See a Social Security Number? Say Something!
Report Privacy Problems to https://public.resource.org/privacy
Or call the IRS Identity Theft Hotline at 1-800-908-4490

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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 Medical Center of Dallas

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1935 Medical District Drive

City or town, state or country, and ZIP + 4
Dallas, TX 75235

D Employer identification number
75-0800628

E Telephone number
(214)456-7000

G Gross receipts $ 1,061,264,494

F Name and address of principal officer
Christopher J Durovich
1935 Medical District Dr
Dallas,TX 75235

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 childrens com

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1986 | **M** State of legal domicile TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Dedicated to making life better for children

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	20
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	19
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	6,584
6	Total number of volunteers (estimate if necessary)	**6**	6,179
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)	27,316,941	22,203,306
	9 Program service revenue (Part VIII, line 2g)	913,627,951	986,650,594
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	17,012,282	34,066,370
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	14,284,928	17,729,771
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	972,242,102	1,060,650,041
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	80,000	30,500
	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)	451,773,189	472,214,736
	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)	416,146,571	429,496,069
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	867,999,760	901,741,305
	19 Revenue less expenses Subtract line 18 from line 12	104,242,342	158,908,736

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	1,773,624,864	1,913,488,935
	21 Total liabilities (Part X, line 26)	624,316,914	690,388,149
	22 Net assets or fund balances Subtract line 21 from line 20	1,149,307,950	1,223,100,786

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

****** 2012-11-14
Signature of officer — Date

Jerry Lee SVP & CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ Kimberly Temple CPA | Date | Check if self-employed ▶☐ | Preparer's taxpayer identification number (see instructions) P00669176

Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ Grant Thornton LLP
1717 Main Street Suite 1500
Dallas, TX 75201

EIN ▶ 36-6055558

Phone no ▶ (214) 561-2300

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

Children's Medical Center of Dallas is dedicated to making life better for children Children's is committed to carry out this mission through adherence to four guiding principles quality care, research & innovation, education & advocacy, and excellence & accountability

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 $ 662,426,104 including grants of $ 30,500) (Revenue $ 1,004,007,163)

Consistent with its charitable mission, Children's maintains a policy of accepting all patients within its primary service area regardless of ability to pay The local service regions stretch from the Oklahoma border south to Waco and from Parker County (west of Ft Worth) east to Wood County For the fiscal year ended December 31, 2011, Children's absorbed $125 million of uncompensated healthcare services as a result of this open-door charitable policy Children's participates in applicable government sponsored entitlement programs For the year ended December 31, 2011, 56% of Children's gross revenue is attributable to patients enrolled in state Medicaid programs During 2011, Children's served 150,000 patients We had 43,365 patient admissions resulting in 99,952 patient days, and provided services in 494,510 outpatient visits In addition, the hospital staff performed 18,097 day surgeries In recognizing its mission to the community, Children's participates in the Medicaid, Medicare, Children's Health Insurance Program (CHIP), Chronically Ill and Disabled Children (CIDC), and Champus government programs Under an agreement with the Dallas County Hospital District, Children's provides services to the indigent children of Dallas County

4b (Code) (Expenses $ 4,810,686 including grants of $) (Revenue $ 7,291,324)

Children's is the primary pediatric teaching hospital for the University of Texas Southwestern Medical School at Dallas and has the fifth largest pediatric training program in the country Currently, there are 100 pediatric residents, three chief residents and approximately 120 pediatric subspecialty residents and fellows enrolled in this training program Children's offers fellowships/residencies in these pediatric subspecialties, as well as internships and fellowships/residencies in nursing, dentistry, allied health, social sciences and religious studies In addition to internship and fellowship programs, many students representing a variety of health care professions come to Children's to complete a pediatric rotation as a requisite of their training

4c (Code) (Expenses $ 1,538,300 including grants of $) (Revenue $ 2,331,527)

Through Children's affiliation with UTSW Medical Center, ongoing research is promoted in many different clinical areas of the hospital The end goal of this research is the development of newer, more effective diagnostic & treatment methods to meet the health care needs of children All research involving human subjects is approved by the Institutional Review Board at UTSW Joint areas of research efforts between UTSW's Department of Pediatrics & Children's are critical care, immunology, gastroenterology, emergency medicine, radiology, nutrition, endocrinology, psychiatry, cardiology, pharmacology, nephrology, neurology, pulmonology, rheumatology, infectious diseases & hematology/oncology Many of these clinical studies have been published in medical journals & presented to professional health care societies

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

4e **Total program service expenses** ▶ $ 668,775,090

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
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	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
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**		No
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**	1,258		
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**	6,584		
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	19		
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		Yes	
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		Yes	
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		Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	8a		Yes	
b	Each committee with authority to act on behalf of the governing body?	8b		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9			No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	Yes	
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	Yes	
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 ▶

Stephanie K Smith
1935 Medical District Drive
Dallas, TX 75235
(214) 456-7000

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

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

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								13,061,054	0	899,026

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 ▶ 543

			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
UTSW HI 108 5323 Harry Hines Blvd Dallas, TX 753908886	Phys & Medical Svcs	57,796,994
Rogers-Obrien Construction 1901 Regal Row Dallas, TX 75235	Construction Services	12,594,689
Cardinal Health PO Box 730112 Dallas, TX 753730112	Medical Prod Svcs	11,914,776
Philips Medical Systems PO Box 100355 Atlanta, GA 303840355	Medical Prod Svcs	6,794,925
Intuitive Technology Group 2001 Killebrew Dr Ste 305 Bloomington, MN 55425	Info Tech Services	6,687,648

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 ▶ 354

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	13,593,307			
	e	Government grants (contributions)	1e	8,609,999			
	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		22,203,306			
Program Service Revenue			Business Code				
	2a	Inpatient Revenue	622110	1,136,666,230	1,136,666,230		
	b	Outpatient Revenue	621400	759,750,240	759,750,240		
	c	Day Surgery Revenue	621400	171,773,003	171,773,003		
	d	Deductions from Rev	622110	-1,081,538,879	-1,081,538,879		
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		986,650,594			
	3	Investment income (including dividends, interest and other similar amounts)		34,680,823			34,680,823
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real / (ii) Personal				
	6a	Gross rents	165,693				
	b	Less rental expenses	0				
	c	Rental income or (loss)	165,693				
	d	Net rental income or (loss)		165,693			165,693
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses	614,453				
	c	Gain or (loss)	-614,453				
	d	Net gain or (loss)		-614,453			-614,453
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					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	Other Med Svc Revenue	622110	10,739,480	10,739,480		
	b	Dietary Revenue	621990	3,758,906	3,758,906		
	c	Vending Revenue	454210	207,509			207,509
	d	All other revenue		2,858,183	2,858,183		
	e	**Total.** Add lines 11a–11d		17,564,078			
	12	**Total revenue.** See Instructions		1,060,650,041	1,004,007,163	0	34,439,572

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				
2	Grants and other assistance to individuals in the United States See Part IV, line 22	30,500	30,500		
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	15,325,071	3,404,480	11,920,591	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	359,527,751	288,667,459	70,860,292	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	25,631,158	20,579,444	5,051,714	
9	Other employee benefits	45,281,302	35,646,646	9,634,656	
10	Payroll taxes	26,449,454	21,236,460	5,212,994	
11	Fees for services (non-employees)				
a	Management	6,611,731	1,307,643	5,304,088	
b	Legal	1,350,526		1,350,526	
c	Accounting	466,268		466,268	
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees				
g	Other	108,677,360	98,251,237	10,426,123	
12	Advertising and promotion	10,573,217	932,382	9,640,835	
13	Office expenses	6,573,973	2,657,996	3,915,977	
14	Information technology	18,363,092	1,635,782	16,727,310	
15	Royalties . .				
16	Occupancy	33,051,297	6,614,101	26,437,196	
17	Travel	1,679,761	707,126	972,635	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	2,525,456	677,659	1,847,797	
20	Interest	22,228,182	16,736,844	5,491,338	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	53,839,158	28,070,023	25,769,135	
23	Insurance	7,330,652	118,194	7,212,458	
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	Med /Surgical Supplies	82,836,171	81,847,010	989,161	
b	Prov for Doubtful Accts	52,459,641	52,459,641		
c	Consulting & Prof Fees	8,113,956	939,909	7,174,047	
d	Collection Fees	1,957,087		1,957,087	
e					
f	All other expenses	10,858,541	6,254,554	4,603,987	
25	**Total functional expenses.** Add lines 1 through 24f	901,741,305	668,775,090	232,966,215	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		172,117,520	1	276,459,420
	2	Savings and temporary cash investments		25,000,741	2	60,174,111
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		126,662,831	4	107,673,297
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		9,281,281	8	9,440,176
	9	Prepaid expenses and deferred charges		10,377,611	9	11,473,098
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 1,135,843,200			
	b	Less accumulated depreciation	10b 447,451,991	679,515,717	10c	688,391,209
	11	Investments—publicly traded securities		456,099,187	11	453,558,956
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		294,569,976	15	306,318,668
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		1,773,624,864	16	1,913,488,935
Liabilities	17	Accounts payable and accrued expenses		137,333,731	17	147,005,857
	18	Grants payable			18	
	19	Deferred revenue		95,400	19	12,739
	20	Tax-exempt bond liabilities		391,437,356	20	387,391,709
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties		13,901,378	23	10,793,392
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		81,549,049	25	145,184,452
	26	**Total liabilities.** Add lines 17 through 25		624,316,914	26	690,388,149
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		883,570,542	27	956,004,433
	28	Temporarily restricted net assets		217,389,413	28	216,997,465
	29	Permanently restricted net assets		48,347,995	29	50,098,888
		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		1,149,307,950	33	1,223,100,786
	34	Total liabilities and net assets/fund balances		1,773,624,864	34	1,913,488,935

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	1,060,650,041
2	Total expenses (must equal Part IX, column (A), line 25)	2	901,741,305
3	Revenue less expenses Subtract line 2 from line 1	3	158,908,736
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	1,149,307,950
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-85,115,900
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	1,223,100,786

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 Medical Center of Dallas

Employer identification number
75-0800628

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 Medical Center of Dallas	75-0800628

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		104,887
j	Total lines 1c through 1i			104,887
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	In 2011, CMCD paid membership dues to organizations in which a portion of the membership dues were related to lobbying activities NACH (National Association of Children's Hospitals), AHA (American Hospital Association), THA (Texas Hospital Association), TAVH (Texas Association of Voluntary Hospitals), THOT (Teaching Hospitals of Texas), and CHAT (Children's Hospital Association of Texas) identifed a portion of their membership dues as being related to lobbying activities Lobbying percentages were identified by said organizations and applied to 2011 membership dues

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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 Medical Center of Dallas

Employer identification number
75-0800628

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					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		39,929,273		39,929,273
b Buildings		683,552,318	184,989,844	498,562,474
c Leasehold improvements		9,281,528	5,749,796	3,531,732
d Equipment		361,206,983	256,712,351	104,494,632
e Other		41,873,098		41,873,098
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				688,391,209

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
(1) Net Assets of Foundation	267,069,108
(2) Other Assets	22,865,391
(3) LT Advances to Affiliates	16,384,169
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	306,318,668

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
UTSW Phys Guarantees	11,352,548
Retirement Plan Accr	116,746,401
Rsv for Professional Liab	9,097,817
Other Liabilities	7,987,686
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	145,184,452

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
Description of Uncertain Tax Positions Under FIN 48	Part X	In 2011 Children's Medical Center of Dallas was not required to have a FIN48 footnote disclosure

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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 Medical Center of Dallas

Employer identification number
75-0800628

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 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 ☐ 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)			25,948,457	468,742	25,479,715	3 160 %
b Medicaid (from Worksheet 3, column a)			469,061,534	423,589,141	45,472,393	5 640 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			53,312,779	51,032,729	2,280,050	0 280 %
d **Total** Charity Care and Means-Tested Government Programs			548,322,770	475,090,612	73,232,158	9 080 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			7,604,244	387,726	7,216,518	0 900 %
f Health professions education (from Worksheet 5)			29,795,984	2,083,196	27,712,788	3 440 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)			5,068,310		5,068,310	0 630 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			1,850,762	76,819	1,773,943	0 220 %
j **Total** Other Benefits			44,319,300	2,547,741	41,771,559	5 190 %
k **Total.** Add lines 7d and 7j			592,642,070	477,638,353	115,003,717	14 270 %

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						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building			230,087		230,087	0 030 %
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**			230,087		230,087	0 030 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	19,330,873		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	5,146,394		
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	8,215,694		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	3,413,486		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	4,802,208		
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 1 NONE				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 2

	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 Medical Center of Dallas 1935 Medical District Drive Dallas,TX 75235	X		X	X		X	X		Both Dallas and Legacy campuses share a License,
2	Children's Medical Center of Legacy 7601 Preston Road Plano,TX 75024	X		X	X		X	X		EIN,and MCR provider number _

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 Medical Center of Dallas

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 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☐ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☑ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☐ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☑ Other (describe in Part VI)			
Billing and Collections				
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 B. Facility Policies and Practices.

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

Children's Medical Center at Legacy

Name of Hospital Facility:

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 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 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☐ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☑ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☐ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☑ Other (describe in Part VI)			
Billing and Collections				
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? _____

	Name and address	Type of Facility (Describe)
1		
2		
3		
4		
5		
6		
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 Children's uses the Federal Poverty Guidelines to determine eligibility for low income individuals 200% of the Federal Poverty Guidelines is used for 100% charity adjustment, and 201% to 400% of the Federal Poverty Guidelines is used for a sliding scale adjustment

Identifier	ReturnReference	Explanation
		Part I, Line 6a Children's Community Benefit Report is prepared by our Public Relations department with collaboration from numerous departments within the hospital

Identifier	ReturnReference	Explanation
		Part I, Line 7 Total expenses for Schedule H purposes are calculated using Worksheet 2, Ratio of Patient Care Cost to Charges, from the Form 990 Schedule H guidelines

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) Children's recorded $52,459,641 in bad debt expense for the year The bad debt expense recorded, while included in functional expenses, was excluded from the calculation of community benefit expense

Identifier	ReturnReference	Explanation
		Part II Children's is passionate about maintaining a vocal presence in legislative affairs on the local, state and federal levels and is at the forefront of governmental efforts that affect the community at large, from booster seat and car safety measures to critical funding initiatives Additionally, Children's collaborates extensively with our partners in coalitions such as the Children's Hospital Association of Texas (CHAT) and the Texas Hospital Association (THA) at the state level, as well as the Children's Hospital Association (formerly the National Association of Children's Hospitals and Related Institutions) Children's President and Chief Executive Officer also serves on the Board of Trustees for the American Hospital Association Through these affiliations, Children's is better able to advocate the development of an effective, comprehensive and appropriately funded children's health care system in Texas and across the country

Identifier	ReturnReference	Explanation
		Part III, Line 4 Children's maintains allowances for doubtful accounts to reserve for potential write-offs relating to a patient's inability to make payments on an account Accounts are written off as a bad debt when collection efforts have been exhausted following guidelines established by Healthcare Financial Management Association Statement No 15 Children's routinely monitors its accounts receivable balances and utilizes historical collection experience to support the basis for its estimates of the provision for doubtful accounts Children's uses Worksheet 2 from the Form 990 Schedule H instructions to calculate the bad debt expense and ratio of patient care cost to charges attributable to community benefits

Identifier	ReturnReference	Explanation
		Part III, Line 8 Children's uses Worksheet A from the As Filed Medicare Cost Report and the IRS Schedule H Instructions to determine Medicare allowable costs

Identifier	ReturnReference	Explanation
		Part III, Line 9b and Part VI, Line 3 Children's has written debt collection policies which identify collection practices to be followed The collection practices determine for what financial assistance a patient qualifies, and if a patient does not qualify for financial assistance, Children's also has written collection practices to be followed to determine if a patient qualifies for charity care As part of the collection practice, Childrens' financial counselors review with the patient and their family the various state and federal programs available to them

