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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: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization PHOENIX CHILDREN'S HOSPITAL Doing Business As Number and street (or P O box if mail is not delivered to street address) Room/suite 1919 E THOMAS ROAD City or town, state or country, and ZIP + 4 PHOENIX, AZ 85016 F Name and address of principal officer ROBERT L MEYER 1919 E THOMAS ROAD PHOENIX, AZ 85015	D Employer identification number 86-0422559 E Telephone number (602) 512-8132 G Gross receipts \$ 499,574,967 H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
J Website: ▶ WWW.PHOENIXCHILDRENS.COM		
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation 1983 M State of legal domicile AZ

Part I Summary

1	Briefly describe the organization's mission or most significant activities WE PROVIDE HOPE, HEALING AND THE BEST HEALTHCARE FOR CHILDREN AND THEIR FAMILIES			
2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets				
Activities & Governance	3 Number of voting members of the governing body (Part VI, line 1a)	3		14
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4		11
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5		3,699
	6 Total number of volunteers (estimate if necessary)	6		668
	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
	Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	
9 Program service revenue (Part VIII, line 2g)		16,773,949		12,937,590
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)		405,995,367		484,885,929
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		2,827,659		925,145
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)		0		0
		425,596,975		498,748,664
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	411,701		336,491
	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)	223,005,576		263,174,030
	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)	190,235,063		240,315,154
18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	413,652,340		503,825,675	
19 Revenue less expenses Subtract line 18 from line 12	11,944,635		-5,077,011	
Net Assets or Fund Balances		Beginning of Current Year		End of Year
	20 Total assets (Part X, line 16)	850,506,825		878,510,889
	21 Total liabilities (Part X, line 26)	609,366,961		710,108,391
22 Net assets or fund balances Subtract line 21 from line 20	241,139,864		168,402,498	

Part II Signature Block

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

Sign Here	Signature of officer _____ DENNIS BRUNS VP FINANCE Type or print name and title	Date 2012-10-31	
Paid Preparer's Use Only	Preparer's signature _____ Firm's name (or yours if self-employed), address, and ZIP + 4 ERNST & YOUNG US LLP TWO NORTH CENTRAL AVENUE STE 2300 PHOENIX, AZ 85004	Date _____	Check if self-employed <input type="checkbox"/> Preparer's taxpayer identification number (see instructions) EIN ▶ Phone no ▶ (602) 322-3000

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
WE PROVIDE HOPE, HEALING AND THE BEST HEALTHCARE FOR CHILDREN AND THEIR FAMILIES

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 \$ 419,831,261 including grants of \$ 336,491) (Revenue \$ 484,885,929)
SEE SCHEDULE O

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

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

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

4e Total program service expenses \$ 419,831,261

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)? <i>If "Yes," complete Schedule A.</i> <input checked="" type="checkbox"/>	Yes	
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? <input checked="" type="checkbox"/>	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> <input checked="" type="checkbox"/>		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? <i>If "Yes," complete Schedule C, Part II.</i> <input checked="" type="checkbox"/>	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? <i>If "Yes," complete Schedule C, Part III.</i> <input checked="" type="checkbox"/>		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? <i>If "Yes," complete Schedule D, Part I.</i> <input checked="" type="checkbox"/>		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? <i>If "Yes," complete Schedule D, Part II.</i> <input checked="" type="checkbox"/>		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> <input checked="" type="checkbox"/>		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? <i>If "Yes," complete Schedule D, Part IV.</i> <input checked="" type="checkbox"/>		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> <input checked="" type="checkbox"/>	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> <input checked="" type="checkbox"/>	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? <i>If "Yes," complete Schedule D, Part VII.</i> <input checked="" type="checkbox"/>		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? <i>If "Yes," complete Schedule D, Part VIII.</i> <input checked="" type="checkbox"/>		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? <i>If "Yes," complete Schedule D, Part IX.</i> <input checked="" type="checkbox"/>	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> <input checked="" type="checkbox"/>	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)? <i>If "Yes," complete Schedule D, Part X.</i> <input checked="" type="checkbox"/>	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> <input checked="" type="checkbox"/>		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> <input checked="" type="checkbox"/>	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?		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? <i>If "Yes," complete Schedule F, Part I.</i>		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? <i>If "Yes," complete Schedule F, Part II and IV.</i>		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? <i>If "Yes," complete Schedule F, Part III and IV.</i>		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? <i>If "Yes," complete Schedule G, Part I.</i>		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? <i>If "Yes," complete Schedule G, Part II.</i>		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> <input checked="" type="checkbox"/>	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. <input checked="" type="checkbox"/>	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? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22 Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23 Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	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? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i>	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? <i>If "Yes," complete Schedule L, Part I</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? <i>If "Yes," complete Schedule L, Part I</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? <i>If "Yes," complete Schedule L, Part II</i>	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? <i>If "Yes," complete Schedule L, Part III</i>	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? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
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? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	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? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	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)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	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? <i>If "Yes," complete Schedule R, Part VI</i>	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

Table with columns for question number, question text, and Yes/No columns. Includes rows for 1a, 1b, 1c, 2a, 2b, 3a, 3b, 4a, 4b, 5a, 5b, 5c, 6a, 6b, 7, 7a, 7b, 7c, 7d, 7e, 7f, 7g, 7h, 8, 9, 9a, 9b, 10, 10a, 10b, 11, 11a, 11b, 12a, 12b, 13, 13a, 13b, 13c, 14a, 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

Table with 3 columns: Question, Yes, No. Rows include: 1a (14), 1b (11), 2 (No), 3 (No), 4 (Yes), 5 (No), 6 (Yes), 7a (Yes), 7b (Yes), 8a (Yes), 8b (Yes), 9 (No).

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

Table with 3 columns: Question, Yes, No. Rows include: 10a (No), 10b, 11a (Yes), 11b, 12a (Yes), 12b (Yes), 12c (Yes), 13 (Yes), 14 (Yes), 15a (Yes), 15b (Yes), 16a (No), 16b.

Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed AZ
18 Section 6104 requires an organization to make its 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.
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. DENNIS BRUNS, 1919 E THOMAS ROAD, PHOENIX, AZ 85016, (602) 512-8132

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 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)							11,178,028	0	1,047,715	

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 **▶**368

	Yes	No
3 Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3 Yes	
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such person</i>		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
KITCHELL 1707 E HIGHLAND STE 200 PHOENIX, AZ 85016	CONSTRUCTION	39,604,453
SODEXO INC AFFILIATES 9801 WASHINGTON BLVD GAITHERSBURG, MD 20878	OUTSOURCING	10,121,239
JOHNSON CONTROLS INC 111 CABIN GATE PEACHTREE, GA 30269	OUTSOURCING	3,202,954
PEDIATRIC SURGEONS OF PHOENIX 1920 E CAMBRIDGE AVE 201 PHOENIX, AZ 85006	MEDICAL SERVICES	2,561,079
VALLEY ANESTHESIA CONSULTANTS 2901 N CENTRAL AVE 500 PHOENIX, AZ 85012	MEDICAL SERVICES	2,426,149

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 **▶**118

Part VIII Statement of Revenue

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	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	12,937,590				
	e	Government grants (contributions) 1e					
	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	12,937,590				
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	622110	477,358,501	477,358,501		
	b	OTHER OPERATING REVENUE	900099	5,319,127	5,319,127		
	c	RESEARCH REVENUE	541700	2,208,301	2,208,301		
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		484,885,929			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		980,144		980,144	
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
	6a	Gross rents	(i) Real				
			(ii) Personal				
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss)					
	7a	Gross amount from sales of assets other than inventory	(i) Securities	771,304		0	
			(ii) Other				
	b	Less cost or other basis and sales expenses	727,826		98,477		
c	Gain or (loss)	43,478		-98,477			
d	Net gain or (loss)		-54,999		-54,999		
8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18						
a							
b	Less direct expenses b						
c	Net income or (loss) from fundraising events		0				
9a	Gross income from gaming activities See Part IV, line 19						
a							
b	Less direct expenses b						
c	Net income or (loss) from gaming activities		0				
10a	Gross sales of inventory, less returns and allowances						
a							
b	Less cost of goods sold b						
c	Net income or (loss) from sales of inventory		0				
	Miscellaneous Revenue	Business Code					
11a							
b							
c							
d	All other revenue						
e	Total. Add lines 11a-11d		0				
12	Total revenue. See Instructions		498,748,664	484,885,929	0	925,145	

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	336,491	336,491		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	7,534,809		7,534,809	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	209,748,223	193,285,461	16,462,762	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	5,919,173	5,265,437	653,736	
9	Other employee benefits	26,556,522	23,264,194	3,292,328	
10	Payroll taxes	13,415,303	12,029,698	1,385,605	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	1,642,853	47,323	1,595,530	
c	Accounting	456,000	0	456,000	
d	Lobbying	228,813	228,813	0	
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	51,834,063	37,943,248	13,890,815	
12	Advertising and promotion	3,411,549	269,350	3,142,199	
13	Office expenses	83,001,456	80,629,551	2,371,905	
14	Information technology	5,861,329	1,017,094	4,844,235	
15	Royalties	0			
16	Occupancy	13,134,428	7,972,846	5,161,582	
17	Travel	61,131	57,297	3,834	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	3,147,066	1,958,049	1,189,017	
20	Interest	14,758,389	0	14,758,389	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	32,245,565	27,030,859	5,214,706	
23	Insurance	6,841,674	6,412,912	428,762	
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	EQUIPMENT COSTS	16,377,475	15,394,521	982,954	
b	ALL OTHER EXPENSES	7,313,363	6,688,117	625,246	
c					
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	503,825,675	419,831,261	83,994,414	0
26	Joint costs. Check here <input type="checkbox"/> 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)		(B)
		Beginning of year		End of year
Assets	1 Cash—non-interest-bearing	90,351,774	1	60,064,669
	2 Savings and temporary cash investments	1,002,128	2	1,004,340
	3 Pledges and grants receivable, net	0	3	0
	4 Accounts receivable, net	48,812,684	4	69,069,819
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L	0	5	0
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L	0	6	0
	7 Notes and loans receivable, net	0	7	0
	8 Inventories for sale or use	5,385,165	8	7,741,436
	9 Prepaid expenses and deferred charges	6,599,547	9	4,579,387
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	722,788,628		
	b Less accumulated depreciation	144,292,175	10c	578,496,453
	11 Investments—publicly traded securities	42,323,127	11	39,235,235
	12 Investments—other securities See Part IV, line 11	0	12	0
	13 Investments—program-related See Part IV, line 11	0	13	0
	14 Intangible assets	0	14	0
	15 Other assets See Part IV, line 11	78,148,594	15	118,319,550
16 Total assets. Add lines 1 through 15 (must equal line 34)	850,506,825	16	878,510,889	
Liabilities	17 Accounts payable and accrued expenses	68,088,724	17	102,520,539
	18 Grants payable	0	18	0
	19 Deferred revenue	1,093,039	19	1,196,186
	20 Tax-exempt bond liabilities	450,000,000	20	450,000,000
	21 Escrow or custodial account liability Complete Part IV of Schedule D	0	21	0
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L	0	22	0
	23 Secured mortgages and notes payable to unrelated third parties	595,456	23	285,779
	24 Unsecured notes and loans payable to unrelated third parties	0	24	0
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	89,589,742	25	156,105,887
	26 Total liabilities. Add lines 17 through 25	609,366,961	26	710,108,391
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	237,232,943	27	162,341,570
	28 Temporarily restricted net assets	3,906,921	28	6,060,928
	29 Permanently restricted net assets	0	29	0
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> 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	241,139,864	33	168,402,498	
34 Total liabilities and net assets/fund balances	850,506,825	34	878,510,889	

Part XI Reconciliation 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	498,748,664
2	Total expenses (must equal Part IX, column (A), line 25)	2	503,825,675
3	Revenue less expenses Subtract line 2 from line 1	3	-5,077,011
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	241,139,864
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-67,660,355
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	168,402,498

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 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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?		No
b	Were the organization's financial statements audited by an independent accountant?	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	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 <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> 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?	Yes	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2011

Open to Public Inspection

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.

Department of the Treasury
Internal Revenue Service

Name of the organization
PHOENIX CHILDREN'S HOSPITAL

Employer identification number

86-0422559

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?
 (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?
 (ii) a family member of a person described in (i) above?
 (iii) a 35% controlled entity of a person described in (i) or (ii) above?
- h Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV.) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	

13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** **Section C. Computation of Public Support Percentage**

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2010 Schedule A, Part II, line 14	15	

16a 33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization **b 33 1/3% support test—2010.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization **17a 10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization **b 10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization **18 Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions

Part III Support Schedule for Organizations Described in IRC 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here <input type="checkbox"/>						

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

SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

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.

2011

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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 PHOENIX CHILDREN'S HOSPITAL

Employer identification number

86-0422559

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?
4a Was a correction made?
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 function 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?
5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments

Table with 5 columns: (a) Name, (b) Address, (c) EIN, (d) Amount paid from filing organization's funds, (e) Amount of political contributions received and promptly and directly delivered to a separate political organization.

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)	0													
b	Total lobbying expenditures to influence a legislative body (direct lobbying)	228,813													
c	Total lobbying expenditures (add lines 1a and 1b)	228,813													
d	Other exempt purpose expenditures	419,831,261													
e	Total exempt purpose expenditures (add lines 1c and 1d)	420,060,074													
f	Lobbying nontaxable amount Enter the amount from the following table in both columns	1,000,000													
<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>		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		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g	Grassroots nontaxable amount (enter 25% of line 1f)	250,000													
h	Subtract line 1g from line 1a. If zero or less, enter -0-														
i	Subtract line 1f from line 1c. If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					6,000,000
c Total lobbying expenditures	223,113	285,005	187,769	228,813	924,700
d Grassroots non-taxable amount	250,000	250,000	250,000	250,000	1,000,000
e Grassroots ceiling amount (150% of line 2d, column (e))					1,500,000
f Grassroots lobbying expenditures	223,113	0	0	0	223,113

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

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
ADVOCACY		PCH IS A POWERFUL ADVOCATE FOR CHILDREN ON THE NATIONAL, STATE, AND LOCAL STAGES PCH LEADERSHIP AND MANY PHYSICIANS SERVE ON BOARDS, COMMISSIONS, AND COMMITTEES AND USE THEIR EXPERTISE TO THE BENEFIT OF OUR COMMUNITY AT LARGE

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2011

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization PHOENIX CHILDREN'S HOSPITAL

Employer identification number 86-0422559

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.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), 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?
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?

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, Protection of natural habitat, Preservation of open space, Preservation of an historically important land area, Preservation of a certified historic structure.

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

Table with 2 columns: Description, Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06.

- 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?
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)?
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
1c Beginning balance	
1d Additions during the year	
1e Distributions during the year	
1f Ending balance	

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	3,676,192	3,626,192	3,175,694	4,355,490	
b Contributions	1,071,808	50,000	405	35,180	
c Investment earnings or losses			450,093	-1,214,976	
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	4,748,000	3,676,192	3,626,192	3,175,694	

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

- a** Board designated or quasi-endowment ▶ 100.000 %
- b** Permanent endowment ▶ 0 %
- c** Term endowment ▶ 0 %

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		38,689,109		38,689,109
b Buildings		515,530,316	49,535,671	465,994,645
c Leasehold improvements		31,155,124	8,747,061	22,408,063
d Equipment		111,584,464	86,009,443	25,575,021
e Other		25,829,615	0	25,829,615
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				578,496,453

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) MISCELLANEOUS RECEIVABLES	6,777,183
(2) ASSETS HELD AS COLLATERAL	80,026,308
(3) INVESTMENT IN AFFILIATE	1,705,239
(4) DEFERRED FINANCING COSTS	4,645,380
(5) DUE FROM FOUNDATION AFFILIATE	4,410,025
(6) RESTRICTED CASH	6,060,928
(7) MARK TO MARKET ASSET	6,588,939
(8) GOODWILL	2,170,000
(9) INSURANCE RECEIVABLES	5,935,548
Total. (Column (b) should equal Form 990, Part X, col.(B) line 15.)	118,319,550

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

1	(a) Description of Liability	(b) Amount
	Federal Income Taxes	0
	MARK TO MARKET LIABILITY	125,211,755
	DEFERRED COMPENSATION LIAB	11,905,980
	DUE TO MAYO - BMT PROGRAM	221,620
	MISC LIABILITIES	3,492,471
	CAPTIVE LIABILITY	4,409,006
	CONSTRUCTION RETAINAGE	179,495
	ROSENBERG LT LIABILITY	4,350,012
	GME LOAN	400,000
	INSURANCE LIABILITY	5,935,548
	Total. (Column (b) should equal Form 990, Part X, col (B) line 25)	156,105,887

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

Part XI Reconciliation of Change in Net Assets from Form 990 to 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
INTENDED USE OF ENDOWMENT FUNDS	SCHED D PART V LINE 4	PHOENIX CHILDREN'S HOSPITAL FOUNDATION, A RELATED TAX-EXEMPT ORGANIZATION, HOLDS ENDOWMENT FUNDS THAT ARE TO BE USED TO PROVIDE ONGOING OUTSTANDING PEDIATRIC CARE TO CHILDREN, BY ENABLING PHOENIX CHILDREN'S HOSPITAL TO OFFER THE VERY BEST TECHNOLOGY, PROGRAMS AND MEDICAL SPECIALISTS ENDOWMENT FUNDS WILL BE USED TO SUPPORT PHOENIX CHILDREN'S HOSPITAL PROGRAMS INCLUDING THE CHILDREN'S NEUROSCIENCES INSTITUTE, THE CENTER FOR CANCER AND BLOOD DISORDERS, CAMP RAINBOW, A CAMP FOR CHILDREN WITH DIABETES, HEMOPHILIA AND KIDNEY DISEASE, THE CENTER FOR PEDIATRIC ORTHOPEDICS, PULMONARY AND CYSTIC FIBROSIS, PEDIATRIC RHEUMATOLOGY AND PEDIATRIC ONCOLOGY
FIN 48 (ASC 740) FOOTNOTE	SCHEDULE D, PART X, LINE 2	MANAGEMENT IS OF THE OPINION THAT SUBSTANTIALLY ALL OF THE HOSPITAL'S, FOUNDATION'S, AND CAPTIVE'S ACTIVITIES ARE RELATED TO THEIR EXEMPT PURPOSES AND NO MATERIAL UNCERTAIN TAX POSITIONS HAVE BEEN IDENTIFIED OR RECORDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011 AND 2010

Additional Data

Software ID:
Software Version:
EIN: 86-0422559
Name: PHOENIX CHILDREN'S HOSPITAL

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

(a) Description	(b) Book value
MISCELLANEOUS RECEIVABLES	6,777,183
ASSETS HELD AS COLLATERAL	80,026,308
INVESTMENT IN AFFILIATE	1,705,239
DEFERRED FINANCING COSTS	4,645,380
DUE FROM FOUNDATION AFFILIATE	4,410,025
RESTRICTED CASH	6,060,928
MARK TO MARKET ASSET	6,588,939
GOODWILL	2,170,000
INSURANCE RECEIVABLES	5,935,548

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

1 (a) Description of Liability	(b) Amount
MARK TO MARKET LIABILITY	125,211,755
DEFERRED COMPENSATION LIAB	11,905,980
DUE TO MAYO - BMT PROGRAM	221,620
MISC LIABILITIES	3,492,471
CAPTIVE LIABILITY	4,409,006
CONSTRUCTION RETAINAGE	179,495
ROSENBERG LT LIABILITY	4,350,012
GME LOAN	400,000
INSURANCE LIABILITY	5,935,548

SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2011

Open to Public Inspection

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

Department of the Treasury Internal Revenue Service

Name of the organization PHOENIX CHILDREN'S HOSPITAL

Employer identification number 86-0422559

Part I Charity Care and Certain Other Community Benefits at Cost

1a Did the organization have a charity care policy? 1b If "Yes," is it a written policy? 2 If the organization had multiple hospitals... 3 Answer the following based on the charity care eligibility criteria... 4 Did the organization's policy provide free or discounted care to the "medically indigent"? 5a Did the organization budget amounts for free or discounted care... 6a Did the organization prepare a community benefit report during the tax year? 6b If "Yes," did the organization make it available to the public?

