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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 07/01, 2011, and ending 06/30, 20 12

B Check if applicable:
- [ ] Address change
- [ ] Name change
- [ ] Initial return
- [ ] Terminated
- [ ] Amended return
- [ ] Application pending

C Name of organization
CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
601 CHILDREN'S LANE

City or town, state or country, and ZIP + 4
NORFOLK, VA 23507

D Employer identification number
54-0506321

E Telephone number
(757) 668-7000

G Gross receipts $ 345,284,829.

F Name and address of principal officer: JAMES D. DAHLING
601 CHILDREN'S LANE NORFOLK, VA 23507

H(a) Is this a group return for affiliates? [ ] Yes [X] No

H(b) Are all affiliates included? [ ] Yes [ ] No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status: [X] 501(c)(3) [ ] 501(c) ( ) ◀ (insert no) [ ] 4947(a)(1) or [ ] 527

J Website: ▶ WWW.CHKD.ORG

K Form of organization: [X] Corporation [ ] Trust [ ] Association [ ] Other ▶

L Year of formation 1961 | **M** State of legal domicile VA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
DEDICATED TO THE MISSION OF PROVIDING THE BEST POSSIBLE CARE AND SERVICES FOR ALL CHILDREN WHO COME TO US BECAUSE OF SICKNESS AND INJURY.

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

3	Number of voting members of the governing body (Part VI, line 1a)	3	22.
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	20.
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	2,880.
6	Total number of volunteers (estimate if necessary)	6	663.
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	443,143.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	350,371.

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	13,175,111.	10,789,543.
9	Program service revenue (Part VIII, line 2g)	271,877,197.	290,532,031.
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	3,039,213.	4,061,610.
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	6,966,430.	7,593,481.
12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	295,057,951.	312,976,665.
13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	320,826.	0
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	131,713,317.	137,839,953.
16a	Professional fundraising fees (Part IX, column (A), line 11e)	1,471,981.	1,350,818.
b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 1,350,818.		
17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	122,682,322.	132,255,364.
18	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	256,188,446.	271,446,135.
19	Revenue less expenses Subtract line 18 from line 12	38,869,505.	41,530,530.

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	314,255,277.	348,681,210.
21	Total liabilities (Part X, line 26)	112,459,016.	123,280,779.
22	Net assets or fund balances Subtract line 21 from line 20	201,796,261.	225,400,431.

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 — Date 5/23/13

▶ Dennis Ryan, CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check [ ] if self-employed	PTIN
SCOTT SHERMAN	Scott Sherman	5/10/13		P00451522

Firm's name ▶ KPMG LLP | Firm's EIN ▶ 13-5565207

Firm's address ▶ 1676 INTERNATIONAL DRIVE MCLEAN, VA 22102 | Phone no 703-286-8000

May the IRS discuss this return with the preparer shown above? (see instructions) [X] Yes [ ] No

For Paperwork Reduction Act Notice, see the separate instructions. Form **990** (2011)

JSA
1E1010 1 000

Part III **Statement of Program Service Accomplishments**

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

1 Briefly describe the organization's mission.

SEE SCHEDULE O

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 $ 222,913,610. including grants of $ _____) (Revenue $ 292,990,922)

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** ▶ 222,913,610.

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	X	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	X	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		X
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		X
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		X
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
9	Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		X
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	X	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI*	11a	X	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		X
c	Did the organization report an amount for investments-program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		X
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d		X
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	X	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	X	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		X
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	X	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		X
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b	X	
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Parts II and IV*	15		X
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Parts III and IV*	16		X
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17	X	
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18	X	
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		X
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	X	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	X	

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		X
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		X
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	X	
24 a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	24a	X	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		X
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		X
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		X
25 a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		X
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		X
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	27		X
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		X
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		X
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c	X	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29	X	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		X
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	33	X	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34	X	
35 a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		X
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35b		X
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36	X	
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		X
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O.	38	X	

Part V **Statements Regarding Other IRS Filings and Tax Compliance**

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a	147		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		X	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return .	2a	2,880		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b		X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?	3a		X	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b		X	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			X
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a			X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			X
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?	6a			X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a		X	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		X	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? . . .	7e			X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f			X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? . . .	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		X	
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter:				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter:				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state?	13a			
	Note. See the instructions for additional information the organization must report on Schedule O				
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			X
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*	14b			

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

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O	1a 22		
b	Enter the number of voting members included in line 1a, above, who are independent	1b 20		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person? . . .	3		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		X
6	Did the organization have members or stockholders?	6	X	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	X	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	X	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:			
a	The governing body?	8a	X	
b	Each committee with authority to act on behalf of the governing body?	8b	X	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	9		X

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

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

Section C. Disclosure

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

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

☐ Own website ☐ Another's website ☒ Upon request

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ▶ DENNIS RYAN 601 CHILDREN'S LANE NORFOLK, VA 23507 757-668-7000