Identifier	ReturnReference	Explanation
Children's Medical Center of Dallas		Part V, Section B, Line 9 Children's Medical Center of Dallas uses the Federal Poverty Guidelines to determine eligibility for low income individuals 200% of the Federal Poverty Guidelines is used for 100% charity adjustment, and 201% to 400% of the Federal Poverty Guidelines is used for a sliding scale adjustment

Identifier	ReturnReference	Explanation
Children's Medical Center at Legacy		Part V, Section B, Line 9 Children's Medical Center at Legacy uses the Federal Poverty Guidelines to determine eligibility for low income individuals 200% of the Federal Poverty Guidelines is used for 100% charity adjustment, and 201% to 400% of the Federal Poverty Guidelines is used for a sliding scale adjustment

Identifier	ReturnReference	Explanation
Children's Medical Center of Dallas		Part V, Section B, Line 11h Children's Medical Center of Dallas uses various documents and forms to verify income and expenses when determining the eligibilty for financial assistance of a patient and their family These documents include, but are not limited to, W2 Form, wage and earning statement, pay check remittance, worker's compensation, unemployment compensation determination letters, income tax returns, statement from employer, bank statements, copy of checks, documents of sources of income, telephone verification of gross income with the employer, proof of participation in government assistance programs such as Medicaid, signed affadavit or attestation by patient, and veterans benefit statement

Identifier	ReturnReference	Explanation
Children's Medical Center at Legacy		Part V, Section B, Line 11h Children's Medical Center at Legacy uses various documents and forms to verify income and expenses when determining the eligibilty for financial assistance of a patient and their family These documents include, but are not limited to, W2 Form, wage and earning statement, pay check remittance, worker's compensation, unemployment compensation determination letters, income tax returns, statement from employer, bank statements, copy of checks, documents of sources of income, telephone verification of gross income with the employer, proof of participation in government assistance programs such as Medicaid, signed affadavit or attestation by patient, and veterans benefit statement

Identifier	ReturnReference	Explanation
Children's Medical Center of Dallas		Part V, Section B, Line 13g In addition to ensuring that the Children's charity care criteria is posted prominently and continuously in common entry points of the facility, a Director of Patient Financial Service ensures that the Children's charity care criteria is published annually in a local newspaper of general circulation in the county

Identifier	ReturnReference	Explanation
Children's Medical Center at Legacy		Part V, Section B, Line 13g In addition to ensuring that the Children's charity care criteria is posted prominently and continuously in common entry points of the facility, a Director of Patient Financial Service ensures that the Children's charity care criteria is published annually in a local newspaper of general circulation in the county

Identifier	ReturnReference	Explanation
Children's Medical Center of Dallas		Part V, Section B, Line 17e Children's Medical Center of Dallas makes every reasonable effort to identify all potential financial assistance that is available to a patient and their family before any additional collections actions are taken on behalf of Children's

Identifier	ReturnReference	Explanation
Children's Medical Center at Legacy		Part V, Section B, Line 17e Children's Medical Center at Legacy makes every reasonable effort to identify all potential financial assistance that is available to a patient and their family before any additional collections actions are taken on behalf of Children's

Identifier	ReturnReference	Explanation
Children's Medical Center of Dallas		Part V, Section B, Line 19d Children's Medical Center of Dallas determines the maximum amount that can be charged to individuals eligible for financial assistance for emergency or other medically necessary care by calculating the average commercial and government payor amounts received by Children's

Identifier	ReturnReference	Explanation
Children's Medical Center at Legacy		Part V, Section B, Line 19d Children's Medical Center at Legacy determines the maximum amount that can be charged to FAP-eligible individuals for emergency or other medically necessary care by calculating the average commercial and government payor amounts received by Children's

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Community Needs AssessmentSince 1994, Children's has produced a comprehensive quality-of-life report on area children, Beyond ABC Growing Up in Dallas County Beginning in 2008, a separate study has been published to focus on youth in Collin County as well These biennial reports provide 10 years of trended data on the many factors facing children in our community Beyond ABC analyzes more than 50 indicators of well-being with respect to health, education, safety and security for the more than 900,000 children that call those areas home Children's has taken on the task of preparing Beyond ABC and distributing it to child advocates, service agencies, community leaders and lawmakers because of the presence the hospital holds in the community In turn, these community leaders and organizations as well as Children's use the report to help determine how best to employ their resources each year

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Children's Medical Center of Dallas devotes itself solely to caring for t he complex medical needs of children Children's provides patient care ranging from simple eye exams to specialized treatment in areas such as heart disease, hematology-oncology an d cystic fibrosis In addition, Children's is a major pediatric kidney, liver, intestine a nd heart transplant center Through its established injury prevention, advocacy program an d disease management programs, the hospital works diligently to educate the community so t hat no child has to ever to come through our doors Licensed for 559 beds and supporting mo re than 50 specialty and subspecialty programs, Children's was the state's first pediatric hospital with a designated Level I Trauma center To better serve the region's growing pe diatric population Children's Medical Center at Legacy, a second full-service campus opene d in 2008 in Plano Children's is private, not-for-profit hospital system that does not re ceive local tax dollars to offer the care we provide We are philanthropically supported i n our efforts to provide care for every child who comes to us, regardless of their family' s ability to pay Donors also play a significant part in our ability to conduct research, education and advocacy Annually, we attend to 150,000 patients who represent over 570,000 individual visits But that doesn't stop us from offering an elite level of individual car e and attention to each family As the primary pediatric teaching facility for the UT Sout hwestern Medical Center at Dallas, ("UTSW") we are the only full-service, academic-affilia ted pediatric hospital in North Texas Through our academic affiliation, the Children's me dical staff conducts research that is instrumental in developing treatments, therapies, an d greater understanding of pediatric diseases and trains more than 200 pediatric residents and fellows annually Because of that, access to leading-edge research and treatments give s the children of North Texas and far beyond the most innovative options available Childr en's also has affiliations with more than 100 other nursing and allied health educational programs across the country, providing our professionals access to curricula at other lead ing academic institutions With more than 800 physicians on the medical staff, Children's brings together some of the world's top minds to provide the highest level of pediatric he althcare to North Texas and beyond A voice for childrenAt Children's we consider it a priv ilege and responsibility to serve as ardent advocates for children We work tenaciously to influence health and public policies Through a combination of programmatic initiatives, o rganizational affiliations and community events, Children's spreads its influence into the region and provides area children much-needed access to a better quality of life Whether that means establishing programs to increase services to the area's underserved children or fostering partnerships with existing organizations, Children's is committed to connecti ng families to the services they need Children First! Collin County CoalitionChildren's is the founding member and sponsor of the Children First! Collin County Coalition, a nonpart isan alliance of more than 80 non-profit organizations The coalition works to improve the quality of life of children through the development of initiatives related to public poli cy, advocacy, public awareness and community programs The coalition's five work groups fo cus on economic security, education, family strengthening, health and safety Community O u treach Through the efforts of the Community Relations staff at Children's, more area child ren who are eligible for Medicaid or the Children's Health Insurance Program (CHIP) are re ceiving coverage Almost 18 percent of the children living in Dallas County are uninsured Lack of health insurance leads to poorer health in childhood, greater rates of avoidable hospitalizations and higher childhood mortality Uninsured children are 8 times more likel y to have delayed care and 12 times more likely to have an unmet medical need than childre n with private insurance Children's is committed to helping families obtain health insuran ce, an important factor in the health and well-being for our entire community Children's has a vision to help address the shortage of primary pediatric medical care for families w ith limited resources Dallas CHIP CoalitionChildren's founded and sponsors the Dallas Chil dren's Health Insurance Program Coalition, an alliance of more than 90 organizations focus ed on helping families of uninsured children apply for CHIP or Medicaid In addition, the coalition provides community leadership on public policy issues that affect the crisis of uninsured children in our community MEDICAID/CHIP O utreach EventsAnnually, Children's coo rdinates two large community outreach events targeting the families of uninsured children Working with the Dallas Children's Health Insuran

Identifier	ReturnReference	Explanation
		ce Program Coalition, these events are promoted through school flyers and the media Since 2005, these events have helped more than 12,000 families apply for coverage for more than 24,000 children The coalition has trained more than 250 volunteers to assist families wi th applications for CHIP or Medicaid School Based Medicaid/Chip Outreach Children's outre ach team conducts Medicaid/Children's Health Insurance Program outreach at 8 area school d istricts with a combined enrollment of more than 350,000 Each student's family receives a t least four communications during a school year with information on the importance of hea lth insurance and the tools to apply for CHIP/Medicaid In 10 years, Children's has traine d more than 2,500 school staff and volunteers, completed more than 60,000 applications for Medicaid/CHIP and participated in 743 special events Children's serves as a liasion with the state for families who could not successfully navigate the state's eligibility system

Identifier	ReturnReference	Explanation
		Part VI, Line 5 Children's mission is to make life better for children We consider it our privilege and our responsibility to serve as ardent advocates for kids in Texas and across the country To that end, we work tirelessly to ensure that children's voices are heard and that their needs are met Our efforts to influence public policies that impact children's health are comprehensive and ongoing Through programmatic initiatives, organizational partnerships and community events, Children's spreads its influence throughout the region and provides area children with much-needed access to a better quality of life Whether that means establishing programs to increase services to the area's underserved children or fostering partnerships with existing organizations, Children's' is committed to connecting families to the services they need

Identifier	ReturnReference	Explanation
		Tackling an epidemic Texas ranks sixth in the nation for obesity in 10 to 17 year-olds, and the problem is even more pressing in Dallas County More than one-third (36 1 percent) of Dallas Independent School District high-school students are obese or overweight, almost double the national average, according to the Department of State Health Services In 2008, only one in five Dallas ISD third-graders passed the Texas-mandated school Fitnessgram assessment, compared to about one in three statewide At Children's, we provide services to 7,500 patients each year with diagnoses that research shows to be obesity-related These include cardiology, endocrine, gastrointestinal, pulmonary and psychiatric diagnoses Dental OutreachAlthough effective methods exist to prevent tooth decay, cavities remain the most prevalent chronic condition among children-five times more common than asthma and seven times more common than hay fever Inpartnership with UT Southwestern Medical Center at Dallas, a grant has been obtained so that children from the continuity clinics and ARCH (At-Risk Children) clinic who are identified as at-risk are now provided oral health education and fluoride varnish every three months to reduce their risk of cavities Children's websiteOur hospital web site, www childrens com, empowers parents with the latest information about childhood illnesses, prevention, treatment and services available at the hospital More than 1,300 common pediatric topics are addressed on the Web site Also available are interactive guides promoting healthy living that target both children and their parents The site also offers a free subscription to a monthly electronic newsletter that connects our community to the amazing things that take place at Children's every day Reaching out to support the families of our communities is at the heart of the Children's mission The challenge of ensuring the safety and well-being of all children is a driving force for the hospital, its employees and its medical staff Assessing how many lives our services touch requires a look into our community, where the Children's influence has impact far beyond the hospital's walls Disease Management and WellnessThe Disease Management and Wellness Department at Children's improves quality of life and decreases the use of healthcare services through education and pro-active self-management Children's has seven disease-specific certifications, the most of any pediatric center in the United States The programs offer access to evidence-based care and support that is needed for the management of conditions like asthma, diabetes and obesity The disease management initiative is part of the hospital's ongoingefforts to reduce emergency department use, decrease admissions, curtail healthcare costs and ultimately, improve the quality of life for children with chronic conditions Each program provides a family-centered environment that focuses on providing quality care to patients and overall increased disease awareness

Identifier	ReturnReference	Explanation
		Coaching coaches, athletes and parentsChildren's is committed to educating coaches, parents and young athletes on the importance of sports injury prevention The hospital has a presence at dozens of coaches' clinics each year at facilities such as the Plano Sports Authority and Dallas Baseball Academy of Texas During the clinics, Children's provides sports-specific injury-prevention cards and clipboards to thousands of coaches each year So far, we have impacted the health and safety of 400,000 young athletes Children's has also worked with companies such as Kohl's Corporation and their Sports Health and Wellness Outreach Program, to further support community outreach efforts Spreading a message of water safetyDrowning is the second-leading cause of unintentional injury-related deaths among American children ages 1 to 14 The Know Before You Go Program spreads the message that every drowning is preventable when parents take appropriate precautions The program includes distributing water safety materials, providing demonstrations on proper water rescue techniques and the use and proper fit of Coast Guard approved flotation devices Working to reduce preventable injuriesMore than a decade ago, Children's formed the Safe Kids Dallas Area Coalition - the local chapter of Safe Kids Worldwide - to prevent childhood injuries Traumatic injuries are the leading cause of death in Texas in children ages 1 to 14, and preventing these injuries is imperative at Children's - the first Level I trauma center in Texas (and one of only two in the state) that is solely dedicated to treating pediatric patients Since 2002, the number of patients hospitalized because of motor vehicle crashes has steadily risen Children's Injury Prevention Program has expanded its outreach efforts accordingly to bring car seat safety education and installation services to the community in an effort to reduce the number of children injured in car crashes A specific initiative within the Safe Kids Dallas program is our car-seat safety inspection project The project offers child safety-seat inspections by certified car seat technicians at Children's Dallas and Legacy campus so parents can learn to buckle up their children appropriately

Identifier	ReturnReference	Explanation
		Part VI, Line 6 Children's is not part of an affiliated health care system Part VI, Line 7 Children's files a Community Benefits Plan with the State of Texas as required by Senate Bill 427

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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 Medical Center of Dallas

Employer identification number
75-0800628

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

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

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) May Smith Scholars Program	5	12,500			
(2) Women's Auxiliary Education Assistance Program	11	12,000			
(3) University of Texas at Arlington	1	5,000			
(4) James J Farnsworth Health Careers Scholarship	1	1,000			

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
		May Smith Scholars Program The May Smith Scholars program provides both financial assistance and practical clinical experience for students interested in pediatric nursing The scholarship program is named for May Forster Smith, who began an open-air clinic for infants in 1913 in Dallas Sophomore and junior undergraduate students are eligible to apply to receive $5,000 each year for up to two years Recipients of the scholarships must work at Children's as nurse externs for at least 400 hours during their undergraduate program After graduation, recipients will be offered employment as registered nurses in one of the Children's Nurse Internship Tracts Critical Care, Emergency, General Pediatrics, Hematology-Oncology, or Perioperative Services Women's Auxiliary Educational Assistance Program The Women's Auxiliary to Children's offers educational support to nursing and allied health students who are registered for or currently enrolled in an accredited program through the Educational Assistance program for Nursing and Allied Health Students Students who qualify may receive up to $1,000 per semester Educational assistance is granted and paid on a per-semester basis Students or prospective students of accredited nursing or allied health programs may apply if they 1) Are junior or senior level students enrolled full or part time in an accredited undergraduate or graduate nursing program 2) Maintain an overall grade point average of 3 0 on a 4 0 scale, or cumulative 3 0 prior to being accepted into an accredited program Students are asked to sign agreements to work full time for 12 months at Children's for each academic year they receive education assistance or 6 months for each semester If the students are offered employment with Children's but decline the offer, they will be obligated to repay the full amount plus interest calculated at the current prime interest rate at the time the offer is declined Pediatric Post-Masters Certificate Program The University of Texas at Arlington School of Nursing and Children's Medical Center Dallas offer an Acute Care Pediatric Nurse Practitioner Post-Masters Certificate Program that consists of 31 credit hours The program prepares students to serve in advanced practice leadership roles with infants, children and adolescents who have acute and chronic health care needs Requirements include an MSN from an NLN-accredited program 3 0 GPA on a 4 0 scale for the MSN, Registered Nurse Licensure in Texas, Physical Assessment content within the past three years, and Two years' experience in Pediatric Acute Care nursing recommended James J Farnsworth Health Career Scholarship Program The James J Farnsworth Health Career Scholarship offers educational support to students planning careers in pediatric healthcare The scholarship is named in honor of James J Farnsworth and was established from gifts to endowments made in tribute to Mr Farnsworth by his friends and colleagues Mr Farnsworth served as president of Children's Medical Center Dallas for more than 30 years and was a fellow in the College of Healthcare Executives Junior or senior undergraduate students or graduate students planning a career in pediatric healthcare may apply Preference will be given to students who fall into the following categories Former patients of Children's Current full or part-time employees Former or current volunteers at Children's Parent is employed at Children's Parent is a volunteer at Children's Student demonstrating strong academic achievement and financial needs The James J Farnsworth Health Career Scholarship is a forgivable loan, meaning students do not owe any service time to Children's Medical Center of Dallas after receiving the scholarship

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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 Medical Center of Dallas

Employer identification number
75-0800628

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space needed.