7 Charity Care and Certain Other Community Benefits at Cost

Table with 7 columns: (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. Rows include Charity Care and Means-Tested Government Programs and Other Benefits.

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			11,268	6,015	5,163	
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy			305,382	75,000	230,382	0.050 %
8 Workforce development						
9 Other						
10 Total			316,650	81,015	235,545	0.050 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes	
2 Enter the amount of the organization's bad debt expense	2	4,416,876	
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	0	
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit			

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5	2,137,281
6 Enter Medicare allowable costs of care relating to payments on line 5	6	3,793,057
7 Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-1,655,776
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: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 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	PHOENIX CHILDREN'S HOSPITAL-MAIN CAMPUS 1919 E THOMAS ROAD PHOENIX, AZ 85019			X				X		
2	Phoenix Children's Hospital - NICU 1111 E McDowell Rd Phoenix, AZ 85006			X						

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

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

PHOENIX CHILDREN'S HOSPITAL-MAIN CAMPUS

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 If "Yes," indicate what the Needs Assessment describes (check all that apply)	1	
a <input type="checkbox"/> A definition of the community served by the hospital facility		
b <input type="checkbox"/> Demographics of the community		
c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input type="checkbox"/> How data was obtained		
e <input type="checkbox"/> The health needs of the community		
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs		
h <input type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> 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? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)	5	
a <input type="checkbox"/> Hospital facility's website		
b <input type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> 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 <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility		
d <input type="checkbox"/> Participation in community-wide community benefit plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input type="checkbox"/> Prioritization of health needs in the community		
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> 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		
8 Did the hospital facility have in place during the tax year a written financial assistance policy that 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? If "Yes," indicate the FPG family income limit for eligibility for free care <u>100%</u> If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V Facility Information *(continued)*

		Yes	No
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300</u> % If "No," explain in Part VI the criteria the hospital facility used	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	Yes	
12	Explained the method for applying for financial assistance?	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	Yes	

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?	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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input checked="" type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)		

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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?

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)

	Yes	No
18	Yes	

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 its 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?

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?

.

If "Yes," explain in Part VI

20		No
21		No

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)

Phoenix Children's Hospital - NICU

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 If "Yes," indicate what the Needs Assessment describes (check all that apply)	1	
a <input type="checkbox"/> A definition of the community served by the hospital facility		
b <input type="checkbox"/> Demographics of the community		
c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input type="checkbox"/> How data was obtained		
e <input type="checkbox"/> The health needs of the community		
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs		
h <input type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> 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? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)	5	
a <input type="checkbox"/> Hospital facility's website		
b <input type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> 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 <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility		
d <input type="checkbox"/> Participation in community-wide community benefit plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input type="checkbox"/> Prioritization of health needs in the community		
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> 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		
8 Did the hospital facility have in place during the tax year a written financial assistance policy that 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? If "Yes," indicate the FPG family income limit for eligibility for free care <u>100%</u> If "No," explain in Part VI the criteria the hospital facility used	9	Yes

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 <u>300</u> %			
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 <input checked="" type="checkbox"/> Income level			
b <input checked="" type="checkbox"/> Asset level			
c <input checked="" type="checkbox"/> Medical indigency			
d <input checked="" type="checkbox"/> Insurance status			
e <input checked="" type="checkbox"/> Uninsured discount			
f <input checked="" type="checkbox"/> Medicaid/Medicare			
g <input checked="" type="checkbox"/> State regulation			
h <input type="checkbox"/> 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 <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site			
b <input type="checkbox"/> The policy was attached to all billing invoices			
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility			
f <input checked="" type="checkbox"/> The policy was available upon request			
g <input type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments or arrests			
e <input type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> 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 <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission			
b <input checked="" type="checkbox"/> Notified patients of the financial assistance policy prior to discharge			
c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e <input type="checkbox"/> Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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?

	Yes	No
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 its 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		No
21		No

20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?

If "Yes," explain in Part VI

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?

If "Yes," explain in Part VI

Part V Facility Information (continued)**Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 6

Name and address	Type of Facility (Describe)
1 PHOENIX CHILDREN'S HOSPITAL 1920 E CAMBRIDGE AVE PHOENIX, AZ 85006	SURGERY CENTER
2 PHOENIX CHILDREN'S HOSPITAL 5131 E SOUTHERN AVE MESA, AZ 85205	URGENT CARE
3 PHOENIX CHILDREN'S HOSPITAL 20325 N 51ST AVE GLENDALE, AZ 85308	SPECIALTY & URGENT CARE CENTER
4 PHOENIX CHILDREN'S HOSPITAL 1641 E OSBORN RD PHOENIX, AZ 85016	ORTHOPEDIC SURGERY CENTER
5 PHOENIX CHILDREN'S HOSPITAL 5757 W THUNDERBIRD GLENDALE, AZ 85306	CLINIC
6 PHOENIX CHILDREN'S HOSPITAL 3420 S MERCY ROAD 121 GILBERT, AZ 85297	CLINIC
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, 6l, 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
FINANCIAL ASSISTANCE AND OTHER COMMUNITY BENEFITS AT COST	SCHEDULE H, PART I, LINE 7	COSTS ARE REPORTED USING A COST TO CHARGE RATIO THE RATIO WAS CALCULATED BY DIVIDING TOTAL CHARGES RECORDED FOR ALL PATIENTS BY TOTAL EXPENSES REQUIRED TO PROVIDE THAT CARE COLUMN F - BAD DEBT EXPENSE OF \$957,113 WAS SUBTRACTED FROM TOTAL EXPENSES IN THE DENOMINATOR FOR PURPOSES OF CALCULATING THE PERCENTAGES FOR THIS COLUMN COMMUNITY BUILDING ACTIVITIES SCHEDULE H, PART II THE HOSPITAL WORKS WITH CITY STATE AND FEDERAL AGENCIES TO INSURE THE INDIVIDUALS OF THE COMMUNITY HAVE ACCESS TO THE LEVEL OF CARE REQUIRED AND THAT ACCESS TO THAT CARE IS NOT HINDERED PCH EFFORTS INCLUDE WORKING WITH POLICY MAKERS AT ALL LEVELS TO ADDRESS HOW THE COMMUNITY CAN ACCESS HEALTH CARE AND AT WHAT COST EFFORTS ALSO INCLUDE TRAINING HEALTHCARE PROVIDERS AND GIVING PROVIDERS ACCESS TO LINGUISTIC INTERPRETING, MULTICULTURAL DIVERSITY EDUCATION AND INTERPRETING ETHICS

Identifier	ReturnReference	Explanation
COSTING METHODOLOGY	SCHEDULE H, PART III, LINE 4	THE COSTING METHODOLOGY IS CONSISTENT WITH THE METHODOLOGY USED IN PART I, LINE 7

Identifier	ReturnReference	Explanation
MEDICARE	SCHEDULE H, PART III, LINE 8	THE SHORTFALL OF REVENUE OVER THE COST TO PROVIDE CARE WHICH IS CALCULATED USING THE HOSPITAL'S COST TO CHARGE RATIO SHOULD BE CONSIDERED FINANCIAL ASSISTANCE THE COSTS WERE CALCULATED USING THE COST TO CHARGE RATIO FROM THE MOST RECENTLY FILED MEDICARE COST REPORT FACILITY INFORMATION SCHEDULE H, PART V, SECTION B, Line 19d AMOUNTS ARE BASED ON A SLIDING FEE SCHEDULE TIED TO THE FEDERAL POVERTY LEVEL

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	SCHEDULE H, PART VI, LINE 2	COMMUNITY NEEDS ARE DETERMINED VIA AN ASSESSMENT OF MULTIPLE STAKEHOLDERS, STATE AND FEDERAL GOVERNMENT REPORTS, AND PATIENT DATA PRIORITIES AND PROGRAMS ARE DEVELOPED TO SERVE THESE DEMONSTRATED NEEDS, WITH A SPECIAL FOCUS ON POPULATIONS THAT ARE KNOWN TO HAVE DIFFICULTY ACCESSING CARE AND PROGRAMS THAT IMPROVE OVERALL PEDIATRIC HEALTH AND SAFETY

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SCHEDULE H, PART VI, LINE 3	FINANCIAL COUNSELORS ARE AVAILABLE TO ASSIST PATIENTS WITH INSURANCE COMPANIES, STATE AGENCIES, ACCESS TO PCH DISCOUNTED CARE OR APPLYING FOR THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY INFORMATION REGARDING THE FINANCIAL ASSISTANCE POLICY IS AVAILABLE ON OUR WEBSITE FINANCIAL COUNSELORS INTERVIEW PARENTS OF CHILDREN WHO ARE UNINSURED AND UNDERINSURED AHCCCS APPLICATIONS ARE INITIATED BY PCH ON BEHALF OF THE PATIENTS AND IF THE PARENTS DO NOT QUALIFY, FINANCIAL COUNSELORS PROCEED WITH THE FINANCIAL ASSISTANCE PROCESS

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	SCHEDULE H, PART VI, LINE 4	BASED ON STATISTICS GATHERED BY THE ANNE CASEY KIDSCOUNT SURVEY, THE STATE OF ARIZONA HAS A POPULATION OF OVER 1 3 MILLION PEOPLE UNDER THE AGE OF 18, 35% OF WHICH ARE 5 YEARS AND UNDER THE SAME POPULATION IS 46% WHITE AND 40% HISPANIC ACCORDING TO THE SURVEY, THERE WERE 621,000 CHILDREN ENROLLED IN MEDICAID, AN ESTIMATED 257,442 CHILDREN UNINSURED AND AN ESTIMATED 190,507 CHILDREN UNINSURED BUT ELIGIBLE FOR MEDICAID 273,390 OR 20% OF CHILDREN WERE AT OR BELOW THE FEDERAL POVERTY LEVEL AND 464,762 AT OR BELOW 150% FEDERAL POVERTY LEVEL

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	PART VI, LINE 5	<p>PCH HAS DEVELOPED SIGNATURE COMMUNITY OUTREACH PROGRAMS THAT SERVE SPECIFIC POPULATIONS WITH SERIOUS HEALTHCARE NEEDS AND LIMITED ACCESS TO CARE ONE EXAMPLE IS THE CREWS'N HEALTHMOBILE MOBILE MEDICAL VAN THAT SERVES HOMELESS YOUTH IN ADDITION, PCH HAS IDENTIFIED THREE MAJOR AREAS OF FOCUS FOR COMMUNITY OUTREACH AND EDUCATION INJURY PREVENTION, HEALTHY CHILDREN AND FAMILIES, AND CHILD ABUSE PREVENTION PCH SPONSORS AND ADMINISTERS MULTIPLE PROGRAMS IN THESE THREE CATEGORIES COMMUNITY BENEFIT ENCOMPASSES A WIDE VARIETY OF RESOURCES AND PROGRAMS HIGHLIGHTS INCLUDE FINANCIAL ASSISTANCE BECAUSE NO CHILD IS DENIED NEEDED CARE DUE TO AN INABILITY TO PAY, FREE OR DISCOUNTED CARE WAS ADMINISTERED TO UNINSURED OR UNDERINSURED PATIENTS GOVERNMENT-SPONSORED HEALTHCARE PCH ALSO DELIVERS HEALTHCARE TO INDIGENT PATIENTS GOVERNMENT-SPONSORED HEALTHCARE COVERAGE REIMBURSES ONLY A PORTION OF THE COSTS OF THIS CARE THE UNREIMBURSED PORTION IS A COMMUNITY BENEFIT DELIVERED BY PCH COMMUNITY OUTREACH PROGRAMS PCH HAS DEVELOPED SIGNATURE COMMUNITY OUTREACH PROGRAMS THAT SERVE SPECIFIC POPULATIONS WITH SERIOUS HEALTHCARE NEEDS AND LIMITED ACCESS TO CARE ONE EXAMPLE IS THE CREWS'N HEALTHMOBILE MOBILE MEDICAL VAN THAT SERVES HOMELESS YOUTH SUBSIDIZED PROGRAMS PCH SUBSIDIZES CERTAIN MEDICAL PROGRAMS WHERE WE ARE UNIQUELY QUALIFIED TO PROVIDE THE CARE OR WHERE PATIENTS HAVE LIMITED ACCESS TO CARE EXAMPLES INCLUDE THE BILL HOLT HIV/AIDS CLINIC AND THE HEALTHY STEPS PROGRAM EDUCATION CONTINUING EDUCATION FOR TODAY'S PHYSICIANS AND NURSES, AS WELL AS EDUCATING THE NEXT GENERATION OF HEALTHCARE PROVIDERS IS A PRIME FOCUS FOR PCH CONTINUING MEDICAL EDUCATION PROGRAMS INCLUDE RESIDENCY AND FELLOWSHIP TRAINING, A SERIES OF CLINICAL EDUCATION PROGRAMS, AND THE HOSPITALS PREMIER PROGRAM -- GAP P, WHICH PROVIDES SPECIALIZED TRAINING TO NURSES WHO ARE NEW TO PEDIATRICS RESEARCH PCH'S CLINICIANS CONDUCTED RESEARCH STUDIES TO ADVANCE MEDICAL KNOWLEDGE THE INSTITUTIONAL REVIEW BOARD PROVIDES INSTITUTIONAL INFRASTRUCTURE TO SUPPORT RESEARCH EFFORTS AT PCH, AS WELL AS IN COLLABORATION WITH OTHER INSTITUTIONS SUCH AS MAYO CLINIC, UNIVERSITY OF ARIZONA SCHOOL OF MEDICINE, AND TRANSLATIONAL GENOMICS RESEARCH INSTITUTE COMMUNITY BENEFIT OPERATIONS PCH UNDERWRITES THE ADMINISTRATIVE COSTS OF MANAGING COMMUNITY BENEFIT PROGRAMS AND CONTRIBUTES TIME, MEETING SPACE, AND OTHER RESOURCES THAT ENHANCE THE ABILITY OF OUR COMMUNITY'S MOST EFFECTIVE COMMUNITY SERVICE PROGRAMS TO MEET HUMAN NEEDS FINANCIAL ASSISTANCE POLICY PCH'S FINANCIAL ASSISTANCE POLICY WAS ESTABLISHED IN ORDER TO IDENTIFY AND ASSIST PATIENTS WHO LACK THE FINANCIAL RESOURCES TO MEET ALL OR PART OF THEIR FINANCIAL LIABILITY FOR SERVICES RENDERED AND TO DETERMINE THEIR ELIGIBILITY FOR PCH-BASED FINANCIAL ASSISTANCE MEDICAL INTERPRETER/TRANSLATION SERVICES CLEAR COMMUNICATION BETWEEN PATIENTS AND PROVIDERS IS AN URGENT HEALTH AND SAFETY ISSUE PHOENIX CHILDREN'S MEDICAL INTERPRETER/TRANSLATOR PROGRAM IS THE NATIONAL MODEL TO IMPROVE COMMUNICATION AND SAFETY WITH THE HISPANIC POPULATION AT 20 CHILDREN'S HOSPITALS MEDICAL INTERPRETER TRAINERS FROM NATIONAL AND LOCAL HOSPITALS GATHERED AT PHOENIX CHILDREN'S FOR TRAINING DESIGNED TO IMPROVE COMMUNICATION AND SAFETY FOR PATIENTS AND THEIR FAMILIES ATTENDEES WERE TRAINED IN TEACHING BILINGUAL HEALTH CARE WORKERS MEDICAL TERMS, INTERPRETING PROTOCOL AND MULTICULTURAL UNDERSTANDING SINCE 2001, THE HOSPITAL HAS TRAINED NEARLY 1,000 STUDENTS IN MEDICAL TERMINOLOGY, INTERPRETING ETHICS, LEADERSHIP, CULTURAL DIFFERENCES AND TEAM BUILDING CHILD ABUSE PREVENTION AT LEAST FOUR U.S. CHILDREN DIE AS A RESULT OF CHILD ABUSE IN THE HOME EACH DAY ACCORDING TO THE ARIZONA DEPARTMENT OF HEALTH, 65 ARIZONA CHILDREN DIED AS A RESULT OF MALTREATMENT IN 2007 (THE MOST RECENT YEAR FOR WHICH NUMBERS ARE AVAILABLE) - THE OVERWHELMING MAJORITY OF THESE VICTIMS ARE UNDER THE AGE OF FIVE CHILD ABUSE AND NEGLECT ARE PREVENTABLE, YET EACH YEAR IN THE UNITED STATES, CLOSE TO ONE MILLION CHILDREN ARE CONFIRMED VICTIMS OF CHILD MALTREATMENT THE COSTS OF RESPONDING TO THE IMPACT OF CHILD ABUSE AND NEGLECT ARE BORNE BY THE VICTIMS AND THEIR FAMILIES BUT ALSO BY OUR COMMUNITY A RECENT REPORT BY THE PEW CHARITABLE TRUST ESTIMATES THE ANNUAL COST OF CHILD ABUSE AND NEGLECT IS AN ASTOUNDING \$103.8 BILLION NATIONWIDE EVERY APRIL IS CHILD ABUSE PREVENTION MONTH AND PHOENIX CHILDREN'S IS A LEADER IN THE COMMUNITY IN PROMOTING THE MESSAGE OF PREVENTION NO ONE CAN DO EVERYTHING -- NO ONE PARENT, GRANDPARENT, TEACHER, NEIGHBOR, ELECTED OFFICIAL, AGENCY OR INDIVIDUAL BUT EVERYONE CAN DO SOMETHING THROUGHOUT THE MONTH OF APRIL A VARIETY OF EVENTS TAKE PLACE FOCUSING ON PREVENTION ACTIVITIES INCLUDE THE ANNUAL CHILDREN'S MARCH ON CHILD ABUSE, A " PROMISES FOR PARENTS" CAMPAIGN, PRESS CONFERENCE, AND A BLUE RIBBON NEWS CONFERENCE PHOENIX CHILDREN'S HOSPITAL IS A LEADER IN SHARING THE MESSAGE THAT PREVENTION WORKS BUT WE ARE COMMITTED TO REDUCING THE RISK OF ABUSE FOR CHILDREN</p>

