,508,374 | 34 | 280,529,833 |

## 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 | 224,107,757 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) . . . . . | 2 | 209,961,657 |
| 3 | Revenue less expenses Subtract line 2 from line 1 . . . . | 3 | 14,146,100 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . | 4 | 116,971,416 |
| 5 | Other changes in net assets or fund balances (explain in Schedule O) . . . . | 5 | -741,196 |
| 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 | 130,376,320 |

## 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 | | |

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# SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

## Public Charity Status and Public Support

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

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

OMB No 1545-0047

**2011**

**Open to Public Inspection**

Name of the organization
CHILDREN'S HOSPITAL & MEDICAL CENTER

**Employer identification number**
47-0379754

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

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

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

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

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

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

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

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

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

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

**Part II** **Support Schedule for Organizations Described in 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**

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# 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 HOSPITAL & MEDICAL CENTER | 47-0379754 |

## 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) | 21,188 | |
| c Total lobbying expenditures (add lines 1a and 1b) | 21,188 | |
| d Other exempt purpose expenditures | 209,940,469 | |
| e Total exempt purpose expenditures (add lines 1c and 1d) | 209,961,657 | |
| f Lobbying nontaxable amount Enter the amount from the following table in both columns | 1,000,000 | |

| 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 |

| | | | |
|---|---|---|---|
| g Grassroots nontaxable amount (enter 25% of line 1f) | 250,000 | |
| 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 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 4,000,000 |
| b Lobbying ceiling amount (150% of line 2a, column(e)) | | | | | 6,000,000 |
| c Total lobbying expenditures | 7,300 | 5,371 | 20,707 | 21,188 | 54,566 |
| d Grassroots non-taxable amount | 250,000 | 250,000 | 250,000 | 250,000 | 1,000,000 |
| e Grassroots ceiling amount (150% of line 2d, column (e)) | | | | | 1,500,000 |
| 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? | | | |
| b | Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? | | | |
| c | Media advertisements? | | | |
| d | Mailings to members, legislators, or the public? | | | |
| e | Publications, or published or broadcast statements? | | | |
| f | Grants to other organizations for lobbying purposes? | | | |
| g | Direct contact with legislators, their staffs, government officials, or a legislative body? | | | |
| h | Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? | | | |
| i | Other activities? If "Yes," describe in Part IV | | | |
| j | Total lines 1c through 1i | | | |
| 2a | Did the activities in line 1 cause the organization to be not described in section 501(c)(3)? | | | |
| 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 |
|---|---|---|

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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 HOSPITAL & MEDICAL CENTER

**Employer identification number**
47-0379754

## 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 | 46,369,324 | 47,818,091 | 44,226,562 | 48,753,075 | |
| b Contributions | 1,889,083 | 734,290 | 7,371,562 | 9,675,396 | |
| c Investment earnings or losses | 836,292 | 2,140,797 | 10,645,327 | -13,889,726 | |
| d Grants or scholarships | 2,806,131 | 4,323,854 | 8,254,241 | 312,183 | |
| e Other expenditures for facilities and programs | | | 6,171,119 | | |
| f Administrative expenses | | | | | |
| g End of year balance | 46,288,568 | 46,369,324 | 47,818,091 | 44,226,562 | |

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

- a Board designated or quasi-endowment ▶ 81 000 %
- b Permanent endowment ▶ 7 000 %
- c Term endowment ▶ 12 000 %

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) | | No |
| (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 | | 11,705,265 | | 11,705,265 |
| b Buildings | | 175,135,722 | 47,550,334 | 127,585,388 |
| c Leasehold improvements | | 11,729,407 | 6,586,569 | 5,142,838 |
| d Equipment | | 98,661,456 | 71,550,090 | 27,111,366 |
| e Other | | 2,837,829 | 454,925 | 2,382,904 |
| **Total.** Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶ | | | | 173,927,761 |

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

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

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

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

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

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

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

| 1 (a) Description of Liability | (b) Amount |
|---|---|
| Federal Income Taxes | 0 |
| DEFERRED COMPENSATION LIAB | 1,352,531 |
| MINORITY INTEREST IN CP LIABIL | 1,379,119 |
| SWAP LIABILITY | 8,091,513 |
| | |
| | |
| | |
| | |
| | |
| | |
| **Total.** *(Column (b) should equal Form 990, Part X, col (B) line 25 )* ▶ | 10,823,163 |

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

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

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

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

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

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

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

## Part XIV Supplemental Information

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

| Identifier | Return Reference | Explanation |
|---|---|---|
| SCHEDULE D, PART X, LINE 2 | FIN 48 FOOTNOTE | In accordance with ASC subtopic 740-10, Income Taxes-Overall, the company recognizes the effect of income tax position if those positions are more likely than not of being sustained Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized Changes in recognition or measurement are reflected in the period in which the change in judgment occurs During 2011 and 2010, the company did not record any amounts related to uncertain tax positions or any accrued interest and penalties |
| SCHEDULE D | PART V, LINE 4 | TO SUPPORT PROGRAMS, FUTURE CAPITAL IMPROVEMENTS, AND OPERATIONS OF THE CHILDREN'S HOSPITAL & MEDICAL CENTER |

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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 HOSPITAL & MEDICAL CENTER

**Employer identification number**
47-0379754

## 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<br>☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals<br>☐ 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<br>☐ 100% ☐ 150% ☑ 200% ☐ Other _____ % | 3a | Yes | |
| 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<br>☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other _____ % | 3b | Yes | |
| 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) | | | 1,718,000 | | 1,718,000 | 0 800 % |
| b Medicaid (from Worksheet 3, column a) | | | 79,537,000 | 57,667,000 | 21,870,000 | 10 400 % |
| c Costs of other means-tested government programs (from Worksheet 3, column b) | | | | | | |
| d **Total** Charity Care and Means-Tested Government Programs | | | 81,255,000 | 57,667,000 | 23,588,000 | 11 200 % |
| **Other Benefits** | | | | | | |
| e Community health improvement services and community benefit operations (from (Worksheet 4) | | | 1,486,000 | 69,000 | 1,417,000 | 0 700 % |
| f Health professions education (from Worksheet 5) | | | 7,705,000 | 965,000 | 6,740,000 | 3 200 % |
| g Subsidized health services (from Worksheet 6) | | | 76,528,000 | 44,911,000 | 31,617,000 | 15 100 % |
| h Research (from Worksheet 7) | | | 1,239,000 | | 1,239,000 | 0 600 % |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) | | | 747,000 | | 747,000 | 0 400 % |
| j **Total** Other Benefits | | | 87,705,000 | 45,945,000 | 41,760,000 | 20 000 % |
| k **Total.** Add lines 7d and 7j | | | 168,960,000 | 103,612,000 | 65,348,000 | 31 200 % |

## 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 | | | | | | |
| 2 | Economic development | | | 29,000 | | 29,000 | |
| 3 | Community support | | | | | | |
| 4 | Environmental improvements | | | | | | |
| 5 | Leadership development and training for community members | | | | | | |
| 6 | Coalition building | | | 3,000 | | 3,000 | |
| 7 | Community health improvement advocacy | | | | | | |
| 8 | Workforce development | | | | | | |
| 9 | Other | | | | | | |
| 10 | **Total** | | | 32,000 | | 32,000 | |

## 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 | | | No |
| 2 | Enter the amount of the organization's bad debt expense | 2 | 1,869,000 | | |
| 3 | Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy | 3 | 0 | | |
| 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 | 64,110 |
| 6 | Enter Medicare allowable costs of care relating to payments on line 5 | 6 | 197,303 |
| 7 | Subtract line 6 from line 5 This is the surplus or (shortfall) | 7 | -133,193 |
| 8 | Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used | | |

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

### Section C. Collection Practices

| | | | | |
|---|---|---|---|---|
| 9a | Did the organization have a written debt collection policy during the tax year? | 9a | 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 | | | | | |
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| 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 HOSPITAL & MEDICAL CENTER<br>8200 DODGE STREET<br>OMAHA,NE 681144113 | X | X | X | X | | | X | | |
| | | | | | | | | | | |
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## 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)

CHILDREN'S HOSPITAL & MEDICAL CENTER

**Name of Hospital Facility:**

**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 200 % | | | |
| 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 400 %<br>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**

| | | | | |
|---|---|---|---|---|
| 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

| | | | |
|---|---|---|---|
| **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? **6**