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) ELIZABETH M. WELLER TREASURER/DIRECTOR	2.00	X		X				0	0	0
(2) BUFFY BAREFOOT DIRECTOR	1.00	X						0	0	0
(3) SARAH BISHOP DIRECTOR	1.00	X						0	0	0
(4) HAROLD J. COBB, JR, DD DIRECTOR	1.00	X						0	0	0
(5) PAMELA Q. COMBS, M.ED. DIRECTOR	1.00	X						0	0	0
(6) JOHN R. LAWSON, II CHAIRMAN/DIRECTOR	3.00	X		X				0	0	0
(7) CYNTHIA S. KELLY, M.D. DIRECTOR	1.00	X						0	0	0
(8) MICHELLE BRENNER, M.D. DIRECTOR	1.00	X						0	187,222.	14,065.
(9) J. CHRISTOPHER PERRY DIRECTOR	1.00	X						0	0	0
(10) KAREN PRIEST DIRECTOR	1.00	X						0	0	0
(11) BRIAN SKINNER DIRECTOR	1.00	X						0	0	0
(12) KEVIN RACK, ESQ. DIRECTOR	1.00	X						0	0	0
(13) CONRAD M. HALL SECRETARY/DIRECTOR	2.00	X		X				0	0	0
(14) MARK R. WARDEN DIRECTOR	1.00	X						0	0	0

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

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(15) ROLF WILLIAMS DIRECTOR	1.00	X						0	0	0
(16) ELIZABETH D. LANOUE, M.D. DIRECTOR	1.00	X						0	0	0
(17) KATHRYN CALLAHAN DIRECTOR	1.00	X						0	0	0
(18) LLOYD U. NOLAND, III DIRECTOR	1.00	X						0	0	0
(19) DONALD NUSS, M.B., CH.B. DIRECTOR	1.00	X						0	0	0
(20) CHRISTINE NEIKIRK DIRECTOR	1.00	X						0	0	0
(21) JAMES D DAHLING PRESIDENT/DIRECTOR	1.00	X		X				0	1,073,541.	667,316.
(22) EDWARD HEIDT DIRECTOR	1.00	X						0	0	0
(23) DENNIS RYAN CFO/ASSIST TREAS/ASSIST SECT	1.00			X				0	518,712.	252,853.
(24) ARNO ZARITSKY SR VP CLINICAL SERVICES	40.00				X			500,342.	0	190,725.
(25) DAVID BOWERS VP HR AND SUPPORT SERVICES	40.00				X			336,857.	0	323,011.
1b Sub-total ▶								0	187,222.	14,065.
c Total from continuation sheets to Part VII, Section A ▶								2,749,654.	1,592,253.	1,985,031.
d Total (add lines 1b and 1c) ▶								2,749,654.	1,779,475.	1,999,096.

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 ▶ 126

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization. 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
ATTACHMENT 1		

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 10

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

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(26) JO-ANN BURKE VP PATIENT CARE SERVICES	40.00				X			384,711.	0	137,138.
(27) JOANN ROGERS SR VP PHY PRACT SRVCS	40.00				X			388,498.	0	290,435.
(28) SUZANNE STARLING MEDICAL DIRECTOR	40.00					X		205,783.	0	20,963.
(29) JOHN HAMILTON VP PHYSICIAN PRACTICE MGMT	40.00					X		237,034.	0	40,857.
(30) JAMES DICE DIRECTOR PHARMACY	40.00					X		176,131.	0	26,050.
(31) MICHAEL FACKELMANN RN 1ST ASST CARDIAC PROGRAM	40.00					X		174,699.	0	12,926.
(32) JOSEPH HOOKS CHIEF TECHNOLOGY OFFICER	40.00					X		169,523.	0	22,757.
(33) MARTIN CASEY FORMER DIRECTOR	0						X	176,076.	0	0
1b Sub-total ▶										
c Total from continuation sheets to Part VII, Section A ▶										
d Total (add lines 1b and 1c) ▶										

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 ▶ 126

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization. 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

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

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c	206,328.			
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	1,625,336			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	8,957,879			
	g	Noncash contributions included in lines 1a-1f $ 218,296.					
	h	**Total.** Add lines 1a-1f		10,789,543			
Program Service Revenue			**Business Code**				
	2a	PATIENT SERVICES	900099	284,032,456	284,032,456		
	b	OTHER RELATED SVCS	900099	6,206,749	6,202,964	3,785	
	c	LAB SERVICES	621500	292,826		292,826	
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a-2f		290,532,031			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		2,299,078			2,299,078
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real / (ii) Personal				
	6a	Gross rents: 3,070,205 /					
	b	Less rental expenses: 3,054,515 /					
	c	Rental income or (loss): 15,690 /					
	d	Net rental income or (loss)		15,690.		146,532	-130,842
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory: 24,192,013 / 11,383					
	b	Less cost or other basis and sales expenses: 22,419,359 / 21,505					
	c	Gain or (loss): 1,772,654 / -10,122					
	d	Net gain or (loss)		1,762,532.			1,762,532
	8a	Gross income from fundraising events (not including $ 206,328 of contributions reported on line 1c) See Part IV, line 18 — ATCH 2	a 55,125				
	b	Less direct expenses	b 73,324				
	c	Net income or (loss) from fundraising events — ATCH 3		-18,199			-18,199
	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 11,876,560.				
	b	Less cost of goods sold	b 6,739,461				
	c	Net income or (loss) from sales of inventory		5,137,099.			5,137,099.
		Miscellaneous Revenue	**Business Code**				
	11a	GRADUATE MEDICAL EDUCATION	900099	2,458,891.	2,458,891.		
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a-11d		2,458,891.			
	12	**Total revenue.** See instructions		312,976,665	292,694,311.	443,143	9,049,668