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	PART VI, LINE 5	<p>DREN IN OUR COMMUNITY THROUGHOUT THE YEAR PHOENIX CHILDREN'S REACHES OUT TO PARENTS, TEACHERS AND OTHER PROFESSIONALS CARING FOR CHILDREN AND FAMILIES BY OFFERING A NUMBER OF PREVENTION PROGRAMS THAT ADDRESS ALL TYPES OF MALTREATMENT, INCLUDING SHAKEN BABY SYNDROME AND CHILD SEXUAL ABUSE INJURY PREVENTION EACH YEAR, MORE THAN 6,500 U S CHILDREN UNDER THE AGE OF 14 ARE KILLED BY PREVENTABLE INJURIES, MEANING SOMEONE COULD HAVE DONE SOMETHING TO CHANGE THE CIRCUMSTANCES THAT LED TO THE CHILD'S DEATH THE FOLLOWING PROGRAMS ADDRESS THE CHALLENGE OF INJURY PREVENTION IN OUR COMMUNITY DROWNING AWARENESS AND PREVENTION WITH THE HELP OF A VERY SPECIAL FAMILY, PHOENIX CHILDREN'S DEVELOPED WATER WATCHERS, A SIGNATURE INJURY PREVENTION PROGRAM TO COUNTER THE EPIDEMIC OF CHILD DROWNINGS IN OUR DESERT CITY FOR THE COMMUNITY AND THE WATER WATCHERS PROGRAM, 2008 WAS A YEAR OF MANY HIGHS AND LOWS -- THE FAMILY OF WESTON LETTER RECOGNIZED THE TEN YEAR ANNIVERSARY OF HIS DEATH AT THE AGE OF THREE AND A HALF, HE DROWNED IN HIS FAMILY'S BACKYARD SWIMMING POOL THE WATER WATCHERS PROGRAM WAS DEVELOPED IN HIS HONOR THE ACCOMPLISHMENTS OF THE PROGRAM BRING HIS FAMILY COMFORT - TEACHING THE COMMUNITY THAT TRAGEDY KNOWS NO BOUNDARIES IS IMPORTANT, AND PROVIDING FAMILIES WITH REAL-LIFE SOLUTIONS TO KEEPING CHILDREN SAFE AROUND WATER HELPS THEM TO KNOW THAT THEY'VE MADE A DIFFERENCE AND THE WATER WATCHERS PROGRAM DID MAKE A DIFFERENCE IN THE COMMUNITY AT WATER SAFETY DAY, 1,200 FIRST GRADERS FROM AROUND THE COMMUNITY LEARNED HANDS-ON ABOUT THE STEPS THEY CAN TAKE TO PROTECT THEMSELVES AND OTHERS FROM DROWNING THE EVENT IS THE OFFICIAL KICKOFF TO SWIM SEASON, AND MARKS ONE OF THE HIGHEST LEVELS OF DROWNING PREVENTION COLLABORATION SEEN IN THE VALLEY ACROSS THE VALLEY, MANY SCHOOLS DOWNLOADED AND UTILIZED FREE WATER WATCHER'S CURRICULUM TO EDUCATE CHILDREN ABOUT THE DANGERS OF DROWNINGS CURRICULUM MATERIALS WERE PROVIDED TO MORE THAN 100 SCHOOLS DURING DROWNING IMPACT AWARENESS MONTH, MORE THAN 50,000 PURPLE RIBBONS WERE DISTRIBUTED AROUND THE STATE OF ARIZONA THE RIBBONS SERVED BOTH AS A REMINDER OF THE DANGER OF DROWNINGS AND AS A WAY TO REMEMBER CHILDREN THAT WE HAVE LOST ADDITIONALLY, NEARLY THIRTY COMMUNITIES PASSED "DROWNING IMPACT AWARENESS MONTH" PROCLAMATIONS DURING THE MONTH OF AUGUST WORKING WITH THE MEDIA REGULARLY, THE WATER WATCHERS PROGRAM HELPS FAMILIES TO UNDERSTAND HOW DROWNINGS OCCUR AND TO RECOGNIZE NEW TRENDS IN INCIDENTS AND PREVENTION STRATEGIES THROUGHOUT THE VALLEY, WATER WATCHERS REPRESENTATIVES ATTENDED COMMUNITY EVENTS, PROVIDED SUPPLIES, AND GAVE EDUCATIONAL PRESENTATIONS TO MORE THAN 4,000 FAMILIES ON A LOCAL AND NATIONAL LEVEL, WATER WATCHERS REPRESENTATIVES SUPPORT DROWNING PREVENTION ORGANIZATIONS LIKE THE NATIONAL DROWNING PREVENTION ALLIANCE, ACTING AS AN ADVOCATE FOR FAMILIES TOUCHED BY DROWNING AND HELPING TO ADVANCE EDUCATION ABOUT PREVENTION ACROSS AMERICA HELMET YOUR BRAIN ACCORDING TO THE MOST RECENT ARIZONA YOUTH RISK BEHAVIOR SURVEY, 87 PERCENT OF STUDENTS WHO RODE A BICYCLE DURING THE PREVIOUS 12 MONTHS REPORTED THAT THEY NEVER OR RARELY WORE A BICYCLE HELMET WHILE WEARING A HELMET WON'T PREVENT A CRASH, IT CAN PREVENT LIFE-LONG DISABILITY - OR EVEN DEATH WEARING A HELMET REDUCES THE RISK OF SERIOUS BRAIN INJURY BY 88 PERCENT NEARLY HALF OF ALL BIKE-RELATED HOSPITALIZATIONS HAVE A DIAGNOSIS OF TRAUMATIC BRAIN INJURY THE GOAL OF PHOENIX CHILDREN'S "HELMET YOUR BRAIN" PROGRAM IS TO GET CHILDREN INTO THE HELMET HABIT EARLY TEACHING CHILDREN ABOUT HELMETS GIVES THEM INFORMATION NEEDED TO MAKE HEALTHIER CHOICES A "HELMET YOUR BRAIN" PROGRAM BOX AND CURRICULUM IS AVAILABLE FREE TO SCHOOLS AND COMMUNITY ORGANIZATIONS BICYCLE "DRIVER" EDUCATION MORE THAN 80 PERCENT OF BICYCLE-RELATED FATALITIES INVOLVING CHILDREN UNDER THE AGE OF 14 ARE DUE TO THE BICYCLIST'S BEHAVIOR BICYCLE "DRIVER" EDUCATION IS SIMILAR TO DRIVER'S EDUCATION, BUT THE VEHICLE IS A BIKE, SKATEBOARD OR SCOOTER TEACHING CHILDREN</p>

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM	PART VI, LINE 6	<p>IN 2011 PCH ENTERED A STRATEGIC ALLIANCE WITH DIGNITY HEALTHCARE BY COMBINING OUR PEDIATRIC PROGRAMS, WE ELEVATE THE OVERALL PEDIATRIC CARE OFFERED IN THE STATE OF ARIZONA AND ACHIEVE A LEVEL THAT WILL BE ON PAR WITH LEADING CHILDREN'S HOSPITALS MORE QUICKLY AND EFFICIENTLY THAN DOING SO ALONE THIS STRATEGIC ALLIANCE WITH DIGNITY WILL HELP US TO - IMPROVE ACCESS TO HIGHER QUALITY PEDIATRIC HEALTHCARE SERVICES IN A COST EFFECTIVE MANNER, WHICH IS ESSENTIAL IN THIS ECONOMIC ENVIRONMENT - ENHANCE RECRUITMENT AND DEVELOPMENT OF RESOURCES FOR NEW AND EXISTING HOSPITAL SERVICES AND PROGRAMS - MAINTAIN AND ENHANCE MEDICAL SERVICES FOR THE UNDERSERVED - DEVELOP COMPREHENSIVE PROGRAMS AND REGIONAL CENTERS OF EXCELLENCE - MEET THE NEEDS OF THE TREMENDOUS GROWTH IN DEMAND FOR PEDIATRIC HEALTHCARE SERVICES IN ARIZONA - SUPPORT OUR VISION TO BE THE PRIMARY AND TRUSTED RESOURCE FOR THE DEVELOPMENT OF PUBLIC POLICY RELATED TO CHILDREN'S HEALTHCARE IN ARIZONA - ACCELERATE THE DEVELOPMENT OF RESEARCH PROGRAMS</p>

Schedule I (Form 990)

OMB No 1545-0047

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

2011

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

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Name of the organization PHOENIX CHILDREN'S HOSPITAL

Employer identification number 86-0422559

Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance...
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.

Table with 8 columns: (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, (g) Description of non-cash assistance, (h) Purpose of grant or assistance. Contains 7 rows of data.

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

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

Identifier	Return Reference	Explanation
SCHEDULE I, PART I, QUESTION 2	DESCRIPTION OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS	PHOENIX CHILDREN'S HOSPITAL RELIES ON THE GOVERNANCE PRACTICES OF THE RECIPIENT ORGANIZATIONS TO MONITOR USE OF THE FUNDS

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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.

Department of the Treasury
Internal Revenue Service

Name of the organization
PHOENIX CHILDREN'S HOSPITAL

Employer identification number

86-0422559

Part I Questions Regarding Compensation

	Yes	No
1a		
1b		
2		
3		
4a	Yes	
4b	Yes	
4c		No
5a		No
5b		No
6a		No
6b		No
7		No
8		No
9		

- 1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.
- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> 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 or provision of all the expenses described above? If "No," complete Part III to explain

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?

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.

- | | |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> 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?

b Participate in, or receive payment from, a supplemental nonqualified retirement plan?

c Participate in, or receive payment from, an equity-based compensation arrangement?

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?

b Any related organization?

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?

b Any related organization?

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

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

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
SUPPLEMENTAL COMPENSATION INFORMATION	SCHEDULE J PART I	SEVERANCE PAYMENTS LINE 4A) ED TROELL RECEIVED SEVERANCE PAY OF \$98,369 SHANE BROPHY RECEIVED SEVERANCE PAY OF \$99,212 LINE 4B) PHOENIX CHILDREN'S HOSPITAL OFFERS A SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN TO CERTAIN EXECUTIVES OF THE ORGANIZATION. ELIGIBLE PARTICIPANTS ARE SELECTED BY THE BOARD OF DIRECTORS. PARTICIPANT VESTING OCCURS UPON RETIREMENT, DISABILITY BEFORE SEPARATION, INVOLUNTARY SEPARATION (OTHER THAN FOR CAUSE) OR DEATH. THE FOLLOWING INDIVIDUALS PARTICIPATED IN THE SERP PLAN AND HAD DEFERRED CONTRIBUTION DURING 2011: ROBERT MEYER - \$155,130; CRAIG MCKNIGHT - \$39,435; SHANE BROPHY - \$31,542; TOM DIEDERICH - \$33,960; BETSY KUZAS - \$41,089; CARMEN NEUBERGER - \$36,388; DERRICK PARKER - \$35,012; DENNIS LUND, MD - \$20,160; KYLE GREEN - \$20,526.
COMPENSATION FOOTNOTES		ELIZABETH ZORN, MD RECEIVED COMPENSATION FOR MEDICAL SERVICES RENDERED IN THE CAPACITY OF STAFF PHYSICIAN FOR PHOENIX CHILDREN'S HOSPITAL, NOT FOR HER DUTIES AS CURRENT OR FORMER BOARD MEMBER. ROBERT MEYER, CRAIG MCKNIGHT, MURRAY POLLACK, MD, ROBERT SARNECKI, DERRICK PARKER, BETSY KUZAS, TOM DIEDERICH, CARMEN NEUBERGER, ED TROELL, SHANE BROPHY, KYLE GREEN, DENNIS LUND AND PAMELA JOHNSON-CARLSON WERE ELIGIBLE FOR THE EXECUTIVE INCENTIVE PLAN OF PHOENIX CHILDREN'S HOSPITAL IN WHICH ONE OF THE PERFORMANCE MEASURES WAS EARNINGS BEFORE INTEREST, DEPRECIATION AND AMORTIZATION. THIS INCENTIVE PLAN WAS APPROVED BY THE COMPENSATION COMMITTEE.

Software ID:

Software Version:

EIN: 86-0422559

Name: PHOENIX CHILDREN'S HOSPITAL

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				
ELIZABETH ZORN MD	(i) (ii)	306,000 0	44,768 0	5,814 0	16,500 0	16,771 0	389,853 0	0 0
ROBERT L MEYER	(i) (ii)	706,346 0	512,715 0	17,355 0	177,130 0	18,732 0	1,432,278 0	0 0
CRAIG MCKNIGHT	(i) (ii)	353,077 0	113,050 0	17,219 0	61,435 0	16,797 0	561,578 0	0 0
DENNIS LUND MD	(i) (ii)	320,673 0	268,000 0	16,669 0	26,270 0	13,696 0	645,308 0	0 0
MURRAY M POLLACK MD	(i) (ii)	444,000 0	297,036 0	89,240 0	22,000 0	12,246 0	864,522 0	0 0
DERRICK E PARKER	(i) (ii)	321,538 0	107,730 0	9,481 0	51,512 0	23,110 0	513,371 0	0 0
BETSY G KUZAS	(i) (ii)	309,808 0	170,100 0	17,629 0	62,776 0	11,962 0	572,275 0	0 0
PAMELA JOHNSON-CARLSON	(i) (ii)	106,154 0	55,000 0	7,784 0	0 0	7,261 0	176,199 0	0 0
THOMAS J DIEDERICH	(i) (ii)	273,077 0	147,420 0	16,924 0	55,960 0	17,824 0	511,205 0	0 0
CARMEN L NEUBERGER	(i) (ii)	284,808 0	155,925 0	10,122 0	58,388 0	6,534 0	515,777 0	0 0
KYLE GREEN	(i) (ii)	300,000 0	83,550 0	12,228 0	37,026 0	23,007 0	455,811 0	0 0
PHILIP ADELSON MD	(i) (ii)	1,014,200 0	70,344 0	14,500 0	22,000 0	24,209 0	1,145,253 0	0 0
JEFFREY M PEARL MD	(i) (ii)	682,967 0	118,452 0	14,821 0	16,500 0	16,012 0	848,752 0	0 0
LEE S SEGAL MD	(i) (ii)	544,800 0	154,984 0	11,108 0	22,000 0	23,734 0	756,626 0	0 0
RICHARD TOWBIN MD	(i) (ii)	540,000 0	120,000 0	23,436 0	22,000 0	18,402 0	723,838 0	0 0
JEFFREY BUCHHALTER MD	(i) (ii)	317,153 0	372,268 0	13,570 0	22,000 0	20,813 0	745,804 0	0 0
SHANE BROPHY PARTIAL YEAR	(i) (ii)	246,653 0	168,025 0	115,779 0	46,360 0	8,645 0	585,462 0	0 0
ROBERT SARNECKI	(i) (ii)	92,458 0	131,544 0	14,309 0	3,792 0	5,155 0	247,258 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				
EDWARD C TROELL JR	(i)	0	86,940	98,369	0	0	185,309	0
	(ii)	0	0	0	0	0	0	0
BRUCE MORGENSTERN MD	(i)	215,000	25,899	8,863	22,000	15,872	287,634	0
	(ii)	0	0	0	0	0	0	0

**Schedule K
(Form 990)**

OMB No 1545-0047

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.**

2011

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
PHOENIX CHILDREN'S HOSPITAL

Employer identification number
86-0422559

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 ARIZONA HEALTH FACILITIES AUTHORITY	86-0453292	040506KZ9	01-31-2007	350,000,000	CAMPUS EXPANSION-SERIES A & B		X		X		X
B ARIZONA HEALTH FACILITIES AUTHORITY	86-0453292	040506LB1	01-31-2007	100,000,000	SEE SCHEDULE K, PART VI		X		X		X

Part II Proceeds

	A	B	C	D
1 Amount of bonds retired	0	0		
2 Amount of bonds defeased	0	0		
3 Total proceeds of issue	358,943,610	100,011,891		
4 Gross proceeds in reserve funds	0	0		
5 Capitalized interest from proceeds	0	0		
6 Proceeds in refunding escrow	0	85,676,857		
7 Issuance costs from proceeds	2,280,950	651,700		
8 Credit enhancement from proceeds	0	0		
9 Working capital expenditures from proceeds	0	0		
10 Capital expenditures from proceeds	348,719,050	13,671,443		
11 Other spent proceeds	0	0		
12 Other unspent proceeds	0	0		
13 Year of substantial completion	2011	2011		
	Yes	No	Yes	No
14 Were the bonds issued as part of a current refunding issue?		X	X	
15 Were the bonds issued as part of an advance refunding issue?		X	X	
16 Has the final allocation of proceeds been made?		X	X	
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		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		X				
2 Are there any lease arrangements that may result in private business use of bond-financed property?		X		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		X				
b If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c Are there any research agreements that may result in private business use of bond-financed property?		X		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 %		0 %					
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %		0 %					
6 Total of lines 4 and 5	0 %		0 %					
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		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		X				
2 Is the bond issue a variable rate issue?	X		X					
3a Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X		X					
b Name of provider	BANK OF AMERICA ML		BANK OF AMERICA ML					
c Term of hedge	328		35					
d Was the hedge superintegrated?		X		X				
e Was a hedge terminated?		X		X				
4a Were gross proceeds invested in a GIC?		X		X				
b Name of provider	0		0					
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?		X		X				
6 Did the bond issue qualify for an exception to rebate?	X		X					

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation
PART I, LINE B, COLUMN (F) - DESCRIPTION OF PURPOSE	0	CAMPUS EXPANSION - SERIES C, REFUNDING 11/29/99 AND 2/20/02 BONDS

Schedule L (Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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

Name of the organization PHOENIX CHILDREN'S HOSPITAL

Employer identification number 86-0422559

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

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

Table with 3 main columns: (a) Name of disqualified person, (b) Description of transaction, (c) Corrected? (Yes/No)

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958. 3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization.

Part II Loans to and/or From Interested Persons.

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

Table with 7 main columns: (a) Name of interested person and purpose, (b) Loan to or from the organization?, (c) Original principal amount, (d) Balance due, (e) In default?, (f) Approved by board or committee?, (g) Written agreement?

Part III Grants or Assistance Benefitting Interested Persons.

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

Table with 3 main columns: (a) Name of interested person, (b) Relationship between interested person and the organization, (c) Amount of grant or type of assistance

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) JENNIFER M RISPOLI	DAUGHTER OF CEO	76,284	EMPLOYEE OF PCH		No
(2) BRIAN MEYER	SON OF CEO	177,049	EMPLOYEE OF PCH		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
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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
PHOENIX CHILDREN'S HOSPITAL

Employer identification number

86-0422559

Identifier	Return Reference	Explanation
VOLUNTEERS	FORM 990, PART I, LINE 6	VOLUNTEERS MAKE A DIFFERENCE FOR PATIENTS AND FAMILIES AT PHOENIX CHILDREN'S HOSPITAL (PCH) EVERY DAY BY GIVING THE GIFT OF TIME. THE VOLUNTEERS EACH HAVE SOMETHING UNIQUE TO OFFER AND COME FROM ALL BACKGROUNDS AND WALKS OF LIFE. VOLUNTEERS ARE AN IMPORTANT PART OF PCH'S TEAM THAT PROVIDES THE BEST HOPE, HEALING AND CARE TO CHILDREN AND FAMILIES. EACH WEEK, OVER 660 VOLUNTEERS DONATE THREE TO FOUR HOURS OF SERVICE IN OVER 30 AREAS IN THE HOSPITAL. PCH VOLUNTEERS PLEDGE A MINIMUM OF 100 HOURS AND MUST BE AT LEAST 16 YEARS OF AGE. VOLUNTEERS GO THROUGH THE SAME SCREENING AND ORIENTATION PROCESS AS EMPLOYEES IN TERMS OF APPLICATION, BACKGROUND CHECK, GENERAL HOSPITAL ORIENTATION, HIPAA, CONFIDENTIALITY TRAINING, EXTENSIVE HANDS-ON TRAINING AND ADDITIONAL TRAINING AS NECESSARY FOR DIFFERENT POSITIONS.