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 1a	* Children's written policy on business and educational travel prohibits first class travel except when approved in advance by the CEO or by the Board Chair * Companion travel is prohibited except when it is deemed to further Children's business activities and must be approved in advance by the CEO or Board Chair Approved companion travel is included as taxable income in 2011 for Christopher J Durovich and John P Kline * Compensation is grossed up in limited circumstances with prior approval of the appropriate board committee Approved one-time, grossed up compensation has been included as 2011 taxable income for Christopher J Durovich, Ray R Dziesinski, Douglas G Hock, John P Kline, Peter W Roberts, Trent C Smith, Pamela Arora, David G Biggerstaff, Daniel Carney, Elizabeth Field Mackay, Jean Ann Larson, Mary E Stowe, Vanessa U Walls, and Jason D White * Children's offers, to promote health and wellness consistent with Children's mission, a limited monthly allowance as a taxable benefit to employees for health club membership dues In 2011 Health Club membership dues were included as taxable income for Kimberly Besse, David G Biggerstaff, Regina M Coggins, Vanessa U Walls, Christopher J Durovich, Douglas G Hock, Jean Ann Larson, Justin Lombardo, Peter W Roberts, Ronald C Skillens, Jr, and Patricia U Winning * In an effort to continue to attract quality leadership, Children's provides temporary housing allowances as a taxable benefit to executives relocating to Dallas Temporary housing allowances were provided in 2011 for Daniel Carney, Jean Ann Larson, and Vanessa U Walls
	Part I, Lines 4a-b	Severance Payment and Non-Qualified Retirement Plan * Severance - Jason D White - $200,000 * Severance - Candis Posey - $86,231 * Retirement Income Restoration Plan - James Herring received $87,734 as taxable income from the Retirement Income Restoration Plan as he is over the age of 65 Additional employees who participate in the Retirement Income Restoration Plan are Christopher J Durovich, Elizabeth Field-MacKay, Douglas G Hock, Mary E Stowe, and Patricia U Winning * Savings Restoration Plan - James Herring received $3,155 as taxable income from the Savings Restoration Plan as he is over the age of 65 Additional employees who participate in the Savings Restoration Plan are Christopher J Durovich, Douglas G Hock, Mary E Stowe, Patricia U Winning, Pamela Arora, Kimberly Besse, David G Biggerstaff, Daniel Carney, Regina M Coggins, Ray R Dziesinski, John P Kline, Jean Ann Larson, Justin Lombardo, and Trent C Smith
	Part I, Line 7	* Non-Fixed Payments - The Human Resources Committee of the Board of Directors retains the authority to adjust annual payout percentages solely at their discretion
Supplemental Information	Part III	* Schedule J, Part II, Column F - The compensation reported in Column F has been prepared using the FY2011 Form 990 (clarifying) instructions The 2008, 2009, and 2010 Form 990s will be revised and refiled to maintain consistent compensation reporting in Column F across all four periods

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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 Medical Center of Dallas

Employer identification number
75-0800628

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	N Central Tx Hlth Fac Dev Corp Hosp	52-1304502	65854RAL4	07-01-2009	193,697,772	Reimburse Construction Costs		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds defeased				
3	Total proceeds of issue	193,697,772			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	2,819,039			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	190,566,160			
11	Other spent proceeds				
12	Other unspent proceeds	312,573			
13	Year of substantial completion	2009			

		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?		X						
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 ▶	0 330 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5	0 330 %							
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								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?		X						

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule K Supplental Information		Although facility does not routinely engage bond counsel to review management or service contracts, facility did contract with Ernst & Young to review the 2009 management services contracts and research agreements for potential private business use of bond financed space Ernst & Young also conducted a site review to verify the use of bond financed space

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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 Medical Center of Dallas

Employer identification number
75-0800628

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 1	Children's Board membership includes four ex officio non voting members

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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 Medical Center of Dallas

Employer identification number
75-0800628

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
See Additional Data Table							

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

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) Alternative Care Systems 1935 Medical District Drive Dallas, TX 75235 75-2244475	Other Medical Svcs	TX	N/A	C			
(2) Children's Insurance Co 76 St Paul Street Suite 500 Burlington, VT 05401 03-0328102	Insurance	VT	N/A	C			

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**	**No**
d	Loans or loan guarantees to or for related organization(s)	**1d**	**Yes**
e	Loans or loan guarantees by related organization(s)	**1e**	**Yes**
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**	**No**
j	Lease of facilities, equipment, or other assets from related organization(s)	**1j**	**No**
k	Performance of services or membership or fundraising solicitations for related organization(s)	**1k**	**No**
l	Performance of services or membership or fundraising solicitations by related organization(s)	**1l**	**No**
m	Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	**1m**	**No**
n	Sharing of paid employees with related organization(s)	**1n**	**No**
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**	**No**

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Anesthesiologist for Children	D	5,138,923	actual cost
(2) Anesthesiologist for Children	P	425,348	actual cost
(3) Physicians for Children	D	11,393,669	actual cost
(4) Physicians for Children	P	472,411	actual cost
(5) Dallas Phys Medical Svcs for Children Inc	E	342,728	actual cost
(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	

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	

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	Children's Health Services of Texas ("CHST"), a Texas non-profit corporation, is the sole member of the corporation

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	CHST elects all members of the organization's Board of Directors

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7b	A list of decisions requiring approval by the member is as follows a) Any change in the mission or purpose of the Corporation, b) Any amendment to the Articles of Incorporation or Bylaws of the Corporation, c) Any addition of new Members, d) Any purchase or acquisition, sale, gift, lease, disposition of, mortgage or other encumbrance of any property, real, personal, or mixed by the Corporation, excluding routine expenditures, the value of which in the aggregate exceeds five percent (5%) of the total assets of the Corporation, e) Selling, exchanging, or otherwise disposing of all or substantially all of the Corporation's assets, f) Any incurrence or guarantee of indebtedness by the Corporation that in the aggregate exceeds five percent (5%) of the total assets of the Corporation, g) Any merger, acquisition, or consolidation of the Corporation or entering into any joint business venture with any other person, corporation or other legal entity that exceeds five percent (5%) of the total assets of the Corporation, h) Any dissolution of the Corporation, i) Any proposed amendments to the affiliation agreement between the Corporation and The UTSW Medical School (Medical School), (j) Appointment and removal of directors in accordance with Article 3 of these Bylaws, (k) Creation, acquisition, or disposition of any subsidiary or affiliated entity of the Corporation, the value of which in the aggregate exceeds five percent (5%) of the total assets of the Corporation, and (l) Approval of the annual budget for the Corporation

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	A draft of the Form 990 is presented to the organization's Audit Committee The Chief Financial Officer provides a detailed review of the Form 990 and answers questions presented by the Committee members

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	The Board members receive a copy of the policy, along with a Disclosure of possible Conflict of Interests form to complete, with their annual Board appointment letter All disclosures made are reviewed by the Chief Compliance Officer and Vice President of Legal Affairs and Governance prior to being presented and discussed at a meeting of the Board of Directors to determine if further action is required

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The corporation's CEO, President, other officers, and key employees are employed and compensated by Children's Medical Center of Dallas ("Children's") The Children's process is as follows 1 The Human Resources Committee of the Board is responsible for setting the compensation for executives, except the President and CEO which is set by the Board of Directors The Committee is comprised of independent, non-employee directors with no conflict of interest regarding executive compensation A written compensation philosophy has been developed by the Human Resources Committee for timeliness and appropriateness The philosophy defined desired comparator groups for compensation surveys The comparator groups are from domestic healthcare industry sectors only and do not include any non-healthcare organizations 2 The compensation philosophy also defines target levels relative to the marketplace comparator groups for base pay, base pay plus incentive pay, and fringe benefits provided to Children's executives A third-party consultant, Sullivan Cotter, is engaged by the Human Resources Committee and provides independent, expert consulting services in the area of executive compensation market surveying, pay and benefits program design, and administrative services Salaries for Children's executives (except for the President and CEO) are set by comparing the salaries paid for comparable positions in integrated systems academic medical centers and children's hospitals in similar size and scope of services to Children's 3 The salary for the President and CEO is set in reference to salaries paid for Presidents and CEOs of children's hospitals in similar size and scope of services to Children's The data is compiled by Sullivan Cotter and they develop and update annually salary ranges unique to each executive position The Human Resources Committee approves base pay for each executive (except the President and CEO, whose base pay is approved by the Board of Directors) aimed in the aggregate at approximately the middle of executive pay ranges 4 For other officers and key employees, Children's uses a combination of job evaluation and survey data to determine the market pay range

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Governing documents, conflict of interest policy and financial statements are made available upon request

Identifier	Return Reference	Explanation
		- - - - - - - Form 990, Part VII, Section A - Average Hours per Week Average hours per week have been identified as 60 hours/week for the CEO as there are numerous offsite community events which involve weekend, breakfast, and evening meetings Average hours per week for Senior Vice Presidents have been identified as 55 hours per week as they are involved with limited offsite community events Average hours per week for Vice Presidents have been identified as 50 hours per week as they have some involvement with offsite community events Key Employees and Highest Compensated Employees have been identified as 40 hours per week.

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized losses on investments -36,381,385 Prior period adjustments 2,005 Other adjustments to Changes in Net Assets -48,736,520 Total to Form 990, Part XI, Line 5 -85,115,900

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 75-0800628
Name: Children's Medical Center of Dallas

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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 501(c)(3))	(f) Direct Controlling Entity	g Section 512(b)(13) controlled organization	
Children's Health Svcs of TX 1935 Medical District Drive Dallas, TX 75235 75-2062019	Management	TX	501(c)(3)	Line 11a, I	N/A		No
Children's Med Ctr Foundation 1935 Medical District Drive Dallas, TX 75235 75-2062015	Foundation	TX	501(c)(3)	Line 7	Children's Health Svcs of TX		No
Dallas Phys Medical Svcs for Children Inc 1935 Medical District Drive Dallas, TX 75235 81-0584868	Physicians	TX	501(c)(3)	Line 9	Children's Medical Ctr of Dallas	Yes	
Physicians for Children 1935 Medical District Drive Dallas, TX 75235 75-2854505	Physicians	TX	501(c)(3)	Line 9	Children's Medical Ctr of Dallas	Yes	
Anesthesiologists for Children 1935 Medical District Drive Dallas, TX 75235 75-2917570	Physicians	TX	501(c)(3)	Line 9	Children's Medical Ctr of Dallas	Yes	
Children's Med Ctr Research Institute at UTSWMC 1935 Medical District Drive Dallas, TX 75235 45-3462044	Research Institute	TX	Pending	Pending	N/A		No
Southwestern Medical District 5323 Harry Hines Blvd Dallas, TX 75390 20-4101612	Management	TX	501(c)(3)	Line 11a, I	N/A		No
Women's Auxiliary to CMCD 12720 Hillcrest Road Dallas, TX 75230 75-2485538	Women's Auxiliary	TX	501(c)(3)	Line 9	N/A		No

CHILDREN'S HEALTH SERVICES OF TEXAS AND AFFILIATES
CONSOLIDATED FINANCIAL AND OPERATING INFORMATION
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

Contact Information

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Report of Independent Auditors

The Board of Directors
Children's Health Services of Texas

We have audited the accompanying consolidated balance sheets of Children's Health Services of Texas and Affiliates 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 financial statements are the responsibility of the Children's Health Services of Texas' management Our responsibility is to express an opinion on these financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement We were not engaged to perform an audit of Children's Health Services of Texas' internal control over financial reporting Our audits included 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 Children's Health Services of Texas' 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, and evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Children's Health Services of Texas and Affiliates at December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U S generally accepted accounting principles

Ernst & Young LLP

April 16, 2012

Children's Health Services of Texas and Affiliates
Consolidated Balance Sheets
As of December 31, 2011 and 2010
(In Thousands)

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 367,220	$ 229,590
Patient accounts receivable, net of allowances	88,157	102,024
Pledges receivable, net of allowances	8,215	10,240
Inventories	9,440	9,282
Other current assets	31,109	27,449
Investment in unrestricted funds	6,191	6,218
Total current assets	510,332	384,803
PLEDGES RECEIVABLE, net of allowances	6,586	6,960
RECEIVABLES FROM REMAINDER TRUSTS	4,670	4,142
PROPERTY AND EQUIPMENT, net	691,404	685,992
ASSETS LIMITED AS TO USE	660,109	660,925
OTHER ASSETS	52,210	46,881
Total assets	$ 1,925,311	$ 1,789,703
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 57,983	$ 49,099
Accrued liabilities	83,723	81,833
Accrued interest	8,220	8,317
Current portion of long-term debt and capital lease obligations	15,583	7,168
Other current liabilities	9,296	6,776
Total current liabilities	174,805	153,193
ANNUITIES AND TRUSTS PAYABLE	1,725	1,802
DEFERRED GAIN	9,869	9,865
LONG - TERM DEBT AND CAPITAL LEASE OBLIGATIONS	382,188	397,445
OTHER NONCURRENT LIABILITIES	137,953	77,124
NET ASSETS		
Unrestricted	1,086,432	1,018,978
Temporarily restricted	82,240	82,948
Permanently restricted	50,099	48,348
Total net assets	1,218,771	1,150,274
Total liabilities and net assets	$ 1,925,311	$ 1,789,703

Children's Health Services of Texas and Affiliates
Consolidated Statements of Operations
For the years ended December 31, 2011 and 2010
(In Thousands)

	2011	2010
OPERATING REVENUE:		
Net patient service revenue	$ 982,786	$ 908,821
Other operating revenue	17,844	14,356
Net assets released from restrictions for operations	6,430	8,172
Total operating revenue	1,007,060	931,349
EXPENSES:		
Salaries and benefits	494,685	471,262
Professional services	76,733	64,135
Supplies and other	104,184	102,532
General support	130,429	127,868
Depreciation and amortization	54,203	57,419
Interest	22,511	23,204
Provision for doubtful accounts	53,952	52,091
Total operating expenses	936,697	898,511
OPERATING RESULTS AVAILABLE FOR REINVESTMENT	70,363	32,838
NONOPERATING GAINS (LOSSES):		
Realized investment gains	43,032	20,806
Unrealized investment (losses) gains	(45,099)	42,295
Disproportionate share	24,801	25,073
Graduate medical education receipts	7,291	9,052
Total nonoperating gains	30,025	97,226
NET RESULTS AVAILABLE FOR REINVESTMENT	$ 100,388	$ 130,064

Children's Health Services of Texas and Affiliates
Consolidated Statements of Changes in Net Assets
For the years ended December 31, 2011 and 2010
(In Thousands)