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	0			
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	2,671,912.	2,201,656.	470,256.	
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	111,789,037.	92,114,167.	19,674,870.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	632,170.	520,908.	111,262.	
9 Other employee benefits	14,410,147.	11,873,959.	2,536,188.	
10 Payroll taxes	8,336,687.	6,869,430.	1,467,257.	
11 Fees for services (non-employees)				
a Management	0			
b Legal	2,923.	2,409.	514.	
c Accounting	0			
d Lobbying	0			
e Professional fundraising services See Part IV, line 17	1,350,818.			1,350,818.
f Investment management fees	0			
g Other	17,980,016.	14,815,533.	3,164,483.	
12 Advertising and promotion	80,610.	66,423.	14,187.	
13 Office expenses	1,013,777.	835,352.	178,425.	
14 Information technology	0			
15 Royalties	0			
16 Occupancy	4,063,298.	3,348,158.	715,140.	
17 Travel	248,959.	205,142.	43,817.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	855,374.	704,828.	150,546.	
20 Interest	3,626,702.	2,988,402.	638,300.	
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	15,910,698.	13,110,415.	2,800,283.	
23 Insurance	1,012,922.	834,648.	178,274.	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a SUPPLIES	37,612,272.	30,992,512.	6,619,760.	
b PURCHASED SERVICES	14,001,525.	11,537,257.	2,464,268.	
c EQUIP RENTAL AND MAINT	13,572,068.	11,183,384.	2,388,684.	
d CORPORATE SUPPORT	10,302,576.	8,489,323.	1,813,253.	
e All other expenses	11,971,644.	10,219,704.	1,751,940.	
25 Total functional expenses Add lines 1 through 24e	271,446,135.	222,913,610.	47,181,707.	1,350,818.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)	0			

Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing	0	1	0
	2	Savings and temporary cash investments	17,021,256.	2	21,987,452.
	3	Pledges and grants receivable, net	3,407,638.	3	3,448,472.
	4	Accounts receivable, net	34,187,063.	4	35,213,705.
	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)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions)	0	6	0
	7	Notes and loans receivable, net	0	7	0
	8	Inventories for sale or use	4,650,850.	8	5,211,423.
	9	Prepaid expenses and deferred charges	2,079,248.	9	8,659,121.
	10a	Land, buildings, and equipment. cost or other basis. Complete Part VI of Schedule D — 10a: 336,143,953.			
	b	Less accumulated depreciation — 10b: 159,065,231.	159,207,411.	10c	177,078,722.
	11	Investments - publicly traded securities	89,427,542.	11	92,855,531.
	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	4,274,269.	15	4,226,784.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	314,255,277.	16	348,681,210.
Liabilities	17	Accounts payable and accrued expenses	21,780,688.	17	25,302,290.
	18	Grants payable	0	18	0
	19	Deferred revenue	145,656.	19	108,370.
	20	Tax-exempt bond liabilities	78,000,000.	20	76,400,000.
	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	0	23	0
	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	12,532,672.	25	21,470,119.
	26	**Total liabilities.** Add lines 17 through 25	112,459,016.	26	123,280,779.
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	172,808,102.	27	195,260,704.
	28	Temporarily restricted net assets	8,865,736.	28	8,782,533.
	29	Permanently restricted net assets	20,122,423.	29	21,357,194.
		Organizations that do not follow SFAS 117, check here ▶ [ ] and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	201,796,261.	33	225,400,431.
	34	Total liabilities and net assets/fund balances	314,255,277.	34	348,681,210.

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	312,976,665.
2	Total expenses (must equal Part IX, column (A), line 25)	2	271,446,135.
3	Revenue less expenses. Subtract line 2 from line 1	3	41,530,530.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	201,796,261.
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-17,926,360.
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	225,400,431.

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990: ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		X
b	Were the organization's financial statements audited by an independent accountant?	2b	X	
c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	X	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	X	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	X	

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization	**Employer identification number**
CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS	54-0506321

Part I **Reason for Public Charity Status** (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 11, check only one box.)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E.)

3 ☒ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state:

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II)

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

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

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

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

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

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

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

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

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(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	
(A)									
(B)									
(C)									
(D)									
(E)									
Total									

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)** (Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 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 Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support.** Add lines 7 through 10						

12 Gross receipts from related activities, etc (see instructions) 12

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2011 (line 6, column (f) divided by line 11, column (f)) . . . . . 14 %

15 Public support percentage from 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 a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization . . . . . ▶ ☐

17a **10%-facts-and-circumstances test - 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 Section 509(a)(2)
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 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 section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

19a **331/3% support tests - 2011.** If the organization did not check the box on line 14, and line 15 is more than 331/3%, and line 17 is not more than 331/3%, check this box and **stop here** The organization qualifies as a publicly supported organization ▶ ☐

b **331/3% support tests - 2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 331/3%, and line 18 is not more than 331/3%, 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS

Employer identification number
54-0506321

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

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

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

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

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

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

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

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

			Held at the End of the Tax Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d	

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

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

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

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

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

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

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

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

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

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

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

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

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

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

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

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

a ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations
d ☐ Loan or exchange programs
e ☐ Other _____

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

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

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

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

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

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

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

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

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

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	21,009,069.	18,864,330.	16,948,282.	23,542,928.	
b Contributions	697,977.	73,133.	658,921.	1,206,847.	
c Net investment earnings, gains, and losses	885,348.	2,654,077.	1,308,308.	-4,687,689.	
d Grants or scholarships					
e Other expenditures for facilities and programs	-387,374.	582,471.	51,181.	3,113,804.	
f Administrative expenses					
g End of year balance	22,979,768.	21,009,069.	18,864,330.	16,948,282.	