| | Name and address | Type of Facility (Describe) |
|---|---|---|
| **1** | W VILLAGE PTE URGENT CARE&AMBUL CLINICS<br>110 N 175TH STREET<br>OMAHA,NE 68118 | UCC OPENS 6AM-10PM & ROTATING AMBULATORY CLINICS |
| **2** | CHILDREN'S HOME HEALTHCARE<br>4156 S 52ND STREET<br>OMAHA,NE 68117 | PEDIATRIC HOME HEALTH CARE SERVICES |
| **3** | CHILDREN'S HOME HEALTHCARE WORLD<br>7815 FARNAM STREET<br>OMAHA,NE 68114 | PRIVATE DUTY PEDIATRIC NURSING CENTER |
| **4** | LINCOLN CLINIC<br>300 NORTH 44TH STREET<br>LINCOLN,NE 68503 | PEDIATRIC CLINIC |
| **5** | CAROLYN SCOTT RAINBOW HOUSE<br>7815 HARNEY STREET<br>OMAHA,NE 68114 | MINIMUM TO NO-COST ACCOMODATIONS FOR FAMILIES OF PATIENTS |
| **6** | VAL VERDE URGENT CARE<br>9801 GILES ROAD SUITE 1<br>LA VISTA,NE 68128 | UCC OPENS 6AM-10PM |
| **7** | | |
| **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 | | If the organization did not use FPG to determine eligibility, describe the income based criteria for determining eligibility for free or discounted care Federal Poverty Guidelines are used to determine eligibility for free or discounted care Financial assistance is available for medically necessary procedures and services Services not eligible for financial assistance include cosmetic and other elective procedures, helmet clinic, eating disorders program and HEROES weight management program Certification or proof of Medicaid denial is a requirement for financial assistance consideration Financially responsible parties who submit a complete and verifiable Application for Financial Assistance (including proof of Medicaid denial) will be considered for free or reduced assistance on the basis of Federal Poverty Guidelines (400% FPL limit) Families that do not qualify for income based financial assistance that have verifiable out of pocket medical debt greater than 20% of gross income may qualify for catastrophic assistance leaving 1% of the family's gross income as the responsibility Presumptive Eligibility is available in a variety of circumstances including the absence of documentation required to comply with the traditional charity care application requirements The predictive incorporates income and household size estimates, a socio-economic need factor, census block data, as well as information on home ownership |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART I, LINE 6A | | The community benefit report is prepared by the organization The values reported in the 2011 Community Benefit report include $1 8M in FINANCIAL ASSISTANCE and unreimbursed Medicaid costs associated with an affiliated sub, Children's Physicians |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART I, LINE 7G | | The organization did not include costs attributable to physician clinics as subsidized health services |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART I, LINE 7 | | Explanation of the costing methodology used to calculate subsidized health services A subsidized health service benefit was calculated for the NICU, emergency and trauma care, urgent care, behavioral health, and ambulatory care clinic outpatient services recognizing that these areas operate at a negative margin when the indirect costs of operation are considered A cost to charge ratio calculation similar to worksheet 2 in the schedule H instructions is used The reported subsidized loss represents the difference in net revenue received from all payors PLUS any miscellaneous operating revenue reported by the department LESS total operating expenses including indirect costs applicable to each department Unreimbursed Medicaid costs reported on line 7b and other operating expense applicable to the department reported elsewhere on schedule H as a community benefit are EXCLUDED from the operating expense total as are bad debt and nonpatient care expense associated with each department Indirect costs for each department were calculated by applying the Medicare cost report overhead rate applicable to that department to the department's total operating expenses excluding unreimbursed Medicaid expenses and/or any other expense already reported elsewhere on the schedule H as a community benefit |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART II | Community Building Activities | Children's Hospital & Medical Center supports "economic development" in its sponsorship donations to organizations such as Nebraska Chamber of Commerce & Industry and the Omaha Sports Commission Children's Hospital and Medical Center goes beyond joint commission requirements to ensure community disaster readiness through our committee work involvement with the Omaha Medical Management Response team |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART III, Section A, Line 4 | Bad Debt Expense | New Accounting Standard Effective December 31, 2011, the Company adopted Accounting Standards Update (ASU) 2011-07, Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities, which requires health care entities to present the provision for bad debt relating to patient service revenue as a deduction from patient service revenue in the consolidated statements of operations rather than as operating expense Additional disclosures relating to the sources of patient revenue and the allowance for doubtful accounts related to patient accounts receivable are also required The adoption of this ASU had no impact on the financial condition, results of operations, or cash flows Describe the costing method used to determine the amounts reported on lines 2 & 3 Bad debt expense at 100% charge value was multiplied by the 2011 Medicare Cost to Charge Ratio to arrive at an approximate cost value Bad debt expense at 100% charge value $3,516,796 Medicare Cost to Charge Ratio x 5314 Bad debt expense at cost $1,869,000 Estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy This process includes identifying "Charity Care" financial assistance codes congruent with the financial assistance policy that were charged to Bad Debt Expense at 100% charge value This amount is $0 for 2011 and reflects the efforts of Children's Hospital & Medical Center to ensure that no child with a medical need is turned away due to inability to pay for health care Describe how the organization accounts for discounts or payments on patient accounts in determining bad debt expense Bad Debt expense is credited for any payment received on accounts previously written off |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART III, Section B, Line 8 | Medicare | Describe the extent to which any shortfall reported in line 7 should be treated as a community benefit and the costing methodology used to determine the amount reported on line 6 and indicate what costing methodology was used 2011 Medicare charges reported by CMS in the Provider Statistical and Reimbursement System for provider FYE 12/31 were multiplied by the 2011 cost to charge ratio to arrive at an approximate cost of care related to the reimbursement payments reported on line 5 |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART III, Section C, Line 9b | Collection Practices | Does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance Administrative policy Collection of Self Pay and Balance After Insurance monies Self pay accounts with no verifiable insurance and balance after insurance accounts are considered for financial assistance throughout the collection process for those guarantors who are financially unable to pay, either through a government program or through Children's Hospital & Medical Centers financial assistance program All correspondence, including statements and collection letters state that Financial Assistance may be available |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART V, LINE 13g | | In regard to 13b, the policy is provided to the public in summary and directed to visit the Children's Hospital website for the full policy |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART V, SECTION B, LINE 19D | | Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care At Children's, commercial insurers, government payors and self-pay billing parties are all billed the same gross charge rate for each specific procedure performed (as opposed to a DRG rate) Upon request, self-pay billings are eligible for a 10% discount for prompt payment Federal Poverty Guidelines are used to determine eligibility for free or discounted care Financial assistance is available for medically necessary procedures and services Financially responsible parties who submit a complete and verifiable Application for Financial Assistance (including proof of Medicaid denial) will be considered for free or reduced assistance on the basis of Federal Poverty Guidelines (400% FPL limit) Families that do not qualify for income based financial assistance that have verifiable out of pocket medical debt greater than 20% of gross income may qualify for catastrophic assistance leaving 1% of the family's gross income as the responsibility Presumptive Eligibility is available in a variety of circumstances including the absence of documentation required to comply with the tradition charity care application requirements |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART VI | 2-NEEDS ASSESSMENT | Children's Hospital & Medical Center uses numerous resources to conduct assessments of the health care needs of children in the communities we serve These resources include national pediatric care standards and trends as identified by Child Health Corporation of America (CHCA) and the National Association of Children's Hospitals and Related Institutions (NACHRI) There are many local and state reports available for our use, including Vital Statistics, the Douglas County Health Department, United Way of the Midlands, Our Healthy Community Partnership (in which we are a member partner), and Kids Count in Nebraska The hospital conducts consumer surveys, as well as medical staff and referring physician surveys, to help identify gaps in service(s) In addition to analyzing internal utilization of services, data is available to track utilization of services by all providers in the communities served by Children's Other internal resources that assist with the assessment of child health needs are the Family Advisory Council, physicians and clinical service units An analysis of the information and/or data collected from these various resources is conducted to identify potential gaps in child health needs in the communities served Needs that align with the hospital's mission and capacity are selected for review by Administration, which prioritizes needs and authorizes implementation based on the scope or seriousness of the problem, availability of community resources, availability of funding, and/or alignment with the hospital's expertise and strategic goals In 2011, Children's collaborated with Boys Town National Research Hospital in Omaha to plan and conduct a comprehensive community needs assessment survey focusing solely on pediatrics in 2012 Preofessional Research Consultants, Inc (PRC) has been hired to gather data to assist in determining the health status, behaviors and needs of children and adolescents in the Omaha Metropolitan area |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART VI | 3- PATIENT EDUCATION OF ELIGIBILITY | Financially responsible parties who experience difficulty in meeting their financial obligations will be encouraged to and assisted in applying for financial help through government programs and other potential funding sources or alternatively qualified for Children's financial assistance program Eligibility for financial assistance is ideally determined either prior to services being provided or at the time services are rendered and is based upon family/guarantor income, family size and other special considerations The primary responsibility to identify financial need is with the financial counselors, patient financial services, and Social Work staff These staff members are trained to identify patient needs and answer financial assistance questions There are several points in the patient experience where financial assistance resources are offered The first occurs at the pre-registration of inpatient admits and outpatients presenting through CARES and for those patients scheduled in the Specialty Pediatric Center clinics At this time, electronic eligibility is ran on the insured The benefit detail including deductible, co-payment and coinsurance amounts are discussed with the family at that time All individuals who are financially unable to pay will be encouraged to and assisted in applying for financial help through government programs and other potential funding sources or alternatively qualified for Children's financial assistance program At the time of registration, insurance is discussed and families again are offered the assistance of financial counselors who are available M-F All self pay families are encouraged to speak to a financial counselor Care estimates or questions regarding estimate of cost for upcoming testing is directed to the Patient Registration Manager and these services are again offered prior to ending the conversation Financial assistance information is also located in the patient handbooks Brochures which explain the billing process are available Patient statements include leaflets and all mailed correspondence including bills, statements, and collection letters state that "Financial Assistance may be available " Children's Hospital & Medical Center's internet website also offers a "Financial Assistance" link that informs readers "if you are uninsured or have limited income, you may qualify for financial assistance through government programs or Children's Financial Assistance Program " The website explains that depending on income level, all or part of the medical costs may be funded by Medicaid and alternatively if they are determined "not eligible" for Medicaid after providing all of the required documentation that they may then apply for the Children's Financial Assistance Program Contact numbers for the financial counselors and hours of service are provided All other billing, payment and financial responsibility related links on Children's website states that "Financial Assistance may be available " The Financial Assistance policy is currently available on the Children's Hospital & Medical Center website and is also available upon request www childrensomaha org |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART VI | 4- COMMUNITY INFORMATION | The Hospitals primary service area consists of Douglas and Sarpy Counties in Nebraska and Pottawattamie County in Iowa The primary service area has a current aggregate population of approximately 777,000 The Hospitals secondary service area consists of eight surrounding counties in Nebraska and nine surrounding counties in Iowa For year ended December 31, 2011, 57% of the Hospitals inpatient discharges were from patients residing in the three-county primary service area Patients residing in the seventeen-county secondary service area accounted for 19% of total hospital inpatient discharges during this same time period The remaining 24% of total discharges were from patients residing outside the primary and secondary service areas 2011 Demographic Summary Omaha Metro Market Area Douglas, Sarpy and Pottawattamie Counties Sources United States Census Bureau and Children's Hospital & Medical Center patient encounter database Communities Served Urban, Suburban and Rural # of hospitals serving community 12 Total Population 777,230 Pediatric Population 203,625 Average Household Income $68,838 Percent of residents below federal poverty level Total Population 13 2% Under age 18 18 6% Percent of residents on Medicaid 12 3% Age Population % of Total Less than 18 203,625 26 2% 18 to 24 76,854 9 9% 25 to 44 220,454 28 4% 45 to 64 192,474 24 8% 65+ 83,823 10 7% Total 777,230 100 0% Race Population % of Total White 593,804 76 4% Black 65,287 8 4% Hispanic 79,277 10 2% Asian/Pacific Islander 17,876 2 3% Other 17,877 2 3% Am Ind /Alaska Nat 3,109 0 4% Total 777,230 100 0% Federally-Designated Medically Underserved Areas Approximate % of patients from medically underserved areas 9 0% County # of Census Tracts* Total Census Tracts % of Total Douglas 36 156 23 1% Sarpy 1 43 2 3% Pottawattamie 3 30 10 0% Total 40 229 17 5% *Census tract is a geographical division of 500 to 3,000 households |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART VI | 5- PROMOTION OF COMMUNITY HEALTH | Proudly serving children since 1948, Children's Hospital and Medical Center is the only full-service, pediatric health care center in Nebraska Located in Omaha, it provides expertise in more than 30 pediatric specialty services to children and families across a five-state region and beyond The 145 bed, non-profit hospital houses the only dedicated pediatric emergency department in the region and offers 24-hour, in-house services by pediatric critical care specialists The critical care transport team provides state-of-the-art care and transportation to critically ill and injured neonates, infants and children The team currently has the ability to transport these patients utilizing a dedicated ground ambulance or helicopter aircraft Children's has achieved the Magnet designation for nursing excellence, is an InfoWorld 100 award winner for innovation in information technology and has received recognition in U S News and World Report's Best Children's Hospitals ranking 41 in Orthopedics and 47 in Cardiology and Heart Surgery A pediatric affiliation established between Children's and the University of Nebraska Meedical Center College of Medicine (UNMC) supports enhancements in pediatric education, research and clinical care Children's is the primary teaching site for the family practice and joint pediatrics residency programs at Creighton University and UNMC Children's Hospital and Medical Center is committed to ensuring that no child with a medical need is ever turned away due to a family's inability to pay for services In 2011, our hospital -Provided $3 5 million in services in the form of uncompensated care\charity care ($1 7 million) and bad debt write-offs(1 9 million) to families unable to pay the bills associated with their children's medical care With 43 percent of patient care revenues devoted to the care of low-income children assisted by Medicaid, the Medicaid reimbursement shortfall for FY 2011 was $22 million less than the cost of the care provided This amount has been steadily increasing and is expected to continue to rise with an uncertain national economic future -Contributed $2 2 million towards community health education aimed at promoting health and preventing illness and injury made available through the Kohl's Keep Kids Safe Program, Parenting U education classes, outreach classes, health fairs, Just Kids magazine and the consumer web site Public health assistance is available through social work, pastoral and spiritual, child life services, financial counseling and a variety of support groups Children's gives back to the community through advocacy services which are available to anyone suspecting child abuse or neglect, low-cost lodging for families of out-of-town patients, agency representation, community event sponsorships and charitable donations -Contributed $6 7 million in pediatric health care education costs to educate tomorrow's healers and an additional $1 2 million to support pediatric education, research and clinical care that will in turn improve the health care of all children In 2011, the hospital supported the joint Creighton-Nebraska Universities Health Foundation pediatrics residency programs at UNMC and Creighton University, as well as many of the region's nursing and health professional schools -Provided $31 6 million in subsidized clinical health services, or programs offered despite financial loss because they meet an identified community need The emergency department and emergency transport services, in addition to behavioral health and many of the ambulatory clinic programs all operate at negative margins Non-billed services provided include financial counseling, pastoral and spiritual care, social work and child life services provided at no cost or nominal to the patient In 2011, Children's Hospital and Medical Center contributed in total over $65 million in community benefits representing 31 percent of the hospital's operating expenses |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART VI | 6-AFFILIATED HEALTH CARE SYSTEM | Children's Hospital and Medical Center is not affiliated with a greater health care system, but is its' own health care system which the hospital operates the following related organizations - Children's Hospital & Medical Center Foundation - Children's Foundation |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART VI | 7- STATE FILING OF COMMUNITY BENEFIT REPORT | The Children's Hospital and Medical Center Community Benefit Report is filed in the State of NEbraska through the Nebraska Hospital Association, and is available to the public on the website Internet Site www childrensomaha org |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| PART V, SECTION B, LINE 21 | | AT CHILDREN'S - COMMERCIAL INSURERS, GOVERNMENT PAYORS AND SELF-PAY BILLING PARTIES ARE ALL BILLED THE SAME GROSS CHARGE RATE FOR EACH SPECIFIC PROCEDURE PERFORMED GROSS CHARGES ON AN FAP-PATIENT BILL ARE THEN DISCOUNTED ACCORDING TO THEIR FPG ELIGIBILITY WHICH REDUCES OR ELIMINATES THE AMOUNT THE PATIENT IS REQUIRED TO PAY |