	2011	2010
CHANGES IN UNRESTRICTED NET ASSETS:		
Net results available for reinvestment	$ 100,388	$ 130,064
Contributions	6,977	4,717
Net assets released from restrictions for capital expenditures	7,981	9,396
Reclass from temporarily restricted net assets	2,203	905
Change in minimum pension liability	(50,095)	(2,045)
Other	-	(395)
Increase in unrestricted net assets	67,454	142,642
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	14,630	16,196
Change in value of split-interest agreements	502	143
Realized investment gains	386	821
Unrealized investment (losses) gains	(418)	3,714
Net assets released from restrictions for operations	(5,727)	(8,172)
Net assets released from restrictions for capital expenditures	(7,981)	(9,396)
Grants for pediatric purposes	(116)	(102)
Reclass (to) unrestricted net assets	(2,203)	(905)
Reclass from (to) permanently restricted net assets	213	(2,349)
Other	6	747
(Decrease) increase in temporarily restricted net assets	(708)	697
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Permanently restricted contributions	2,019	1,159
Change in value of split-interest agreements	(141)	(346)
Gain on sale of assets	27	2,382
Interest income	977	299
Realized investment gains	2,394	112
Unrealized investment (losses) gains	(2,609)	481
Net assets released from restrictions	(703)	-
Reclass (to) from temporarily restricted net assets	(213)	2,349
Increase in permanently restricted net assets	1,751	6,436
INCREASE IN NET ASSETS	68,497	149,775
NET ASSETS AT BEGINNING OF PERIOD	1,150,274	1,000,499
NET ASSETS AT END OF PERIOD	$ 1,218,771	$ 1,150,274

children's
MEDICAL CENTER

Children's Health Services of Texas and Affiliates
Consolidated Statements of Cash Flows
For the years ended December 31, 2011 and 2010
(In Thousands)

	2011	2010
CASH FLOWS FROM OPERATING AND NONOPERATING ACTIVITIES:		
Increase in net assets	$ 68,497	$ 149,775
Adjustments to reconcile increase in net assets to net cash provided by operating and nonoperating activities		
Deferred gain	4	9,865
Provision for doubtful accounts	53,952	52,091
Depreciation and amortization	54,203	57,419
Amortization of financing costs and bond discounts	(43)	958
Restricted gifts non-cash contributions	-	(396)
Change in unrealized investments losses (gains)	48,126	(46,490)
Change in value of derivatives	383	(110)
Loss (gain) on disposal of property and equipment	596	(1,795)
Change in pension liability	50,095	2,045
Changes in assets and liabilities		
Patient and other receivables	(42,624)	(36,953)
Pledges receivable, net	2,399	455
Inventories and other current assets	(1,351)	105
Other assets	(19,520)	(11,798)
Receivable from remainder trust	(528)	1,577
Purchase of unrestricted investments, net	(4,750)	(2,974)
Purchases of assets limited as to use, net	(42,533)	(22,105)
Accounts payable and accrued expenses	10,677	11,804
Other current liabilities	2,520	(1,508)
Other noncurrent liabilities	10,423	(8,787)
Net cash provided by operating and nonoperating activities	190,526	153,178
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of land	-	2,682
Purchases and construction of property and equipment, net	(45,652)	(45,229)
Net cash used in investing activities	(45,652)	(42,547)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of annuity and trust obligations, net	(77)	529
Payments of long-term debt and capital lease obligations	(7,167)	(13,220)
Net cash used in financing activities	(7,244)	(12,691)
INCREASE IN CASH AND CASH EQUIVALENTS	137,630	97,940
CASH AND CASH EQUIVALENTS, beginning of period	229,590	131,650
CASH AND CASH EQUIVALENTS, end of period	$ 367,220	$ 229,590
Supplemental cash flow disclosures:		
Interest paid	$ 22,682	$ 22,900
Interest capitalized	$ 417	$ -

Note 1 - Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Children's Health Services of Texas (CHST), incorporated in 1985, is a nonprofit Texas corporation exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986 as an organization described in Section 501(c)(3) of the IRC CHST and its affiliates (collectively, Children's) operate a 559-bed pediatric teaching hospital, six children's clinics, and a foundation CHST is the parent company of the following affiliates

Children's Medical Center (CMC) was incorporated in 1948 as a nonprofit Texas corporation and is exempt from federal income taxation under Section 501(a) of the IRC of 1986, as an organization described in Section 501(c)(3) CMC is licensed to operate a 559-bed pediatric teaching hospital with campuses in Dallas, Texas, and Plano, Texas (Legacy) CMC is the sole member of Children's Insurance Company (CIC), Physicians for Children (PFC), Anesthesiologists for Children (AFC), and Dallas Physicians Medical Services for Children (DPMSC) CIC is a for-profit Vermont captive insurance company formed in 1990 to underwrite professional liability insurance The nonprofit affiliates PFC, AFC, and DPMSC are exempt from federal income taxes under Section 501(a) of the IRC of 1986 as organizations described in Section 501(c)(3) PFC, doing business as MyChildrens (MyC), is a Texas nonprofit corporation incorporated in July 1999 that operates six clinics that provide primary care to children in critically underserved areas of Dallas, Collin and Tarrant Counties AFC is a Texas nonprofit corporation incorporated in October 2000 that provides physician staffing for anesthesiology services DPMSC is a Texas nonprofit corporation incorporated in December 2002 that provides physician staffing for urgent care and hospitalist services

Children's Medical Center Foundation (the Foundation) is a nonprofit Texas corporation exempt from federal income taxes under Section 501(c)(3) of the IRC The Foundation was incorporated in 1985 to administer and invest funds in support of Children's and its affiliates

Alternative Care Systems, Inc (ACS) was incorporated in 1988 as a for-profit Texas corporation ACS is currently inactive

Children's Medical Center Pediatric Research Institute at UT Southwestern (Research Institute) is a nonprofit Texas corporation exempt from federal income taxes under Section 501(a) of the IRC of 1986 as an organization described in Section 501(c)(3) of the IRC The Research Institute was incorporated in 2009 to conduct pediatric research

All significant intercompany balances and transactions have been eliminated in consolidation

Community Service

Children's is an active, caring member of the communities it serves Children whose families meet the criteria of its charity care policy are provided care without charge or at amounts less than established rates Children's participates in the Medicaid, Medicare, Children with Special Health Care Needs (CSHCN), and Children's Health Insurance Program (CHIP) government programs, and provides services to the indigent children of Dallas County under an agreement with the Dallas County Hospital District

Responding to community needs, Children's operates a Level I Trauma Center, provides speakers to community organizations to convey information about child health, participates in major community health

fairs, and provides support to numerous family support groups and other community organizations serving children

Charity Care

Children's maintains records of the value of services and supplies furnished to financially and medically indigent patients under its charity policy. Financially indigent patients are uninsured or underinsured patients accepted for care with no obligation, or a discounted obligation, to pay. Medically indigent patients are those whose medical obligations exceed a certain percentage of their family's annual gross income.

In 1993, the Texas legislature passed Senate Bill 427, which established annual reporting requirements and certain standards for the delivery of community benefits, charity care, and government-sponsored indigent healthcare. Nonprofit hospitals must meet these standards in order to maintain their exemption from state and local taxes. Children's meets state standards with respect to charity care. Charity care is not included in net patient service revenue in the accompanying consolidated statements of operations.

Disproportionate Share Hospital Program

Children's participates in the Disproportionate Share Hospital Program administered by the Texas Department of Human Services. Under the program, local, state, and federal funds are accessed and distributed to hospitals providing a high volume of services to Medicaid and indigent patients.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Children's grants credit without collateral to its patients, most of whom are area residents and many of whom are insured under third-party payer agreements. Management does not believe these receivables represent any concentrated credit risk, furthermore, management continually monitors and adjusts its reserves and allowances associated with these receivables.

The mix of gross receivables from patients and third-party payers (excluding affiliates) at December 31, 2011 and 2010, was as follows:

	2011	2010
Government	30 %	37 %
Medicaid managed care	20	19
Managed care and commercial	40	36
Private pay and other	10	8
	100 %	100 %

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with initial maturities of three months or less

Patient Accounts Receivable and Net Patient Service Revenue

Net patient service revenue is recorded at the estimated net realizable amounts due from guarantors, third-party payers, and others for services rendered Estimated realizable amounts from government payers (primarily Medicaid, Medicare, CSHCN, and CHIP) are based on various formulas, some of which are cost-based Patient accounts receivable arising from these programs were approximately $82 5 million at December 31, 2011, and $92 2 million at December 31, 2010, recorded net of contractual adjustments Net revenue from these programs was 33% of net patient revenue in 2011 and 2010

For the cost-based portion of government reimbursement, Children's files an annual cost report that is subject to administrative review and audit by third parties As a result, there is a reasonable possibility that recorded estimates may change by a material amount as interpretations are clarified and cost reports are settled The initial estimates are revised as needed until the cost report is final settled Children's believes that the balance sheet amounts recorded are adequate to cover any such adjustments Net patient service revenue increased by approximately $3 5 million and $3 2 million for the years ended December 31, 2011 and 2010, respectively, due to the change in cost report allowances previously estimated as a result of final settlements

Allowance for Doubtful Accounts

Patient accounts receivable is presented net of allowances for doubtful accounts of approximately $16 0 million and $13 1 million in 2011 and 2010, respectively Children's does not require collateral or other security to support patient accounts receivable balances

Children's maintains allowances for doubtful accounts to reserve for potential write-offs relating to a payer's inability to make payments on an account Accounts are written off when collection efforts have been exhausted Children's routinely monitors its accounts receivable balances and utilizes historical collection experience to support the basis for its estimates of the provision for doubtful accounts

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets Amortization on assets under capital lease is computed using the straight-line method based on the term of the lease or the useful life of the asset, whichever is shorter, and is included in depreciation and amortization expense

The estimated useful lives of the classes of depreciable assets are as follows

Land improvements	5 to 20 years
Buildings and improvements	10 to 40 years
Fixed equipment	5 to 25 years
Movable equipment	3 to 20 years

Children's evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable The assessment of possible impairment is based on whether the carrying amount of the asset exceeds its fair value The fair value of impaired assets is estimated based on quoted market prices, if available, or the expected total value of the cash flows, on a discounted basis

Assets Limited as to Use

Assets limited as to use include investments designated by the Board of Directors (Board), which consist primarily of debt securities, marketable equity securities, and alternative investments In addition, investments in bond indentures and capital accumulation funds are included in assets limited as to use Investments designated by the Board are also stated at fair value and are held under a custodial agreement, with investments directed by professional investment management firms These assets are held for trading purposes

Children's invests in alternative investments through limited partnerships, which are reported using the equity method of accounting based on information provided by the respective partnerships The values provided by the respective partnerships are based on fair value, appraisals, or other estimates of fair value that require varying degrees of judgment Generally, the net value of Children's holdings reflects net contributions to the partnership and an allocated share of realized and unrealized investment income and expenses

In addition, assets limited as to use include an investment in 20 1 acres of real estate adjacent to CMC's Legacy campus, which is carried at a cost of $4 4 million

The Board has adopted a policy that separately designates certain investments for facilities replacement and for strategic planning initiatives Disbursements from these funds must be approved by the Board

Other Assets

Other assets include deferred financing costs, land, and oil and gas investments

Deferred financing costs are amortized over the terms of the respective bonds using the effective interest method Land includes 41 acres adjacent to CMC's Legacy property valued at cost for approximately $14 5 million Oil and gas investments, which are valued at cost, were $1 3 million at December 31, 2011

Pledge Discounts and Allowances

For pledges in excess of one year and greater than or equal to $50,000, the Foundation provides a discount based on the net present value of the pledge receivable The Foundation uses a discount rate based on U S Treasury bonds at the time of the pledge An allowance for uncollectibles is also provided based on historical experience and an analysis of the composition of the donors

Self-Insurance

Children's insures comprehensive professional and general liability risks through commercial insurance carriers under occurrence-based policies with certain self-insured limits (under claims-made policies effective January 1, 1996) The estimated cost of self-insurance is recognized at the time incidents occur The accompanying consolidated financial statements include the estimated liability for known claims, as well as incurred but not reported claims, based on actuarial calculations expected to be covered by self-

insurance The amount funded for self-insurance liabilities is included in assets limited as to use as investments designated by the Board in the accompanying consolidated balance sheets

Children's employee health benefits are provided through a self-insurance program that requires the development of a loss reserve to cover claims incurred but not reported This reserve, in the amount of $9 3 million and $8 8 million, is included in accrued liabilities in the accompanying consolidated balance sheets as of December 31, 2011 and 2010, respectively

Employee Retirement Benefit Plan

Children's accounts for its defined benefit retirement plan in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 715 *Compensation – Retirement Benefits* This topic requires an employer to (1) recognize, in its statement of financial position, an asset for a plan's overfunded status or a liability for a plan's underfunded status, (2) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year, and (3) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur Those changes are required to be reported in comprehensive income

Physician Income Guarantees

In the interest of expanding the availability of Children's services, Children's enters into physician income guarantee contracts (see Note 13) Through these contracts, Children's agrees to fund deficits generated between a physician's collections and direct expenses The guarantees are typically two years in duration and are intended to support the physician in the start-up phase of his or her practice

Gifts and Bequests

Unconditional unrestricted gifts and bequests of cash and other assets are included in unrestricted net assets when pledged Conditional unrestricted gifts and bequests are included in unrestricted net assets when received Donor-restricted gifts are reported as either temporarily restricted net assets or endowment net assets based upon the donor's intentions When a time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions Endowment gifts donated with stipulations that they be invested to provide a permanent source of income are reported as permanently restricted net assets

Performance Indicator

Children's performance indicator is net results available for reinvestment, which includes all changes in unrestricted net assets other than contributions, net assets released from restrictions for capital expenditures, and pension and other postretirement liability adjustments

New Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements*, amending ASC Topic 820 to increase disclosure requirements regarding recurring and nonrecurring fair value measurements Children's adopted ASU 2010-06 for the period ended March 31, 2010, except for the disclosures about activity in Level 3 fair value measurements, which were effective for Children's fiscal year beginning January 1, 2011 The adoption of ASU 2010-06 did not have a material impact on Children's consolidated financial statements

In August 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure*, as an amendment to ASC Topic 954, *Health Care Entities*. ASU 2010-23 requires that the measurement basis for charity care disclosure purposes shall be cost of services and that the costs shall be identified as direct and indirect costs of providing the charity care. Children's has adopted ASU 2010-23, as required, in the fiscal year beginning January 1, 2011.

In August 2010, the FASB issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, as an amendment to ASC Topic 954. ASU 2010-24 requires that medical malpractice claims, which include costs associated with litigating or settling claims, shall be accrued when the incidents that give rise to the claims occur and should not net insurance recoveries against the related claim liability. Children's has adopted ASU 2010-24, as required, in the fiscal year beginning January 1, 2011.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 amended ASC Topic 820, *Fair Value Measurements and Disclosures*, to converge the fair value measurement guidance in U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures, although certain of these new disclosures will not be required for nonpublic entities. Children's will adopt ASU 2011-04, as required, in the fiscal year beginning January 1, 2012.

In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, as an amendment to ASC Topic 954. ASU 2011-07 requires the reclassification of the provision for bad debt associated with patient service revenue from an operating expense to a deduction from patient service revenue. This amendment also requires enhanced disclosure of the policies for recognizing revenue and assessing bad debts, the disclosure of patient service revenue, and additional information about changes in the allowance for doubtful accounts. Children's will adopt ASU 2011-07, as required, in the fiscal year beginning January 1, 2012.