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

a Board designated or quasi-endowment ▶ _____ %
b Permanent endowment ▶ 93.0000 %
c Temporarily restricted endowment ▶ 7.0000 %

The percentages in lines 2a, 2b, and 2c should equal 100%.

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		20,857,063.		20,857,063.
b Buildings		169,780,367.	66,513,039.	103,267,328.
c Leasehold improvements				
d Equipment		137,233,162.	92,360,315.	44,872,847.
e Other		8,273,361.	191,877.	8,081,484.
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				177,078,722.

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶		

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total *(Column (b) must equal Form 990, Part X, col (B) line 13)* ▶		

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

	(a) Description	(b) Book value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total *(Column (b) must equal Form 990, Part X, col (B) line 15)* ▶		

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

1.	(a) Description of liability	(b) Book value
(1)	Federal income taxes	
(2)	DERIVATIVE INSTRUMENTS 2006 BOND SE	19,478,236.
(3)	ANNUITY PAYABLE	1,683,528.
(4)	ACCRUED TAIL COVERAGE	35,216.
(5)	LONG TERM CAPITAL LEASE-SIEMENS	237,850.
(6)	INTERCO PAYABLE	35,289.
(7)		
(8)		
(9)		
(10)		
(11)		
Total. *(Column (b) must equal Form 990, Part X, col. (B) line 25)* ▶		21,470,119.

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

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
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 through 8	9	
10	Excess or (deficit) for the year per audited 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 must 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 must 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, line 2; Part XI, line 8, Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information

SEE PAGE 5

Part XIV Supplemental Information *(continued)*

ASC 740 FOOTNOTE FROM CONSOLIDATED AUDIT REPORT

CHS RECOGNIZES ANY BENEFITS FROM AN UNCERTAIN TAX POSITION ONLY IF IT IS MORE LIKELY THAN NOT THAT THE TAX POSITION WILL BE SUSTAINED UPON EXAMINATION BY THE TAXING AUTHORITIES, BASED ON THE TECHNICAL MERITS OF THE POSITION. IF APPLICABLE, THE TAX BENEFITS RECOGNIZED IN THE CONSOLIDATED FINANCIAL STATEMENTS FROM SUCH A POSITION WOULD BE MEASURED BASED ON THE LARGEST BENEFIT THAT HAS A GREATER THAN 50% LIKELIHOOD OF BEING REALIZED UPON ULTIMATE RESOLUTION. CHS DOES NOT BELIEVE ITS CONSOLIDATED FINANCIAL STATEMENTS INCLUDE ANY UNCERTAIN TAX POSITIONS.

SCHEDULE D, PART V

ENDOWMENT FUNDS ARE USED ACCORDING TO SPECIFIC WRITTEN REQUESTS OF THE DONOR ENDOWMENT AGREEMENT. IF NO DIRECT REQUESTS ARE MADE, FUNDS ARE USED IN ACCORDANCE WITH THE OVERALL MISSION OF THE ORGANIZATION.

SCHEDULE F (Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization

CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS

Employer identification number

54-0506321

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

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

2 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.

3 Activities per Region (The following Part I, line 3 table can be duplicated if additional space is needed.)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
(1) CENTRAL AMERICA/CARIBBEAN			INVESTMENTS		4,024,981
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					
(16)					
(17)					
3a Sub-total					4,024,981
b Total from continuation sheets to Part I					
c **Totals** (add lines 3a and 3b)					4,024,981

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

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)									
(2)									
(3)									
(4)									
(5)									
(6)									
(7)									
(8)									
(9)									
(10)									
(11)									
(12)									
(13)									
(14)									
(15)									
(16)									

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

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

	(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)								
(2)								
(3)								
(4)								
(5)								
(6)								
(7)								
(8)								
(9)								
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								
(17)								
(18)								

Part IV Foreign Forms

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

Part V **Supplemental Information**

Complete this part to provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable Also complete this part to provide any additional information (see instructions).

SCHEDULE G
(Form 990 or 990-EZ)
Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than $15,000 on Form 990-EZ, line 6a.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047
2011
Open to Public Inspection

Name of the organization
CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS

Employer identification number
54-0506321

Part I **Fundraising Activities.** Complete if the organization answered "Yes" to Form 990, Part IV, line 17. Form 990-EZ filers are not required to complete this part.

1 Indicate whether the organization raised funds through any of the following activities Check all that apply.

a [X] Mail solicitations
b [X] Internet and email solicitations
c [X] Phone solicitations
d [X] In-person solicitations
e [X] Solicitation of non-government grants
f [X] Solicitation of government grants
g [X] Special fundraising events

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? [X] Yes [ ] No

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least $5,000 by the organization.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions? Yes	(iii) No	(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col (i)	(vi) Amount paid to (or retained by) organization
1 CHILDREN'S MIRACLE NETWORK	TELETHON		X	1,516,363.	226,160.	1,290,203.
2						
3						
4						
5						
6						
7						
8						
9						
10						
Total ▶				1,516,363.	226,160.	1,290,203.

3 List all states in which the organization is registered or licensed to solicit contributions or has been notified it is exempt from registration or licensing

NC, VA,

Part II **Fundraising Events.** Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than $15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than $5,000.