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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 HOSPITAL & MEDICAL CENTER

**Employer identification number**
47-0379754

## 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) Nebraska Pediatric Practice Inc8200 Dodge St Omaha,NE 68114 | 26-3064869 | 501(c)(3) | 355,000 | | | | Pediatrics |
| (2) University of NE College of Medicine985520 NE Med Ctr Omaha,NE 68198 | 47-0049123 | 501(c)(3) | 124,000 | | | | Ped Research |
| | | | | | | | |
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| | | | | | | | |

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

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

**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 |
|---|---|---|---|---|---|
| (1) CHARITY CARE ASSISTANCE TO THOSE PATIENTS IN NEED | 2231 | | 3,232,498 | Book | WRITE OFF PAT ACCTS |
| | | | | | |
| | | | | | |
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**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 |
|---|---|---|
| SCHEDULE I, PART I, LINE 2 | SCHEDULE I - SUPPLEMENTAL INFORMATION | CHILDREN'S HOSPITAL & MEDICAL CENTER HAS A WRITTEN FINANCIAL ASSISTANCE/CHARITY CARE POLICY THE AMOUNT OF FINANCIAL ASSISTANCE IS BASED ON THE ANNUAL GROSS INCOME THRESHOLDS USING THE CURRENT FEDERAL POVERTY LEVEL GUIDELINES Grants are only distributed to 501(c)(3) organizations based on the Hospital's evaluation criteria |

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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 HOSPITAL & MEDICAL CENTER

**Employer identification number**
47-0379754

## 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<br>☐ First-class or charter travel ☐ Housing allowance or residence for personal use<br>☐ Travel for companions ☐ Payments for business use of personal residence<br>☐ Tax idemnification and gross-up payments ☑ Health or social club dues or initiation fees<br>☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef) | | | |
| **b** | If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain | **1b** | Yes | |
| **2** | Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a? | **2** | Yes | |
| **3** | Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply<br>☑ Compensation committee ☐ Written employment contract<br>☑ Independent compensation consultant ☑ Compensation survey or study<br>☐ 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** | | No |
| **b** | Participate in, or receive payment from, a supplemental nonqualified retirement plan? | **4b** | | No |
| **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** | | No |
| **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 | | | | |
| (1) GARY A PERKINS FACHE | (i) | 478,848 | 240,707 | 398,636 | 53,319 | 9,082 | 1,180,592 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (2) KATHY ENGLISH | (i) | 286,090 | 98,934 | 38,719 | 38,550 | 9,005 | 471,298 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (3) MICHAEL BROWN | (i) | 275,307 | 136,945 | 27,171 | 17,150 | 12,845 | 469,418 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (4) JOHN MOORE MD | (i) | 221,290 | | 4,246 | 16,279 | 12,022 | 253,837 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (5) CARL GUMBINER MD | (i) | 299,730 | 41,332 | 2,774 | 12,250 | 728 | 356,814 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (6) GEORGE E REYNOLDS MD | (i) | 343,917 | 110,135 | 3,376 | 36,100 | 12,704 | 506,232 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (7) BETSY J STEPHENSON MD | (i) | 306,614 | | 3,937 | 33,650 | 207 | 344,408 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (8) JOHN ANDERSEN MD | (i) | 370,535 | | 3,482 | 13,252 | 8,043 | 395,312 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (9) MICHAEL WILCZEWSKI MD | (i) | 297,279 | | 3,182 | 19,600 | 193 | 320,254 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (10) DAWN GARY MD | (i) | 289,197 | | 3,405 | 17,150 | 12,137 | 321,889 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | |
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## 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 | | GARY PERKINS' SOCIAL CLUBS DUES ARE PAID FOR BY THE ORGANIZATION TO BE USED FOR BUSINESS PURPOSES |
| PART II, COLUMN B (III) | | THE FIGURE FOR GARY A PERKINS ITEMIZED AT PART II B (III) "OTHER REPORTABLE COMPENSATION" INCLUDES A PAYMENT OF THREE HUNDRED SEVENTY THOUSAND DOLLARS REPRESENTING A CONTRIBUTION TO A SUPPLEMENT EXECUTIVE RETIREMENT PLAN ("SERP") FOR MR PERKINS IN HIS CAPACITY AS CHIEF EXECUTIVE OFFICER THE SERP BENEFIT TARGET IS BASED ON MR PERKINS 30 YEARS OF SERVICE AND WILL PROVIDE A MARKET COMPETITIVE BENEFIT IN THE OPINION OF THE HOSPITAL'S INDEPENDENT COMPENSATION CONSULTANT |

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**Schedule K (Form 990)**

Department of the Treasury
Internal Revenue Service

# Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

**2011**

**Open to Public Inspection**

Name of the organization
CHILDREN'S HOSPITAL & MEDICAL CENTER

**Employer identification number**
47-0379754

## Part I Bond Issues

| | (a) Issuer Name | (b) Issuer EIN | (c) CUSIP # | (d) Date Issued | (e) Issue Price | (f) Description of Purpose | (g) Defeased | | (h) On Behalf of Issuer | | (i) Pool financing | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Yes | No | Yes | No | Yes | No |
| A | HOSP AUTHORITY NO 2 OF DOUGLAS CO NE | 52-1440796 | 259230KT6 | 08-12-2008 | 100,881,609 | REFUND CHILD HOSP 2007 Series A&B | | X | | X | | X |

## Part II Proceeds

| | | A | B | C | D |
|---|---|---|---|---|---|
| 1 | Amount of bonds retired | 0 | | | |
| 2 | Amount of bonds defeased | 0 | | | |
| 3 | Total proceeds of issue | 100,881,843 | | | |
| 4 | Gross proceeds in reserve funds | 5,000,176 | | | |
| 5 | Capitalized interest from proceeds | 0 | | | |
| 6 | Proceeds in refunding escrow | 0 | | | |
| 7 | Issuance costs from proceeds | 751,783 | | | |
| 8 | Credit enhancement from proceeds | 24,826 | | | |
| 9 | Working capital expenditures from proceeds | 0 | | | |
| 10 | Capital expenditures from proceeds | 2,755,000 | | | |
| 11 | Other spent proceeds | 92,350,000 | | | |
| 12 | Other unspent proceeds | 0 | | | |
| 13 | Year of substantial completion | | | | |

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

## Part III Private Business Use

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

## Part III Private Business Use *(Continued)*

| | | A | | B | | C | | D | |
|---|---|---|---|---|---|---|---|---|---|
| | | Yes | No | Yes | No | Yes | No | Yes | No |
| 3a | Are there any management or service contracts that may result in private business use? | | 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? | | | | | | | | |
| c | Are there any research agreements that may result in private business use of bond-financed property? | | 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? | | | | | | | | |
| 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 ▶ | 0 % | | | | | | | |
| 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 % | | | | | | | |
| 6 | Total of lines 4 and 5 | 0 % | | | | | | | |
| 7 | Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities? | X | | | | | | | |

## Part IV Arbitrage

| | | A | | B | | C | | D | |
|---|---|---|---|---|---|---|---|---|---|
| | | Yes | No | Yes | No | Yes | No | Yes | No |
| 1 | Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue? | | X | | | | | | |
| 2 | Is the bond issue a variable rate issue? | X | | | | | | | |
| 3a | Has the organization or the governmental issuer entered into a hedge with respect to the bond issue? | X | | | | | | | |
| b | Name of provider | MORGAN STANLEY | | | | | | | |
| c | Term of hedge | 25 | | | | | | | |
| d | Was the hedge superintegrated? | | X | | | | | | |
| e | Was a hedge terminated? | | X | | | | | | |
| 4a | Were gross proceeds invested in a GIC? | | X | | | | | | |
| b | Name of provider | 0 | | | | | | | |
| c | Term of GIC | | | | | | | | |
| d | Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied? | | | | | | | | |
| 5 | Were any gross proceeds invested beyond an available temporary period? | | X | | | | | | |
| 6 | Did the bond issue qualify for an exception to rebate? | X | | | | | | | |

## Part V 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 |
|---|---|---|
| PART II, LINE 3 | 0 | THE TOTAL PROCEEDS DO NOT AGREE TO THE ISSUE PRICE IN PART I, COLUMN (E) DUE TO INVESTMENT EARNINGS |

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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 HOSPITAL & MEDICAL CENTER

**Employer identification number**
47-0379754

| Identifier | Return Reference | Explanation |
|---|---|---|
| Form 990, Part VI, Line 15 | POLICIES | Each year an independent company (Towers Watson) conducts a market analysis of the Executive Compensation This information is presented to the Compensation Committee Executive base salaries are targeted for the 50th percentile of the market Towers Watson issues an annual reasonableness opinion letter regarding the appropriateness of the executive pay levels The Compensation Committee is a sub-committee of the Board of Directors The Compensation Committee reviews base pay change for the top four executives (Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and Chief Medical Officer) and Vice Presidents The Board of Directors receives a report from the committee The Compensation Committee of the Board of directors is responsible for reviewing the CEO's performance which affects his pay rate indirectly |
| Form 990, Part VI, Line 12C | POLICIES | The Conflicts of Interest policy applies to any person in a position to exercise influence in connection with any contract, transaction or arrangement presented to the Board of Directors or a Board committee for approval (interested person) This includes, but is not limited to, any director, officer, or member of a committee with board-designated powers Each interested person has the obligation to annually submit a completed conflicts of interest questionnaire and has a continuing obligation to disclose any potential conflict of interest promptly Each interested person signs annually an acknowledgement that states that the interested person has received, read and understands the conflict of interest policy, agrees to comply with the policy, understands that the policy applies to the board of directors and committees, understands that Children's Hospital & Medical Center is a not-for-profit organization that must engage primarily in exempt activities, agrees to report to the compliance Officer any change to matters previously disclosed on the Conflicts of Interest Questionnaire, states that the information provided in the conflicts of interest questionnaire is true and accurate to the best of his/her knowledge and belief The governance committee reviews each completed conflicts of interest questionnaire to determine if any further investigation of potential conflicts is necessary When a potential conflict is voluntarily identified by an interested person or through disclosure by another person, the remaining board/committee members review the matter and determine whether a conflict exists Only disinterested board/committee members may vote to determine whether a conflict exists The interested person in question cannot be present during the vote If a conflict of interest exists, the disinterested board/committee members determine whether a more advantageous contract, transaction or arrangement should be obtained When considering whether to enter into the proposed contract, transaction, or arrangement, only disinterested board/committee members can vote to determine if it is in the best interest of Children's and for Children's own benefit The interested person may be required to leave the room when the matter is discussed and is required to leave the room when the matter is voted on Only disinterested board/committee members may vote on the matter Failure to comply with the conflict of interest policy may result in removal from the board |
| FORM 990, PART VI, LINE 11b | GOVERNANCE, MANAGEMENT, AND DISCLOSURE | The Form 990 will be available for all Board members through the Board Portal on the intranet and an overview will be presented to the Executive Committee prior to filing with the IRS |
| Form 990, Part VI, Line 19 | GOVERNANCE, MANAGEMENT, AND DISCLOSURE | Governing documents and Conflict of Interest policy are not available to the public The Children's Hospital & Medical Center and Affiliates audited financial statements can be obtained in administration |
| Form 990, Part XI, Line 5 | Other Changes in Net Assets | 1,776,689 Minority Interest in Children's Physicians (3,684,117) Change in Value of Swap 1,255 Capital Transfers Children's Health Network 1,164,977 Capital Transfers Chil Hospital & Med Ctr Fdn (741,196) Total Change in Net Assets |