Subsequent Events

Children's has evaluated events and transactions occurring subsequent to December 31, 2011, through April 16, 2012, the date the accompanying consolidated financial statements were made available to external parties. During this period, there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

Note 2 - Pledges Receivable

Pledges receivable at December 31, 2011, are as follows (in thousands)

	Less than 1 year	1-5 years	More than 5 years	Total
Pledges receivable	$ 9,393	$ 6,886	$ 375	$ 16,654
Discount on long-term pledges receivable	(806)	(358)	(20)	(1,184)
Allowance for uncollectible	(372)	(282)	(15)	(669)
Net pledges receivable	$ 8,215	$ 6,246	$ 340	$ 14,801

Note 3 - Receivables from Remainder Trusts

The Foundation has received as contributions split-interest agreements, including charitable gift annuities and charitable remainder unitrusts Trust assets currently consist of cash and cash equivalents, U S government securities, common stocks, and mineral rights

Under the charitable gift annuity arrangements for which the Foundation is the trustee of the assets, the Foundation records the assets at fair value and the liabilities to the beneficiaries at the present value of the estimated future payments to be distributed by the Foundation to such beneficiaries The amount of the contribution is the difference between the asset and the liability and is recorded as temporarily restricted contributions unless otherwise restricted by the donor

Under the charitable remainder unitrusts arrangements for which the Foundation is the trustee of the assets, the Foundation records as donor-restricted contributions the present value of the residual interest in the trust in the period in which the trust is established The assets held in trust are recorded at fair value when received, and the liabilities to the beneficiaries are recorded at the present value of the estimated future payments to be distributed by the Foundation to such beneficiaries The amount of the contribution is the difference between the asset and the liability and is recorded as temporarily restricted or endowment contributions, as applicable Subsequent changes in fair value for charitable remainder unitrusts are recorded as changes in value of split-interest agreements in the appropriate net asset class

Under the charitable gift annuity and charitable remainder unitrusts arrangements for which the Foundation is not the trustee of the assets, the Foundation records a receivable and contribution revenue at the present value of the estimated future distributions expected to be received by the Foundation over the expected terms of the agreements

The discount rates used are commensurate with the risks involved at the time the contributions are initially recognized and are adjusted annually At December 31, 2011, the discount rate was 1 6%

Note 4 - Property and Equipment

Property and equipment consist of the following as of December 31, 2011 and 2010 (in thousands)

	2011	2010
Land and improvements	$ 39,929	$ 39,824
Buildings and improvements	683,552	663,408
Leasehold improvements	13,318	12,254
Fixed equipment	21,205	21,197
Movable equipment	338,916	337,760
Equipment under capital lease	1,745	4,297
	$ 1,098,665	$ 1,078,740
Accumulated depreciation and amortization	(449,134)	(419,092)
Construction in progress	41,873	26,344
Property and equipment, net	$ 691,404	$ 685,992

Note 5 - Assets Limited as to Use

Assets limited as to use consist of the following as of December 31, 2011 and 2010 (in thousands)

	2011	2010
Investments designated by board	$ 579,441	$ 576,020
Investments of temporarily restricted funds	6,046	8,288
Investments of donor-restricted funds for fixed assets	28,570	30,987
Investments of permanently restricted funds	46,052	45,630
	$ 660,109	$ 660,925

Note 6 - Fair Value of Financial Instruments

ASC Topic 820 requires assets and liabilities that are carried at fair value to be classified and disclosed in one of the following three categories

Level 1 Observable quoted market prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability

Level 3 Unobservable inputs for the asset or liability that are significant to the fair value of the assets or liabilities

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

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with initial maturities of three months or less The carrying amount approximates fair value because of the short maturity of these instruments

U S Government Securities, Common Stocks, Mutual Funds, and Debt Securities

The fair values of the investments included in Level 1 were determined through quoted market prices, while the fair values of Level 2 investments were determined primarily using a market approach, with inputs such as evaluated bid prices provided by third-party pricing services where quoted market values are not available

The underlying investments of common/collective trusts and pooled investment funds consist of marketable debt and equity securities with readily determinable market values without any lock-up or gate provisions

Interest Rate Swaps

The fair value of Children`s interest rate swaps is based on estimates using present value techniques that are affected by the assumptions used concerning the amount and timing of future cash flows and discount rates, all of which reflect varying degrees of risks

Alternative Investments

Children's alternative investments have similar risks as the traditional fixed income and equity securities, although there may be some additional risk The alternative investment strategy is to invest in hedge funds in order to obtain attractive risk-adjusted returns that are uncorrelated with equities and fixed income These funds are invested through limited partnerships that employ various investment strategies, including long-term and short-term equity, multistrategy, and credit Performance is driven by individual manager selection and their ability to obtain superior results Certain alternative investments have lock-up periods and other liquidity limitations that are generally one year from the date of the original investment Earlier redemptions are allowed with an early redemption penalty

The net asset values (NAV) of alternative investments are based on valuations provided by the managers of the specified funds Children's accounts for its alternative investments using the equity method of accounting, accordingly, these investments are excluded from the fair value hierarchy in ASC 820 Alternative investments held by Children's defined benefit retirement plan are measured at fair value using NAV as a practical expedient to determine fair value Several factors are considered in appropriately classifying alternative investments in the fair value hierarchy A fund is generally classified as Level 2 if Children's has the ability to withdraw its investment with the fund at NAV at the measurement date or within the near term A fund is generally classified as Level 3 if Children's does not have the ability to redeem its investment with the fund at NAV within the near term Those alternative investments held by Children's defined benefit retirement plan that are classified as Level 3 as of December 31 2011, were classified as such because they could not be redeemed in the near term

Estimated fair values of financial instruments were as follows at December 31, 2011 (in thousands)

		Assets at Fair Value	
	Total	**Level 1**	**Level 2**
Cash and cash equivalents	$ 367,220	$ 367,220	$ -
Investment portfolio			
Cash and cash equivalents	9,286	9,286	-
U S government securities	29,848	29,848	-
Common stocks	16,746	16,746	-
Debt securities			
Corporate bonds	39,349	-	39,349
Mortgage-backed securities	34,644	-	34,644
Mutual funds			
Registered			
Domestic equity	65,807	65,807	-
International equity	28,993	28,993	-
Fixed income	35,619	35,619	-
Common/collective trusts			
Domestic equity	126,984	-	126,984
International equity	131,291	-	131,291
Fixed income	24,713	-	24,713
Total investments at fair value	543,280	$ 186,299	$ 356,981
Alternative and other equity method investments	118,641		
Investments in real estate, at cost	4,379		
Total investment portfolio	$ 666,300		
Included in investments in unrestricted funds	$ 6,191		
Total assets limited to use	$ 660,109		
Interest rate swap liability	$ 376	$ -	$ 376

Estimated fair values of financial instruments were as follows at December 31, 2010 (in thousands)

		Assets at Fair Value	
	Total	**Level 1**	**Level 2**
Cash and cash equivalents	$ 229,590	$ 229,590	$ -
Investment portfolio			
Cash and cash equivalents	8,300	8,300	-
U S government securities	37,508	37,508	-
Common stocks	29,651	29,651	-
Debt securities			
Corporate bonds	68,792	-	68,792
Mortgage-backed securities	47,990	-	47,990
Mutual funds			
Registered			
Domestic equity	7,992	7,992	-
International equity	19,048	19,048	-
Fixed income	35,673	31,481	4,192
Global fixed income	20,753	10,798	9,955
Common/collective trusts			
Domestic equity	175,187	69,980	105,207
International equity	132,691	-	132,691
Fixed income	16,372	-	16,372
Total investments at fair value	599,957	$ 214,758	$ 385,199
Alternative and other equity method investments	62,807		
Investments in real estate, at cost	4,379		
Total investment portfolio	$ 667,143		
Included in investments in unrestricted funds	$ 6,218		
Total assets limited to use	$ 660,925		
Interest rate swap liability	$ 671	$ -	$ 671

Long-Term Debt

ASC Topic 825, *Financial Instruments*, requires disclosure of fair value information, whether or not recognized on the balance sheet, for which it is practicable to estimate that value Certain financial instruments and all nonfinancial instruments are excluded from these disclosure requirements Accordingly, the aggregate carrying value amounts presented do not represent the underlying value of the long-term debt The fair value of long-term debt, which consists primarily of notes payable and capital leases, is $427 million at December 31, 2011, compared to $423 million at December 31, 2010 The carrying value of long-term debt was $406 million at December 31, 2011, compared to $414 million at December 31, 2010

Note 7 - Operating Leases

Children's leases office space and medical equipment under agreements classified as operating leases extending through 2021 The minimum future obligations under these agreements as of December 31, 2011, are as follows (in thousands)

2012	$ 6,552
2013	5,290
2014	4,594
2015	4,635
2016	4,576
Thereafter	8,196
	$ 33,843

Operating lease expense of approximately $6 7 million in 2011 and $5 8 million in 2010 is included in operating expenses in the accompanying consolidated statements of operations

Note 8 - Long-Term Obligations

Long-term obligations consist of the following as of December 31, 2011 and 2010 (in thousands)

	2011	2010
AM Campus Note Promissory note for the purchase of the Pavilion building, payable monthly through 2012, with imputed interest of $413 at December 31, 2011, discounted at 5 00% and with no stated interest rate	$ 10,397	$ 13,214
North Central Texas Health Facilities Development Corporation Hospital Revenue Refunding Bonds, Series 1993, secured by Children's revenue		
Term bonds payable August 15, 2011, through 2013, 5 75% interest	7,580	10,460
Term bonds payable August 15, 2014, through 2016, 6 00% interest	10,810	10,810
North Central Texas Health Facilities Development Corporation Hospital Revenue Bonds, Series 2002, secured by Children's revenue		
Serial bonds, payable August 15, 2011, through 2019, in amounts ranging from $1,475 to $7,660, interest rates range from 4 40% to 5 50%	31,375	32,850
Term bonds payable August 15, 2020, through 2032, 5 25% interest	145,415	145,415
North Central Texas Health Facilities Development Corporation Hospital Revenue Bonds, Series 2009, secured by Children's revenue		
Term bonds payable August 15, 2017, through 2024, 5 00% interest	16,415	16,415
Term bonds payable August 15, 2025, through 2029, 5 50% interest	14,620	14,620
Term bonds payable August 15, 2030, through 2039, 5 75% interest	168,965	168,965

Philips Medical Capital		
Lease of Medical Equipment, payable monthly through March 2013, 2.76% interest	433	990
	406,010	413,739
Unamortized bond discount	(8,239)	(9,126)
Less current portion	(15,583)	(7,168)
	$ 382,188	$ 397,445

Outstanding Series 1993 bonds were refunded with the exception of $8.3 million that was paid in full on January 25, 2010. The resulting derivatives from these transactions were recorded at fair value within the other noncurrent liability section on the accompanying combined balance sheets.

Children's is not in default on any debt covenants, which include certain financial ratios, insurance coverage minimums, and revenue adequate to cover debt service.

Scheduled principal payments on long-term debt and capital lease obligations, net of imputed interest, over the next five years are as follows (in thousands):

	Long-Term Debt	Capital Leases
2012	$ 15,622	$ 381
2013	5,520	59
2014	4,555	-
2015	6,160	-
2016	6,505	-
Thereafter	367,215	-
	405,577	440
Less imputed interest	(413)	(7)
	$ 405,164	$ 433

Note 9 - Employee Retirement Benefit Plans

Children's has a defined benefit retirement plan that covers substantially all full-time employees hired before December 24, 2006. As of December 24, 2006, the defined benefit plan was frozen to new employees. Benefits are based on the employee's years of service and compensation during the years immediately preceding retirement. Employees do not contribute to the plan. Children's policy is to contribute funds sufficient to meet or exceed the minimum annual funding standards under Section 412 of the Employee Retirement Income Security Act of 1974. Plan assets are held under a custodial agreement, with investments directed by professional investment management firms. Plan assets consist of U.S. government securities, high-grade debt securities, and marketable equity securities. Contributions of $10.0 million were made in 2011 and contributions of $20.1 million are planned for 2012. Benefit plans are accounted for in accordance with FASB ASC Topic 715, *Compensation – Retirement Benefits*.

The information reflected below sets forth the defined benefit plan's benefit obligation, fair value of plan assets, and the funded status as of December 31, 2011 and 2010 (in thousands)

	2011	2010
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$ 217,104	$ 188,998
Service cost	11,000	9,745
Interest cost	12,611	11,263
Actuarial loss	42,554	9,070
Benefits paid	(2,363)	(1,972)
Projected benefit obligation, end of year	$ 280,906	$ 217,104
Change in plan assets		
Fair value of plan assets, beginning of year	$ 157,792	$ 119,744
Actual return on plan assets	970	13,020
Employer contributions	10,000	27,000
Benefits paid	(2,363)	(1,972)
Fair value of plan assets, end of year	$ 166,399	$ 157,792
Funded status at end of year	$ (114,507)	$ (59,312)

Amounts recognized in the consolidated balance sheets as of December 31, 2011 and 2010, consist of (in thousands)

	2011	2010
Other noncurrent liabilities	$ 114,507	$ 59,312

The net periodic pension cost as of December 31, 2011 and 2010, includes the following components (in thousands)

	2011	2010
Net periodic benefit cost		
Service cost	$ 11,000	$ 9,745
Interest cost	12,611	11,263
Expected return on plan assets	(12,356)	(9,814)
Amortization of prior service cost	5	5
Amortization of net actuarial loss	3,839	3,815
Net period benefit cost	$ 15,099	$ 15,014

Fair values of plan assets by asset category (see Note 6) as of December 31, 2011 and 2010, were

Asset Category	Target Asset Allocation	Plan Assets at December 31 2011		Plan Assets at December 31 2010	
Cash and cash equivalents	- %	$ 1,377	0 8 %	$ 13,239	8 4 %
U S government securities[2]	-	12,551	7 5	10,304	6 5
Common stocks[1]	-	4,230	2 5	2,817	1 8
Debt securities	35 0	32,861	19 7	35,853	22 7
Mutual funds	50 0	92,975	56 0	68,756	43 6
Alternative investments	15 0	22,405	13 5	26,823	17 0
	100 0 %	$ 166,399	100 0 %	$ 157,792	100 0 %

[1] Common stocks' target allocation is included in mutual funds

[2] U S government securities' target allocation is included with debt securities

Fair values of plan assets by asset category at December 31, 2011, were as follows

	Total	Fair Value Measurements Using Level 1	Level 2	Level 3
Cash and cash equivalents	$ 1,377	$ 1,377	$ -	$ -
U S government securities	12,551	12,551	-	-
Common stocks	4,230	4,230	-	-
Debt securities	32,861	-	32,861	-
Mutual funds	92,975	27,881	65,094	-
Alternative investments	22,405	-	-	22,405
	$ 166,399	$ 46,039	$ 97,955	$ 22,405

The following table is a rollforward of the pension plan assets classified within Level 3 of the valuation hierarchy

	Alternative Investments
Fair value at January 1, 2011	$ 26,823
Purchases, issuances, and settlements	(3,789)
Unrealized losses included in excess of revenue over expenses	(629)
Fair value at December 31, 2011	$ 22,405

Pension assets are managed by professional managers based on an investment policy recommended by investment consultants and approved by the Board The pension asset allocation is weighted toward equity investments, which reflect the long-term nature of the pension plan The strategy behind the asset allocation is for the largest holdings to reflect the broad U S equity markets, while providing some potential for the enhanced returns that can be provided by small cap, mid cap, and international equities The fixed income portion provides some protection from the risks of equity investments The expected long-term rate of return on plan assets of 7 7% is based on a long-range investment model developed during an asset allocation study performed by investment consultants

The accumulated benefit obligation was $239 7 million and $180 1 million at December 31, 2011 and 2010, respectively

As of December 31, 2011, benefits expected to be paid for each of the following five fiscal years and in aggregate for the next five fiscal years are as follows (in thousands)

2012	$ 3,075
2013	3,808
2014	4,569
2015	5,513
2016	6,610
Aggregate next five fiscal years	52,267
Total	$ 75,842

Other changes in plan assets and benefit obligations recognized in changes in unrestricted net assets for the years ended December 31, 2011 and 2010, are (in thousands)

	2011	2010
Prior service cost	$ (5)	$ (5)
Net gain	53,940	5,865
Other	(3,840)	(3,815)
Total recognized in changes in unrestricted net assets	$ 50,095	$ 2,045

The prior service cost and net loss for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $4,000 and $7 9 million, respectively

Amounts in unrestricted net assets that have not been recognized in net periodic benefit cost, as of December 31, 2011 and 2010, consist of (in thousands)

	2011	2010
Prior service cost	$ 4	$ 9
Net actuarial loss	108,980	58,880
	$ 108,984	$ 58,889

Weighted-average assumptions used in the accounting for net periodic pension costs were

	2011	2010
Net periodic retirement costs		
Discount rate	5 85%	6 00%
Expected long-term rate of return on plan assets	7 70%	7 70%
Compensation increase rate	4 00%	4 00%

	2011	2010
Benefit obligation and funded status		
Discount rate	4 70%	5 85%
Expected long-term rate of return on plan assets	7 70%	7 70%
Compensation increase rate	3 00%	4 00%

Children's has a defined contribution plan in which substantially all full-time employees may participate Children's matches a portion of an employee's contributions, up to 4% of pay Children's level of fixed matching contributions to the plan depends on the employee's participation in the defined benefit retirement plan, date of hire, and cumulative years of service Effective May 1, 2007, employees hired before December 24, 2006, were eligible to make a one-time irrevocable election to remain in the defined benefit retirement plan or to freeze their defined benefit retirement plan benefits Employees who chose to remain in the defined benefit retirement plan continue to receive fixed matching contributions of 25% Employees who chose to freeze their defined benefit retirement plan benefits receive an enhanced Children's fixed matching rate on their contributions to the defined contribution plan, based on years of service

Employees hired on or after December 24, 2006, are not eligible to participate in the defined benefit retirement plan These employees, if they choose to participate in the defined contribution plan, will receive the enhanced Children's fixed matching rate in the defined contribution plan, based on years of service Children's fixed matching contributions to the plan were approximately $9 6 million in 2011 and $10 0 million in 2010

In addition, all participants were eligible for additional variable match at a rate contingent upon the hospital exceeding operational performance targets Based on performance, participants were eligible for an additional variable match of approximately $2 9 million for 2010, which was paid in 2011 In 2011, the additional variable match was eliminated

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes (in thousands)

	2011	2010
Patient care	$ 28,060	$ 25,640
Construction	26,264	29,751
Research	9,734	7,403
Education	1,233	551
Equipment	2,693	4,027
Time-restricted	4,760	4,234
Legacy Campus	4,650	3,968
Other	4,846	7,374
	$ 82,240	$ 82,948

Note 11 - Permanently Restricted Net Assets

Permanently restricted net assets at December 31, are restricted to (in thousands)

	2011	2010
Patient care	$ 25,315	$ 25,442
Research	5,120	3,898
Education	2,801	2,831
Legacy Campus	126	127
General operations	14,461	14658
Other	2,276	1,392
	$ 50,099	$ 48,348

The Foundation adopted *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, and Enhanced Disclosures for All Endowment Funds* under ASC Topic 958, *Not for Profit Entities*, on December 31, 2008. This guidance provides for the proper net asset classification of donor-restricted endowment funds for not-for-profits in states that have adopted an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006.