Identifier	Return Reference	Explanation
NEW PROGRAM SERVICE ACTIVITIES	FORM 990, PART III, LINE 2	<p>During the year, Phoenix Children's Hospital (PCH) affiliated with Catholic Healthcare West (now Dignity Health) wherein PCH acquired the non-NICU pediatric services business of Dignity Health in the Maricopa County, Arizona, market. Also during the year, PCH acquired the physician practice assets of Pediatric Urology Associates.</p> <p>PROGRAM SERVICE ACCOMPLISHMENTS FORM 990, PART III, LINE 4 PHOENIX CHILDREN'S HOSPITAL (PCH) IS ARIZONA'S ONLY LICENSED NONPROFIT CHILDREN'S HOSPITAL PROVIDING CARE IN MORE THAN 35 PEDIATRIC SPECIALTIES TO THE STATE'S PEDIATRIC PATIENTS. SIX CENTERS OF EXCELLENCE AT PCH OFFER INTERDISCIPLINARY CARE, INCLUDING THE CENTER FOR CANCER AND BLOOD DISORDERS, THE CHILDREN'S HEART CENTER, THE CHILDREN'S NEUROSCIENCES INSTITUTE, THE CENTER FOR PEDIATRIC ORTHOPEDICS, TRAUMA AND THE NEWBORN INTENSIVE CARE UNIT (NICU). PCH IS ONE OF THE 10 LARGEST FREESTANDING CHILDREN'S HOSPITALS IN THE UNITED STATES ON NUMBER OF BEDS AND IS THE SINGLE LARGEST PROVIDER OF PEDIATRIC SERVICES TO LOW-INCOME CHILDREN IN ARIZONA, 53 PERCENT OF PATIENTS ARE MEDICAID BENEFICIARIES. IN ADDITION TO THE HOSPITAL'S MAIN CAMPUS NEAR DOWNTOWN PHOENIX, ARIZONA, THE HOSPITAL OPERATED A SECOND, 110-LICENSED-BED NICU IN PHOENIX ON THE CAMPUS OF BANNER GOOD SAMARITAN REGIONAL MEDICAL CENTER. THE NICU OPERATES IN CLOSE COLLABORATION WITH A HIGH-RISK OBSTETRICS PROGRAM, CARING FOR BABIES OF HIGH-RISK PREGNANCIES, INCLUDING THOSE BORN PREMATURELY, THOSE BORN WITH CONGENITAL ANOMALIES, AND MULTIPLE BIRTHS. THE HOSPITAL ALSO OPERATES TWO FREESTANDING PEDIATRIC CLINICS IN MESA AND GLENDALE, ARIZONA THAT OFFER SPECIALTY CARE AND ADVANCE URGENT CARE. DURING 2011 THE HOSPITAL CHANGED FROM A NONMEMBER BASED ARIZONA NONPROFIT CORPORATION TO A MEMBER-BASED ARIZONA NONPROFIT CORPORATION IN ORDER TO ENABLE A STRATEGIC AFFILIATION WITH DIGNITY HEALTH, FORMERLY CHILDREN'S HEALTHCARE WEST. ON JUNE 1, 2011, THE HOSPITAL SUBSTANTIALLY COMPLETED THE CONSTRUCTION OF A MULTYEAR EXPANSION PROJECT THAT ADDED A NEW MULTISTORY PATIENT BED TOWER ON ITS EXISTING CAMPUS, AS WELL AS SEVERAL SUPPORT STRUCTURES INCLUDING TWO PARKING STRUCTURES AND A POWER PLANT. PATIENTS WERE TRANSFERRED TO PRIVATE ROOMS IN THE NEW TOWER BEGINNING June 1, 2011. THROUGH ITS BROAD RANGE OF SUPERIOR PEDIATRIC SERVICES INCLUDING NEUROLOGY, ENDOCRINOLOGY, CHEMOTHERAPY, RADIOLOGY AND OTHER MEDICAL SERVICES, PCH HAS PROVIDED A DISTINGUISHED INDEPENDENT HEALTH FACILITY FOR THE CHILDREN OF ARIZONA. PCH DELIVERS ON ITS MISSION TO PROVIDE HOPE, HEALING, AND THE BEST CARE FOR CHILDREN AND FAMILIES BY PROVIDING ACCESS TO THE MOST ADVANCED SPECIALTY AND SUBSPECIALTY PEDIATRIC CARE IN ARIZONA. PCH EXTENDS THIS MISSION BEYOND OUR PATIENT POPULATION BY DELIVERING DIRECT FUNDING, PROGRAM SUPPORT, HEALTHCARE EXPERTISE, AND OTHER RESOURCES TO THE MOST VULNERABLE MEMBERS OF OUR COMMUNITY AND TO THE COMMUNITY AT LARGE. THE FOLLOWING DESCRIBES PCH'S SIX CENTERS OF EXCELLENCE AND OTHER MEDICAL SERVICES:</p> <p>CENTER FOR CANCER AND BLOOD DISORDERS WITH 17 SUBSPECIALTY-TRAINED PHYSICIANS PROVIDING EXPERT CARE IN THE AREAS OF BLOOD AND MARROW TRANSPLANT, NEUROONCOLOGY, HEMATOLOGY, SOLID TUMORS, SURVIVORSHIP, EARLY DRUG DEVELOPMENT AND LIQUID TUMORS, THE CENTER FOR CANCER AND BLOOD DISORDERS IS THE STATE'S ONLY TREATMENT PROGRAM FULLY DEDICATED TO PEDIATRIC PATIENTS. IN 2011 CENTER'S CLINICAL TEAM ATTENDED TO 15,475 APPOINTMENTS, A NUMBER THAT HAS NEARLY DOUBLED SINCE 2007. BUT ALONG WITH APPOINTMENTS, HOPE HAS NEVER BEEN GREATER, THANKS TO EFFECTIVE TREATMENTS FOR MANY OF THESE DEADLY DISEASES. AMONG THESE TREATMENTS IS BLOOD AND MARROW TRANSPLANT. BETWEEN 2007 AND 2011, THE CENTER ADMINISTERED 103 MARROW TRANSPLANTS.</p> <p>CHILDREN'S HEART CENTER THE CHILDREN'S HEART CENTER BECAME THE NATION'S FIFTH LARGEST PROGRAM OF ITS KIND WHEN THE STRATEGIC ALLIANCE TRANSACTION UNITED PHOENIX CHILDREN'S AND ST. JOSEPH'S HOSPITAL AND MEDICAL CENTER'S PEDIATRIC PROGRAMS. THE CENTER OFFERS A FULL ARRAY OF RELATED DIAGNOSTIC AND TREATMENT OPTIONS THAT INCLUDE INVASIVE AND NON-INVASIVE CARDIOTHORACIC SERVICES WITH EXPERTISE IN CARDIAC-SPECIFIC ANESTHESIA AND INTENSIVE CARE. HOME TO THE STATE'S ONLY TWO PEDIATRIC-DEDICATED CARDIAC CATHETERIZATION FACILITIES, THE CENTER'S SPACE IN THE NEW TOWER INCLUDES A 24-BED CARDIOVASCULAR INTENSIVE CARE UNIT STAFFED BY SPECIALLY TRAINED PERSONNEL WHO HAVE ACCESS TO CUTTING-EDGE CARDIAC THERAPIES LIKE EXTRACORPOREAL MEMBRANE OXYGENATION (ECMO), A TYPE OF HEART-LUNG BYPASS FOR YOUNG PATIENTS. ADDITIONALLY, THE HEART CENTER HAS RECEIVED CERTIFICATION THROUGH UNOS FOR A PEDIATRIC HEART TRANSPLANT PROGRAM.</p> <p>CHILDREN'S NEUROSCIENCE INSTITUTE IN ADDITION TO THE COMPREHENSIVE CARE IT PROVIDES CHILDREN WITH NEUROLOGICAL AND BEHAVIORAL CONDITIONS, THE CHILDREN'S NEUROSCIENCE INSTITUTE WAS ALSO ACTIVE IN RESEARCH. DAVID ADELSON, MD, FACS, FAAP, DIRECTOR OF THE INSTITUTE, ALONG WITH OTHER RESEARCHERS, WAS AWARDED A THREE-YEAR GRANT FOR THE DEVELOPMENT OF A BRAIN-COMPUTER INTERFACE, A TECHNOLOGY THAT REAC</p>

Identifier	Return Reference	Explanation
NEW PROGRAM SERVICE ACTIVITIES	FORM 990, PART III, LINE 2	<p>HED A MAJOR MILESTONE IN 2011 WHEN IT COMPLETED ITS VERY FIRST BRAIN-COMPUTER INTERFACE SURGERY, A CUTTING EDGE PROCEDURE AIMED AT HELPING PATIENTS WITH NEUROLOGICAL DISORDERS USE THE POWER OF THEIR BRAINS TO CREATE MOVEMENT. CNI NEUROLOGISTS JEFFREY BUCHHALTER, MD, PHD, AND RANDA JARRAR, MD, COLLABORATED WITH RESEARCHERS AT ARIZONA STATE UNIVERSITY ON ANOTHER STUDY, "KNOWLEDGE ABOUT EPILEPSY AND CONFIDENCE IN INSTRUCTING STUDENTS WITH EPILEPSY TEACHERS' RESPONSES TO A NEW SCALE." IN THE STUDY, 91 CURRENT TEACHERS OF A STUDENT WITH EPILEPSY AND 203 TEACHERS IN GENERAL WERE SURVEYED USING A NEW SCALE. AS EXPECTED, MORE KNOWLEDGEABLE TEACHERS EXPRESSED GREATER CONFIDENCE. RESULTS SUGGEST THAT SOME FACTS ABOUT EPILEPSY REQUIRE ADDITIONAL DISSEMINATION TO EDUCATORS.</p> <p>CENTER FOR PEDIATRIC ORTHOPAEDICS PHOENIX CHILDREN'S CENTER FOR PEDIATRIC ORTHOPAEDICS IS DEDICATED TO OFFERING THE MOST COMPREHENSIVE, STATE-OF-THE-ART CARE FOR CHILDREN WHO HAVE EXPERIENCED MUSCULOSKELETAL INJURY OR ARE LIVING WITH RELATED DISEASES OR CONDITIONS. THE GROUP IS COMPOSED OF SIX FELLOWSHIP- TRAINED PHYSICIANS WHO PROVIDE ORTHOPAEDIC SURGICAL AND NON-SURGICAL CARE THROUGH A VARIETY OF CLINICS TO CHILDREN AND TEENS WITH FRACTURES, HIP DISORDERS, MUSCULAR DYSTROPHY, SPINAL DEFORMITIES AND CLUBFOOT. ALSO, THE PCH SPORTS MEDICINE PROGRAM PROVIDES SURGICAL AND NON-SURGICAL CARE TO YOUNG ATHLETES WHO HAVE EXPERIENCED INJURY DURING PHYSICAL ACTIVITY. THE PROGRAM ALSO ADDED A PRIMARY CARE SPORTS MEDICINE PHYSICIAN TO ITS TEAM WHO, IN ADDITION TO CARING FOR BONE AND JOINT INJURIES, ALSO SPECIALIZES IN TREATING ATHLETES WITH SPORTS -INDUCED CONCUSSION. AS THE CENTER FOR PEDIATRIC ORTHOPAEDICS GROWS, THE GROUP PLANS TO ADD PROGRAMS FOR SPINA BIFIDA, MUSCULOSKELETAL TUMORS, CEREBRAL PALSY AND A GAIT LAB. LEVEL 1 PEDIATRIC TRAUMA CENTER TRAUMATIC INJURIES KILL MORE CHILDREN IN ARIZONA BETWEEN THE AGES OF 1 AND 14 THAN ANY OTHER CAUSE. IN RESPONSE TO THIS SOBERING STATISTIC, PHOENIX CHILDREN'S HOSPITAL CREATED ITS AMERICAN COLLEGE OF SURGEONS (ACS)-VERIFIED LEVEL 1 PEDIATRIC TRAUMA CENTER IN 2008, WHERE PHYSICIANS REPRESENTING MORE THAN 12 SUBSPECIALTIES AND OTHER HIGHLY TRAINED MEDICAL PROFESSIONALS STAND AT THE READY TO PROVIDE LIFE-SAVING TREATMENT TO SERIOUSLY INJURED CHILDREN AND TEENS. WHY IS IT SO IMPORTANT TO HAVE THIS IMPORTANT RESOURCE IN ARIZONA? STUDIES HAVE SHOWN CARE AT AN ACS-VERIFIED TRAUMA CENTER LIKE PHOENIX CHILDREN'S LOWERS A CHILD'S RISK OF DEATH BY 25 PERCENT. SIMPLY, IT'S A BETTER OPTION THAT SAVES MORE LIVES. THE TRAUMA TEAM AT PHOENIX CHILDREN'S, UNDER THE LEADERSHIP OF DR. DAVID NOTRICA, HAS BEEN BUSY DOING JUST THAT - SAVING LIVES. BETWEEN ITS JULY 2008 OPENING AND THE END OF 2011, PHOENIX CHILDREN'S SAW MORE THAN 5,500 TRAUMA PATIENTS. IN 2011 ALONE, THE HOSPITAL REPORTED 2,088 TRAUMA CASES. THE PHOENIX CHILDREN'S LEVEL 1 PEDIATRIC TRAUMA CENTER IS A VITAL REGIONAL RESOURCE. NEWBORN INTENSIVE CARE UNIT OFFERING 143 LICENSED BEDS, PHOENIX CHILDREN'S NEWBORN INTENSIVE CARE UNIT IS THE LARGEST FACILITY OF ITS KIND IN ARIZONA AND AMONG THE LARGEST IN THE NATION. EARLY ARRIVALS AREN'T THE ONLY ONES WHO ARE TREATED IN THE NICU, BABIES WHO ARE BORN FULL-TERM, BUT WITH INFECTION, CONGENITAL BIRTH DEFECTS, IN-UTERO DRUG EXPOSURE OR COMPLICATIONS FROM TRAUMATIC BIRTH ALSO HAVE ACCESS TO THE CUTTING-EDGE CARE PROVIDED BY THE NICU TEAM. FOR INFANTS WHO HAVE SUFFERED BIRTH-RELATED OXYGEN DEPRIVATION, THE HOSPITAL IS HOME TO THE ONE OF ONLY TWO COMPREHENSIVE NEURO-NICU'S IN THE COUNTRY, WHERE THEY ARE MONITORED BY HIGHLY SOPHISTICATED EQUIPMENT AND TREATED WITH A STATE-OF-THE-ART WHOLE BODY COOLING SYSTEM, WHICH GREATLY REDUCE THE CHANCES THESE INFANTS WILL DEVELOP CONDITIONS LIKE CEREBRAL PALSY, MENTAL RETARDATION AND OTHER INTELLECTUAL OR PHYSICAL DEFICIENCIES.</p>

Identifier	Return Reference	Explanation
OTHER MAJOR MEDICAL SERVICES		<p>DOCTORS AND NURSES ARE VITAL COMPONENTS OF THE PERSONALIZED CARE TEAM PHOENIX CHILDREN'S PROVIDES EACH OF ITS CHILDREN EQUALLY IMPORTANT TO THE HOSPITAL'S PHILOSOPHY OF CARE IS THE FAMILY MOTHERS, FATHERS, SIBLINGS, GRANDPARENTS AND OTHER MEMBERS OF A FAMILY'S SUPPORT SYSTEM IT'S THOSE FAMILY MEMBERS WHO ARE THE PRIMARY CAREGIVERS AND PROVIDE THE STRENGTH AND SUPPORT REQUIRED TO HELP OUR YOUNG PATIENTS RECOVER FROM ILLNESS AND INJURY THEY PARTNER WITH THE HOSPITAL'S TEAM TO HELP DEVELOP A PLAN OF TREATMENT THAT BEST FITS THEIR PERSONAL SITUATIONS THE HOSPITAL ALSO UNDERSTANDS THOSE FAMILY MEMBERS HAVE NEEDS, TOO AND FOR THAT REASON PHOENIX CHILDREN'S - THROUGH ITS PATIENT AND FAMILY SERVICES DEPARTMENT - OFFERS A COMPREHENSIVE SUPPORT NETWORK FOR THE ENTIRE FAMILY THROUGH SOCIAL WORK, CHAPLAINCY AND CHILD LIFE, THE LATTER A PROGRAM DEVELOPED RIGHT HERE AT PHOENIX CHILDREN'S HOSPITAL THAT HELPS PATIENTS AND OFTEN THEIR SIBLINGS COPE EMOTIONALLY AND PHYSICALLY DURING THEIR HOSPITAL STAY BY PROVIDING AGE APPROPRIATE EDUCATION PATIENTS GAIN A MEASURE OF CONTROL OVER THEIR OWN CARE BY LEARNING ABOUT IT THROUGH PLAY ROUNDING OUT THE CARE TEAM ARE COMPASSIONATE AND CARING MEMBERS OF THE COMMUNITY, OUR VOLUNTEERS, WHO MAKE AN INDELIBLE DIFFERENCE IN THE LIVES OF OUR CHILDREN, FAMILIES AND STAFF WHETHER THEY'RE ESCORTING A FAMILY TO ONE OF OUR CLINICS, SERVING AS A CANDY STRIPER OR ENTERTAINING CHILDREN IN ONE OF THE PLAYROOMS, PHOENIX CHILDREN'S VOLUNTEERS ARE THERE TO OFFER ANOTHER LEVEL OF COMFORT AND CARE THE HOSPITAL'S PHILOSOPHY OF FAMILY-CENTERED CARE IS ALSO ONE OF THE MOTIVATIONS BEHIND ITS ALLIANCE WITH ST JOSEPH'S HOSPITAL AND MEDICAL CENTER THE UNIFICATION OF THESE PEDIATRIC PROGRAMS - WHOSE MISSIONS AND VISIONS SO CLOSELY ALIGN - FORTIFIES PHOENIX CHILDREN'S COMMITMENT TO DELIVER ON ITS PROMISE TO PROVIDE HOPE, HEALING AND THE BEST HEALTH CARE TO ARIZONA'S CHILDREN AND FAMILIES PHOENIX CHILDREN'S OFFERS WORLD-CLASS CARE IN MORE THAN 40 SUB-SPECIALTY FIELDS OF PEDIATRIC MEDICINE, INCLUDING 6 CENTERS OF EXCELLENCE LAST YEAR, PHOENIX CHILDREN'S HAD 13,404 ADMISSIONS, 63,554 VISITS TO THE EMERGENCY DEPARTMENT, 178,749 OUTPATIENT PHYSICIAN VISITS, AND 13,745 SURGICAL PROCEDURES ARIZONA'S POPULATION GROWTH MEANS PHOENIX CHILDREN'S MUST GROW, TOO THE HOSPITAL IS EXPANDING TO ADD MORE PHYSICIANS, BUILD NEW CLINICAL PROGRAMS, AND INCREASE THE NUMBER OF LICENSED BEDS TO 626 AT FULL BUILD OUT THE CENTERPIECE OF THE EXPANSION IS AN 11-STORY TOWER THAT OPENED IN 2011 PHOENIX CHILDREN'S HAS ARIZONA'S ONLY DEDICATED PEDIATRIC DIALYSIS CENTER AND PEDIATRIC KIDNEY TRANSPLANT PROGRAM PHOENIX CHILDREN'S HOSPITAL HAS 183 ICU BEDS, ONE OF THE LARGEST AMONG ALL FREESTANDING CHILDREN'S HOSPITALS IN THE COUNTRY, AND ONE OF ONLY A HANDFUL IN THE U.S. PERFORMING THE EXTRACORPOREAL MEMBRANE OXYGENATION (ECMO) PROCEDURE PHOENIX CHILDREN'S HAS THE FIRST AND ONLY PEDIATRIC RADIOLOGY FELLOWSHIP PROGRAM IN ARIZONA WHEN THE NEW TOWER IS COMPLETE, THE DIVISION OF RADIOLOGY WILL OCCUPY 45,000 SQUARE FEET OF THE FIRST FLOOR PHOENIX CHILDREN'S OPERATES TWO SPECIALTY AND URGENT CARE CENTERS, ONE IN THE EAST VALLEY AND ONE IN THE NORTHWEST VALLEY THE HOSPITAL WILL CONTINUE TO SPREAD ITS SPECIAL BRAND OF CARE ACROSS THE VALLEY WHEN WORK BEGINS ON ANOTHER FACILITY IN THE WEST VALLEY CITY OF AVONDALE APPROXIMATELY 60 PERCENT OF PHOENIX CHILDREN'S PATIENTS ARE COVERED BY AHCCCS, ARIZONA'S MEDICAID PROGRAM FOR LOW-INCOME FAMILIES THE TRACHEOTOMY AND AIRWAY PROGRAM IS THE ONLY COMPREHENSIVE INPATIENT AND OUTPATIENT SERVICE IN ARIZONA THAT CARES FOR CHILDREN WITH TRACHEOSTOMIES AND HOME VENTILATORS</p>