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# SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

## Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

**2011**

**Open to Public Inspection**

**Name of the organization**
CHILDREN'S HOSPITAL & MEDICAL CENTER

**Employer identification number**
47-0379754

## 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 |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
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## 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 HOSPITAL & MEDICAL CENTER FDN<br>8200 DODGE STREET<br>OMAHA, NE 68114<br>47-6105603 | FUNDRAISING | NE | 501(C)(3) | LINE 7 | CHMC | Yes | |
| **(2)** CHILDREN'S PHYSICIANS<br>8200 DODGE STREET<br>OMAHA, NE 68144<br>47-0689372 | PED CLINIC | NE | 501(C)(3) | LINE 9 | CHMC | Yes | |
| | | | | | | | |
| | | | | | | | |
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**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) Disproportionate allocations? Yes | (h) No | (i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065) | (j) General or managing partner? Yes | (j) No | (k) Percentage ownership |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | |
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**Part IV** **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Direct controlling entity | (e) Type of entity (C corp, S corp, or trust) | (f) Share of total income | (g) Share of end-of-year assets | (h) Percentage ownership |
|---|---|---|---|---|---|---|---|
| **(1)** KENT INC<br>8200 DODGE STREET<br>OMAHA, NE 68114<br>47-0527928 | REAL ESTATE | NE | CHMC | C corp | 0 | 219,495 | 100 000 % |
| **(2)** CHILDREN'S HEALTH NETWORK<br>8200 DODGE STREET<br>OMAHA, NE 68114<br>36-3967578 | HEALTH NETWORK | NE | CHMC | C corp | 0 | 0 | 100 000 % |
| | | | | | | | |
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## Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

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

| | | Yes | No |
|---|---|---|---|
| **1** During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV? | | | |
| **a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity | 1a | | 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 | Yes | |
| **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 | Yes | |
| **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 | Yes | |
| **n** Sharing of paid employees with related organization(s) | 1n | Yes | |
| **o** Reimbursement paid to related organization(s) for expenses | 1o | | No |
| **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)** CHILDREN'S HOSPITAL & MEDICAL CENTER FDN | C | 3,236,964 | BOOK |
| **(2)** CHILDREN'S HOSPITAL & MEDICAL CENTER FDN | IKLMN | 2,568,312 | BOOK |
| **(3)** CHILDREN'S PHYSICIANS | D | 1,706,105 | BOOK |
| **(4)** CHILDREN'S HOSPITAL & MEDICAL CENTER FDN | R | 1,164,977 | BOOK |
| **(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 | |
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Schedule R (Form 990) 2011

## 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

**Software ID:**
**Software Version:**
**EIN:** 47-0379754
**Name:** CHILDREN'S HOSPITAL & MEDICAL CENTER

**Form 990, Special Condition Description:**

| Special Condition Description |
| --- |

KPMG

# CHILDREN'S HOSPITAL & MEDICAL CENTER AND AFFILIATES
# OMAHA, NEBRASKA

Consolidated Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

**CHILDREN'S HOSPITAL & MEDICAL CENTER AND AFFILIATES**
**OMAHA, NEBRASKA**

## Table of Contents

**KPMG LLP**
Suite 1501
222 South 15th Street
Omaha, NE 68102-1610

Suite 1600
233 South 13th Street
Lincoln, NE 68508-2041

## Independent Auditors' Report

The Board of Directors
Children's Hospital & Medical Center and Affiliates
Omaha, Nebraska:

We have audited the accompanying consolidated balance sheets of Children's Hospital & Medical Center and Affiliates, Omaha, Nebraska (the Company), 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 the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children's Hospital & Medical Center and Affiliates, Omaha, Nebraska, as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in exhibits 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

/s/ KPMG LLP

Omaha, Nebraska
April 16, 2012

**CHILDREN'S HOSPITAL & MEDICAL CENTER AND AFFILIATES**
**OMAHA, NEBRASKA**

Consolidated Balance Sheets

December 31, 2011 and 2010

(Dollars in thousands)

| Assets | | 2011 | 2010 |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ | 37,626 | 24,602 |
| Short-term investments | | 6,847 | 6,352 |
| Receivables: | | | |
| Patients, net of allowance for doubtful accounts of approximately $1,900 and $1,194 in 2011 and 2010, respectively | | 31,955 | 30,776 |
| Contributions | | 1,809 | 1,665 |
| Other | | 7,587 | 5,740 |
| Prepaid expenses and other assets | | 5,126 | 5,092 |
| Estimated third-party payor settlements | | 5,602 | 5,549 |
| Total current assets | | 96,552 | 79,776 |
| Contributions receivable | | 1,969 | 2,567 |
| Investments | | 151,756 | 148,954 |
| Property and equipment, net | | 176,843 | 178,524 |
| Other assets | | 3,860 | 3,943 |
| Total assets | $ | 430,980 | 413,764 |
| **Liabilities and Net Assets** | | | |
| Current liabilities: | | | |
| Current portion of long-term debt | $ | 201 | 183 |
| Accounts payable: | | | |
| Trade | | 8,194 | 7,116 |
| Construction | | 2,945 | 2,607 |
| Affiliates | | 866 | 956 |
| Accrued salaries and vacation payable | | 15,774 | 11,968 |
| Other accrued expenses | | 6,957 | 6,869 |
| Total current liabilities | | 34,937 | 29,699 |
| Long-term debt, net of current portion | | 107,076 | 107,323 |
| Other liabilities | | 9,615 | 5,896 |
| Total liabilities | | 151,628 | 142,918 |
| Net assets: | | | |
| Unrestricted | | 268,082 | 260,501 |
| Noncontrolling interest | | 1,379 | 491 |
| Total unrestricted net assets | | 269,461 | 260,992 |
| Temporarily restricted | | 6,835 | 7,625 |
| Permanently restricted | | 3,056 | 2,229 |
| Total net assets | | 279,352 | 270,846 |
| Total liabilities and net assets | $ | 430,980 | 413,764 |

See accompanying notes to consolidated financial statements.

**CHILDREN'S HOSPITAL & MEDICAL CENTER AND AFFILIATES**
**OMAHA, NEBRASKA**

Consolidated Statements of Operations

Years ended December 31, 2011 and 2010

(Dollars in thousands)

| | 2011 | 2010 |
|---|---|---|
| Unrestricted revenues, gains, and other support: | | |
| Patient service revenue (net of contractual allowance and discounts) | $ 243,607 | 226,635 |
| Provision for bad debt | (3,833) | (2,458) |
| Net patient service revenue less provision for bad debts | 239,774 | 224,177 |
| Contributions for use in operations | 2,879 | 5,461 |
| Other | 6,147 | 6,726 |
| Total revenues, gains, and other support | 248,800 | 236,364 |
| Expenses: | | |
| Salaries, wages, and agency staffing | 100,934 | 96,117 |
| Employee benefits | 20,577 | 21,066 |
| Outside services and professional fees | 17,789 | 16,391 |
| Supplies | 30,512 | 29,802 |
| Occupancy | 9,032 | 8,882 |
| Other | 21,264 | 18,552 |
| Depreciation and amortization | 18,363 | 16,779 |
| Interest | 5,853 | 4,871 |
| Grants | 148 | 48 |
| Affiliation support | 10,761 | 12,797 |
| (Gain) loss on disposal or impairment of assets | 271 | (19) |
| Total operating expenses | 235,504 | 225,286 |
| Operating income | 13,296 | 11,078 |
| Other income (expense): | | |
| Investment income (loss) | (2,278) | 11,895 |
| Change in fair value of swap transaction | (3,586) | (1,355) |
| Other, net | 133 | 71 |
| Total other income (expense), net | (5,731) | 10,611 |
| Excess of revenues over expenses | 7,565 | 21,689 |
| Other changes in unrestricted net assets: | | |
| Net assets released from restrictions | 1,154 | 1,713 |
| Foundation matching contribution | (250) | — |
| Noncontrolling interest contribution | — | 88 |
| Total other changes in unrestricted net assets | 904 | 1,801 |
| Increase in unrestricted net assets | $ 8,469 | 23,490 |

See accompanying notes to consolidated financial statements.

**CHILDREN'S HOSPITAL & MEDICAL CENTER AND AFFILIATES**
**OMAHA, NEBRASKA**

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2011 and 2010

(Dollars in thousands)

| | 2011 | 2010 |
|---|---|---|
| Unrestricted net assets: | | |
| Excess of revenues over expenses | $ 7,565 | 21,689 |
| Net assets released from restrictions | 1,154 | 1,713 |
| Foundation matching contribution | (250) | — |
| Noncontrolling interest contribution | — | 88 |
| Increase in unrestricted net assets | 8,469 | 23,490 |
| Temporarily restricted net assets: | | |
| Contributions | 960 | 733 |
| Investment income | 104 | 19 |
| Change in value of split-interest agreements | (102) | (1) |
| Net assets released from restrictions | (1,752) | (4,101) |
| Decrease in temporarily restricted net assets | (790) | (3,350) |
| Permanently restricted net assets: | | |
| Contributions | 645 | 1 |
| Change in value of split-interest agreements | (68) | 73 |
| Foundation matching contribution | 250 | — |
| Increase in permanently restricted net assets | 827 | 74 |
| Increase in net assets | 8,506 | 20,214 |
| Net assets, beginning of year | 270,846 | 250,632 |
| Net assets, end of year | $ 279,352 | 270,846 |

See accompanying notes to consolidated financial statements.

**CHILDREN'S HOSPITAL & MEDICAL CENTER AND AFFILIATES**
**OMAHA, NEBRASKA**

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

(Dollars in thousands)

| | | 2011 | 2010 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Change in net assets | $ | 8,506 | 20,214 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | | |
| Noncontrolling interest contribution | | — | (88) |
| Change in fair value of swap transaction | | 3,586 | 1,355 |
| Depreciation and amortization | | 18,363 | 16,779 |
| Change in realized and unrealized gains (losses) on investments, net | | 7,782 | (8,101) |
| Amortization of bond premium | | (23) | (43) |
| Change in value of split interest agreements | | 170 | (72) |
| Provision for bad debts | | 3,833 | 2,458 |
| Restricted contributions and investment income | | (1,709) | (753) |
| (Gain) loss on disposal or impairment of assets | | 271 | (19) |
| Decrease (increase) in current assets | | | |
| Receivables | | | |
| Patients | | (5,012) | (1,312) |
| Other | | (1,847) | (2,823) |
| Prepaid expenses and other assets | | (34) | (919) |
| Estimated third-party payor settlements | | (53) | 254 |
| Increase (decrease) in current liabilities | | | |
| Accounts payable | | | |
| Trade | | 1,078 | (2,361) |
| Affiliates | | (90) | 149 |
| Accrued salaries and vacation payable | | 3,806 | (618) |
| Other accrued expenses | | 88 | (27) |
| Increase in other assets | | (106) | 82 |
| Increase (decrease) in other liabilities | | 133 | (117) |
| Net cash provided by operating activities | | 38,742 | 24,038 |
| Cash flows from investing activities | | | |
| Purchase of property and equipment | | (16,597) | (35,919) |
| Sales of investments | | 19,316 | 25,371 |
| Purchases of investments | | (29,900) | (56,516) |
| Sales of short-term investments | | 9,140 | 26,179 |
| Purchases of short-term investments | | (9,635) | (4,602) |
| Net cash used in investing activities | | (27,676) | (45,487) |
| Cash flows from financing activities | | | |
| Payments on long-term debt | | (206) | (166) |
| Restricted contributions and investment income received | | 2,164 | 3,643 |
| Noncontrolling interest contribution | | — | 88 |
| Net cash provided by financing activities | | 1,958 | 3,565 |
| Net increase (decrease) in cash and cash equivalents | | 13,024 | (17,884) |
| Cash and cash equivalents, beginning of year | | 24,602 | 42,486 |
| Cash and cash equivalents, end of year | $ | 37,626 | 24,602 |
| Supplemental disclosure of cash flow information | | | |
| Cash paid for interest | $ | 5,860 | 4,864 |

See accompanying notes to consolidated financial statements

## (1) Principles of Consolidation

The consolidated financial statements include the accounts of Children's Hospital & Medical Center and its affiliates (collectively, the Company). These affiliates are Children's Hospital & Medical Center, Omaha, Nebraska (the Hospital), Children's Physicians, and Children's Hospital & Medical Center Foundation (the Foundation), all not-for-profit organizations; Children's Health Network, a not-for-profit taxable corporation; and Kent, Inc., a for-profit taxable corporation. Significant intercompany accounts and transactions have been eliminated in the consolidation.