The Foundation holds donor-restricted endowment funds established primarily to fund specific activities at Children's. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State Prudent Management of Institutional Funds Act (SPMIFA) provides statutory guidelines for the management, investment, and expenditure of endowment funds held by charitable organizations in the absence of explicit donor stipulations.

The Foundation classifies the historic value of donor-restricted gifts to be held in perpetuity as permanently restricted net assets The intent of the Foundation is to preserve the historic value of permanently restricted gifts Previously, endowment distributions were based on a discretionary percentage determined by management after consideration of economic conditions In 2010, management elected a new endowment distribution policy The new endowment distribution policy allows a 0% to 5% distribution of the endowment asset, which is defined as the simple average of the previous twelve fiscal quarters' ending values Previous endowment investment earnings of approximately $1 7 million, which had been appropriated for expenditures and classified as temporarily restricted net assets and not yet distributed, were reclassified as permanently restricted net assets upon adoption of the new policy At December 31, 2011, permanently restricted net assets representing donor-restricted perpetual endowment funds were approximately $50 1 million

Note 12 - Accrued Liabilities

Accrued liabilities consist of the following as of December 31, 2011 and 2010 (in thousands)

	2011	2010
Accrued salaries and benefits	$ 34,710	$ 35,415
Accrued paid time off	23,549	23,416
Third-party settlements payable	23,941	22,422
Other	1,523	580
	$ 83,723	$ 81,833

Note 13 - Physician Income Guarantees

Physician income guarantees are accounted for in accordance with FASB ASC Topic 460, *Guarantees* Children's records an asset and liability for the estimated payments to be made under physician income guarantees The assets are amortized using the straight-line amortization method for the guarantee period, and the liabilities are released as payments are made The unamortized portion of these physician guarantees, included in other assets, is $9 4 million as of December 31, 2011, and $9 3 million as of December 31, 2010 The maximum amount of unpaid physician income guarantees was approximately $20 9 million at December 31, 2011 The current portion of the guarantees is included in the current liabilities and the noncurrent portion of the guarantees is included in the other noncurrent liabilities on the consolidated balance sheet Total guarantees were $11 4 million and $9 4 million as of December 31, 2011 and 2010, respectively

Note 14 - Commitments and Contingencies

Children's is involved in certain litigation and is subject to claims that may arise in the normal course of its operations It is the opinion of management, based on consultation with legal counsel, that such litigation and claims will be resolved without a material adverse effect on Children's consolidated financial position or results of operations

The healthcare 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 healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers Violations of these laws and regulations could result in expulsion from

government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed

Management believes that Children's is in compliance with government laws and regulations related to fraud and abuse, and other applicable areas While no material regulatory inquiries have been made, 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

Children's continues to upgrade and improve its facilities as well as its Information Technology (IT) capabilities and infrastructure For the year ended December 31, 2011, outstanding commitments for construction are approximately $11 5 million and outstanding commitments for IT-related projects are approximately $2 5 million

Note 15 - Functional Expenses

FASB ASC Topic 958 requires the presentation of information about expenses reported by their functional classification, such as program services and supporting activities Program services are those activities that fulfill the mission of Children's, which is to make life better for children Supporting services include management, general, and activities Program and supporting services expenses were as follows (in thousands)

	2011	2010
Program services	$ 673,111	$ 467,925
Management and general	259,175	422,870
Fundraising	4,411	7,716
	$ 936,697	$ 898,511

Note 16 - Volunteer Services

Volunteers contribute significantly to Children's mission by enabling the organization to multiply its resources to exceed the needs of patients and their families Services performed by volunteers include delivering flowers and mail, escorting visitors throughout the hospital, assisting in playrooms during activities, tutoring patients, sitting with patients whose parents are away from the hospital, assisting patient families in ambulatory care and critical care areas, and working in the gift shop The value of these services has not been included in the accompanying consolidated financial statements as it is not readily determinable

Note 17 - Land Sale

The Foundation sold property in Sachse, Texas, on August 6, 2010, for cash of $2 7 million and a note of $12 5 million The transaction was accounted for by the installment method The recognized gain is $2 4 million, while $9 9 million is recorded as a deferred gain that will be recognized as principal payments are made on the note The note bears no interest until January 1, 2012, with an interest rate set at 10% thereafter Beginning on April 1, 2012, the buyer is required to pay quarterly principal payments of $25,000 along with accrued interest until maturity of the note on January 1, 2017 The original donor of the land requested that the Foundation use the proceeds from its sale to establish a permanent endowment for the benefit of Children's Medical Center Accordingly, the gain on the sale of this land has been classified as an increase in permanently restricted net assets

In consideration for the gift of the property in 1975, Children's Medical Center agreed to distribute 10% of the net proceeds to another entity that was chosen by the donor A liability of $1 3 million was recognized as the amount due to the other entity from the note receivable for the sale of the land, and is included in the consolidated balance sheet at December 31, 2011, in other noncurrent liabilities

Note 18 - Charity Care

The value of charity care provided by Children's, excluding subsidiaries, based upon its established rates, was approximately $67 2 million in 2011 and $49 8 million in 2010 ASU 2010-23 requires charity care to be disclosed on a cost basis Children's utilizes the cost to charge ratios, as calculated based on its most recent cost reports, to determine the total cost Children's cost of providing charity care was $30 1 million and $22 3 million for the years ended December 31, 2011 and 2010, respectively

Note 19 - Professional Risk Liability

The net amount of the professional liability was $2 3 million and $3 3 million as of December 31, 2011 and 2010, respectively ASU 2010-24 requires professional risk liability to be reported at gross, without the consideration of insurance recoveries Accordingly, Children's has included professional risk liabilities of $9 1 million in the other noncurrent liabilities portion of the consolidated balance sheet and an asset representing insurance recoveries of $6 8 million in the other assets section of the consolidated balance sheet at December 31, 2011

Note 20 - Electronic Health Records

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH) The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments Children's recognizes these EHR incentive payments when they believe they have meet the meaningful use criteria Children's recognized approximately $3 8 of other income related to EHR incentive payments from Medicaid during the year ended December 31, 2011 Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit Additionally, Children's compliance with the meaningful use criteria is subject to audit by the federal government

Note 21 - Fourth Quarter Results of Operations (Unaudited)

The following is a summary of the results of operations for the quarters ended December 31, 2011 and 2010 (in thousands)

	2011	2010
OPERATING REVENUE:		
Net patient service revenue	$ 239,353	$ 243,250
Other operating revenue	3,679	3,042
Net assets released from restrictions for operations	1,535	2,317
Total operating revenue	244,567	248,609
EXPENSES:		
Salaries and benefits	125,799	120,505
Professional services	20,256	17,721
Supplies and other	27,261	25,947
General support	38,229	35,532
Depreciation and amortization	13,545	14,078
Interest	5,600	5,766
Provision for doubtful accounts	11,149	12,004
Total operating expenses	241,839	231,553
OPERATING RESULTS AVAILABLE FOR REINVESTMENT	2,728	17,056
NONOPERATING GAINS:		
Realized investment gains	4,953	9,001
Unrealized investment gains	21,111	17,068
Disproportionate share	6,221	7,545
Graduate medical education receipts	1,068	1,441
Total nonoperating gains	33,353	35,055
NET RESULTS AVAILABLE FOR REINVESTMENT	$ 36,081	$ 52,111

The following is a summary of the changes in net assets for the quarters ended December 31, 2011 and 2010 (in thousands)

	2011	2010
CHANGES IN UNRESTRICTED NET ASSETS:		
Net results available for reinvestment	$ 36,081	$ 52,111
Contributions	3,061	1,793
Net assets released from restrictions for capital expenditures	1,954	3,871
Reclass from temporarily restricted net assets	2,619	905
Change in minimum pension liability	(50,095)	(2,045)
Other	-	(395)
(Decrease) increase in unrestricted net assets	(6,380)	56,240
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	3,464	3,897
Change in value of split-interest agreements	187	(354)
Realized investment gains	55	507
Unrealized investment gains	213	1,737
Net assets released from restrictions for operations	(1,535)	(2,317)
Net assets released from restrictions for capital expenditures	(1,953)	(3,871)
Grants for pediatric purposes	(4)	(38)
Reclass (to) unrestricted net assets	(2,619)	(905)
Reclass (to) permanently restricted net assets	-	(2,149)
Other	1	557
(Decrease) in temporarily restricted net assets	(2,191)	(2,936)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Permanently restricted contributions	509	690
Change in value of split-interest agreements	(141)	(346)
Loss on sale of assets	(5)	(51)
Interest income	251	233
Realized investment gains	345	88
Unrealized investment gains	1,307	289
Reclass from temporarily restricted net assets	-	2,149
(Decrease) in permanently restricted net assets	2,266	3,052
(DECREASE) INCREASE IN NET ASSETS	(6,305)	56,356
NET ASSETS AT BEGINNING OF PERIOD	1,225,076	1,093,918
NET ASSETS AT END OF PERIOD	$ 1,218,771	$ 1,150,274

Supplementary Information

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Report of Independent Auditors on Other Financial Information

The Board of Directors
Children's Health Services of Texas

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The accompanying consolidating balance sheet and statement of operations are presented for purposes of additional analysis and are 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 audit 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

Ernst + Young LLP

April 16, 2012

Children's Health Service of Texas and Affiliates
Children's Medical Center of Dallas Consolidating Balance Sheet
As of December 31, 2011
(In Thousands)

	Children's Medical Center of Dallas	Dallas Physician Medical Services for Children, Inc	My Children's	Anesthesiologists for Children	Children's Insurance Company	CMC Eliminations	CMC Consolidated
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	$ 336 633	$ 243	$ 474	$ 2 226	$ 269	$ -	$ 339 845
Patient accounts receivable net of allowances	84 350	303	865	2 639	-	-	88 157
Pledges receivable net of allowances	-	-	-	-	-	-	-
Inventories	9 440	-	-	-	-	-	9 440
Other current assets	34 796	46	263	249	(1)	-	35 353
Investment in unrestricted funds	-	-	-	-	-	-	-
Total current assets	465 219	592	1 602	5 114	268	-	472 795
PLEDGES RECEIVABLE, net of allowances	-	-	-	-	-	-	-
RECEIVABLES FROM REMAINDER TRUSTS	-	-	-	-	-	-	-
PROPERTY AND EQUIPMENT net	688 391	-	3 013	-	-	-	691 404
ASSETS LIMITED AS TO USE	453 559	-	-	-	-	-	453 559
INTEREST IN NET ASSETS OF CHILDREN'S MEDICAL CENTER FOUNDATION	267 069	-	-	-	-	-	267 069
OTHER ASSETS	39 250	(2 658)	(14 596)	(5 726)	-	6 540	22 810
Total assets	$ 1 913 488	$ (2 066)	$ (9 981)	$ (612)	$ 268	$ 6 540	$ 1 907 637
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable	$ 55 556	$ 111	$ (38)	$ 2 330	$ 18	$ -	$ 57 977
Accrued liabilities	83 200	213	224	1	-	-	83 638
Accrued interest	8 220	-	-	-	-	-	8 220
Current portion of long-term debt and capital lease obligations	15 583	-	-	-	-	-	15 583
Other current liabilities	9 296	-	-	-	-	-	9 296
Total current liabilities	171 855	324	186	2 331	18	-	174 714
ANNUITIES AND TRUSTS PAYABLE	-	-	-	-	-	-	-
DEFERRED GAIN	-	-	-	-	-	-	-
LONG - TERM DEBT AND CAPITAL LEASE OBLIGATIONS	382 188	-	-	-	-	-	382 188
OTHER NONCURRENT LIABILITIES	136 344	-	351	-	-	-	136 695
NET ASSETS							
Unrestricted	695	(2 390)	(10 518)	(2 943)	250	6 540	946 944
Temporarily restricted	216 997	-	-	-	-	-	216 997
Permanently restricted	50 099	-	-	-	-	-	50 099
Total net assets	1 223 101	(2 390)	(10 518)	(2 943)	250	6 540	1 214 040
Total liabilities and net assets	$ 1 913 488	$ (2 066)	$ (9 981)	$ (612)	$ 268	$ 6 540	$ 1 907 637

Children's Health Service of Texas and Affiliates
Children's Medical Center of Dallas Consolidating Statements of Operations
For the year ended December 31 2011
(In Thousands)

	Children's Medical Center of Dallas	Dallas Physician Medical Services for Children Inc	My Children's	Anesthesiologists for Children	Children's Insurance Company	CMC Eliminations	CMC Consolidated
OPERATING REVENUE							
Net patient service revenue	$ 961 849	$ 1 055	$ 4 919	$ 14 963	$ -	$ -	$ 982 786
Other operating revenue	18 658	1 778	(22)	10 433	49	(12 870)	18 026
Net assets released from restrictions for operations	5 662	-	750	30	-	-	6 442
Total operating revenue	986 169	2 833	5 647	25 426	49	(12 870)	1 007 254
EXPENSES							
Salaries and benefits	470 545	1 661	6 173	11 391	-	-	489 770
Professional services	75 780	995	98	11 811	-	(11 951)	76 733
Supplies and other	103 711	-	473	-	-	-	104 184
General support	123 178	336	2 482	1 652	49	(919)	126 778
Depreciation and amortization	53 557	-	622	-	-	-	54 179
Interest	22 511	-	-	-	-	-	22 511
Provision for doubtful accounts	52 460	153	65	1 274	-	-	53 952
Total operating expenses	901 742	3 145	9 913	26 128	49	(12 870)	928 107
OPERATING RESULTS AVAILABLE FOR REINVESTMENT	84 427	(312)	(4 266)	(702)	-	-	79 147
NONOPERATING GAINS (LOSSES)							
Realized investment gains	34 408	-	-	-	-	-	34 408
Unrealized investment (losses) gains	(36 381)	-	-	-	-	-	(36 381)
Disproportionate share	24 801	-	-	-	-	-	24 801
Graduate medical education receipts	7 291	-	-	-	-	-	7 291
Total nonoperating gains	30 119	-	-	-	-	-	30 119
NET RESULTS AVAILABLE FOR REINVESTMENT	$ 114 546	$ (312)	$ (4 266)	$ (702)	$ -	$ -	$ 109 266