		(a) Event #1 DAVID WRIGHT (event type)	(b) Event #2 MINI GRAND PRI (event type)	(c) Other Events (total number)	(d) Total events (add col (a) through col (c))
Revenue	1 Gross receipts	168,520.	92,933.		261,453.
	2 Less Charitable contributions	113,395.	92,933.		206,328.
	3 Gross income (line 1 minus line 2)	55,125.			55,125.
Direct Expenses	4 Cash prizes				
	5 Noncash prizes				
	6 Rent/facility costs	793.			793.
	7 Food and beverages	27,145.	1,164.		28,309.
	8 Entertainment	6,750.	500.		7,250.
	9 Other direct expenses	3,893.	33,079.		36,972.
	10 Direct expense summary. Add lines 4 through 9 in column (d) ▶				(73,324.)
	11 Net income summary. Combine line 3, column (d), and line 10 ▶				-18,199.

Part III **Gaming.** Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than $15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col (a) through col (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Noncash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	
	7 Direct expense summary. Add lines 2 through 5 in column (d) ▶				( )
	8 Net gaming income summary Combine line 1, column d, and line 7 ▶				

9 Enter the state(s) in which the organization operates gaming activities: _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," explain: _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," explain _____

11 Does the organization operate gaming activities with nonmembers? . . . . . ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? . . . . . ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in:

a	The organization's facility	13a	%
b	An outside facility	13b	%

14 Enter the name and address of the person who prepares the organization's gaming/special events books and records:

Name ▶ _____

Address ▶ _____

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? . . . . . ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ $ _____ and the amount of gaming revenue retained by the third party ▶ $ _____.

c If "Yes," enter name and address of the third party:

Name ▶ _____

Address ▶ _____

16 Gaming manager information.

Name ▶ _____

Gaming manager compensation ▶ $ _____

Description of services provided ▶ _____

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions:

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? . . . . . ☐ Yes ☐ No

b Enter the amount of distributions required under state law to be distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ $

Part IV **Supplemental Information.** Complete this part to provide the explanation required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also complete this part to provide any additional information (see instructions).

SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS

Employer identification number
54-0506321

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	X	
b	If "Yes," was it a written policy?	1b	X	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. [X] Applied uniformly to all hospital facilities [ ] Applied uniformly to most hospital facilities [ ] Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care [ ] 100% [ ] 150% [ ] 200% [X] Other 175.0000 %	3a	X	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: [ ] 200% [ ] 250% [ ] 300% [ ] 350% [X] 400% [ ] Other _____ %	3b	X	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	X	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	X	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		X
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	X	
b	If "Yes," did the organization make it available to the public?	6b	X	

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			2,008,284.		2,008,284.	.76
b Medicaid (from Worksheet 3, column a)			125,224,270.	103,663,202.	21,561,068.	8.15
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			127,232,554.	103,663,202.	23,569,352.	8.91
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			12,686,264.	325,152.	12,361,112.	4.67
f Health professions education (from Worksheet 5)			10,859,669.	5,208,660.	5,651,009.	2.14
g Subsidized health services (from Worksheet 6)			54,850,030.	17,066,870.	37,783,160.	14.29
h Research (from Worksheet 7)			87,000.		87,000.	.03
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total Other Benefits			78,482,963.	22,600,682.	55,882,281.	21.13
k Total. Add lines 7d and 7j			205,715,517.	126,263,884.	79,451,633.	30.04

Part II **Community Building Activities** Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total						

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1		X
2	Enter the amount of the organization's bad debt expense 2 7,023,667.			
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy 3 3,929,885.			
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	802,264.
6	Enter Medicare allowable costs of care relating to payments on line 5	6	2,128,021.
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-1,325,757.
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☒ Cost to charge ratio ☐ Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9a	X	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	X	

Part IV **Management Companies and Joint Ventures** (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? 3

Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)
1 CHILDREN'S HOSPITAL OF THE KING'S DAUGHT 601 CHILDREN'S LANE NORFOLK VA 23507	X	X	X	X		X	X		MEDICAID DSH
2 CHKD HEALTH AND SURGERY CENTER 11783 ROCK LANDING DRIVE NEWPORT NEWS VA 23608	X								OUTPATIENT SURGICAL HOSPITAL
3 CHKD HEALTH AND SURGERY CENTER 2021 CONCERT DRIVE VIRGINIA BEACH VA 23456	X								OUTPATIENT SURGICAL HOSPITAL
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of Hospital Facility: CHILDREN'S HOSPITAL OF THE KING'S DAUGHT

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 tax year 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 line 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply):			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a Needs Assessment. 20 __ __			
3	In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4	Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5	Did the hospital facility make its Needs Assessment widely available to the public?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply):			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply):			
a	☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a community-wide community benefit plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7		
Financial Assistance Policy				
	Did the hospital facility have in place during the tax year a written financial assistance policy that			
8	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care. 1 7 5 %			
	If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of Hospital Facility: CHKD HEALTH AND SURGERY CENTER

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 tax year 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 line 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply):			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a Needs Assessment 20 __ __			
3	In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4	Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5	Did the hospital facility make its Needs Assessment widely available to the public?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply).			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply):			
a	☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a community-wide community benefit plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7		
Financial Assistance Policy				
	Did the hospital facility have in place during the tax year a written financial assistance policy that:			
8	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care: 1 7 5 %			
	If "No," explain in Part VI the criteria the hospital facility used.			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of Hospital Facility: CHKD HEALTH AND SURGERY CENTER