The Hospital operates a 145-bed pediatric hospital, which includes seven surgical suites, a hybrid heart catheterization lab, 30 outpatient specialty clinics, and a 33-bed outpatient "day hospital" known as the Children's Ambulatory Recovery and Express Stay (CARES) unit, the Children's Specialty Pediatric Center, which provides outpatient diagnostics, treatment, and therapy in addition to offering outpatient eating disorder services and providing a full array of pediatric home health care services to children and adolescents who have immediate or long-term health care needs, including home medical equipment rentals and sales, home health nursing, in-home private duty nursing, center-based private duty nursing at Children's Home Healthcare's World, and home infusion therapy services. Children's Hospital & Medical Center is the only dedicated pediatric emergency department in the region and also provides specialty pediatric care services in Lincoln, Kearney, Grand Island, Hastings, North Platte, Columbus, Norfolk, and Holdrege, Nebraska; Sioux Falls and Rapid City, South Dakota; and Sioux City, Iowa.

Children's Physicians is a pediatric health care provider system for Omaha and surrounding communities that owns and operates primary care pediatric clinics. The clinics also serve as resident training sites for pediatric residents. Children's Physicians has two voting members – Children's Hospital, a Nebraska not-for-profit corporation (two-thirds or majority voting membership) and Creighton University, a Nebraska not-for-profit corporation (one-third or noncontrolling voting membership). As of December 31, 2011, Children's Physicians operates 9 clinical sites. In 2010, the Company adopted Statement 164, (codified in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-810, *Not-for-Profit Entities – Consolidation*), which requires certain changes to the presentation of the consolidated financial statements. This guidance requires Creighton's accumulated noncontrolling interest to be recognized in the consolidated balance sheets as part of net assets.

The Foundation's purpose is to manage and distribute funds solicited from the public to further the object and purpose of the Hospital. Grants are approved by the Foundation's board of directors only for the benefit of corporations that are exempt under Section 501(c)(3) of the Internal Revenue Code.

Children's Health Network is a pediatric provider organization composed of more than 240 general pediatricians, family practitioners, and pediatric specialists as well as Children's Hospital and other providers of service committed to the health status of children. The majority of these physicians are not employed by the Hospital.

Kent, Inc. owned property on the Hospital's main campus.

The Hospital entered into an Institutional Affiliation Agreement (IAA) with the Board of Regents of the University of Nebraska acting through the University of Nebraska Medical Center (UNMC), which provides a 50% ownership for each party. Under the terms of this agreement, the Hospital is responsible for funding any annual operating deficits incurred as a result of Nebraska Pediatric Practice, Inc. (NPP) operations (note 13). This affiliation is accounted for using the equity method.

## (2) Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the Company. These policies are in accordance with U.S. generally accepted accounting principles.

### *(a) Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for doubtful accounts; the valuation of the hedging activities and investments; and reserves for health, workers' compensation, professional liability claims, and other employee benefit obligations.

### *(b) Cash and Cash Equivalents*

Cash equivalents include investments in U.S. government obligations purchased/redeemed on a daily basis and certificates of deposit with original maturities of three months or less to support operations of the Hospital.

### *(c) Allowance for Doubtful Accounts and Contractual Adjustments*

Accounts receivable are reduced by an allowance for doubtful accounts and contractual adjustments. In evaluating patient accounts receivable by financial class, management regularly reviews an analysis of its historical collectability trends along with an aging of accounts receivable. For Nebraska Medicaid receivables, management conducts a detailed review of in-house and recently discharged accounts greater than $25,000 and assigns estimated payment based on diagnosis. For receivables associated with services provided to patients who have other third party payor or commercial insurance coverage, collectability is determined based on a combination of historical trends and contractual agreements. For receivables associated with self-pay patients, including patients without insurance and patients with deductibles and copayments, management analyzes historical trends in each of its predetermined stages of collectability and status of agreed upon payment plans. The difference between the standard or negotiated discounted rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

***(d) Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Alternative investments are valued at net asset value as a practical expedient to estimated fair values. The estimated values as determined by the respective fund's general manager and investment managers may differ significantly from the values that would have been used had ready markets existed.

Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the excess of revenues over expenses, unless the income or loss is restricted by donor.

Short-term investments include investments in certificates of deposit with maturities in excess of three months.

Real estate is valued at cost.

***(e) Assets Limited as to Use***

Assets limited as to use include assets held by trustees under an indenture agreement and designated assets set aside by the Board of Directors for future capital improvements, over which the Board of Directors retains control and may, at its discretion, subsequently use for other purposes.

***(f) Property and Equipment***

Property and equipment acquisitions are recorded at cost. Depreciation and amortization are provided over the estimated useful life of each class of depreciable assets and are computed using the straight-line method based on the following useful lives:

| | |
|---|---|
| Buildings and leasehold improvements | 5 – 40 years |
| Equipment and furnishings | 3 – 10 years |

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

***(g) Other Assets***

Other assets include interests in split-interest agreements. The Hospital and Foundation have been named the beneficiaries of several irrevocable charitable remainder trust agreements in which each will receive certain funds upon termination of the trusts. Contribution revenue is recognized in the

period in which the gift is established or when the Hospital or Foundation receives notice of the gift's existence. The contribution and associated receivable are recorded by discounting the future gift amount to its net present value. Adjustments to reflect the amortization of the discount rate and changes in actuarial assumptions are recognized as a temporarily restricted change in value of split-interest agreements.

The Foundation is also a beneficiary of perpetual trusts, and annually receives the income on the trusts' assets as earned in perpetuity. Contribution revenue is recognized in the period in which the trusts are established or when the Foundation receives notice of the trust's existence. The contributions and associated assets are recorded by discounting the future gift amount to its net present value.

Other assets also include bond financing costs relating to the Health Facilities Revenue Bonds, Series 2008A and 2008B, which are being amortized over the life of the related bonds.

***(h) Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Disclosure related to ASC Topic 958, *Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds*, was deemed to be immaterial.

***(i) Net Patient Service Revenue***

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

***(j) Charity Care***

The Hospital and Children's Physicians (collectively, the Healthcare Providers) provide care without charge or at amounts less than their established rates to patients who meet certain criteria under their charity care policies. Because the Healthcare Providers do not pursue collection of amounts determined to qualify as charity care, they are not reported in the consolidated statements of operations. The amount of cost for services and supplies furnished under the Company's charity care policy aggregated approximately at $1,783 and $1,483 in 2011 and 2010, respectively.

***(k) Donor-Restricted Gifts***

Unconditional promises to give cash and other assets to the Company are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift 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 as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

### *(l) Fair Value of Financial Instruments*

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

### *(m) Derivative Instruments and Hedging Activities*

The Company accounts for derivatives and hedging by recognizing all derivative instruments as either assets or liabilities in the consolidated balance sheets at their respective fair values. For derivatives designated as hedges, changes in the fair value are either offset against the change in fair value of the assets and liabilities through other income or recognized in other changes in unrestricted net assets until the hedged item is recognized in other income.

***(n) Income Taxes***

All affiliated entities, with the exception of Children's Health Network and Kent Inc., have been recognized as not-for-profit corporations by the Internal Revenue Service (IRS) as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Children's Health Network is a not-for-profit taxable corporation that has net operating losses and, therefore, has no tax liability. Kent, Inc. is a for-profit taxable corporation and had no tax liability in 2011 or 2010.

In accordance with ASC Subtopic 740-10, *Income Taxes – Overall*, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. During 2011 and 2010, the Company did not record any amounts related to uncertain tax position or any accrued interest and penalties.

***(o) Excess of Revenues over Expenses***

The consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for purposes of acquiring such assets) and other net asset transfers.

***(p) Estimated Malpractice Costs***

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

***(q) Reclassification of Prior Year Amounts***

Certain reclassifications were made to prior year control dated financial statements to conform to the 2011 presentation.

***(r) New Accounting Standard***

Effective December 31, 2011, the Company adopted Accounting Standards Update (ASU) 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which requires health care entities to present the provision for bad debt relating to patient service revenue as a deduction from patient service revenue in the consolidated statements of operations rather than as operating expense. Additional disclosures relating to the sources of patient revenue and the allowance for doubtful accounts related to patient accounts receivable are also required. The adoption of this ASU had no impact on the financial condition, results of operations, or cash flows.

(Dollars in thousands)

## (3) Net Patient Service Revenue

The Healthcare Providers have agreements with third-party payors that provide for payments at amounts different from their established rates. A summary of the payment arrangements with major third-party payors is as follows:

*Nebraska Medicaid*: Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Certain outpatient services are reimbursed based on a percentage rate representing the discounted average ratio of cost to charges. Physician clinic services are paid based on fee schedule amounts. The Hospital also receives a Disproportionate Share Payment annually from the State of Nebraska Department of Health and Human Services.

The Healthcare Providers also have entered into payment agreements with certain commercial insurance carriers, and preferred provider organizations. The basis for payment under these agreements consists primarily of discounts from established charges.

The following sets forth the Company's patient service charges at its established rates and related revenue deductions for the years ended December 31, 2011 and 2010:

| | | 2011 | 2010 |
|---|---|---|---|
| Patient service charges: | | | |
| Hospital: | | | |
| Inpatient services | $ | 199,098 | 183,857 |
| Outpatient services | | 149,319 | 132,731 |
| Children's Physicians | | 43,817 | 39,773 |
| Total patient service charges | | 392,234 | 356,361 |
| Contractual allowances | | 148,627 | 129,726 |
| Patient service revenue (net of contractual allowance and discounts) | $ | 243,607 | 226,635 |

Revenue from the Medicaid program accounted for approximately 27% and 28% of the Company's net patient service revenue for the years ended December 31, 2011 and 2010, respectively.

(Dollars in thousands)

Patient service revenue, (net of contractual allowances and discounts but before the provision for bad debts), recognized in 2011 from these major payor sources, is as follows:

| | | 2011 |
|---|---|---|
| Medicaid | $ | 58,006 |
| Commercial insurance and other third-party payors | | 169,940 |
| Patient (self-pay) | | 4,026 |
| Other operations (Home health) | | 11,635 |
| Patient service revenue (net of contractual allowance and discounts) | $ | 243,607 |

## (4) Contributions Receivable

Included in contributions receivable are the following unconditional promises to give as of December 31:

| | | 2011 | 2010 |
|---|---|---|---|
| Specialty Pediatric Center: | $ | 2,838 | 4,570 |
| Less unamortized discount | | 87 | 169 |
| Less allowance for uncollectibles | | 131 | 195 |
| Net | | 2,620 | 4,206 |
| William Fleming Endowed Chair in Cardiothoracic Surgery | | 475 | — |
| Less unamortized discount | | 10 | — |
| Net unconditional promises to give | | 465 | — |
| Fetal Care Center | | 450 | — |
| Other contributions | | 243 | 26 |
| Net unconditional promises to give | $ | 3,778 | 4,232 |
| Amounts due in: | | | |
| Less than one year | $ | 1,809 | 1,665 |
| One to five years | | 2,197 | 2,931 |
| Total | | 4,006 | 4,596 |
| Less unamortized discounts and allowances | | 228 | 364 |
| Total | $ | 3,778 | 4,232 |

Contributions receivable were discounted utilizing an interest rate of 3.49% and 0.96%, respectively, for Specialty Pediatric Center and the William Fleming Endowed Chair in Cardiothoracic Surgery.