Identifier	Return Reference	Explanation
CHANGES TO GOVERNING DOCUMENTS	FORM 990, PART VI, LINE 4	<p>The articles of incorporation were amended during the year to reflect the change from a non-member corporation to a member-based corporation. The bylaws were also amended to reflect Catholic Healthcare West (now Dignity Health) and Children's Healthcare of Arizona, Inc as members. ORGANIZATION'S MEMBERS FORM 990, PART VI, LINE 6 The two members of PCH are Catholic Healthcare West (now Dignity Health) and Children's Healthcare of Arizona, Inc. NOMINATION OF MEMBERS OF THE GOVERNING BODY FORM 990, PART VI, LINE 7a Members of the governing body are nominated by the two corporate members and approval for election is required by a majority of the board of directors. DECISIONS OF THE GOVERNING BODY SUBJECT TO APPROVAL BY MEMBERS FORM 990, PART VI, LINE 7b The members of PCH have certain rights as outlined in the affiliation agreement and the bylaws with regard to governance decisions of the organization. PROCESS USED BY ORGANIZATION TO REVIEW FORM 990 FORM 990, PART VI, LINE 11 THE FORM 990, IN DRAFT FORM, WAS PROVIDED FOR REVIEW TO THE FINANCE COMMITTEE. PRIOR TO BEING PRESENTED TO THE FINANCE COMMITTEE, THE RETURN WAS REVIEWED BY THE VP OF FINANCE AND CFO. THE FINAL VERSION IS DISTRIBUTED TO BOARD MEMBERS PRIOR TO FILING WITH THE IRS.</p>

Identifier	Return Reference	Explanation
PROCESS USED TO MONITOR AND ENFORCE THE CONFLICT OF INTEREST POLICY	FORM 990, PART VI, LINE 12C	PCH AND ITS AFFILIATE ORGANIZATIONS REQUIRES EACH OF ITS DIRECTORS, OFFICERS, AND VICE PRESIDENTS TO COMPLETE AN ANNUAL DISCLOSURE FORM, IDENTIFYING REAL OR POTENTIAL CONFLICTS, SUCH AS FINANCIAL RELATIONSHIPS OR INTERESTS, FAMILY OR BUSINESS ASSOCIATIONS OR EMPLOYEE RELATIONSHIPS WITH PCH AND/OR ITS DIRECTORS, OFFICERS AND KEY EMPLOYEES IF SITUATIONS ARE DISCLOSED THAT PRESENT ACTUAL OR POTENTIAL CONFLICTS OF INTEREST, THEY ARE REPORTED TO THE CEO AND THE BOARD OF DIRECTORS RESOLUTION AND/OR AVOIDANCE OF CONFLICT OF INTEREST SITUATIONS RESIDES WITH THE BOARD AND THE CEO

Identifier	Return Reference	Explanation
PROCESS USED TO DETERMINE COMPENSATION OF CEO AND OTHER OFFICERS	FORM 990, PART VI, LINES 15A AND 15B	PCH USES THE SERVICES OF AN OUTSIDE COMPENSATION CONSULTING FIRM TO MAKE MARKET COMPARISONS OF COMPENSATION, INCLUDING BOTH BASE SALARY AND INCENTIVE PROGRAMS. THESE PLANS ARE REVIEWED WITH AND ULTIMATELY APPROVED BY THE BOARD OF DIRECTORS' COMPENSATION COMMITTEE. AFTER COMPLETION OF THE YEAR END AUDIT, THE COMPENSATION COMMITTEE MEETS TO EVALUATE PERFORMANCE OF THE CEO AND KEY EXECUTIVES AND TO APPROVE THE RECOMMENDATION OF THE VP OF HUMAN RESOURCES AND THE CEO, BASED ON THE CRITERIA IN THE PREVIOUSLY APPROVED PLAN. THIS PROCESS WAS LAST COMPLETED IN 2011.

Identifier	Return Reference	Explanation
AVAILABILITY OF GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY,	AND FINANCIAL STATEMENTS TO THE PUBLIC	FORM 990, PART VI, LINE 19 SUCH DOCUMENTS ARE NOT REQUIRED TO BE MADE AVAILABLE, HOWEVER, THEY WILL BE PROVIDED UPON REASONABLE REQUEST

Identifier	Return Reference	Explanation
HOURS DEVOTED TO RELATED ORGANIZATIONS	FORM 990, PART VII	<p>DAVID CAVAZOS DEVOTES 1 HOUR PER WEEK AS A BOARD MEMBER TO PHOENIX CHILDREN'S HOSPITAL (PCH), AND 1 HOUR PER WEEK TO CHILDREN'S HEALTHCARE OF ARIZONA (CHA), ONE OF THE CORPORATE MEMBERS. MARK BONSALE DEVOTES 1 HOUR PER WEEK AS A BOARD MEMBER TO PCH, AND 1 HOUR PER WEEK AS A CHAIRMAN TO CHA. RONALD MATRICARIA DEVOTES 1 HOUR PER WEEK AS A BOARD MEMBER TO PCH AND 1 HOUR PER WEEK AS A BOARD MEMBER TO CHA. JACQUE SOKOLOV DEVOTES 1 HOUR PER WEEK AS A BOARD MEMBER TO PCH AND 1 HOUR PER WEEK AS A BOARD MEMBER TO CHA. ROBERT MEYER IS COMPENSATED BY AND DEVOTES 40 HOURS PER WEEK AS PRESIDENT AND CEO TO PCH. HE ALSO DEVOTES 1 HOUR EACH AS A BOARD MEMBER TO PHOENIX CHILDREN'S HOSPITAL FOUNDATION (PCHF) AND CAMBRIDGE ARIZONA INSURANCE COMPANY (CAIC), RELATED TAX-EXEMPT ORGANIZATIONS. HE DEVOTES 1 HOUR PER WEEK AS AN EX OFFICIO TO CHA. ROBERT DELGADO DEVOTES 1 HOUR PER WEEK AS A BOARD MEMBER TO PCH AND 1 HOUR PER WEEK AS A BOARD MEMBER TO CHA. RICHARD KUHLE DEVOTES 1 HOUR PER WEEK AS A BOARD MEMBER TO PCH AND 1 HOUR PER WEEK AS A BOARD MEMBER TO PCHF. JON HULBURD DEVOTES 1 HOUR PER WEEK AS A BOARD MEMBER TO PCH, 1 HOUR AS A BOARD MEMBER TO CAIC, AND 1 HOUR PER WEEK AS A VICE CHAIRMAN TO CHA. CRAIG MCKNIGHT IS COMPENSATED BY AND DEVOTES 40 HOURS PER WEEK AS AN OFFICER TO PCH. HE DEVOTES 1 HOUR EACH PER WEEK AS A TREASURER TO CAIC AND CHA. CARMEN NEUBERGER IS COMPENSATED BY AND DEVOTES 40 HOURS PER WEEK AS A KEY EMPLOYEE TO PCH. SHE DEVOTES 1 HOUR PER WEEK AS A BOARD MEMBER AND OFFICER TO CAIC AND 1 HOUR PER WEEK AS A SECRETARY TO CHA. PAYMENTS TO INDEPENDENT CONTRACTORS FORM 990, PART VII, SECTION B THE PAYMENTS TO KITCHELL INCLUDE PAYMENTS FOR GOODS AND MATERIALS THAT COULD NOT BE SPLIT OUT FROM THE PAYMENTS FOR SERVICES.</p>

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	MARK TO MARKET ADJUSTMENT ON INTEREST RATE SWAPS \$(67,925,605) UNREALIZED GAINS ON INVESTMENTS \$ (1,888,756) TEMP RESTR DONATIONS AND CONTRIBUTIONS \$ 3,954,008 NET ASSETS RELEASED FROM RESTRICTION \$ (1,800,000) ROUNDING \$ (2) ----- OTHER CHANGES IN NET ASSETS \$(67,660,355) =====

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2011

Open to Public Inspection

▶ **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.**

Department of the Treasury
Internal Revenue Service

Name of the organization
PHOENIX CHILDREN'S HOSPITAL

Employer identification number

86-0422559

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) PHOENIX CHILDREN'S HOSPITAL FOUNDATION 1919 E THOMAS ROAD PHOENIX, AZ 85016 74-2421549	SUPPORT	AZ	501(C)(3)	7	PCH	Yes	
(2) CAMBRIDGE ARIZONA INSURANCE COMPANY 333 EAST OSBORN ROAD SUITE 300 PHOENIX, AZ 85012 26-1756912	INSURANCE	AZ	501(C)(3)	11A - I	PCH	Yes	
(3) CHILDREN'S HEALTHCARE OF ARIZONA INC 1919 E THOMAS ROAD PHOENIX, AZ 85016 45-1474342	SUPPORT	AZ	501(C)(3)	11A - I	NA		No

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?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) CHARITABLE REMAINDER TRUST	HOSPITAL SUPPORT	AZ	PCH FOUNDATION	TRUST	0	0	0 %

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

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Sale of assets to related organization(s)
- g** Purchase of assets from related organization(s)
- h** Exchange of assets with related organization(s)
- i** Lease of facilities, equipment, or other assets to related organization(s)

- j** Lease of facilities, equipment, or other assets from related organization(s)
- k** Performance of services or membership or fundraising solicitations for related organization(s)
- l** Performance of services or membership or fundraising solicitations by related organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- n** Sharing of paid employees with related organization(s)

- o** Reimbursement paid to related organization(s) for expenses
- p** Reimbursement paid by related organization(s) for expenses

- q** Other transfer of cash or property to related organization(s)
- r** Other transfer of cash or property from related organization(s)

	Yes	No
1a		No
1b		No
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j		No
1k		No
1l		No
1m		No
1n	Yes	
1o		No
1p	Yes	
1q	Yes	
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) Phoenix Children's Hospital Foundation	C	6,278,889	BOOK VALUE
(2) Phoenix Children's Hospital Foundation	N	2,683,470	BOOK VALUE
(3) Phoenix Children's Hospital Foundation	P	2,175,230	BOOK VALUE
(4) Cambridge Arizona Insurance Company	Q	3,779,972	BOOK VALUE
(5)			
(6)			

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

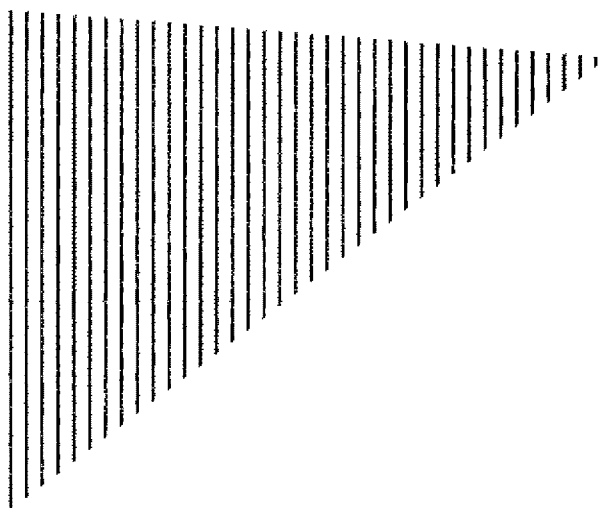
Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization See instructions regarding exclusion for certain investment partnerships

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

Part VII Supplemental Information

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

Identifier**Return Reference****Explanation****Schedule R (Form 990) 2011**



CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Phoenix Children's Hospital and Affiliates
Years Ended December 31, 2011 and 2010
With Report of Independent Auditors

ERNST & YOUNG



Phoenix Children's Hospital and Affiliates

Consolidated Financial Statements and
Supplementary Information

Years Ended December 31, 2011 and 2010

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Report of Independent Auditors

The Board of Directors
Phoenix Children's Hospital and Affiliates

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

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 the Company's 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 Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Phoenix Children's Hospital 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 accounting principles generally accepted in the United States.

Ernst & Young LLP

April 27, 2012

Phoenix Children's Hospital and Affiliates

Consolidated Balance Sheets
(In Thousands)

	December 31	
	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 101,301	\$ 120,888
Short-term investments	32,374	39,458
Accounts receivable, net of allowance for doubtful accounts of \$8,151 and \$7,026 in 2011 and 2010, respectively	69,068	48,813
Contributions receivable, net	7,273	7,455
Inventory	7,740	5,386
Other current assets	11,196	28,293
Total current assets	<u>228,952</u>	250,293
Assets limited as to use:		
Assets held by trustee	10,840	14,792
Other restricted cash and cash equivalents	90,839	41,446
Short-term investments	17,855	14,835
Charitable remainder trust investments	1,157	1,234
Endowment investments	4,748	3,676
Total assets limited as to use	<u>125,439</u>	75,983
Contributions receivable, less current portion	5,558	6,603
Interest rate swap assets	6,589	9,977
Deferred financing costs, net of accumulated amortization of \$1,151 and \$912 in 2011 and 2010, respectively	4,645	4,888
Property and equipment, net	578,499	577,882
Prepaid lease and other	9,137	1,264
Total assets	<u>\$ 958,819</u>	<u>\$ 926,890</u>

	December 31	
	2011	2010
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 104,962	\$ 69,513
Capital lease obligations	205	345
Total current liabilities	<u>105,167</u>	69,858
Capital lease obligations, less current portion	81	250
Annuities payable, less current portion	281	242
Interest rate swap obligations	125,212	60,674
Bonds payable	450,000	450,000
Other liabilities	39,821	36,946
Total liabilities	<u>720,562</u>	617,970
Net assets:		
Unrestricted	205,977	279,007
Temporarily restricted	26,354	25,013
Permanently restricted	5,926	4,900
Total net assets	<u>238,257</u>	308,920
Total liabilities and net assets	<u>\$ 958,819</u>	<u>\$ 926,890</u>

See accompanying notes.

Phoenix Children's Hospital and Affiliates

Consolidated Statements of Operations
(In Thousands)

	Year Ended December 31	
	2011	2010
Unrestricted revenues:		
Net patient service revenue before provision for bad debts	\$ 490,604	\$ 400,122
Provision for bad debts	<u>13,245</u>	10,297
Net patient service revenue	477,359	389,825
Other operating revenue	7,527	5,874
Donations, gifts, and contributions	7,336	5,254
Net assets released from restrictions used for operations	<u>10,029</u>	14,740
	<u>502,251</u>	415,693
Expenses:		
Employee compensation and benefits	265,856	225,634
Supplies, purchased services, and professional fees	151,001	119,452
Operating and other expenses	45,107	36,580
Depreciation and amortization	32,247	19,961
Interest, net	<u>14,757</u>	6,588
	<u>508,968</u>	408,215
(Loss) income from operations	(6,717)	7,478
Other (loss) income:		
Net investment (loss) income	(1,296)	14,960
Change in fair value of interest rate swaps	<u>(67,926)</u>	(16,732)
Total other loss	<u>(69,222)</u>	(1,772)
(Deficiency) excess of revenues over expenses	(75,939)	5,706
Net assets released from restrictions used for purchase of property and equipment	<u>2,909</u>	2,325
(Decrease) increase in unrestricted net assets	<u>\$ (73,030)</u>	<u>\$ 8,031</u>

See accompanying notes.