Children's Health Service of Texas and Affiliates
Consolidating Balance Sheet
As of December 31, 2011
(In Thousands)

	CMC Consolidated	Alternative Care Systems	Children's Health Services of Texas	Children's Medical Center Foundation	Children's Health Services of Texas Eliminations	Children's Health Services of Texas Consolidated
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 339 845	$ 4 957	$ -	$ 22 418	$ -	$ 367 220
Patient accounts receivable net of allowances	88 157	-	-	-	-	88 157
Pledges receivable net of allowances	-	-	-	8 215	-	8 215
Inventories	9 440	-	-	-	-	9 440
Other current assets	35 353	33	-	359	(4 636)	31 109
Investment in unrestricted funds	-	-	-	6 191	-	6 191
Total current assets	472 795	4 990	-	37 183	(4 636)	510 332
PLEDGES RECEIVABLE net of allowances	-	-	-	6 586	-	6 586
RECEIVABLES FROM REMAINDER TRUSTS	-	-	-	4 670	-	4 670
PROPERTY AND EQUIPMENT net	691 404	-	-	-	-	691 404
ASSETS LIMITED AS TO USE	453 559	-	-	206 550	-	660 109
INTEREST IN NET ASSETS OF CHILDREN'S MEDICAL CENTER FOUNDATION	267 069	-	-	-	(267 069)	-
OTHER ASSETS	22 810	-	(195)	29 595	-	52 210
Total assets	$ 1 907 637	$ 4 990	$ (195)	$ 284 584	$ (271 705)	$ 1 925 311
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Due to CMC Consolidated	$ -	$ -	$ -	$ 4 636	$ (4 636)	$ -
Accounts payable	57 977	5	1	-	-	57 983
Accrued liabilities	83 638	-	59	26	-	83 723
Accrued interest	8 220	-	-	-	-	8 220
Current portion of long-term debt and capital lease obligations	15 583	-	-	-	-	15 583
Other current liabilities	9 296	-	-	-	-	9 296
Total current liabilities	174 714	5	60	4 662	(4 636)	174 805
ANNUITIES AND TRUSTS PAYABLE	-	-	-	1 725	-	1 725
DEFERRED GAIN	-	-	-	9 869	-	9 869
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	382 188	-	-	-	-	382 188
OTHER NONCURRENT LIABILITIES	136 695	-	-	1 258	-	137 953
NET ASSETS						
Unrestricted	946 944	4 985	(255)	134 758	-	1 086 432
Temporarily restricted	216 997	-	-	82 213	(216 970)	82 240
Permanently restricted	50 099	-	-	50 099	(50 099)	50 099
Total net assets	1 214 040	4 985	(255)	267 070	(267 069)	1 218 771
Total liabilities and net assets	$ 1 907 637	$ 4 990	$ (195)	$ 284 584	$ (271 705)	$ 1 925 311

Children's Health Service of Texas and Affiliates
Consolidating Statements of Operations
For the year ended December 31 2011
(In Thousands)

	CMC Consolidated	Alternative Care Systems	Children's Health Services of Texas	Children's Medical Center Foundation	Children's Health Services of Texas Eliminations	Children's Health Services of Texas
OPERATING REVENUE						
Net patient service revenue	$ 982 786	$ -	$ -	$ -	$ -	$ 982 786
Other operating revenue	18 026	-	-	365	(547)	17 844
Net assets released from restrictions for operations	6 442	-	-	-	(12)	6 430
Total operating revenue	1 007 254	-	-	365	(559)	1 007 060
EXPENSES						
Salaries and benefits	489 770	-	-	4 915	-	494 685
Professional services	76 733	-	-	-	-	76 733
Supplies and other	104 184	-	-	-	-	104 184
General support	126 778	14	-	4 184	(547)	130 429
Depreciation and amortization	54 179	-	-	24	-	54 203
Interest	22 511	-	-	-	-	22 511
Provision for doubtful accounts	53 952	-	-	-	-	53 952
Total operating expenses	928 107	14	-	9 123	(547)	936 697
OPERATING RESULTS AVAILABLE FOR REINVESTMENT	79 147	(14)	-	(8 758)	(12)	70 363
NONOPERATING GAINS (LOSSES)						
Realized investment gains	34 408	-	-	8 624	-	43 032
Unrealized investment (losses) gains	(36 381)	-	-	(8 718)	-	(45 099)
Disproportionate share	24 801	-	-	-	-	24 801
Graduate medical education receipts	7 291	-	-	-	-	7 291
Total nonoperating gains	30 119	-	-	(94)	-	30 025
NET RESULTS AVAILABLE FOR REINVESTMENT	$ 109 266	$ (14)	$ -	$ (8 852)	$ (12)	$ 100 388

Children's Health Service of Texas and Affiliates
Obligated Group Combining Balance Sheet
As of December 31, 2011
(In Thousands)

	Children's Medical Center of Dallas	Children's Medical Center Foundation	Obligated Group Eliminations	Obligated Group
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 336,633	$ 22,418	$ -	$ 359,051
Patient accounts receivable, net of allowances	84,350	-	-	84,350
Pledges receivable, net of allowances	-	8,215	-	8,215
Inventories	9,440	-	-	9,440
Other current assets	34,796	359	(4,511)	30,644
Investment in unrestricted funds	-	6,191	-	6,191
Total current assets	465,219	37,183	(4,511)	497,891
PLEDGES RECEIVABLE, net of allowances	-	6,586	-	6,586
RECEIVABLES FROM REMAINDER TRUSTS	-	4,670	-	4,670
PROPERTY AND EQUIPMENT, net	688,391	-	-	688,391
ASSETS LIMITED AS TO USE	453,559	206,550	-	660,109
INTEREST IN NET ASSETS OF CHILDREN'S MEDICAL CENTER FOUNDATION	267,069	-	(267,069)	-
OTHER ASSETS	39,250	29,595	(9,061)	59,784
Total assets	$ 1,913,488	$ 284,584	$ (280,641)	$ 1,917,431
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Due to Children's Medical Center of Dallas	$ -	$ 4,511	$ (4,511)	$ -
Due to My Children's	-	125	-	125
Accounts payable	55,556	-	-	55,556
Accrued liabilities	83,200	26	-	83,226
Accrued interest	8,220	-	-	8,220
Current portion of long-term debt and capital lease obligations	15,583	-	-	15,583
Other current liabilities	9,296	-	-	9,296
Total current liabilities	171,855	4,662	(4,511)	172,006
ANNUITIES AND TRUSTS PAYABLE	-	1,725	-	1,725
DEFERRED GAIN	-	9,869	-	9,869
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	382,188	-	-	382,188
OTHER NONCURRENT LIABILITIES	136,344	1,258	-	137,602
NET ASSETS				
Unrestricted	956,005	134,758	(9,061)	1,081,702
Temporarily restricted	216,997	82,213	(216,970)	82,240
Permanently restricted	50,099	50,099	(50,099)	50,099
Total net assets	1,223,101	267,070	(276,130)	1,214,041
Total liabilities and net assets	$ 1,913,488	$ 284,584	$ (280,641)	$ 1,917,431

Children's Health Service of Texas and Affiliates
Obligated Group Combining Statements of Operations
For the year ended December 31, 2011
(In Thousands)

	Children's Medical Center of Dallas	Children's Medical Center Foundation	Obligated Group Eliminations	Obligated Group
OPERATING REVENUE:				
Net patient service revenue	$ 961,849	$ -	$ -	$ 961,849
Other operating revenue	18,658	365	(547)	18,476
Net assets released from restrictions for operations	5,662	-	(12)	5,650
Total operating revenue	986,169	365	(559)	985,975
EXPENSES:				
Salaries and benefits	470,545	4,915	-	475,460
Professional services	75,780	-	-	75,780
Supplies and other	103,711	-	-	103,711
General support	123,178	4,184	(547)	126,815
Depreciation and amortization	53,557	24	-	53,581
Interest	22,511	-	-	22,511
Provision for doubtful accounts	52,460	-	-	52,460
Total operating expenses	901,742	9,123	(547)	910,318
OPERATING RESULTS AVAILABLE FOR REINVESTMENT	84,427	(8,758)	(12)	75,657
NONOPERATING GAINS (LOSSES):				
Realized investment gains	34,408	8,624	-	43,032
Unrealized investment (losses) gains	(36,381)	(8,718)	-	(45,099)
Disproportionate share	24,801	-	-	24,801
Graduate medical education receipts	7,291	-	-	7,291
Total nonoperating gains	30,119	(94)	-	30,025
NET RESULTS AVAILABLE FOR REINVESTMENT	$ 114,546	$ (8,852)	$ (12)	$ 105,682

Obligated Group
Note to Combining Obligated Group
December 31, 2011

Note 1 – Basis of Presentation

Children's Medical Center Obligated Group (the Obligated Group), as defined in the Master Trust Indenture dated September 1, 1988, as supplemented, comprises Children's Medical Center of Dallas and Children's Medical Center Foundation

Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

Children's Health Service of Texas and Affiliates
Management's Discussion and Analysis of Financial Condition and Results of Operations
Quarter and Year Ended December 31, 2011
(Unaudited)

The following discussion and analysis should be read in conjunction with the Children's Financial Statements and the Notes thereto

Summary of Utilization
Quarters Ended December 31, 2011 and 2010

	Fourth Quarter		Year Ended	
	2011	**2010**	**2011**	**2010**
Weighted average beds in service	417	397	413	397
Admissions	6,793	6,330	26,501	25,240
Average length of stay	3 55	3 89	3 76	3 89
Patient days	24,149	25,415	99,952	99,573
Average daily census	262	309	275	273
Percentage occupancy	63%	67%	67%	67%
Clinic visits	148,485	139,232	573,411	516,990
Day surgeries	4,150	3,964	16,864	17,058

Volumes

Patient days decreased by 1,266 days (5%) and increased 379 days (0 4%), for the quarter and year ended December 31, 2011, compared to the same period in the prior year Intensive care units increased 499 days (9%) and 1,360 days (7%) for the quarter and year ended December 31, 2011, compared to the same period in 2010 Medical/surgical and observation days decreased by 1,765 days (9%) and 981 days (1%) for the quarter and year ended December 31, 2011, compared to the same periods in the prior year

For the quarter and year ended December 31, 2011, clinic visits increased by 9,253 (7%) and 56,421 (11%) compared to the same periods of the prior year CMC clinic visits increased by 7,699 (6%) and 46,033(10%) for the quarter and year ended December 31, 2011, compared to the same periods in 2010 MyC clinic visits increased by 1,554 (8%) and 10,388 (15%) for the quarter and year ended December 31, 2011, compared to the same periods in 2010

Day surgery cases increased by 186 (5%) and decreased 194 (1%) for the quarter and year ended December 31, 2011, compared to the same periods in 2010 Operating room (OR) day surgery cases increased by 247 (10%) and 356 (4%) in the quarter and year ended December 31, 2011, compared to the same periods in 2010 The Pavilion Surgery Center (PSC) cases decreased by 51 (3%) and 550 (8%) in the quarter and year ended December 31, 2011, compared to the same periods in 2010

For the quarter and year ended December 31, 2011, AFC cases totaled 8,710 and 33,682, respectively AFC cases increased 1,070 (14%) and 2,113 (7%) for the quarter and year ended December 31, 2011, compared to the same period in 2010 For the quarter and year ended December 31, 2011, DPMSC cases totaled 2,693 and 9,687, respectively DPMSC cases increased 807 (43%) and 5,535 (133%) for the quarter and year ended December 31, 2011, compared to the same period in 2010 This increase was primarily due to the addition of two new clinics during 2011

Net Patient Service Revenue

Patient service revenue is derived from charges for services provided to patients Physicians order all services provided to patients such as inpatient care and ancillary services, lab tests, drugs, radiology procedures, and surgical procedures Children's records charges as revenue at the time the service is provided

Children's has contractual agreements with third-party payers including managed care health plans, such as HMOs and PPOs, and government programs, such as Medicaid and the Children's Health Insurance Program (CHIP), which are both administered by the state of Texas Payments from these payers are based on charges, fixed per diem rates, the costs of providing services, and discounts from established charges Children's reports revenue at net realizable value after reflecting adjustments provided for in these contracts

Children's provides financial counseling to assist patients with no third-party coverage to qualify for government programs Children's records revenue for these patients at net realizable value based on historical qualification rates Charges for patients that do not qualify for government assistance, but fall within Children's charity guidelines, are recorded as charity care and excluded from net patient service revenue

Accounts receivable on Children's balance sheets is recorded net of allowances for contractual adjustments, doubtful accounts, and charity care

The volume of inpatient, outpatient and day surgery patients, as well as the acuity or intensity of care required, drives the level of Children's revenue Volumes in the intensive care unit have a disproportionately large influence on the level of revenue due to the very high acuity and resource consumption of these patients and because contractual arrangements provide an adequate level of reimbursement for these cases

Expenses

Healthcare is a very labor-intensive industry For the quarters ended December 31, 2011 and 2010, salaries and benefits were 52% of Children's operating expenses Salaries and benefits were 53% and 52% of operating expenses for the years ended December 31, 2011 and 2010, respectively The salaries and benefits expense category represents salaries for all employees and all employee benefits and payroll-related taxes

Professional services, which includes the costs associated with residents and the cost of contract labor including medical administrative and physician coverage fees, were 8% of the operating expenses for the quarter ended December 31, 2011 and 2010 For the years ended December 31, 2011 and 2010, professional services were 8% and 7%, respectively, of operating expenses

The supplies and other expenses category represents the cost of supplies, pharmaceuticals and services directly related to patient care For the quarters and years ended December 31, 2011 and 2010, supplies and other expenses were 11% of operating expenses

The general support expense category represents non-clinical supply and service costs in areas such as information services, medical records, and billing and collections For the quarters ended December 31, 2011 and 2010, general support expense was 16% and 15% of operating expenses,

respectively For the years ended December 31, 2011 and 2010, general support expense was 14% of operating expenses

The depreciation and amortization expense category represents the cost of property and equipment and capital leases recognized over the estimated useful lives of the assets and terms of the leases Depreciation expense, as a percentage of operating expenses, for the quarter and years ended December 31, 2011 and 2010, were 6% Depreciation and amortization is computed using the straight-line method over a period of 3 to 40 years based on the asset classification or terms of the leases

The interest expense category represents the cost of financing the outstanding bond issues, capital leases, and the purchase of the Pavilion building Interest expense for the quarter and year ended December 31, 2011, was 2% of operating expenses, compared to 2% and 3% for the quarter and year ended December 31, 2010, respectively For the year ended December 31, 2011, $0 4 million of interest was capitalized as compared to no interest for the same period in 2010

The provision for doubtful accounts represents the charges for patient services that are not recovered from patients that are deemed able to pay (and therefore do not qualify for Children's charity) These amounts include account balances from uninsured patients and unpaid deductible and co-pay amounts from insured patients The provision for doubtful accounts was 5% of operating expenses for the quarters ended December 31, 2011 and 2010 For the years ended December 31, 2011 and 2010, the provision for doubtful accounts was 6% of operating expenses

Results of Operations

Operating results available for reinvestment of $2 7 million for the quarter ended December 31, 2011, represents a $14 3 million decrease over the same period in 2010 Operating results available for reinvestment for the year ended December 31, 2011, increased $37 5 million, to $70 4 million, from the same period in 2010

Net patient service revenue decreased $3 9 million (2%) for the quarter ended December 31, 2011, compared to the same period in 2010 For the year ended December 31, 2011, net patient service revenue increased $74 0 million (8%) over 2010 This increase was due to the following reasons