(Dollars in thousands)

## (5) Investments

The composition of investments at December 31, 2011 and 2010 is as follows:

| | | 2011 | 2010 |
|---|---|---|---|
| Assets limited as to use: | | | |
| Designated by board – pediatric enrichment fund | $ | 4,737 | 2,075 |
| Held by trustee – reserve fund for series 2008B | | 5,000 | 5,000 |
| Designated by board for future capital improvements | | 26,947 | 26,997 |
| Designated by board to support UNMC affiliation agreement | | 10,000 | 10,000 |
| Designated by board for pediatric cardiology | | 403 | 473 |
| Designated by board for child life | | 167 | 199 |
| Donor-restricted funds | | 2,879 | 2,276 |
| Other | | 101,623 | 101,934 |
| Total | $ | 151,756 | 148,954 |

The composition of investments at December 31, 2011 and 2010 is as follows:

| | | 2011 | 2010 |
|---|---|---|---|
| At fair value: | | | |
| Cash and cash equivalents | $ | 29,329 | 28,449 |
| Corporate and municipal bonds | | 26,666 | 25,881 |
| Common and preferred stocks | | 10,195 | 10,215 |
| Mutual funds | | 51,262 | 58,186 |
| | | 117,452 | 122,731 |
| At net asset value: | | | |
| Investment in partnerships | | 32,876 | 24,792 |
| At cost: | | | |
| Real estate held for resale | | 1,428 | 1,431 |
| Total | $ | 151,756 | 148,954 |

All investment income and realized and unrealized gains and losses related to investment transactions are included in investment income in the consolidated statements of operations.



(Continued)

(Dollars in thousands)

Investment (loss) income comprises the following for the years ended December 31, 2011 and 2010:

| | | 2011 | 2010 |
|---|---|---|---|
| Dividend and interest income | $ | 5,504 | 3,794 |
| Net realized (losses) gains | | (89) | 1,662 |
| Net unrealized (losses) gains | | (7,693) | 6,439 |
| Total investment (loss) income | $ | (2,278) | 11,895 |

For investments in limited partnerships, the Company used the net asset value reported by the underlying fund to estimate the fair value of the investment. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to ASC Topic 820, *Fair Value Measurements*. Below is a summary of investments accounted for at net asset value:

| | | Net asset value at December 31, 2011 | Net asset value at December 31, 2010 | Redemption frequency (if currently eligible) | Redemption notice period |
|---|---|---|---|---|---|
| Absolute return (a) | $ | 17,989 | 14,487 | Quarterly/Annually<br>Life of investment (LOI) | 45 – 90 days |
| Absolute return (b) | | 1,432 | 1,457 | LOI | LOI |
| Private equity/venture capital funds (c) | | 1,221 | 1,326 | LOI | LOI |
| Real estate funds (d) | | 1,629 | 1,195 | LOI | LOI |
| Domestic equity (e) | | 10,605 | 6,327 | Quarterly/Annually | 45 – 60 days |
| | $ | 32,876 | 24,792 | | |

(a) This category includes investments in funds that invest primarily in event-driven investments, which seek to exploit situations in which announced or anticipated events create inefficiencies in valuations of securities (hedging using multiple strategies such as merger arbitrage, restructuring, exchange offers, distressed debt, credit, options and other derivatives, and initial public offerings). The redemption notice period for the five partnerships in this category range from March 31, 2012 to June 30, 2014.

(b) This category includes investments whose primary focus is various types of distressed debt, including individual and corporate debt obligations for both domestic and foreign consumers.

(c) This category includes investments in funds that invest primarily in private equity related to the oil and gas sector primarily in North America. The partnerships shall be dissolved upon the expiration of a 10-year period with an option of two 1-year extensions if more than 80% of the limited partners approve. In 2011, an additional $1,500 commitment was made to this category. However, no capital



(Continued)

(Dollars in thousands)

calls related to this commitment had been initiated by December 31, 2011. At December 31, 2011, the Company has unfunded commitments of $2,567 related to these funds.

(d) This category includes investments in funds that invest in a geographically diverse portfolio of real estate investments, principally industrial, office, residential, and retail properties. The anticipated term of the partnership is 10 years from the date of when substantially all capital commitments are invested. At December 31, 2011, the Company has unfunded commitments of $80 related to these funds.

(e) This category invests in funds that primarily invest in U.S. common stocks. Those included in this category pursue a long-short strategy. Lockup period ranges from 12 to 36 months from the original subscription period. Redemption dates range between March 31, 2012 and March 31, 2014.

Due to the nature of the investments held by the funds, changes in market conditions, and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Company's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the Company were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

## (6) Property and Equipment

Property and equipment as of December 31, 2011 and 2010 are summarized as follows:

| | 2011 | 2010 |
|---|---|---|
| Land | $ 11,705 | 11,641 |
| Building and leasehold improvements | 190,816 | 185,464 |
| Equipment and furnishings | 103,979 | 97,303 |
| Software license fees | 1,630 | 1,630 |
| Work in process | 2,265 | 4,866 |
| | 310,395 | 300,904 |
| Less accumulated depreciation and amortization | 133,552 | 122,380 |
| | $ 176,843 | 178,524 |

Depreciation expense for the years ended December 31, 2011 and 2010 amounted to $18,344 and $16,760, respectively.

(Dollars in thousands)

## (7) Other Assets

Other assets are comprised of the following as of December 31, 2011 and 2010:

| | | 2011 | 2010 |
|---|---|---|---|
| Interest in charitable remainder and perpetual trusts | $ | 2,149 | 2,319 |
| Bond financing costs, net | | 359 | 377 |
| Investments held for deferred compensation | | 1,352 | 1,247 |
| | $ | 3,860 | 3,943 |

Bond financing costs are amortized on a straight-line basis, which approximates the effective-interest method, over the term of the bond issue. Amortization has been included with depreciation and amortization in the accompanying consolidated statements of operations. Amortization expense for both 2011 and 2010 was $18.

## (8) Long-Term Debt

A summary of long-term debt as of December 31, 2011 and 2010 is as follows:

| | | 2011 | 2010 |
|---|---|---|---|
| Health Facilities Revenue Refunding Bonds, Series 2008A, variable interest, 0.07% at December 31, 2011, principal maturing in varying annual amounts commencing August 15, 2019, final maturity August 15, 2032 | $ | 34,870 | 34,870 |
| Health Facilities Revenue Refunding Bonds, Series 2008B, fixed interest, 5.52% at December 31, 2011, principal maturing in varying annual amounts commencing August 15, 2013, final maturity August 15, 2031 plus premium of $511 at December 31, 2011 | | 65,511 | 65,557 |
| Mortgage note payable, interest at 9.49%, principal and interest due quarterly through 2027, secured by the related property | | 6,896 | 7,079 |
| | | 107,277 | 107,506 |
| Less current portion | | 201 | 183 |
| Long-term debt, net of current portion | $ | 107,076 | 107,323 |

The overall effective-interest rate on the Series 2008A and 2008B Bonds was 5.13% for 2011. The maximum interest the Hospital can be charged is 12.00% for the Series 2008A Bonds. The Series 2008B Bonds have fixed rates with a minimum rate of 4.00% and a maximum rate of 5.88%.



(Continued)

(Dollars in thousands)

Scheduled principal repayments on long-term debt are as follows:

| | | |
|---|---|---|
| Year ending December 31: | | |
| 2012 | $ | 201 |
| 2013 | | 3,255 |
| 2014 | | 3,397 |
| 2015 | | 3,556 |
| 2016 | | 3,727 |
| Thereafter | | 92,940 |
| Total | $ | 107,076 |

On August 12, 2008, $34,870 of Health Facilities Revenue Refunding Bonds, Series 2008A and $65,000 of Health Facilities Revenue Refunding Bonds, Series 2008B were issued by the Hospital Authority No. 2 of Douglas County, Nebraska pursuant to the Master Trust Indenture and Loan Agreement between the Hospital and Foundation (Obligated Group) and First National Bank of Omaha, Nebraska (Master Trustee). The Series 2008 Bonds are the joint and several obligations of the Hospital and Foundation. The Series 2008A Bonds shall accrue interest at a daily rate unless and until the interest rate period for any of the Bonds is converted to a different interest rate period pursuant to the bond indenture and are secured by an irrevocable direct pay letter of credit issued in favor of the bond trustee by U.S. Bank National Association. The Series 2008B Bonds were issued at various fixed interest rates.

The proceeds from the Series 2008 Bonds were used to refund and redeem $92,350 of Health Facilities Revenue Bonds (Children's Hospital Obligated Group), Series 2007.

The Hospital has entered into an interest rate swap agreement with Piper Jaffray Financial Products Inc. and Morgan Stanley Capital Services, Inc. for $34,720. The Hospital has accounted for derivatives and hedging activities in accordance with FASB ASC Topic 815, *Derivatives and Hedging* (Statement No. 133, *Accounting for Derivative Instruments and Certain Hedging Activities*, as amended), which requires that the derivatives be recorded at fair value in the consolidated financial statements and the change in the derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met. The Hospital has not met the requirements for hedge accounting, and accordingly, the change in the value of the swap of $(3,586) and $(1,355) in 2011 and 2010, respectively, is reflected in other income in the consolidated statements of operations.

At December 31, 2011 and 2010, the fair value of the derivatives was $(8,092) and $(4,505), respectively, which has been reflected in other liabilities in the accompanying consolidated financial statements.



(Continued)

(Dollars in thousands)

The maximum loss to the Hospital at December 31, 2011 if Morgan Stanley Capital Services Inc. failed to perform is $0, since the Hospital is in a liability position. The amount and terms of the swap agreements are as follows:

| Series | | Notional amount of swap | Interest rate |
|---|---|---|---|
| 2008A | $ | 34,720 | 3.655% |

The following items related to the interest rate swap are included in the consolidated financial statements:

| | | 2011 | 2010 |
|---|---|---|---|
| Statements of operations: | | | |
| Swap interest – operating expenses | $ | 1,214 | 1,205 |
| Realized and unrealized losses, recognition of deferred loss on hedging transaction, and payment to terminate included in other expense | | (3,586) | (1,355) |
| Balance sheets: | | | |
| Interest rate swap – other liabilities | $ | (8,092) | (4,505) |
| Accrued interest payable – current liabilities | | (100) | (101) |

## (9) Operating Leases

The Company leases two floors in the north tower of the Nebraska Methodist Hospital facility. The lease includes helistop and parking access. The initial term of the lease expires May 31, 2021 and requires the Company to pay both a shell and a facility services lease rate.

The Company also leases various equipment and other building spaces for operations under various noncancelable operating lease arrangements that expire between December 31, 2012 and September 30, 2021 and require varying minimum annual rentals. Several of the building leases also require the payment of property taxes and normal maintenance on the properties.

(Dollars in thousands)

The total minimum rental and facility services commitments at December 31, 2011 are as follows:

| | Building and equipment rental commitments | Facility services commitments |
|---|---|---|
| 2012 | $ 4,792 | 973 |
| 2013 | 3,898 | 1,012 |
| 2014 | 3,620 | 1,051 |
| 2015 | 3,004 | 1,092 |
| 2016 | 2,391 | 1,135 |
| Due thereafter | 8,389 | 5,576 |

Total rental expense included in the accompanying consolidated statements of operations for the years ended December 31, 2011 and 2010 is $6,429 and $6,558, respectively.

## (10) Temporarily and Permanently Restricted Net Assets

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

| | 2011 | 2010 |
|---|---|---|
| Specialty Pediatric Center | $ 3,636 | 5,218 |
| Mortgage on pavilion | 1,408 | 1,507 |
| Charitable remainder trusts | 31 | 35 |
| Fetal Care Center | 460 | — |
| Other | 1,300 | 865 |
| Total | $ 6,835 | 7,625 |

Permanently restricted net assets include endowment funds, which are to be held in perpetuity, and perpetual trusts. The income is expendable for the identified activity:

| | 2011 | 2010 |
|---|---|---|
| Support of Carolyn Scott Rainbow House | $ 1,024 | 1,024 |
| Support of William Fleming Endowed Chair in Cardiothoracic Surgery | 765 | — |
| Support of general operations of the Foundation | 1,267 | 1,205 |
| | $ 3,056 | 2,229 |

Realized and unrealized gains and losses on investment transactions related to restricted investments are included in temporarily restricted net assets and released from restrictions in accordance with the

Foundation's spending policy and donor stipulation. Change in value of split-interest agreements is reflected in the appropriate net asset classifications.