Phoenix Children's Hospital and Affiliates

Consolidated Statements of Changes in Net Assets
(In Thousands)

	Year Ended December 31	
	2011	2010
Unrestricted net assets:		
(Deficiency) excess of revenues over expenses	\$ (75,939)	\$ 5,706
Net assets released from restrictions used for purchase of property and equipment	<u>2,909</u>	<u>2,325</u>
(Decrease) increase in unrestricted net assets	<u>(73,030)</u>	<u>8,031</u>
Temporarily restricted net assets:		
Donations, gifts, and contributions	14,616	16,676
Net assets released from restrictions used for operations and purchase of property and equipment	(12,938)	(17,065)
Investment (loss) income	<u>(337)</u>	<u>1,289</u>
Increase in temporarily restricted net assets	<u>1,341</u>	<u>900</u>
Permanently restricted net assets:		
Contributions and other	<u>1,026</u>	<u>(34)</u>
Increase (decrease) in permanently restricted net assets	<u>1,026</u>	<u>(34)</u>
Change in net assets	(70,663)	8,897
Net assets, beginning of year	<u>308,920</u>	<u>300,023</u>
Net assets, end of year	<u><u>\$ 238,257</u></u>	<u><u>\$ 308,920</u></u>

See accompanying notes

Phoenix Children's Hospital and Affiliates

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31	
	2011	2010
Operating activities		
Change in net assets	\$ (70,663)	\$ 8,897
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Provision for bad debts	13,245	10,297
Provision for contributions receivable	558	1,987
Investments classified as trading and other restricted cash	(46,324)	65,665
Change in fair value of interest rate swaps	67,926	16,732
Depreciation and amortization	32,379	19,961
Restricted contributions received	(15,642)	(16,642)
(Increase) decrease in:		
Accounts receivable	(33,500)	(4,410)
Contributions receivable	669	(2,608)
Inventory	(2,354)	(135)
Other current assets	17,097	(19,338)
Prepaid lease and other	(7,873)	232
Increase (decrease) in:		
Accounts payable and accrued liabilities	12,127	8,293
Other liabilities	2,624	6,921
Net cash (used in) provided by operating activities	<u>(29,731)</u>	<u>95,852</u>
Investing activities		
Purchase of property and equipment	(33,621)	(161,117)
Proceeds from assets held by trustee	3,952	74,175
Net cash used in investing activities	<u>(29,669)</u>	<u>(86,942)</u>

Phoenix Children's Hospital and Affiliates

Consolidated Statements of Cash Flows (continued)
(In Thousands)

	Year Ended December 31	
	2011	2010
Financing activities		
Proceeds from restricted contributions	\$ 15,642	\$ 16,642
Proceeds from credit line	181,455	-
Payments on credit line	(156,923)	(5,000)
Principal payments on capital lease obligations	(361)	(852)
Net cash provided by financing activities	<u>39,813</u>	<u>10,790</u>
Net (decrease) increase in cash and cash equivalents	(19,587)	19,700
Cash and cash equivalents, beginning of year	120,888	101,188
Cash and cash equivalents, end of year	<u>\$ 101,301</u>	<u>\$ 120,888</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 18,770</u>	<u>\$ 17,564</u>
Supplemental disclosure of noncash investing and financing activity		
Equipment acquired through capital lease	<u>\$ 52</u>	<u>\$ -</u>
Acquisitions of property and equipment included in accounts payable and other liabilities	<u>\$ 920</u>	<u>\$ 10,395</u>

See accompanying notes

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements

December 31, 2011

1. Organization and Operations

Phoenix Children's Hospital (the Hospital) is Arizona's only licensed nonprofit children's hospital providing care in more than 35 pediatric specialties to the state's pediatric patients. Six Centers of Excellence at the Hospital offer interdisciplinary care, including the Center for Cancer and Blood Disorders, the Children's Heart Center, the Children's Neurosciences Institute, the Center for Pediatric Orthopedics, Trauma, and the Newborn Intensive Care Unit (NICU). The Hospital is one of the 10 largest freestanding children's hospitals in the United States based on number of beds.

In addition to the Hospital's main campus near downtown Phoenix, Arizona, the Hospital operates a second, 110-licensed-bed NICU in Phoenix on the campus of Banner Good Samaritan Regional Medical Center. The NICU operates in close collaboration with a high-risk obstetrics program, caring for babies of high-risk pregnancies, including those born prematurely, those born with congenital anomalies, and multiple births. The Hospital also operates two freestanding pediatric clinics in Mesa and Glendale, Arizona that offer specialty care and advanced urgent care.

The Phoenix Children's Hospital Foundation (the Foundation) was established to solicit gifts and grants, manage fundraising, and provide other philanthropic support for the Hospital, which is the sole statutory member of the Foundation. Funds raised by the Foundation are used for clinical programs, support services, charitable care coverage, research initiatives, capital programs, facility upgrades, and community outreach.

Cambridge Arizona Insurance Company (the Captive), a wholly owned subsidiary of the Hospital, provides captive insurance coverage to Phoenix Children's Hospital and related affiliates. The Captive specifically provides professional and general liability insurance pursuant to the provisions of Arizona Revised Statutes 20-1098, and has been approved by the State of Arizona Department of Insurance.

During 2011, the Hospital changed from a nonmember-based Arizona nonprofit corporation to a member-based Arizona nonprofit corporation in order to enable a strategic affiliation with Dignity Health (Dignity), formerly Catholic Healthcare West (see Note 19). At December 31, 2011, the Hospital's members were Children's Healthcare of Arizona, Inc. (the Parent), an Arizona nonprofit holding corporation exempt from income taxes under Internal Revenue Code Section 501(c)(3), and Dignity.

On June 1, 2011, the Hospital substantially completed the construction of a multiyear expansion project that added a new multistory patient bed tower on its existing campus, as well as several support structures including two parking structures and a power plant. Patients were transferred to private rooms in the new tower beginning June 1, 2011.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies

The consolidated financial statements include the accounts of the Hospital, the Foundation, and the Captive (collectively, the Company). All significant intercompany accounts and transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of the consolidated 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In January 2010, an accounting standards update was released providing guidance regarding fair value measurement disclosure requirements included in the fair value accounting standards. It also requires additional fair value measurement disclosures regarding a deeper level of disaggregation of activity within existing roll-forwards of the fair value of Level 3 assets and liabilities. These disclosures have been incorporated into the consolidated financial statements for the years ended December 31, 2011 and 2010.

In May 2011, an accounting standard was released that further amends fair value measurements. The accounting standard requires additional disclosures relating to transfers of any financial instruments between Level 1 and Level 2 of the fair value hierarchy, disclosure of the fair value hierarchy for items that are not recorded at fair value in the consolidated financial statements, and disclosure of additional quantitative information about unobservable inputs used in fair value measurements of financial instruments categorized within Level 3 of the fair value hierarchy. The accounting standard is effective for the Company on January 1, 2012. Management does not expect the adoption of the accounting standard to have a material impact on the consolidated financial statements; however, additional disclosures surrounding fair value measurements of the Company's investment portfolio may be required.

In August 2010, a new accounting standard was issued relating to the accounting by an insured entity for claims incurred under claims-made insurance and retroactive insurance contracts. Under this accounting standard, unless conditions that allow for the right of offset exist,

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

offsetting prepaid insurance and receivables for expected recoveries from insurers against a recognized incurred but not reported liability, or the liability incurred as a result of a past insurable event, is no longer appropriate. The application of this guidance results in claims liabilities and related insurance recoveries being recorded on a gross basis. This accounting guidance is to be applied as of the beginning of the period of adoption, with a cumulative-effect adjustment recorded in net assets as of the beginning of the period. The new accounting standard was adopted effective January 1, 2011, prospectively for the year ended December 31, 2011, resulting in an increase to other liabilities and other assets of approximately \$5,935,000.

In August 2010, an accounting standard was released that requires the measurement of the amount of charity care provided to be based on the direct and indirect costs of providing that care. The accounting standard also requires entities to disclose the amount and methods used to determine the cost of charity care provided. The Company adopted this accounting standard in the accompanying consolidated financial statements as of December 31, 2011 and 2010.

In July 2011, an accounting standard was released that requires health care entities to change the presentation of the statement of operations by reclassifying the provision for doubtful accounts from an operating expense to a deduction from patient service revenues. It also adds disclosures not historically required relating to the entity's assessment of the timing and amount of uncollectible patient service revenue by major payor source. The Company elected to early adopt this accounting standard in the accompanying consolidated financial statements as of December 31, 2011 and 2010. The adoption of this accounting standard did not have a material effect on any periods presented.

In September 2011, an accounting standard was released relating to the evaluation of goodwill impairment. The accounting standard allows a company to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If after assessing the reporting units' circumstances a company determines that it is more likely than not that the fair value of a reporting unit is more than its carrying value amount, then performing the two-step impairment test would be unnecessary. However, if a company determines otherwise then the two-step impairment test would be required. The Company has adopted this accounting standard as of December 31, 2011.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

In December 2011, an accounting standard was released pertaining to disclosure of offsetting assets and liabilities. The accounting standard requires financial statement disclosure relating to master netting arrangements, collateral received or paid, the gross amount of assets and liabilities, and reconciliation of the net offsetting balance recorded on the balance sheet. The accounting standard is effective for the Company on January 1, 2013. Management is currently evaluating the effect of adopting this accounting standard in the consolidated financial statements.

Subsequent Events

The Hospital evaluates events occurring subsequent to the end of the calendar year and recognizes such events that are material in the financial statements as required by professional guidance. In the preparation of the accompanying consolidated financial statements, the Company has evaluated subsequent events through April 27, 2012, the date the consolidated financial statements were issued.

Fair Value Measurements

The carrying value of financial instruments classified as current assets and current liabilities approximates fair value due to their liquidity and short-term natures. The fair values of other financial instruments are disclosed in their respective notes.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with an original maturity of three months or less at the date of purchase. The Company invests a portion of its surplus operating funds in money market and mutual funds. These funds generally invest in highly liquid U.S. government and U.S. government agency obligations.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are presented at fair value based on quoted market prices in active markets at the balance sheet date. The Company designates its investment portfolio as "trading." Accordingly, investment income or loss, including realized and unrealized gains and losses on investments,

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

interest, and dividends, are included in the (deficiency) excess of revenues over expenses, unless their use is temporarily or permanently restricted by donor stipulations or by law. Investment and dividend income is recognized when earned.

Donor-restricted investment income is reported as an increase or decrease in temporarily restricted net assets or permanently restricted net assets, depending on the type of restriction. Realized gains and losses are calculated based upon the specific cost of the investment.

For annuity contracts, the underlying investment is carried at the fair market value, as based on quoted market prices, and the related annuity payable, as based on discounted future cash flows. The amounts reported for annuities payable relate to future payments to donors of charitable remainder trusts. The fair value of annuities payable approximates their carrying value, as the amount represents the value of the estimated future payments to be distributed over the donor's expected life. Short-term investments in certificates of deposit are recorded at amortized cost, which approximates market value.

Inventory

Inventory, consisting primarily of medical supplies and pharmaceuticals, is stated at the lower of cost or market value, utilizing the first-in, first-out method of accounting.

Assets Limited as to Use

Assets limited as to use include proceeds from bonds payable held by a trustee in the construction and interest funds, as required by the 2007 Loan and Trust Agreements (the Loan and Trust Agreements), as amended.

Assets limited as to use also include charitable remainder trust investments, endowment investments, Company-held retirement funds, and amounts held by a commercial bank as collateral against mark-to-market adjustments, in accordance with the Company's swap agreements.

The fair value of assets held by trustee, endowment investments, and charitable remainder trust investments were estimated based on quoted market prices of the investments in active markets.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Derivative Instruments

The Company has various interest rate swaps that are used to manage the overall cost of borrowing. These interest rate swaps do not qualify as hedges. Derivatives that do not qualify as hedges must be adjusted to fair value through the statements of operations. Therefore, the changes in their fair values are recognized in the consolidated statements of operations within the (deficiency) excess of revenues over expenses. These derivative instruments and related posted collateral are recognized gross on the consolidated balance sheets at fair value.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations and leasehold improvements are amortized over the shorter period of the lease term or the estimated useful life of the asset. Such amortization is included in depreciation and amortization in the consolidated statements of operations. Interest cost incurred on borrowed funds during the period of construction, less interest income on qualified borrowed funds of capital assets, is capitalized as a component of the cost of acquiring those assets.

Costs incurred in the development and installation of software for internal use are expensed or capitalized, depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Amounts capitalized are amortized over the useful life of the developed asset following project completion.

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

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Income Taxes

The Hospital, Foundation, and Captive are not-for-profit corporations. The Hospital, Foundation, and Captive have been recognized as tax-exempt entities pursuant to Section 501(c)(3) of the Internal Revenue Code. Management is of the opinion that substantially all of the Hospital's, Foundation's, and Captive's activities are related to their exempt purposes and no material uncertain tax positions have been identified or recorded in the consolidated financial statements at December 31, 2011 or 2010. The Hospital, Foundation, and Captive currently file Form 990s in the U.S. federal jurisdiction and comparable forms in the state of Arizona. The Company is not subject to income tax examinations prior to 2008 in major tax jurisdictions.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Company has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Company in perpetuity.

Donor-Restricted Gifts

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in fundraising revenue. Conditional promises to give are not included as revenue until the conditions are substantially met. The promises to give are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, either through the passage of time or fulfillment of purpose, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted fundraising revenue in the accompanying consolidated statements of operations.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Endowments

The Foundation's endowment consists of approximately eight individual donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

Management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. In this regard, the Foundation classifies the following as permanently restricted net assets: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until those amounts are specifically considered and appropriated for expenditure by the Foundation. Declines in the fair value of assets associated with endowment balances below the corpus of a donor's original gift are reported as adjustments to unrestricted net assets.

The Foundation's investment and spending policy for endowment assets attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation expects its endowment funds, over time, to provide an average rate of return of at least 5% annually. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield, thereby targeting a diversified asset allocation strategy that places a greater emphasis on equity-based investments. Actual returns in any given year may vary from the Foundation's estimated rate of return.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Statements of Operations

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

Net Patient Service Revenue, Accounts Receivable, and Allowance for Doubtful Accounts

The Hospital records revenue in the period health care services are provided based upon the estimated amounts due from patients and third-party payors. The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts before estimates for bad debts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Generally, uninsured patients are unable or unwilling to pay for services provided and the Hospital records a provision for bad debts related to the uninsured patients in the period the services are provided. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of standard rates for services provided.

Laws and regulations governing Medicare and the Arizona Health Care Cost Containment System (AHCCCS) programs are complex and subject to interpretation. As a result, there is a reasonable possibility that actual results could differ from recorded estimates by a material amount in the near term. Amounts received from third-party payors in excess of expected reimbursement are reflected as third-party liabilities and included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets. Accounts receivable consist principally of amounts due from patient services rendered.

The allowance for doubtful accounts is based on management's assessment of historical and expected net collections of accounts receivable, considering economic conditions, trends in health care coverage, and other collection indicators. Periodically, management assesses the adequacy of the allowance based on historical write-off experience by payor category. The results of these reviews are used to make modifications to the allowance as appropriate. After

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

satisfaction of amounts due from insurance and reasonable collection efforts have been exhausted, accounts receivable are written off and deducted from the allowance. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and co-payment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of past experience, which indicates that many patients are unable or unwilling to pay the portion of the bill for which they are financially responsible. The Hospital did not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Charity and Uncompensated Care

The Hospital provides care to patients who meet certain criteria under its charity care policy, either without charge or at amounts less than its established rates. The Hospital also provides services to other indigent patients under AHCCCS, which reimburses at amounts less than the cost of the services provided to the recipients. The difference between the cost of services provided to these indigent persons and the expected reimbursement is included in the estimated cost of uncompensated care. Indirect costs of providing charity care are determined using an estimated cost-to-charge ratio. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are excluded from patient service revenue.

The Hospital did not change its charity care or financial assistance policies during 2010 or 2011.

Reclassifications

Certain amounts in the accompanying 2010 consolidated financial statements have been reclassified to conform to the 2011 presentation. Such reclassifications were related to short-term investments within assets limited as to use, and had no effect on the net assets as previously reported.

3. Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investments, assets held by trustee, charitable remainder trust and endowment investments, and patient accounts receivable.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Concentrations of Credit Risk (continued)

The Company's cash and cash equivalents and restricted cash are held by large financial institutions and the Company's investment policy limits its exposure to concentrations of credit risk. In the normal course of business, the Company maintains cash balances in excess of the Federal Deposit Insurance Corporation's (FDIC) insurance limit. The Company routinely reviews the credit ratings of the financial institutions in which it holds funds; management believes that this related credit risk is minimal. The Hospital provides health care services and grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. An estimated allowance for doubtful accounts, as well as contractual allowances, is maintained at levels considered adequate to reduce the account balances to net realizable value. The mix of accounts receivable from patients and third-party payors at December 31, 2011 and 2010, was as follows:

	2011	2010
AHCCCS	49%	52%
Contracted health care agreements	42	40
Other commercial payors	4	3
Patients and other	5	5
	100%	100%

The Hospital's allowance for doubtful accounts increased from \$7.0 million to \$8.2 million as the result of growth in accounts receivable during 2011. The 2011 allowance for doubtful accounts was 11.8% of accounts receivable, declining from 14.4% of accounts receivable in 2010 as a result of write-offs taken during 2011 and the resulting reduction in the aging of the accounts receivable at the end of 2011. Write-offs of patient accounts increased \$2,160,000 from \$13,131,000 for 2010 to \$15,291,000 for 2011. The increases in write-offs and the allowance for doubtful accounts were the result of negative trends experienced in collection of amounts from self-pay patients.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

4. Investments

Short-term investments and endowment investments were comprised of money market funds, mutual funds, and certificates of deposit at both December 31, 2011 and 2010.

Net investment (loss) income included in other income consisted of the following for the years ended December 31 (in thousands):

	2011	2010
Net investment income:		
Interest and dividend income, net	\$ 1,776	\$ 3,355
Realized loss on sales of securities	(327)	(53)
Net unrealized (loss) gain	(2,745)	11,658
	\$ (1,296)	\$ 14,960

5. Assets Limited as to Use

An independent third-party trustee, designated in the Loan and Trust Agreements under which the Hospital's Series 2007A, B, C, and Series 1999A and Series 2002A Bonds were issued, is the custodian of certain assets. At December 31, assets held in trust were designated as follows (in thousands):

	2011	2010
Construction fund	\$ 2	\$ 1
Interest fund	10,838	14,791
	\$ 10,840	\$ 14,792

Other restricted cash, short-term investments, endowment, and charitable remainder trust investments are designated as follows at December 31 (in thousands):

	2011	2010
Swap collateral	\$ 80,026	\$ 33,510
Donor-restricted	22,430	17,288
Deferred compensation	12,143	10,393
	\$ 114,599	\$ 61,191

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Assets Limited as to Use (continued)

The Foundation held approximately \$4,748,000 in 2011 and \$3,676,000 in 2010 in endowments that were classified as permanently restricted. The endowment portfolio incurred unrealized (losses) gains of \$(398,000) and \$449,000 in 2011 and 2010, respectively. To the extent unrealized losses were recognized in permanently restricted endowment funds, unrestricted funds were used to replenish the balance of permanently restricted endowment funds.

6. Contributions Receivable

Contributions receivable consisted of the following at December 31 (in thousands):

	<u>2011</u>	<u>2010</u>
Amounts due in:		
Less than one year	\$ 9,828	\$ 9,752
One to five years	7,039	8,416
Total	<u>16,867</u>	18,168
Less allowance for uncollectible promises	<u>(3,356)</u>	(3,265)
	13,511	14,903
Less present value discount	<u>(680)</u>	(845)
Contributions receivable, at net present value	<u>12,831</u>	14,058
Less current portion, at net present value	<u>(7,273)</u>	(7,455)
Long-term contributions receivable, at net present value	<u>\$ 5,558</u>	<u>\$ 6,603</u>

As of December 31, 2011 and 2010, approximately \$2,048,000 and \$2,036,000, respectively, of the contributions receivable at net present value were from parties affiliated with the Company.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

7. Property and Equipment

Property and equipment consisted of the following at December 31 (in thousands):

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 38,689	\$ 38,448
Buildings and improvements	515,530	151,673
Leasehold improvements	31,155	31,072
Equipment	96,050	91,627
Assets under capital lease obligations	15,113	15,086
	<u>696,537</u>	<u>327,906</u>
Less accumulated depreciation and amortization	(144,292)	(112,496)
	<u>552,245</u>	<u>215,410</u>
Construction in progress	26,254	362,472
	<u>\$ 578,499</u>	<u>\$ 577,882</u>

Accumulated amortization for amounts under capital lease obligations totaled approximately \$11,054,000 and \$10,549,000 at December 31, 2011 and 2010, respectively.