- 5% price increase implemented on January 1, 2011, and
- An additional 2% ($17,239,686) in net revenue was realized due to ongoing enhancements in charge capture

Salaries and benefits increased $5 3 million (4%) for the quarter ended December 31, 2011, and $23 4 million (5%) for the year ended December 31, 2011, compared to the same periods in the prior year for the following reasons

- Increased salaries expense due to additional positions related to the opening of the Southlake campus and expanding services on the Legacy campus
- Increased benefit costs due to defined contribution expense, benefits program administration expense, and group medical insurance administration fees

Salaries and benefits are 53% of net patient service revenue for the quarter ended December 31, 2011, compared to 50% for the same period in 2010 For the years ended December 31, 2011 and 2010, salaries and benefits were 50% and 52% of net patient service revenue, respectively

Professional services increased $2 5 million (14%) for the quarter ended December 31, 2011, and $12 6 million (20%) for the year ended December 31, 2011, compared to the same periods in 2010 This increase is due to physician guarantee increases and additional recruitment and retention support As a percentage of net patient service revenue for the quarters and years ended December 31, 2011 and 2010, professional services were 8% and 7%, respectively

Supply costs increased $1 3 million (5%) for the quarter ended December 31, 2011, and $1 7 million (2%) for the year ended December 31, 2011, over the same periods in 2010 Supply costs as a percentage of net patient service revenue were 11% for the quarters and years ended December 31, 2011 and 2010, respectively

General support increased $2 7 million (8%) for the quarter ended December 31, 2011, and increased $2 6 million (2%) for the year ended December 31, 2011, over the same periods in 2010 General support costs were 13% and 14% of net patient service revenue for the years ended December 31, 2011 and 2010, and 16% and 15% for the quarters ended December 31, 2011 and 2010, respectively

Depreciation and amortization expense decreased $0 5 million (4%) for the quarter ended December 31, 2011, and $3 2 million (6%) for the year ended December 31, 2011, over the same periods in 2010 As a percentage of net patient service revenue, depreciation and amortization expense was 6% for the quarter and years ended December 31, 2011 and 2010

Interest expense decreased $0 2 million (3%) for the quarter ended December 31, 2011, and $0 7 million (3%) for the year ended December 31, 2011, compared to the same periods in 2010

The provision for doubtful accounts decreased $0 9 million (7%) for the quarter ended December 31, 2011, and increased $1 9 million (4%) for the year ended December 31, 2011, when compared to the same periods in 2010 As a percentage of net patient service revenue, the provision for doubtful accounts was 5% and 6% for the year ended December 31, 2011 and 2010, respectively For the quarters ended December 31, 2011 and 2010, the provision for doubtful accounts was 5% of net patient service revenue

Investment income (realized and unrealized investment gains and losses) was a gain of $26 1 million for the quarters ended December 31, 2011 and 2010 For the year ended December 31, 2011, investment income was a loss of $2 1 million compared to a gain of $63 1 million for the year ended December 31, 2010 Market conditions drove the gains and losses in 2011 as well as in 2010

Children's portion of the Disproportionate Share Hospital Program administered by the Texas Department of Human Services decreased $1 3 million (18%) for the quarter ended December 31, 2011, and $0 3 million (1%) for the year ended December 31, 2011, compared to the same periods in 2010 Under the program, local, state, and federal funds are accessed and distributed to hospitals providing a high volume of services to Medicaid and indigent patients

The Children's Hospital Graduate Medical Education (CHGME) program receipts decreased $0 4 million for the quarter ended December 31, 2011, and decreased $1 8 million for the year ended December 31, 2011, as compared to the same periods in 2010

Liquidity and Capital Resources

Children's continues to enjoy strong financial liquidity, with cash and investments of $1 0 billion or 453 days of cash expenses

Net cash provided by operating and nonoperating activities was $190 5 million for the year ended December 31, 2011, compared to $153 2 million for the same period in 2010, primarily due to the increase in pension liability of $50 million

Net cash used in investing activities was $45 7 million for the year ended December 31, 2011, compared to $42 5 million for the year ended December 31, 2010 This increase in investing activities was due to a increase in construction caused by the completion of Southlake facilities

Net cash used in financing was $7 2 million for the year ended December 31, 2011, compared to net cash used in financing of $12 7 million for the same period in 2010, which included a payment of $8 2 million as retirement of current debt

Critical Accounting Policies and Estimates

The combined financial statements of Children's have been prepared in accordance with accounting principles generally accepted in the United States In preparing the financial statements, management makes estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods Management believes that, of the accounting policies that are most important to the portrayal of our financial condition and results of operations, the following accounting policies require management's most difficult, subjective, or complex estimates and assessments

Allowance for Contractual Discounts and Third-party Settlements

Children's derives a significant portion of revenue from the Medicaid program, managed care organizations, and other governmental programs that receive discounts from standard charges The Medicaid regulations and various managed care contracts under which these discounts must be calculated are complex and are subject to interpretation and adjustment Children's estimates the allowance for contractual discounts on a payer-specific basis given our interpretation of the applicable regulations or contract terms However, the services authorized and provided, and the resulting reimbursement, are often subject to interpretation These interpretations sometimes result in payments that differ from our estimates

Children's is paid by the Medicaid and Medicare programs according to a cost-based reimbursement methodology under which an annual cost report is filed to report the cost of providing services and to settle the difference between the interim payments we receive and the actual cost The cost report is subject to administrative review and audit by third parties that sometimes results in adjustments to allowed cost Children's records such adjustments in the periods they become known, unless such adjustments are subject to dispute or further study by the fiscal intermediary

Allowance for Charity

As a part of CMC's mission of "making life better for children," Children's cares for all children in the North Texas region regardless of their ability to pay Many children enter Children's facilities without access to third-party coverage, and Children's works with the families to qualify them for coverage under various government programs The application process for these programs can be time-consuming and complicated Not all families qualify for programs, and some do not comply fully with the application process Children's estimates the allowance for charity for patients with no third-party coverage, who may be eligible for government programs, based on historical experience Changes in family compliance and qualification rates could result in charity levels different from estimates

Allowance for Doubtful Accounts

Children's primary collection risk lies with uninsured patient accounts and deductibles, co-payments or other amounts due from individual patients The allowance for doubtful accounts is estimated based primarily upon the age of patient accounts, the patient's financial classification, and the effectiveness of the collection efforts Children's routinely monitors the accounts receivable balances and utilizes historical collection experience to support the basis for the estimates of the provision for doubtful accounts Significant changes in payer mix or business office operations could have a significant impact on the results of operations and cash flows

Professional Liability Reserves

Given the nature of Children's operating environment, it is subject to medical malpractice lawsuits and other claims To mitigate a portion of this risk, it maintains insurance for individual malpractice claims and for aggregate claims exposure Children's insurance program changes occasionally according to market factors and its unique risk factors Children's retains certain levels of exposure related to the insurance program in some years and must estimate the level of reserves necessary for this retained risk Reserves for professional liability risks are based upon historical claims data, demographic factors, severity factors and other actuarial assumptions as determined by an independent actuary The estimated accrual for professional and general liability claims could be significantly affected should current and future occurrences differ from historical claims trends

Pension Liability and Disclosures

Children's maintains a defined benefit pension plan for its employees Annual expense, liability, and benefit obligations are determined actuarially The actuarial calculations require estimates of an appropriate discount rate, long-term investment return rate, and employee compensation increase rate Changes in these estimates can have a significant impact in determining annual expense, benefit obligations, and the need to reflect a liability for pension obligations In 2011, Children's decreased the discount rate from 5 85% to 4 7% to reflect market changes

The estimates, judgments and assumptions used under "Allowance for Contractual Discounts and Third-party Settlements," "Allowance for Charity," "Allowance for Doubtful Accounts," "Professional Liability Reserves," and "Pension Liability and Disclosures" are believed by management to be reasonable, but these involve inherent uncertainties as described above, which may or may not be controllable by management As a result, the accounting for such items could result in different amounts if management used different assumptions or if different conditions occur in future periods

Off-Balance Sheet Financing

Children's does not have any debt or material guarantee obligations that are not reflected on the balance sheets and does not have an ownership stake in any special purpose entities

Additional Data

Software ID:
Software Version:
EIN: 75-0800628
Name: Children's Medical Center of Dallas

Form 990, Special Condition Description:

Special Condition Description

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Christopher J Durovich President,CEO,Ex Off Vtg	60 00	X		X				2,187,334	0	153,078
Julio Perez Fontan MD EVP, Medical Affairs	55 00			X				480,000	0	0
Regina M Coggins SVP and General Counsel	55 00			X				410,198	0	40,452
Ray R Dziesinski SVP and CFO, Treasurer	55 00			X				769,318	0	47,762
James Herring SVP Administration	55 00			X				840,835	0	76,498
Douglas G Hock SVP Operations	55 00			X				803,064	0	48,934
John P Kline SVP Development	55 00			X				496,132	0	80,003
Peter W Roberts SVP, Population Health	55 00			X				218,372	0	9,821
Trent C Smith SVP, Network Development	55 00			X				593,441	0	37,330
Patricia U Winning SVP,Strategy & Phys Org	55 00			X				719,277	0	69,156
Pamela Arora VP and CIO	50 00			X				625,074	0	37,665
Kimberly Besse VP Human Resources	50 00			X				316,902	0	40,668
David G Biggerstaff VP,Legacy Administrator	50 00			X				404,305	0	38,241
Daniel Carney VP Fac Dev and Operations	50 00			X				316,171	0	23,868
Elizabeth Field MacKay VP Public Affairs	50 00			X				279,674	0	12,842
Jean Ann Larson VP Clinical Svcs & EntProj	50 00			X				257,150	0	18,060
Justin Lombardo VP Learning Inst and CLO	50 00			X				356,654	0	41,878
Paul Musgrave VP Planning	50 00			X				216,474	0	12,082
Ronald C Skillens Jr VP Compliance, Int Aud,CCO	50 00			X				272,781	0	34,802
Mary E Stowe VP, CNO	50 00			X				529,083	0	38,707
Vanessa U Walls VP Ambulatory Svc	50 00			X				234,234	0	16,735
Jason D White VP Finance	50 00			X				342,443	0	8,388
Thomas Zellers MD VP Medical Staff Affairs	50 00			X				150,000	0	0
Stephanie K Smith Sr Atty, Asst Corp Sec	40 00			X				80,872	0	663
Robert Chereck Chairman & Director	1 00	X		X				0	0	0

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(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			
Thomas Baker Director	1 00	X						0	0	0
Richie L Butler Director	1 00	X						0	0	0
Ann Goddard Corrigan Director	1 00	X						0	0	0
Michael Dardick Director	1 00	X						0	0	0
Gregg L Engles Director	1 00	X						0	0	0
Sandra Estess Director	1 00	X						0	0	0
Robert A Estrada Director	1 00	X						0	0	0
Richard Knight Jr Director	1 00	X						0	0	0
Tracey Kozmetsky Director	1 00	X						0	0	0
Charles Matthews Jr Director	1 00	X						0	0	0
Thomas A Montgomery Director	1 00	X						0	0	0
Anne Motsenbocker Director	1 00	X						0	0	0
Connie O'Neill Director	1 00	X						0	0	0
Michael J Sorrell Director	1 00	X						0	0	0
Barbara Stuart Director	1 00	X						0	0	0
Gifford Touchstone Director	1 00	X						0	0	0
John F Young Director	1 00	X						0	0	0
David Biegler Ex Officio Voting Member	1 00	X						0	0	0
Debbie Scripps Ex Officio Voting Member	1 00	X						0	0	0
Christopher Menzies MD Chief Med Info Off	40 00					X		288,713	0	480
Candis Posey Sr Dir Rev Cycle Mgmt	40 00					X		237,579	0	992
Jerry Lee Sr Director, CAO	40 00					X		233,606	0	4,053
Jeffrey Vawrinek Sr Dir Contr Adm/Govnce	40 00					X		211,084	0	0
Deborah Sheppard Sr Dir Operations Legacy	40 00					X		190,284	0	5,868

Additional Data

Return to Form

Software ID:
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EIN: 75-0800628
Name: Children's Medical Center of Dallas

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Christopher J Durovich	(I)	771,277	905,082	510,975	134,355	18,723	2,340,412	1,015,615
	(II)	0	0	0	0	0	0	0
Julio Perez Fontan MD	(I)	480,000	0	0	0	0	480,000	0
	(II)	0	0	0	0	0	0	0
Regina M Coggins	(I)	243,327	129,096	37,775	30,779	9,673	450,650	139,782
	(II)	0	0	0	0	0	0	0
Ray R Dziesinski	(I)	330,972	281,838	156,508	41,734	6,028	817,080	320,758
	(II)	0	0	0	0	0	0	0
James Herring	(I)	316,952	316,733	207,150	76,450	48	917,333	316,733
	(II)	0	0	0	0	0	0	0
Douglas G Hock	(I)	356,481	322,306	124,277	35,415	13,519	851,998	362,612
	(II)	0	0	0	0	0	0	0
John P Kline	(I)	271,846	153,405	70,881	66,849	13,154	576,135	196,624
	(II)	0	0	0	0	0	0	0
Peter W Roberts	(I)	118,321	50,000	50,051	5,342	4,479	228,193	0
	(II)	0	0	0	0	0	0	0
Trent C Smith	(I)	295,574	163,928	133,939	32,904	4,426	630,771	182,083
	(II)	0	0	0	0	0	0	0
Patricia U Winning	(I)	338,053	298,257	82,967	61,209	7,947	788,433	352,438
	(II)	0	0	0	0	0	0	0
Pamela Arora	(I)	288,731	198,362	137,981	33,396	4,269	662,739	245,991
	(II)	0	0	0	0	0	0	0
Kimberly Besse	(I)	221,970	75,663	19,269	28,638	12,030	357,570	75,663
	(II)	0	0	0	0	0	0	0
David G Biggerstaff	(I)	186,583	134,318	83,404	24,824	13,417	442,546	167,189
	(II)	0	0	0	0	0	0	0
Daniel Carney	(I)	233,074	40,643	42,454	20,942	2,926	340,039	40,643
	(II)	0	0	0	0	0	0	0
Elizabeth Field MacKay	(I)	159,825	54,390	65,459	7,667	5,175	292,516	66,223
	(II)	0	0	0	0	0	0	0
Jean Ann Larson	(I)	185,027	30,108	42,015	12,087	5,973	275,210	30,108
	(II)	0	0	0	0	0	0	0
Justin Lombardo	(I)	252,384	84,069	20,201	38,262	3,616	398,532	84,069
	(II)	0	0	0	0	0	0	0
Paul Musgrave	(I)	196,679	4,213	15,582	8,761	3,321	228,556	4,213
	(II)	0	0	0	0	0	0	0

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Ronald C Skillens Jr	(I)	172,997	62,616	37,168	20,799	14,003	307,583	74,392
	(II)	0	0	0	0	0	0	0
Mary E Stowe	(I)	233,706	158,226	137,151	31,413	7,294	567,790	187,097
	(II)	0	0	0	0	0	0	0
Vanessa U Walls	(I)	139,049	20,000	75,185	7,034	9,701	250,969	0
	(II)	0	0	0	0	0	0	0
Jason D White	(I)	50,998	17,957	273,488	3,486	4,902	350,831	28,822
	(II)	0	0	0	0	0	0	0
Christopher Menzies MD	(I)	234,136	29,217	25,360	0	480	289,193	0
	(II)	0	0	0	0	0	0	0
Candis Posey	(I)	102,047	25,541	109,991	0	992	238,571	0
	(II)	0	0	0	0	0	0	0
Jerry Lee	(I)	186,551	26,186	20,869	0	4,053	237,659	0
	(II)	0	0	0	0	0	0	0
Jeffrey Vawrinek	(I)	169,422	25,726	15,936	0	0	211,084	0
	(II)	0	0	0	0	0	0	0
Deborah Sheppard	(I)	149,254	19,422	21,608	0	5,868	196,152	0
	(II)	0	0	0	0	0	0	0