## (11) Professional Liability Insurance

The Company carries a professional liability policy that provides $1,000 of coverage for injuries per claim and $3,000 aggregate, with a deductible of $25 per claim and $125 aggregate. This policy expires on August 1, 2012. Claims made prior to such date were insured. The Company also carries a physician professional liability policy that provides $1,000 of coverage for injuries per claim and $3,000 aggregate, with a deductible of $10 per claim and no aggregate. In addition, the Company carries an umbrella excess liability policy (hospital professional and physician professional) that also provides $15,000 per claim and aggregate coverage. These policies provide coverage on a claims-made basis, covering incidents that occurred subsequent to the retroactive date stated in the policy and first reported to the insurance company while the coverage is in force. In the event the Company should elect not to purchase insurance from the present carrier and fails to purchase the appropriate extended reporting endorsement, any unreported claims that occurred during the policy year may not be recoverable from the carrier.

The Company has provided for claims, including estimates of the ultimate costs of both reported claims and claims incurred but not reported at year-end. Management is presently not aware of any unasserted general and professional liability claims that would have a material adverse impact on the accompanying consolidated financial statements.

## (12) Workers' Compensation Agreement

The Company has established a self-insured workers' compensation program that provides coverage for workers' compensation claims for the Company. An aggregate retention policy is provided through a commercial insurance company, which provides coverage up to the State of Nebraska's statutory requirements and the employer's liability up to $1,000. The responsibility for the initial $350 on each claim resides with the Company, subject to an aggregate retention limit of $1,354. The Company has provided for claim payments, including estimates of the ultimate costs for both reported claims and claims incurred but not reported at year-end.

## (13) Transactions with Affiliates

As discussed in note 1, Creighton University has a noncontrolling interest in Children's Physicians. For financial reporting purposes, the assets, liabilities, and operations of Children's Physicians are consolidated in the accompanying consolidated financial statements. Creighton University's 33% interest in Children's Physicians is reported as a noncontrolling interest in net assets on the consolidated balance sheets and the income or loss therefrom is included in other operating revenue in the consolidated statements of operations and changes in net assets. The noncontrolling interest related to excess of revenues over expenses was $888 and $(70) for the years ended December 31, 2011 and 2010, respectively.

(Dollars in thousands)

The following is a summary of transactions between Creighton University and Children's Physicians, related to market rates or costs incurred, as reflected in the accompanying consolidated financial statements:

| | | 2011 | 2010 |
|---|---|---|---|
| Consolidated balance sheets: | | | |
| Payable for operating, overhead, and physician labor costs | $ | 866 | 956 |
| Consolidated statements of operations and changes in net assets: | | | |
| Operating and overhead expenses | $ | 698 | 833 |
| Physician labor costs | | 4,442 | 4,256 |

On June 30, 2008, the Hospital and the Board of Regents of the University of Nebraska, acting on behalf of UNMC, entered into a members' agreement, as the only members of NPP. Under the terms of this agreement, the Hospital is responsible for funding any annual operating deficit incurred as a result of NPP operations.

The following is a summary of transactions between NPP, UNMC, and the Company, related to market rates or costs incurred, as reflected in the accompanying consolidated financial statements:

| | | 2011 | 2010 |
|---|---|---|---|
| Consolidated balance sheets: | | | |
| Receivable for billing fees, clinical support, and occupancy | $ | 4,489 | 2,899 |
| Repayable advance to Children's Specialty Physicians | | 1,558 | — |
| Prepaid tax levy reserve | | 1,270 | 1,051 |
| Payable for operating loss shortfall, net | | (2,891) | (1,068) |
| | $ | 4,426 | 2,882 |
| Consolidated statements of operations and changes in net assets: | | | |
| Support for billing fees, clinical support, and occupancy | $ | (14,013) | (12,363) |
| Physician labor costs | | 24,774 | 25,160 |
| | $ | 10,761 | 12,797 |

## (14) Defined Contribution Plan

The Hospital and Children's Physicians offer defined contribution retirement plans covering substantially all of their employees. Contributions and related retirement plan expense totaled $5,128 and $4,738 for the years ended December 31, 2011 and 2010, respectively. The Hospital's contributions include a payroll match and a basic year-end contribution as defined by the Plan. Children's Physician's contributions include a payroll match and a year-end discretionary contribution as defined by the Plan.



(Continued)

(Dollars in thousands)

## (15) Concentrations of Credit Risk

The Company grants credits without collateral to its patients, most of whom are local residents of Nebraska and western Iowa and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

| | 2011 | 2010 |
|---|---|---|
| Medicaid | 40% | 45% |
| Commercial insurance and other third-party payors | 52 | 46 |
| Patients | 8 | 9 |
| | 100% | 100% |

During the years ended December 31, 2011 and 2010, approximately 48% and 45%, respectively, of the Hospital's patient days were provided to individuals who are beneficiaries of the Medicaid program. The Medicaid program's ability to honor services provided to its beneficiaries is dependent on both federal and state funding.

## (16) Commitments and Contingencies

### *(a) Commitments*

In 2006, the Hospital and Eclipsys Corporation (Eclipsys) entered into a seven year Master Technology and Services Agreement (the Agreement). Under the Agreement, the Hospital outsourced portions of its information technology (IT) operations to Eclipsys. In June 2010, Eclipsys was acquired by Allscripts, a rival healthcare information provider, who assumed the terms of the original Agreement for the remainder of the contract period and is currently responsible for installation and/or implementation, data processing at its technology solutions center, and certain management and support services for software leased to the Hospital. In accordance with the terms of the agreement, this software was converted from a subscription license to a perpetual license in 2008. The current contract, which expires in 2012, has been amended and various aspects of service have been extended with varying term dates through year 2018.

In 2011, the Hospital and Epic Systems Corporation (Epic) entered into a 40-month enterprise license, implementation and service maintenance agreement for a comprehensive electronic medical records system. After completion of contract payments in 2015, a provision allows for the conversion of this software from a subscription license to a perpetual license at an additional cost of $654.

(Dollars in thousands)

The Hospital's contractual minimums for management and support services are as follows:

| Year ending December 31: | | |
|---|---|---|
| 2012 | $ | 4,829 |
| 2013 | | 3,502 |
| 2014 | | 2,056 |
| 2015 | | 180 |
| 2016 | | 18 |
| Thereafter | | 36 |

### *(b) Laws and Regulations*

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

Management believes that the Company is in compliance with government laws and regulations as they apply to the areas of fraud and abuse. While no regulatory inquiries have been made that are expected to have a material effect on the Company's consolidated financial statements, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

### *(c) Line of Credit*

The Company has entered into an unsecured revolving line of credit in the amount of $5,000. At December 31, 2011 or 2010, the Company had not borrowed on this line.

## (17) Functional Expenses

The Company provides general health care and other services to residents within its geographic location. Expenses included in the accompanying consolidated statements of operations as they relate to provision of these services are as follows:

| | | 2011 | 2010 |
|---|---|---|---|
| Healthcare services | $ | 208,941 | 199,771 |
| Fund-raising | | 2,496 | 2,380 |
| General and administrative | | 24,067 | 23,135 |
| | $ | 235,504 | 225,286 |



(Continued)

(Dollars in thousands)

## (18) Fair Value Measurements

### *(a) Fair Value of Financial Instruments*

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2011 and 2010. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Cash and cash equivalents | $ 37,626 | 37,626 | 24,602 | 24,602 |
| Short-term investments | 6,847 | 6,847 | 6,352 | 6,352 |
| Patient receivables | 31,955 | 31,955 | 30,776 | 30,776 |
| Short-term contributions receivables | 1,809 | 1,809 | 1,665 | 1,665 |
| Other receivable | 7,587 | 7,587 | 5,740 | 5,740 |
| Contributions receivable | 1,969 | 1,969 | 2,567 | 2,567 |
| Investments | 151,756 | 151,756 | 148,954 | 148,954 |
| Investments held for deferred compensation | 1,352 | 1,352 | 1,247 | 1,247 |
| Other assets | 2,149 | 2,149 | 2,319 | 2,319 |
| Financial liabilities | | | | |
| Accounts payable | $ 12,005 | 12,005 | 10,679 | 10,679 |
| Accrued expenses | 6,957 | 6,957 | 6,869 | 6,869 |
| Long-term debt | 107,277 | 134,256 | 107,506 | 122,068 |
| Interest rate swap | 8,092 | 8,092 | 4,505 | 4,505 |
| Deferred compensation | 1,352 | 1,352 | 1,247 | 1,247 |

The carrying amounts shown in the table are included in the consolidated balance sheets under the indicated captions, except for deferred compensation, which is included in other assets, and interest rate swap and deferred compensation liabilities, which are included in other liabilities.

The fair values of the financial instruments shown in the above table represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances.



(Continued)

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

Cash and cash equivalents, short-term investments, patient receivables, receivables, accounts payable, accrued expenses, and deferred compensation assets and liabilities: The carrying amounts approximate fair value because of the short maturity of these instruments.

Contributions receivable: The fair value is determined as the present value of expected future contribution cash flows discounted at an interest rate that reflects the risks inherent in those cash flows.

Investment securities: Equity securities are measured using quoted market prices at the reporting date multiplied by the quantity held. Debt securities are measured using quoted market prices multiplied by the quantity held when quoted market prices are available. If quoted market prices for those debt securities are not available, the fair value is determined using an income approach valuation technique (present value using the discount rate adjustment technique) that considers, among other things, interest rates, the issuer's credit spread, and illiquidity by sector and maturity. For investments in partnerships, the fair value is estimated based on the net asset value of the fund and the number of shares held by the Company.

Interest rate swaps: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. Also, the Hospital has an A2 debt rating from Moody's.

Long-term debt: The fair value is determined by discounting the future cash flows of each instrument at rates that reflect, among other things, market interest rates and the Company's credit standing. The discount rate used was 1.97% and 3.29% for December 31, 2011 and 2010, respectively.



(Continued)

(Dollars in thousands)

### *(b) Fair Value Hierarchy*

The following tables present assets and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value and items for which the fair value option has been elected) at December 31, 2011 and 2010:

| Fair value measurements at December 31, 2011 | | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Cash | $ 1,586 | 500 | — | 2,086 |
| Certificates of deposit | — | 6,847 | — | 6,847 |
| Money market funds | 49,907 | — | — | 49,907 |
| Repos | 14,962 | — | — | 14,962 |
| Publicly traded fixed income individual securities | — | 21,970 | — | 21,970 |
| Publicly traded fixed income – mutual funds | 4,203 | — | — | 4,203 |
| Municipal bonds | — | 258 | — | 258 |
| U S Treasury & Aaa-rated agencies | — | 235 | — | 235 |
| Domestic mutual fds | 28,735 | — | — | 28,735 |
| Int'l mutual fund | 22,527 | — | — | 22,527 |
| Domestic – individual stocks | 9,810 | — | — | 9,810 |
| Int'l – individual stocks | 385 | — | — | 385 |
| Investments in partnerships | — | 19,891 | 12,985 | 32,876 |
| Other | 1,352 | — | — | 1,352 |
| | $ 133,467 | 49,701 | 12,985 | 196,153 |
| Financial liabilities | | | | |
| Interest rate swap | $ — | 8,092 | — | 8,092 |
| Deferred compensation | 1,352 | — | — | 1,352 |
| Total | $ 1,352 | 8,092 | — | 9,444 |



(Continued)

(Dollars in thousands)

| | Fair value measurements at December 31, 2010 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Cash | $ 9,366 | — | — | 9,366 |
| Certificates of deposit | — | 9,352 | — | 9,352 |
| Money market funds | 34,509 | — | — | 34,509 |
| Repos | 6,175 | — | — | 6,175 |
| Publicly traded fixed income individual securities | — | 21,384 | — | 21,384 |
| Publicly traded fixed income – mutual funds | 11,970 | — | — | 11,970 |
| Municipal bonds | — | 242 | — | 242 |
| U S Treasury & Aaa-rated agencies | — | 241 | — | 241 |
| Domestic mutual fds | 26,855 | — | — | 26,855 |
| Int'l mutual fund | 23,376 | — | — | 23,376 |
| Domestic – individual stocks | 9,719 | — | — | 9,719 |
| Int'l – individual stocks | 496 | — | — | 496 |
| Investments in partnerships | — | 19,356 | 5,436 | 24,792 |
| Other | 1,247 | — | — | 1,247 |
| | $ 123,713 | 50,575 | 5,436 | 179,724 |
| Financial liabilities | | | | |
| Interest rate swap | $ — | 4,505 | — | 4,505 |
| Deferred compensation | 1,247 | — | — | 1,247 |
| Total | $ 1,247 | 4,505 | — | 5,752 |

Certain investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund as a practical expedient to estimate the fair value of the Company's interest therein, its classification in Level 2 or Level 3 is based on the Company's ability to redeem its interest at or near the date of the balance sheets. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the year ended December 31, 2011.