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 3

			Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for tax year 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 line 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply):			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a Needs Assessment: 20 __ __			
3	In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4	Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5	Did the hospital facility make its Needs Assessment widely available to the public?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply):			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply).			
a	☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a community-wide community benefit plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7		
Financial Assistance Policy				
	Did the hospital facility have in place during the tax year a written financial assistance policy that			
8	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care: 1 7 5 %			
	If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)* CHILDREN'S HOSPITAL OF THE KING'S DAUGHT

			Yes	No
10	Used FPG to determine eligibility for providing *discounted* care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care: 400 %			
	If "No," explain in Part VI the criteria the hospital facility used.			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply):			
a	[X] Income level			
b	[X] Asset level			
c	[X] Medical indigency			
d	[X] Insurance status			
e	[X] Uninsured discount			
f	[X] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	X	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply):			
a	[X] The policy was posted on the hospital facility's website			
b	[X] The policy was attached to billing invoices			
c	[X] The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	[X] The policy was posted in the hospital facility's admissions offices			
e	[X] The policy was provided, in writing, to patients on admission to the hospital facility			
f	[X] The policy was available on request			
g	[ ] Other (describe in Part VI)			
Billing and Collections				
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	X	
15	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP:			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		X
	If "Yes," check all actions in which the hospital facility or a third party engaged:			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in line 16 (check all that apply):			
a	[ ] Notified patients of the financial assistance policy on admission			
b	[ ] Notified patients of the financial assistance policy prior to discharge			
c	[ ] Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d	[ ] Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e	[ ] Other (describe in Part VI)			

Part V Facility Information *(continued)* CHKD HEALTH AND SURGERY CENTER

			Yes	No
10	Used FPG to determine eligibility for providing *discounted* care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care: 400 %			
	If "No," explain in Part VI the criteria the hospital facility used.			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply):			
a	[X] Income level			
b	[X] Asset level			
c	[X] Medical indigency			
d	[X] Insurance status			
e	[X] Uninsured discount			
f	[X] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	X	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply):			
a	[X] The policy was posted on the hospital facility's website			
b	[X] The policy was attached to billing invoices			
c	[X] The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	[X] The policy was posted in the hospital facility's admissions offices			
e	[X] The policy was provided, in writing, to patients on admission to the hospital facility			
f	[X] The policy was available on request			
g	[ ] Other (describe in Part VI)			
Billing and Collections				
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	X	
15	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		X
	If "Yes," check all actions in which the hospital facility or a third party engaged:			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in line 16 (check all that apply).			
a	[ ] Notified patients of the financial assistance policy on admission			
b	[ ] Notified patients of the financial assistance policy prior to discharge			
c	[ ] Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d	[ ] Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e	[ ] Other (describe in Part VI)			

Part V Facility Information *(continued)* CHKD HEALTH AND SURGERY CENTER

			Yes	No
10	Used FPG to determine eligibility for providing *discounted* care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care: 400 %			
	If "No," explain in Part VI the criteria the hospital facility used.			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply).			
a	[X] Income level			
b	[X] Asset level			
c	[X] Medical indigency			
d	[X] Insurance status			
e	[X] Uninsured discount			
f	[X] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	X	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply):			
a	[X] The policy was posted on the hospital facility's website			
b	[X] The policy was attached to billing invoices			
c	[X] The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	[X] The policy was posted in the hospital facility's admissions offices			
e	[X] The policy was provided, in writing, to patients on admission to the hospital facility			
f	[X] The policy was available on request			
g	[ ] Other (describe in Part VI)			
Billing and Collections				
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	X	
15	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP.			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		X
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in line 16 (check all that apply)			
a	[ ] Notified patients of the financial assistance policy on admission			
b	[ ] Notified patients of the financial assistance policy prior to discharge			
c	[ ] Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d	[ ] Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e	[ ] Other (describe in Part VI)			

Part V Facility Information *(continued)* CHILDREN'S HOSPITAL OF THE KING'S DAUGHT

Policy Relating to Emergency Medical Care

			Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	18	X	
	If "No," indicate 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	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	20		X
	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 any service provided to that patient?	21		X
	If "Yes," explain in Part VI.			

Part V Facility Information *(continued)* CHKD HEALTH AND SURGERY CENTER

Policy Relating to Emergency Medical Care

			Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	18	X	
	If "No," indicate 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	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	20		X
	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 any service provided to that patient?	21		X
	If "Yes," explain in Part VI			

Part V Facility Information *(continued)* CHKD HEALTH AND SURGERY CENTER

Policy Relating to Emergency Medical Care

			Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	18	X	
	If "No," indicate 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	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	20		X
	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 any service provided to that patient?	21		X
	If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year? 8

	Name and address	Type of Facility (describe)
1	CHKD HEALTH CENTER AT OAKBROOKE 500 DISCOVERY DRIVE CHESAPEAKE VA 23320	OUTPATIENT SERVICES
2	CHKD HEALTH CENTER AT KEMPSVILLE 171 KEMPSVILLE ROAD NORFOLK VA 23507	OUTPATIENT SERVICES
3	CHKD HEALTH CENTER AT HARBOUR VIEW 5835 HARBOUR VIEW BLVD SUFFOLK VA 23435	OUTPATIENT SERVICES
4	CHKD HEALTH CENTER AT STRAWBRIDGE 2117 MCCOMAS WAY, SUITE 105 VIRGINIA BEACH VA 23456	OUTPATIENT SERVICES
5	SATELLITE AT MEDICAL TOWER 400 GRESHAM DRIVE NORFOLK VA 12507	OUTPATIENT SERVICES
6	HEALTH CENTER AT BURNETT'S WAY 152 BURNETT'S WAY SUFFOLK VA 23434	OUTPATIENT SERVICES
7	CHKD HEALTH CENTER AT THE MEDICAL CENTER 850 SOUTHAMPTON AVE NORFOLK VA 23507	OUTPATIENT SERVICES
8	SATELLITE OFFICE ON THE EASTERN SHORE 9159 FRANKTOWN ROAD FRANKTOWN VA 23354	OUTPATIENT SERVICES
9		
10		

Part VI Supplemental Information

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

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

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

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

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

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

PART 1, LINE 3C

N/A

PART 1, LINE 6A

N/A

PART 1, LINE 7(G)

THE AMOUNT REPORTED ON PART I, LINE 7(G) INCLUDES $27,766,354 OF COSTS

ATTRIBUTABLE TO PHYSICIAN CLINICS.