The Hospital capitalizes costs associated with software developed internally or obtained for internal use. Such capitalized costs totaled approximately \$22.8 million as of December 31, 2011 and 2010. Capitalized software development costs are amortized on a straight-line basis, based upon an estimated useful life of 3 to 10 years for the related asset, beginning when the asset is ready for its intended use. Amortization of capitalized software development costs for the years ended December 31, 2011 and 2010, totaled approximately \$2,986,000 and \$3,321,000, respectively.

Included in property and equipment is capitalized interest. A summary of net interest expense and capitalized interest is as follows at December 31 (in thousands):

	<u>2011</u>	<u>2010</u>
Interest paid during the year	\$ 18,770	\$ 17,564
Less interest expense capitalized	(3,944)	(11,459)
Change in accrued interest	(69)	483
Net interest expense	<u>\$ 14,757</u>	<u>\$ 6,588</u>

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

7. Property and Equipment (continued)

In connection with ongoing construction as well as the tower expansion project that was completed and occupied during 2011, the Hospital has remaining construction contract commitments of approximately \$3,694,000 and \$38,485,000 as of December 31, 2011 and 2010, respectively.

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at December 31 (in thousands):

	2011	2010
Trade accounts payable	\$ 46,381	\$ 45,053
Accrued liabilities	24,991	17,561
Accrued payroll and benefits	9,058	6,899
Line of credit	24,532	—
	\$ 104,962	\$ 69,513

9. Bonds Payable

Long-term bonds payable consisted of the following at December 31 (in thousands):

	2011	2010
Bonds payable	\$ 450,000	\$ 450,000
Less current portion	—	—
Bonds payable, long-term portion	\$ 450,000	\$ 450,000

On January 1, 2007, in connection with implementation of its master facility plan, the Hospital issued \$450 million of 2007 Series A, B, and C Hospital Revenue Bonds (Series 2007 Bonds) through the Arizona Health Authority (the Authority), a political subdivision and instrumentality of the state of Arizona. The proceeds are to be used to pay or reimburse the Company for costs of the campus expansion as outlined in the master facility plan, to fund capitalized interest during the construction period, and to defease prior bond obligations. The Series 2007 Bonds are collateralized by substantially all of the Company's assets under, and pursuant to, a Master Trust

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

9. Bonds Payable (continued)

Indenture dated January 31, 2007. The Series 2007 Bonds bear interest at a variable rate, which varied from 1.19% to 1.34% at December 31, 2011, due monthly through December 2013. The Company has to pay interest only on the Series 2007 Bonds until 2014, when the principal will become payable in varying annual installments and maturing in 2042.

Future maturities of bonds payable at December 31, 2011, follow (in thousands):

2012	\$	—
2013		—
2014		7,300
2015		7,700
2016		8,100
Thereafter		426,900
	\$	<u>450,000</u>

The Series 2007 Bond Loan and Trust Agreements and the indenture and master trust indenture (collectively, the Bond Documents) contain certain restrictive covenants, including, but not limited to, the following: restriction of the incurrence of additional borrowings; maintenance of defined liquidity ratios, such as maximum annual debt service coverage ratio; days cash on hand ratio; maintenance of tax-exempt status; appropriate use of bond proceeds, and the delivery of audited financial statements within 150 days of the Company's fiscal year-end.

In March 2011, the Hospital entered into supplemental indenture numbers three and four, which removed additional financial covenants during the construction period, as defined in the Series 2007 Bonds supplemental indenture number one, allowing the Hospital to enter into a new line of credit agreement and increasing the limit to additional indebtedness. These amendments were not considered to be substantive modifications and have been accounted for prospectively.

As of December 31, 2011, the Company's days cash on hand, funded indebtedness, and historical maximum annual debt service coverage calculations all met the requirements under the Bond Documents, as amended. As of December 31, 2010, the Company's historical maximum debt service coverage calculation met the requirements under the construction period covenants; however, the Company's days cash on hand and EBIDA calculations did not meet the requirements under the construction period covenants. As stipulated in the construction period financial covenants and consistent with prior periods, the Hospital retained a consultant to review

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

9. Bonds Payable (continued)

operations and make recommendations to improve days cash on hand and EBIDA for that respective period. The Company is in compliance with all covenants discussed above, as of December 31, 2011.

10. Interest Rate Swaps

In 2006, the Company entered into four forward-dated interest rate swaps to economically hedge a variable rate of interest to be paid in connection with the January 1, 2007, issuance of the Series 2007 Bonds.

The first swap agreement hedges an initial notional amount of \$225 million. The Company pays a 4.728% fixed rate and receives 64.5% of the one-month LIBOR rate plus 1.145% from the counterparty.

The second swap agreement hedges an initial notional amount of \$125 million. The Company pays a 4.577% fixed rate and receives 64.5% of the one-month LIBOR rate plus 0.995%. The aggregate notional amount of these two swaps equals the original principal amount of the Series 2007 A and B Bonds. The notional amounts of these two swaps, which were effective as of February 14, 2007, decrease over the terms of their respective agreements, which expire on February 1, 2042.

The third swap, effective January 31, 2007, hedges an initial notional amount of \$100 million. The Hospital pays a 4.519% fixed rate and receives 64% of the one-month LIBOR rate plus 1.145% from the counterparty. The notional amount of this swap equals the original principal amount of the Series 2007 C Bonds. The notional amount of the swap decreases over the term of the agreement, which expires on February 1, 2042.

The fourth swap is a basis swap with an initial notional amount of \$225 million (the Basis Swap). The Hospital pays 67% of the one-month LIBOR rate plus 0.50% and receives 67% of the five-year USD ISDA Swap Rate plus 0.234% from the counterparty. The notional amount of the Basis Swap decreases over the term of the agreement, which was effective on March 15, 2008, and expires on January 15, 2041.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

10. Interest Rate Swaps (continued)

All four of the Hospital's interest rate swap agreements require the Company to post collateral when the combined mark-to-market value of the swaps exceeds a net liability threshold as determined by the Company's credit rating and the Company's days cash on hand ratio, up to a maximum posting threshold of \$80.0 million. The threshold was \$12.5 million at December 31, 2011 and \$17.5 million at December 31, 2010. At December 31, 2011 and 2010, the Hospital had collateral outstanding with a counterparty of \$80.0 million and \$33.5 million, respectively, which is included in assets limited as to use as other restricted cash and cash equivalents.

The fair value of the swaps is determined based on contractual terms and discounted at the prevailing swap curve on the respective valuation date. The mark-to-market adjustment for these swaps during 2011 and 2010 totaled approximately \$67.9 million and \$16.7 million, respectively, as presented in the accompanying consolidated statements of operations. The net effect of the interest rate swaps recorded in interest expense was to increase the overall cost of borrowing in 2011 and 2010 by approximately \$13.2 million and \$12.7 million, respectively. All of the Company's derivative instruments were in liability positions except for the Basis Swap, which was in an asset position at December 31, 2011 and 2010, respectively.

11. Line of Credit

In April 2011, the Company entered into a new line of credit with a local bank for up to \$10.0 million. In June 2011, the Company amended the agreement to increase the line of credit to \$25.0 million. The line of credit had a \$24.7 million balance outstanding at December 31, 2011, which was paid off subsequent to year-end. The line of credit bears interest at the 30-day LIBOR rate plus 2% for any funds borrowed against the line. The line of credit also bears a fee for non-use of the line. The new line of credit also requires the Hospital to maintain compliance with specified financial reporting requirements and other financial covenants that are consistent with the requirements of the Bond Documents. At December 31, 2011, the Hospital was in compliance with these covenants. At December 31, 2010, the Company had no line of credit.

12. Fair Value of Financial Instruments

Fair value is defined as an exit price and represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

12. Fair Value of Financial Instruments (continued)

market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company utilizes the following three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The Company's financial assets and liabilities in Level 1 include cash and cash equivalents and domestic and foreign mutual funds.

Level 2 – Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's financial assets and liabilities in this category include interest rate swaps.

Level 3 – Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted techniques. The valuation techniques are as follows:

- (a) *Market approach*. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- (b) *Cost approach*. Amount that would be required to replace the service capacity of an asset or liability (replacement cost).
- (c) *Income approach*. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option pricing, and excess earnings models).

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

12. Fair Value of Financial Instruments (continued)

The following table provides information about the Company's financial assets and liabilities measured at fair value on a recurring basis at December 31, 2011 and 2010, respectively (in thousands):

	Balance at December 31 2011			Balance at December 31 2010			Valuation Technique
	Level 1	Level 2		Level 1	Level 2		
Asset included in							
Cash and cash equivalents	\$ 1,004	\$ 1,004	\$ -	\$ 1,002	\$ 1,002	\$ -	a
Short-term investments							
Mutual funds – domestic	14,006	14,006	-	20,609	20,609	-	a
Mutual funds – foreign	7,247	7,247	-	7,230	7,230	-	a
Assets whose use is limited							
Cash equivalents	15,353	15,353	-	15,408	15,408	-	a
Mutual funds – domestic	17,245	17,245	-	17,241	17,241	-	a
Mutual funds – foreign	6,596	6,596	-	2,306	2,306	-	a
Interest rate swap assets	6,589	-	6,589	9,977	-	9,977	c
Liabilities							
Interest rate swaps, included in other long-term liabilities	125,212	-	125,212	60,674	-	60,674	c

During 2010, the Company held alternative investments that were accounted for using the equity method of accounting, based on net asset value. All alternative investments were liquidated in 2010, resulting in \$15.5 million receivable reported in other current assets at December 31, 2010.

The Foundation received restricted contributions amounting to approximately \$6,406,000 and \$9,918,000 for the years ended December 31, 2011 and 2010, that were subject to fair value measurement on a nonrecurring basis. The restricted contributions were measured based on the actual cash received, or for pledge receivables, using discounted cash flow projections, as outlined in the income valuation approach.

As of December 31, 2011 and 2010, the estimated fair value of the Company's debt was \$417.7 million and \$417.0 million, respectively. The estimated fair value of the Company's debt was based on quoted market prices.

There are no other financial instruments subject to fair value measurement on a recurring basis.

There are no fiscal instruments subject to Level 3 fair value measurements in either 2011 or 2010.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

12. Fair Value of Financial Instruments (continued)

Transfers to/from Levels 1, 2, and 3 are recognized at the end of the reporting period. There were no transfers between levels for either of the years ended December 31, 2011 and 2010. As of December 31, 2011 and 2010, the fair value of the swap assets and liabilities was primarily determined using techniques that are consistent with the income approach. Significant observable inputs include municipal bonds, market credit reports, treasury yields, and maturity dates.

13. Retirement Plans

401(k) Plan

The Company sponsors a defined contribution 401(k) plan (the Plan). For employees meeting certain eligibility requirements, the Plan permits each participant to contribute up to 30% of eligible compensation on a pretax basis, subject to federally mandated dollar maximums. Under the terms of the Plan, the Company is required to provide a matching contribution for employees who meet service eligibility requirements equal to a portion of the employee's contribution each year, up to a maximum of 4% of the employee's eligible compensation. Contributions by the Company totaled approximately \$5,919,000 and \$4,960,000 in 2011 and 2010, respectively. The increase in contributions was primarily the result of the increase in employees following the acquisition of Dignity's Pediatrics Business. All participants are fully vested in the plan.

SERP Plan

The Hospital provides a deferred compensation plan (the SERP Plan) for the exclusive benefit of certain employees who are among a select group of management or highly compensated employees. The board of directors selects those employees who are eligible to become participants in the SERP Plan. The employer contributes to the SERP Plan trust an amount equal to a percentage of the compensation paid to each participant during the plan year, as indicated in the SERP Plan documents. Each participant may make compensation reduction contributions in accordance with rules set forth in the SERP Plan documents. A participant becomes fully vested in his or her account upon one of the following events: retirement date, disability before separation from service, involuntary separation from service (other than for cause), or death, as described in the SERP Plan documents. Employer contributions during 2011 and 2010, were approximately \$520,000 and \$511,000, respectively. At December 31, 2011 and 2010, the SERP Plan investment and liability balances were approximately \$2,007,000 and \$1,619,000, respectively.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

13. Retirement Plans (continued)

Deferred Compensation Plan

The Hospital provides a deferred compensation plan (the 457 Plan) for a select group of management or highly compensated employees. The employer contributes, for the benefit of each participant under the 457 Plan, an amount equal to a percentage of the compensation paid to each participant during the plan year, as identified in the 457 Plan document or as determined, as it may be from time to time, by action of the board of directors. A participant's employer contribution for a plan year shall not exceed the lesser of \$15,000 (or such greater dollar limit as may be in effect under Section 457(e) of the Internal Revenue Code) or 100% of the participant's includable compensation for the year. All participants are fully vested in the plan. Employer contributions during 2011 and 2010, were approximately \$2,077,000 and \$1,820,000, respectively. At December 31, 2011 and 2010, the 457 Plan liabilities were approximately \$9,899,000 and \$8,398,000, respectively.

14. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31 (in thousands):

	<u>2011</u>	<u>2010</u>
Health care services:		
Patient care programs	\$ 21,747	\$ 20,451
Purchase of property and equipment	3,769	3,614
Charitable remainder trusts, net	838	948
	<u>\$ 26,354</u>	<u>\$ 25,013</u>

Permanently restricted net assets, including pledges, of approximately \$5,926,000 and \$4,900,000 at December 31, 2011 and 2010, respectively, are restricted to investments to be held in perpetuity, certain income from which is expendable to support various pediatric hospital programs.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

15. Net Patient Service Revenue

Approximately 43.4% and 44.8% of net patient service revenue before provision for bad debts in 2011 and 2010, respectively, was derived from AHCCCS. Under this program, payment for certain services rendered to AHCCCS patients is reimbursed on a basis other than billed charges. The Hospital also provides services to the beneficiaries of certain other payors at amounts other than published rates. The difference between charges generated by the patients and the amount reimbursable is recorded as a contractual adjustment.

Patient service revenue, net of contractual allowances and discounts and before the provision for bad debts, recognized from major payor sources for the years ended December 31, 2011 and 2010, is as follows:

	2011	2010
AHCCCS	\$ 213,015	\$ 179,454
Contracted health care agreements	241,188	187,910
Other commercial payors	7,069	5,512
Patients and other	29,332	27,246
	\$ 490,604	\$ 400,122

For the years ended December 31, 2011 and 2010, the Hospital was allocated approximately \$1,264,000 and \$44,000, respectively, in disproportionate share payments from AHCCCS. The Hospital also received funds for graduate medical education for children's hospitals (a federal program) for the years ended December 31, 2011 and 2010, of \$1,634,000 and \$2,376,000.

During 2010, the Hospital entered into an academic affiliation agreement with the University of Arizona. As part of this affiliation, an intergovernmental transfer agreement was completed with AHCCCS in accordance with Arizona House Bill 2116, enacted into law in April 2010. As a result of the intergovernmental transfer agreement, the Hospital received \$8,392,000 and \$8,582,000 in graduate medical education payments and \$3,763,000 and \$4,982,000 in additional disproportionate share payments during the years ended December 31, 2011 and 2010, respectively.

The policy of the Hospital is to reflect disproportionate share funds and graduate medical education funding as offsets to contractual adjustments. Accordingly, these amounts have been included in net patient service revenue.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

16. Charity and Uncompensated Care

The shortfall of reimbursements received from AHCCCS for the cost of providing medical care to AHCCCS patients is classified by the Company as uncompensated care. Unreimbursed costs for services and supplies provided under the Company's charity care policy, including uncompensated care, for the years ended December 31, are as follows (in thousands):

	2011	2010
Charity care	\$ 2,133	\$ 3,078
AHCCCS uncompensated cost of care	62,993	37,596
Total charity and uncompensated care	\$ 65,126	\$ 40,674

17. NICU Lease

The Hospital leases the space on the campus of Banner Health's Good Samaritan Regional Medical Center in Phoenix, Arizona, where it operates a 110-bed NICU. In connection with the lease agreement, the Hospital prepaid a one-time lease fee of \$10 million in 2002, which is being amortized ratably over the term of the lease. At December 31, 2011 and 2010, respectively, the Hospital had approximately \$1,264,000 and \$1,496,000 of prepaid rent related to this lease, of which \$1,031,000 and \$1,264,000 is included in prepaid lease and other assets. Base rent under the lease is approximately \$5,300,000 per year through 2020.

18. Functional Expenses

The Hospital provides comprehensive health care services to children within its geographical location. Expenses related to providing these services were as follows as of December 31 (in thousands):

	2011	2010
Health care services	\$ 337,981	\$ 270,169
Nonclinical and support services, including general and administrative	166,041	133,194
Fundraising	4,946	4,852
	\$ 508,968	\$ 408,215

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

19. Strategic Affiliation with Dignity Health

In 2011, the Hospital entered into a contribution agreement (the Contribution Agreement) with Dignity wherein Dignity agreed, upon execution of a subsequent affiliation agreement, to transfer and contribute its Maricopa County, Arizona-based pediatric services business (the Pediatrics Business) to the Hospital in return for a 20% membership interest in the Hospital. Commensurate with the execution of the Contribution Agreement, the Hospital changed from a nonmember-based Arizona nonprofit corporation to a member-based Arizona nonprofit corporation. Simultaneously with this change, the Hospital's sole member became Children's Healthcare of Arizona Inc. (the Parent), an Arizona nonprofit holding corporation exempt from income taxes under Internal Revenue Code Section 501(c)(3).

Effective June 1, 2011, the Parent and the Hospital entered into an affiliation agreement (the Affiliation Agreement) whereby the Parent agreed to assign and transfer to Dignity a 20% member interest in the Hospital consistent with the terms of the Contribution Agreement. The Hospital agreed to make future distributions of its available free cash flow, if any, in proportion to the Parent and Dignity's membership interests, to the extent such distributions would not result in a violation of any Hospital debt covenants and subject further to Hospital Board approval of all distributions. The Affiliation Agreement allows the Hospital to request capital contributions from its members. The Affiliation Agreement also specifies certain actions of the Hospital that require approval of the members. No distributions or capital contributions were made during 2011.

Beginning on the fifteenth anniversary of the Affiliation Agreement, and each five-year anniversary thereafter, each member has the right to put/call to the other Member its outstanding membership interest based on the then-fair market value of the Hospital, as defined in the Affiliation Agreement. The put/call rights can also be exercised in the event of adverse changes at either member. Such put/call rights are considered to be embedded financial instruments in the Hospital's membership interests but do not meet the definition of a derivative and therefore have not been accounted for separately.

For accounting purposes the Parent was deemed to be the accounting acquirer of Dignity's Pediatrics Business and thus the consolidated financial statements presented herein include only the activity of the Hospital and its affiliates.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

20. Commitments and Contingencies

Lease Commitments

The Hospital leases office facilities, outpatient clinics, and equipment under noncancelable capital and operating leases.