(Continued)

(Dollars in thousands)

The following table presents the Company's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC Topic 820 for the years ended December 31, 2011 and 2010:

| | Investment in partnerships |
|---|---|
| Balance at December 31, 2009 | $ 3,677 |
| Total realized and unrealized gain included in income | 105 |
| Purchases | 2,418 |
| Settlements | (764) |
| Balance at December 31, 2010 | 5,436 |
| Total realized and unrealized loss included in income | (269) |
| Purchases | 8,771 |
| Settlements | — |
| Distributions | (953) |
| Balance at December 31, 2011 | $ 12,985 |

Realized and unrealized gains or losses included in income for 2011 and 2010 for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC Topic 820 are reported in the consolidated financial statements within the following line items:

| | Investment in partnerships | |
|---|---|---|
| | 2011 | 2010 |
| Total realized and unrealized (loss) gain included in income | $ (269) | 105 |
| Change in unrealized loss relating to assets and liabilities still held at the reporting date (above) | (1,221) | (169) |

## (19) Subsequent Events

The Company has evaluated subsequent events from the consolidated balance sheet date through April 16, 2012 the date at which the consolidated financial statements were available to be issued, and determined there are no other items to disclose.

Exhibit 1

**CHILDREN'S HOSPITAL & MEDICAL CENTER AND AFFILIATES**
**OMAHA, NEBRASKA**

Consolidating Balance Sheet

December 31, 2011

(Dollars in thousands)

| Assets | Children's Hospital | Children's Physicians | Children's Hospital Foundation | Children's Health Network | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Current assets | | | | | | |
| Cash and cash equivalents | $ 29,559 | 2,963 | 5,104 | — | — | 37,626 |
| Short-term investments | 5,847 | — | 1,000 | — | — | 6,847 |
| Receivables | | | | | | |
| Patients, net of allowance for doubtful accounts | 30,351 | 1,604 | — | — | — | 31,955 |
| Contributions | — | — | 1,809 | — | — | 1,809 |
| Affiliates | 2,482 | — | — | — | (2,482) | — |
| Other | 6,812 | 7 | 768 | — | — | 7,587 |
| Prepaid expenses and other assets | 4,760 | 366 | — | — | — | 5,126 |
| Estimated third-party payor settlements | 5,602 | — | — | — | — | 5,602 |
| Total current assets | 85,413 | 4,940 | 8,681 | — | (2,482) | 96,552 |
| Contributions receivable | — | — | 1,969 | — | — | 1,969 |
| Investments | 17,318 | — | 138,575 | — | (4,137) | 151,756 |
| Property and equipment, net | 174,678 | 2,037 | 128 | — | — | 176,843 |
| Interest in Foundation | 147,597 | — | — | — | (147,597) | — |
| Other assets | 3,120 | — | 740 | — | — | 3,860 |
| Total assets | $ 428,126 | 6,977 | 150,093 | — | (154,216) | 430,980 |



(Continued)

Exhibit 1

**CHILDREN'S HOSPITAL & MEDICAL CENTER AND AFFILIATES**
**OMAHA, NEBRASKA**

Consolidating Balance Sheet

December 31, 2011

(Dollars in thousands)

| Liabilities and Net Assets | Children's Hospital | Children's Physicians | Children's Hospital Foundation | Children's Health Network | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Current liabilities | | | | | | |
| Current portion of long-term debt | $ 201 | — | — | — | — | 201 |
| Accounts payable | | | | | | |
| Trade | 7,570 | 624 | — | — | — | 8,194 |
| Construction | 2,945 | — | — | — | — | 2,945 |
| Affiliates | — | 1,093 | 2,255 | — | (2,482) | 866 |
| Accrued salaries and vacation payable | 15,282 | 492 | — | — | — | 15,774 |
| Other accrued expenses | 6,200 | 516 | 241 | — | — | 6,957 |
| Total current liabilities | 32,198 | 2,725 | 2,496 | — | (2,482) | 34,937 |
| Long-term debt, net of current portion | 107,076 | — | — | — | — | 107,076 |
| Other liabilities | 9,500 | 115 | — | — | — | 9,615 |
| Total liabilities | 148,774 | 2,840 | 2,496 | — | (2,482) | 151,628 |
| Net assets | | | | | | |
| Unrestricted | 268,082 | 4,137 | 139,114 | — | (143,251) | 268,082 |
| Noncontrolling interest | 1,379 | — | — | — | — | 1,379 |
| Total unrestricted net assets | 269,461 | 4,137 | 139,114 | — | (143,251) | 269,461 |
| Temporarily restricted | 6,835 | — | 5,427 | — | (5,427) | 6,835 |
| Permanently restricted | 3,056 | — | 3,056 | — | (3,056) | 3,056 |
| Total net assets | 279,352 | 4,137 | 147,597 | — | (151,734) | 279,352 |
| Total liabilities and net assets | $ 428,126 | 6,977 | 150,093 | — | (154,216) | 430,980 |

See accompanying independent auditors' report

Exhibit 2

**CHILDREN'S HOSPITAL & MEDICAL CENTER AND AFFILIATES**
**OMAHA, NEBRASKA**

Consolidating Statement of Operations

Year ended December 31 2011

(Dollars in thousands)

| | Children's Hospital | Children's Physicians | Children's Hospital Foundation | Children's Health Network | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Unrestricted revenues gains and other support | | | | | | |
| Net patient service revenue before provision for bad debt | $ 211 917 | 31 690 | — | — | — | 243 607 |
| Provision for bad debt | (3 517) | (316) | — | — | — | (3 833) |
| Net patient service revenue less provision for bad debt | 208 400 | 31 374 | — | — | — | 239 774 |
| Contributions for use in operations | 765 | 6 | 2 281 | — | (173) | 2 879 |
| Other | 9 311 | 30 | — | 4 | (3 198) | 6 147 |
| Equity in income of Children's Physicians | 2 664 | — | — | — | (2 664) | — |
| Total revenues gains and other support | 221 140 | 31 410 | 2 281 | 4 | (6 035) | 248 800 |
| Expenses | | | | | | |
| Salaries wages and agency staffing | 86 465 | 13 675 | 791 | 3 | — | 100 934 |
| Employee benefits | 18 088 | 2 327 | 162 | — | — | 20 577 |
| Outside services and professional fees | 17 230 | 3 148 | 541 | — | (3 130) | 17 789 |
| Supplies | 24 996 | 5 508 | 8 | — | — | 30 512 |
| Occupancy | 7 513 | 1 487 | 80 | — | (48) | 9 032 |
| Other | 18 656 | 1 429 | 1 179 | — | — | 21 264 |
| Depreciation and amortization | 17 180 | 1 149 | 34 | — | — | 18 363 |
| Interest | 5 841 | 20 | 12 | — | (20) | 5 853 |
| Grants | — | — | 3 391 | — | (3 243) | 148 |
| Affiliation support | 10 761 | — | — | — | — | 10 761 |
| Loss on disposal or impairment of assets | 268 | 3 | — | — | — | 271 |
| Total operating expenses | 206 998 | 28 746 | 6 198 | 3 | (6 441) | 235 504 |
| Operating income (loss) | 14 142 | 2 664 | (3 917) | 1 | 406 | 13 296 |
| Other income (expense) | | | | | | |
| Investment income (loss) | 64 | — | (2 342) | — | — | (2 278) |
| Change in fair value of swap transaction | (3 586) | — | — | — | — | (3 586) |
| Change in beneficial interest in net assets of Foundation | (3 022) | — | — | — | 3 022 | — |
| Other net | 133 | — | — | — | — | 133 |
| Total other income (expense) net | (6 411) | — | (2 342) | — | 3 022 | (5 731) |
| Excess (deficiency) of revenues over expenses | 7 731 | 2 664 | (6 259) | 1 | 3 428 | 7 565 |
| Other changes in unrestricted net assets | | | | | | |
| Net assets released from restrictions | — | — | 1 752 | — | (598) | 1 154 |
| Foundation matching contribution | — | — | (250) | — | — | (250) |
| Change in beneficial interest in net assets of Foundation | (428) | — | — | — | 428 | — |
| Net asset transfers | 1 166 | — | (1 165) | (1) | — | — |
| Total other changes in unrestricted net assets | 738 | — | 337 | (1) | (170) | 904 |
| Increase (decrease) in unrestricted net assets | $ 8 469 | 2 664 | (5 922) | — | 3 258 | 8 469 |

See accompanying independent auditors' report

Exhibit 3

**CHILDREN'S HOSPITAL & MEDICAL CENTER AND AFFILIATES**
**OMAHA, NEBRASKA**

Consolidating Statement of Changes in Net Assets

Year ended December 31 2011

(Dollars in thousands)

| | Children's Hospital | Children's Physicians | Children's Hospital Foundation | Children's Health Network | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Unrestricted net assets | | | | | | |
| Excess (deficiency) of revenues over expenses | $ 7 731 | 2 664 | (6 259) | 1 | 3 428 | 7 565 |
| Net assets released from restrictions | — | — | 1 752 | — | (598) | 1 154 |
| Foundation matching contribution | — | — | (250) | — | — | (250) |
| Change in beneficial interest in net assets of Foundation | (428) | — | — | — | 428 | — |
| Net asset transfers | 1 166 | — | (1 165) | (1) | — | — |
| Increase (decrease) in unrestricted net assets | 8 469 | 2 664 | (5 922) | — | 3 258 | 8 469 |
| Temporarily restricted net assets | | | | | | |
| Contributions | — | — | 960 | — | — | 960 |
| Investment income | — | — | 104 | — | — | 104 |
| Change in beneficial interest in net assets of Foundation | (692) | — | — | — | 692 | — |
| Change in value of split-interest agreements | (98) | — | (4) | — | — | (102) |
| Net assets released from restrictions | — | — | (1 752) | — | — | (1 752) |
| Decrease in temporarily restricted net assets | (790) | — | (692) | — | 692 | (790) |
| Permanently restricted net assets | | | | | | |
| Contributions | — | — | 645 | — | — | 645 |
| Change in beneficial interest in net assets of Foundation | 827 | — | — | — | (827) | — |
| Change in value of split-interest agreements | — | — | (68) | — | — | (68) |
| Foundation matching contribution | — | — | 250 | — | — | 250 |
| Increase in permanently restricted net assets | 827 | — | 827 | — | (827) | 827 |
| Increase (decrease) in net assets | 8 506 | 2 664 | (5 787) | — | 3 123 | 8 506 |
| Net assets beginning of year | 270 846 | 1 473 | 153 384 | — | (154 857) | 270 846 |
| Net assets end of year | $ 279 352 | 4 137 | 147 597 | — | (151 734) | 279 352 |

See accompanying independent auditors' report