PART I, LINE 7(F)

THE AMOUNT OF BAD DEBT INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A)

THAT WAS SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENT OF TOTAL

EXPENSE IN PART I, LINE 7, COLUMN (F) IS $7,023,667.

Part VI Supplemental Information

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PART 1, LINE 7

A HYBRID APPROACH WAS USED FOR DETERMINING COSTS RELATED TO COMMUNITY BENEFIT. ACTUAL COSTS FROM ALL PATIENT SEGMENTS ARE IDENTIFIED BY DEPARTMENT IN THE GENERAL LEDGER AND THEN WERE GROUPED INTO LIKE COMMUNITY BENEFIT PROGRAMS. INDIRECT COSTS WERE ADJUSTED FOR COSTS ATTRIBUTABLE TO UNREIMBURSED MEDICAID COSTS REPORTED ELSEWHERE, MARKETING AND GRANT WRITING EXPENSES. THE MEDICAID COSTS ADJUSTMENT WAS CALCULATED USING A COST TO CHARGE RATIO OF APPLICABLE EXPENSES DIVIDED BY TOTAL APPLICABLE CHARGES APPLIED TO MEDICAID REVENUE. THE REMAINING INDIRECT COSTS WERE ALLOCATED PROPORTIONATELY TO THE DIRECT COSTS REPORTED BY DEPARTMENT. IN ADDITION, EXPENSES WERE CALCULATED AT COST AND THEN COSTS RELATED TO CHARITY CARE, BAD DEBT AND MEDICAID WERE REMOVED BEFORE ARRIVING AT THE AMOUNTS FOR COMMUNITY BENEFIT AT COST.

PART III, LINE 4

BAD DEBT REPORTED IN PART III, SECTION A IS CALCULATED BASED ON THE HOSPITAL'S OVERALL COST TO CHARGE RATIO. THE RATIO WAS CALCULATED BY DIVIDING APPLICABLE CHARGES RECORDED FOR ALL PATIENTS INTO APPLICABLE

Part VI Supplemental Information

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EXPENSES REQUIRED TO PROVIDE THAT CARE. CHKD DOES NOT MAINTAIN RECORDS THAT TRACK PATIENTS WHO COULD HAVE QUALIFIED FOR CHARITY CARE. THE AMOUNT REPORTED IN PART III LINE 3 WAS CALCULATED USING A COST TO CHARGE RATIO. THIS AMOUNT IS AN ESTIMATE OF PATIENTS WHO LIKELY WOULD HAVE QUALIFIED FOR FINANCIAL ASSISTANCE UNDER THE CHARITY CARE POLICY IF SUFFICIENT INFORMATION HAD BEEN AVAILABLE TO DETERMINE THEIR ELIGIBILITY. THE AUDITED FINANCIAL STATEMENTS AND RELATED FOOTNOTES FOR CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS DO NOT CONTAIN FOOTNOTES RELATED TO BAD DEBT EXPENSE. THE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES IS MANAGEMENT'S BEST ESTIMATE OF THE AMOUNT OF PROBABLE CREDIT LOSSES IN THE HOSPITAL'S EXISTING RECEIVABLES. THE HOSPITAL DETERMINES THE ALLOWANCE BASED ON HISTORICAL WRITE-OFF EXPERIENCE. ACCOUNT BALANCES ARE CHARGED OFF AGAINST THE ALLOWANCE, NET OF PAYMENTS AND DISCOUNTS, AFTER ALL MEANS OF COLLECTION HAVE BEEN EXHAUSTED AND THE POTENTIAL FOR THE RECOVERY IS CONSIDERED REMOTE.

Part VI Supplemental Information

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

PART III, LINE 8

AS A CHILDREN'S HOSPITAL, THE HOSPITAL HAS A SMALL POPULATION OF MEDICARE PATIENTS AND IS PAID LESS THAN COST DUE TO THE REIMBURSEMENT METHODOLOGY USED BY MEDICARE. THE SHORTFALL WAS CALCULATED USING THE HOSPITAL'S OVERALL COST TO CHARGE RATIO APPLIED TO MEDICARE GROSS CHARGES. THIS SHORTFALL IS NOT SEPARATELY INCLUDED AS A COMMUNITY BENEFIT AS 100% OF IT HAS ALREADY BEEN CAPTURED IN THE APPROPRIATE CATEGORY ON PART I, LINE 7.