In 2007, under a long-term lease agreement, the Hospital leased 3.73 acres of land to be used for the expansion of the Hospital's operations (the Thomas Street Expansion). The initial lease term is 75 years, with a 24-year optional extension. Monthly payments are approximately \$56,000.

Additionally, the Hospital entered into a 20-year operating lease agreement for its East Valley Ambulatory and Urgent Care facility that opened in December 2007. The monthly base rent for the lease is approximately \$61,000.

Rental expense under operating leases for the years ended December 31, 2011 and 2010, totaled approximately \$18.4 million and \$13.8 million, respectively. Future minimum rental commitments under capital and operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2011, were as follows (in thousands):

	Capital	Operating
2012	\$ 216	\$ 21,031
2013	81	19,360
2014	2	17,025
2015	-	13,358
2016	-	10,766
Thereafter	-	87,752
Total minimum lease payments	299	\$ 169,292
Less amount representing interest	13	
Present value of net minimum lease payments	286	
Less current portion	(205)	
	\$ 81	

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

20. Commitments and Contingencies (continued)

Risk Management

Prior to January 1, 2008, the Hospital maintained insurance coverage on an occurrence basis for professional malpractice claims and general liability, with no deductible, through an external insurance company. Excess professional and general liability insurance coverage was maintained for claims exceeding per occurrence limits.

Beginning in January 2008, the Hospital obtained insurance through a combination of purchased and self-insurance programs for professional malpractice, general liability, and employee health insurance claims. Under its self-insured professional malpractice and general liability programs, the Hospital contributes actuarially determined amounts to the Captive to fund estimated ultimate losses.

The self-insured claims-made professional malpractice and general liability coverage has a limit of \$3 million per claim and \$12 million annual aggregate. Claims in excess of this self-insured retention are insured through excess liability policies up to an aggregate of \$50 million. The Company purchases claims-made insurance to cover workers' compensation claims.

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

Industry and Regulatory Environment

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

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

21. Subsequent Event

Subsequent to December 31, 2011, the Company received notification from AHCCCS that CMS had approved AHCCCS's request to create a safety net pool to provide additional cost-based reimbursement for the Company and other health care providers with high AHCCCS utilization. CMS also approved an expanded coverage program for children up to age 19 called the KidsCare II Program. The safety net pool and KidsCare II Program will be funded through intergovernmental transfer agreements.

Supplementary Information

Report of Independent Auditors on Supplementary Information

The Board of Directors
Phoenix Children's Hospital

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of Phoenix Children's Hospital and Affiliates as of December 31, 2011 and 2010, and for the years then ended, taken as a whole. The accompanying 2011 and 2010 consolidating balance sheets, statements of operations, and changes in net assets 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 audits of the consolidated financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Ernst & Young LLP

April 27, 2012

Phoenix Children's Hospital and Affiliates

Consolidating Balance Sheets
(In Thousands)

	December 31, 2011					December 31, 2010				
	PCH	Captive	Foundation	Eliminations	Total	PCH	Captive	Foundation	Eliminations	Total
Assets										
Current assets										
Cash and cash equivalents	\$ 61,068	\$ 993	\$ 39,240	\$ -	\$ 101,301	\$ 91,778	\$ 2,570	\$ 26,540	\$ -	\$ 120,888
Short-term investments	16,253	10,609	5,512	-	32,374	16,715	7,546	15,197	-	39,458
Accounts receivable, net	69,068	-	-	-	69,068	48,813	-	-	-	48,813
Contributions receivable, net	-	-	7,273	-	7,273	-	-	7,455	-	7,455
Inventories	7,740	-	-	-	7,740	5,380	-	-	-	5,380
Other current assets	10,325	366	505	-	11,196	23,924	-	4,369	-	28,293
Due from (to) affiliate	4,410	(208)	(4,202)	-	-	5,573	-	(5,573)	-	-
Total current assets	168,864	11,760	48,328	-	228,952	192,189	10,116	47,988	-	250,293
Assets limited as to use										
Assets held by trustee	10,840	-	-	-	10,840	14,792	-	-	-	14,792
Other restricted cash and cash equivalents	90,839	-	-	-	90,839	41,446	-	-	-	41,446
Short-term investments	7,391	-	10,464	-	17,855	6,363	-	8,472	-	14,835
Charitable remainder trust investments	-	-	1,157	-	1,157	-	-	1,234	-	1,234
Endowment investments	-	-	4,748	-	4,748	-	-	3,676	-	3,676
Total assets limited as to use	109,070	-	16,369	-	125,439	62,601	-	13,382	-	75,983
Contributions receivable, less current portion	-	-	5,558	-	5,558	-	-	6,603	-	6,603
Interest rate swap assets	6,589	-	-	-	6,589	9,977	-	-	-	9,977
Deferred financing costs, net	4,645	-	-	-	4,645	4,888	-	-	-	4,888
Property and equipment, net	578,499	-	-	-	578,499	577,882	-	-	-	577,882
Prepaid lease and other	10,842	-	-	(1,705)	9,137	2,969	-	-	(1,705)	1,264
Total assets	\$ 878,509	\$ 11,760	\$ 70,255	\$ (1,705)	\$ 958,819	\$ 850,506	\$ 10,116	\$ 67,973	\$ (1,705)	\$ 926,890

Phoenix Children's Hospital and Affiliates

Consolidating Balance Sheets (continued)
(In Thousands)

	December 31, 2011					December 31, 2010				
	PCH	Captive	Foundation	Eliminations	Total	PCH	Captive	Foundation	Eliminations	Total
Liabilities and net assets										
Current liabilities										
Accounts payable and accrued liabilities	\$ 102,520	\$ 2,193	\$ 249	\$ -	\$ 104,962	\$ 68,089	\$ 1,317	\$ 107	\$ -	\$ 69,513
Current portion of capital lease obligations	205	-	-	-	205	345	-	-	-	345
Total current liabilities	102,725	2,193	249	-	105,167	68,434	1,317	107	-	69,858
Capital lease obligations, less current portion	81	-	-	-	81	250	-	-	-	250
Annuities payable, less current portion	-	-	281	-	281	-	-	242	-	242
Interest rate swap obligations	125,212	-	-	-	125,212	60,674	-	-	-	60,674
Bonds payable	450,000	-	-	-	450,000	450,000	-	-	-	450,000
Other liabilities	32,088	7,733	-	-	39,821	30,009	6,937	-	-	36,946
Total liabilities	710,106	9,926	530	-	720,562	609,367	8,254	349	-	617,970
Net assets										
Unrestricted	162,342	1,834	43,506	(1,705)	205,977	237,232	1,862	41,618	(1,705)	279,007
Temporarily restricted	6,061	-	20,293	-	26,354	3,907	-	21,106	-	25,013
Permanently restricted	-	-	5,926	-	5,926	-	-	4,900	-	4,900
Total net assets	168,403	1,834	69,725	(1,705)	238,257	241,139	1,862	67,624	(1,705)	308,920
Total liabilities and net assets	\$ 878,509	\$ 11,760	\$ 70,255	\$ (1,705)	\$ 958,819	\$ 850,506	\$ 10,116	\$ 67,973	\$ (1,705)	\$ 926,890

Phoenix Children's Hospital and Affiliates

Consolidating Statements of Operations (In Thousands)

	Year Ended December 31, 2011					Year Ended December 31, 2010				
	PCH	Captive	Foundation	Eliminations	Total	PCH	Captive	Foundation	Eliminations	Total
Unrestricted revenues										
Net patient service revenue before provision for bad debts	\$ 490,604	\$ -	\$ -	\$ -	\$ 490,604	\$ 400,122	\$ -	\$ -	\$ -	\$ 400,122
Provision for bad debts	13,245	-	-	-	13,245	10,297	-	-	-	10,297
Net patient service revenue	477,359	-	-	-	477,359	389,825	-	-	-	389,825
Other operating revenue	7,527	3,780	-	(3,780)	7,527	5,874	3,675	(3,675)	5,874	
Donations, gifts, and contributions	-	-	7,336	-	7,336	-	-	5,254	-	5,254
Net assets released from restrictions used for operations	10,029	-	-	-	10,029	11,740	-	-	-	11,740
Total unrestricted revenue	494,915	3,780	7,336	(3,780)	502,251	410,439	3,675	5,254	(3,675)	415,693
Expenses										
Employee compensation and benefits	263,173	-	2,683	-	265,856	223,006	-	2,628	-	225,634
Supplies, purchased services, and professional fees	149,701	75	1,225	-	151,001	118,193	77	1,182	-	119,452
Operating and other expenses	43,948	3,904	1,038	(3,780)	45,107	35,609	3,604	1,042	(3,675)	36,580
Depreciation and amortization	32,247	-	-	-	32,247	19,961	-	-	-	19,961
Interest net of amounts capitalized	14,757	-	-	-	14,757	6,588	-	-	-	6,588
Total expenses	503,823	3,979	4,946	(3,780)	508,968	403,357	3,681	4,852	(3,675)	408,212
(Loss) income from operations	(8,908)	(199)	2,390	-	(6,717)	7,082	(6)	402	-	7,478
Other (loss) income										
Net investment (loss) income	(965)	171	(502)	-	(1,296)	10,636	316	4,008	-	14,960
Change in fair value of interest rate swap	(67,926)	-	-	-	(67,926)	(16,732)	-	-	-	(16,732)
Total other (loss) income	(68,891)	171	(502)	-	(69,222)	(6,096)	316	4,008	-	(1,772)
(Deficiency) excess of revenues over expenses	(77,799)	(28)	1,888	-	(75,939)	986	310	4,410	-	5,706
Net assets released from restrictions used for purchase of property and equipment	2,909	-	-	-	2,909	2,654	-	291	-	2,945
(Decrease) increase in unrestricted net assets	\$ (74,890)	\$ (28)	\$ 1,888	\$ -	\$ (73,030)	\$ 3,020	\$ 310	\$ 4,701	\$ -	\$ 8,031

Phoenix Children's Hospital and Affiliates

Consolidating Statements of Changes in Net Assets (In Thousands)

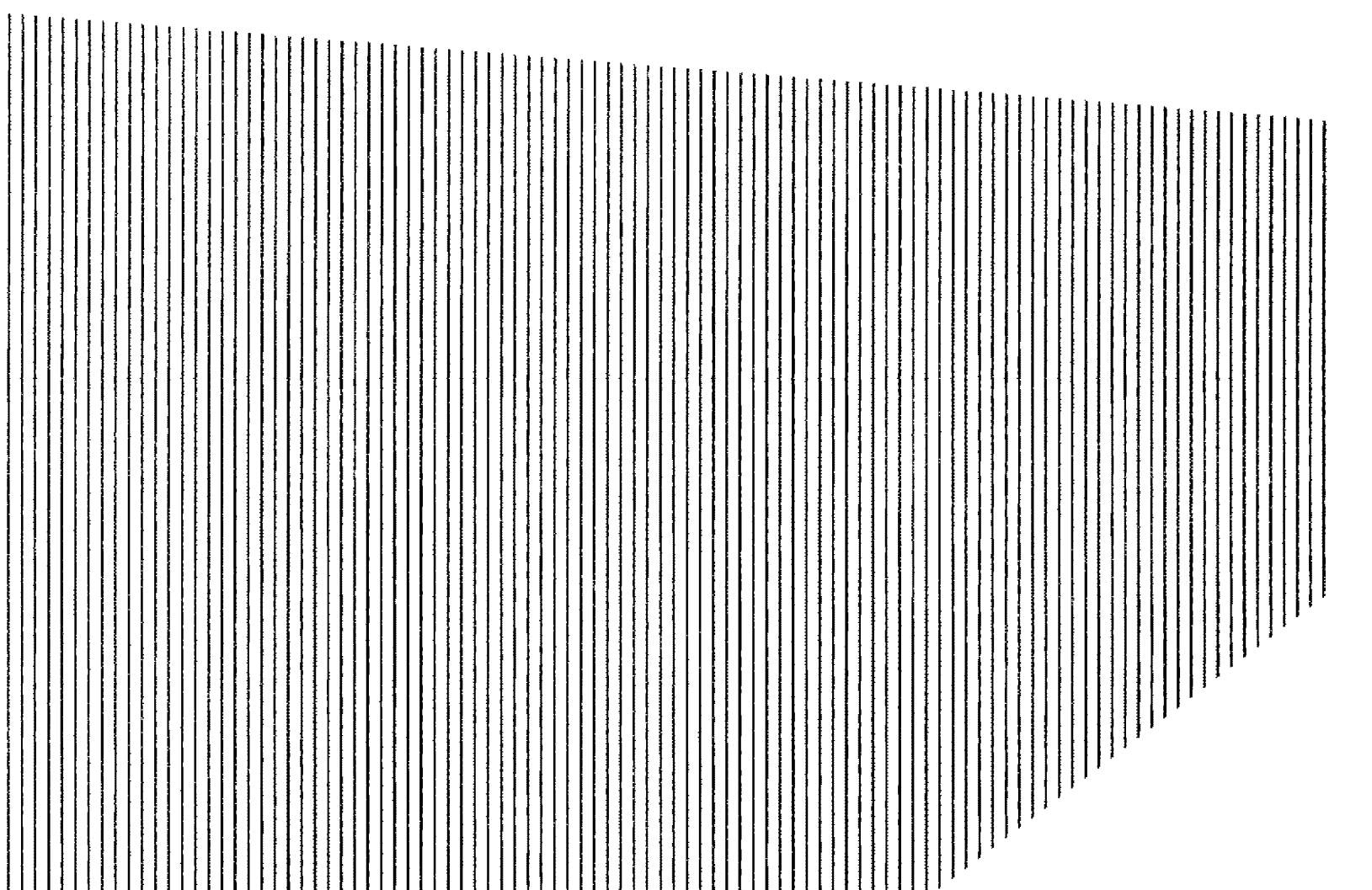
	Year Ended December 31, 2011					Year Ended December 31, 2010				
	PC H	Captive	Foundation	Eliminations	Total	PC H	Captive	Foundation	Eliminations	Total
Unrestricted net assets										
(Deficiency) excess of revenues over expense	\$ (77,799)	\$ (28)	\$ 1,888	\$ -	\$ (75,939)	\$ 986	\$ 310	\$ 4,410	\$ -	\$ 5,706
Net assets released from restrictions used for purchase of property and equipment	2,909	-	-	-	2,909	2,031	-	291	-	2,325
(Decrease) increase in unrestricted net assets	(74,890)	(28)	1,888	-	(73,030)	3,020	310	4,701	-	8,031
Temporarily restricted net assets										
Donations, gifts, and contributions	3,954	-	10,662	-	14,616	3,883	-	12,793	-	16,676
Net assets released from restrictions used for operations and purchase of property and equipment	(1,800)	-	(11,138)	-	(12,938)	(3,543)	-	(13,522)	-	(17,065)
Investment (loss) income	-	-	(337)	-	(337)	-	-	1,259	-	1,289
Increase (decrease) in temporarily restricted net assets	2,154	-	(813)	-	1,341	340	-	560	-	900
Permanently restricted net assets										
Contributions and other	-	-	1,026	-	1,026	-	-	(34)	-	(34)
Increase (decrease) in permanently restricted net assets	-	-	1,026	-	1,026	-	-	(34)	-	(34)
Change in net assets	(72,736)	(28)	2,101	-	(70,663)	3,360	310	5,227	-	8,897
Net assets, beginning of year	241,139	1,862	67,624	(1,705)	308,920	237,779	1,552	62,397	(1,705)	300,023
Net assets, end of year	\$ 168,403	\$ 1,834	\$ 69,725	\$ (1,705)	\$ 238,257	\$ 241,139	\$ 1,862	\$ 67,624	\$ (1,705)	\$ 308,920

About Ernst & Young

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Additional Data

Software ID:
Software Version:
EIN: 86-0422559
Name: PHOENIX CHILDREN'S HOSPITAL

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			
KATHLEEN GOEPPINGER PHD DIRECTOR	1 0	X					0	0	0	
MARK DEMICHELE DIRECTOR	1 0	X					0	0	0	
JON HULBURD DIRECTOR	1 0	X					0	0	0	
KEN KENDRICK DIRECTOR	1 0	X					0	0	0	
RICHARD KUHLE DIRECTOR	1 0	X					0	0	0	
JACQUE J SOKOLOV MD DIRECTOR	1 0	X					0	0	0	
ELIZABETH ZORN MD IMMED PAST PRES, MEDICAL STAFF	1 0	X					356,582	0	33,271	
JEFFREY MORRAY MD PRESIDENT, MEDICAL STAFF	1 0	X					0	0	0	
DAVID CAVAZOS DIRECTOR, CHAIRMAN	1 0	X		X			0	0	0	
MARK BONSALE DIRECTOR, VICE CHAIRMAN	1 0	X		X			0	0	0	
RONALD MATRICARIA DIRECTOR, TREASURER	1 0	X		X			0	0	0	
EDWIN E VAN BRUNT DIRECTOR, SECRETARY	1 0	X		X			0	0	0	
ROBERT L MEYER PRESIDENT & CEO	40 0	X		X			1,236,416	0	195,862	
ROBERT DELGADO DIRECTOR	1 0	X					0	0	0	
CRAIG MCKNIGHT SVP & CFO	40 0			X			483,346	0	78,232	
SHANE BROPHY PARTIAL YEAR FORMER INTERIM CFO	40 0			X			530,457	0	55,005	
DENNIS LUND MD EVP, PCMG AND SURGEON IN CHIEF	40 0				X		605,342	0	39,966	
MURRAY M POLLACK MD CHIEF MEDICAL OFFICER	40 0				X		830,276	0	34,246	
DERRICK E PARKER SVP, PRACTICE OPERATIONS	40 0				X		438,749	0	74,622	
BETSY G KUZAS VP, CONSTRUCTION & SUPPORT SVC	40 0				X		497,537	0	74,738	
PAMELA JOHNSON-CARLSON SVP, PATIENT CARE SVCS & CNO	40 0				X		168,938	0	7,261	
THOMAS J DIEDERICH SVP, HUMAN RESOURCES	40 0				X		437,421	0	73,784	
CARMEN L NEUBERGER SVP, GENERAL COUNSEL	40 0				X		450,855	0	64,922	
DAVID HIGGINSON SVP, CHIEF INFORMATION OFFICER	40 0				X		60,346	0	1,284	
KYLE GREEN SVP, PLANNING & BUSINESS DEVL P	40 0				X		395,778	0	60,033	

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			
ROBERT SARNECKI FORMER CHIEF INFO OFFICER	40 0				X			238,311	0	8,947
PHILIP ADELSON MD DIVISION CHIEF	40 0					X		1,099,044	0	46,209
JEFFREY M PEARL MD STAFF PHYSICIAN	40 0					X		816,240	0	32,512
LEE S SEGAL MD DIVISION CHIEF	40 0					X		710,892	0	45,734
RICHARD TOWBIN MD DIVISION CHIEF	40 0					X		683,436	0	40,402
JEFFREY BUCHHALTER MD DIVISION CHIEF	40 0					X		702,991	0	42,813
BRUCE MORGENSTERN MD FORMER IP PRESIDENT, MED STAFF	0 0						X	249,762	0	37,872
EDWARD C TROELL JR FORMER VP, PROFESSIONAL SRVS	40 0						X	185,309	0	0