PART III, LINE 9B

ACCOUNTS WITH AN UNPAID BALANCE OR WITHOUT AN ESTABLISHED PAYMENT PLAN ARE REFERRED TO A COLLECTION AGENCY OR ATTORNEY FOR CONTINUED COLLECTION EFFORTS. CHKD MAKES REASONABLE EFFORTS TO DETERMINE ELIGIBILITY FOR FINANCIAL ASSISTANCE/CHARITY CARE BEFORE REFERRING TO A COLLECTION AGENCY OR AN ATTORNEY. REASONABLE EFFORT INCLUDES AND IS NOT LIMITED TO NOTIFICATION ABOUT THE FINANCIAL ASSISTANCE - CHARITY CARE/COLLECTION POLICY POSTED IN ADMISSIONS, EMERGENCY DEPARTMENT OR OTHER DESIGNATED AREAS. THE INFORMATION REGARDING THE POLICY IS INCLUDED IN THE ADMISSION PACKAGE AND ON THE PATIENT BILL. THE HEALTH BENEFITS ANALYST AND CUSTOMER

Part VI Supplemental Information

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SERVICE REPRESENTATIVE WHO MAY SPEAK WITH THE GUARANTOR BY PHONE PROVIDE THEM WITH FINANCIAL ASSISTANCE INCLUDING CHARITY CARE INFORMATION. THE FINANCIAL ASSISTANCE-CHARITY CARE/COLLECTION POLICY IS AVAILABLE UPON REQUEST AND VIA WWW.CHKD.ORG. CHKD ENSURES ALL COLLECTION PROTOCOLS ARE MET PRIOR TO REFERRAL TO COLLECTIONS AGENCY OR ATTORNEY. APPROVED CHARITY CARE AMOUNT WILL NOT BE SUBJECT TO COLLECTION ACTIVITIES. THE REMAINING BALANCE WILL BE SUBJECT TO CHKD'S STANDARD COLLECTION PROTOCOLS.

NEEDS ASSESSMENT:

CHKD USES A VARIETY OF METHODS TO ASSESS THE HEALTH CARE NEEDS OF THE COMMUNITY IT SERVES. NEEDS ARE IDENTIFIED THROUGH PARTNERSHIPS AND COLLABORATIONS WITH OTHER MEDICAL, NON-PROFIT AND PUBLIC HEALTH AGENCIES AND ORGANIZATIONS AND THROUGH REGIONAL, STATE AND NATIONAL DATA. AS THE ONLY HEALTHCARE PROVIDER IN VIRGINIA DEVOTED EXCLUSIVELY TO THE NEEDS OF CHILDREN, CHKD ASSUMES THE RESPONSIBILITY OF LEADING THE REGION IN THE PROVISION OF PEDIATRIC CARE AND THE PROMOTION OF CHILDREN'S HEALTH AND IS TRUSTED THROUGHOUT ITS COMMUNITY AS A RESOURCE READY AND WILLING TO ADDRESS ESTABLISHED AND EMERGENT PEDIATRIC NEEDS WHEREVER AND HOWEVER

Part VI Supplemental Information

Complete this part to provide the following information

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THEY ARE IDENTIFIED.

PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE:

CHKD'S CHARITY CARE ELIGIBILITY CRITERIA AND PROCEDURES FOR APPLYING ARE PROVIDED TO ALL PATIENTS. PATIENTS WHO ARE ADMITTED ARE PROVIDED THE INFORMATION BY THE USE OF THE ADMISSION PACKET; PATIENTS WHO RECEIVE OUTPATIENT SERVICES ARE PROVIDED THE INFORMATION DURING THE REGISTRATION PROCESS. AN APPLICATION FOR CHARITY CARE, ALONG WITH A LETTER EXPLAINING THE PROCESS, SHALL BE SENT TO ANY PATIENT OR GUARANTOR WHO REQUESTS INFORMATION ON ANY PROGRAMS OR PROVISIONS THE HOSPITAL MAY HAVE TO HELP ASSIST PATIENTS OR GUARANTORS IN PAYING THEIR HOSPITAL BILL. THE CHARITY CARE POLICY AND APPLICATION IS AVAILABLE ON THE INTERNET AT WWW. CHKD.ORG AND AT EACH REGISTRATION WORKSTATION. ALL BILLING STATEMENTS MAILED TO GUARANTORS INCLUDE A NOTICE OF THE AVAILABILITY OF CHARITY AND HOW TO OBTAIN THE INFORMATION/APPLICATION. ASSISTANCE WITH THE APPLICATION PROCESS IS AVAILABLE THROUGH THE HEALTH BENEFITS ANALYST (HBA). THE HBA SENDS OUT APPLICATIONS VIA MAIL AND REFERS FAMILIES TO THE HOSPITAL'S WEBSITE. THE UNIT SOCIAL WORKER IS AVAILABLE TO PROVIDE INFORMATION OR

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REFERRAL TO THE HBA DURING AN INPATIENT STAY.

COMMUNITY INFORMATION:

CHKD IS THE REGIONAL PEDIATRIC REFERRAL CENTER FOR SOUTHEASTERN VIRGINIA, THE EASTERN SHORE OF VIRGINIA AND NORTHEASTERN NORTH CAROLINA--A SERVICE AREA OF NEARLY 2 MILLION PEOPLE, APPROXIMATELY 460,000 OF WHOM ARE UNDER THE AGE OF 19.

THIS SERVICE AREA COMPRISES A DIVERSE MIX OF URBAN, SUBURBAN AND RURAL COMMUNITIES, AS WELL AS 10 MILITARY INSTALLATIONS. CHKD IS WELL-VERSED IN THE SPECIAL NEEDS OF MILITARY FAMILIES AND HAS ONE OF THE HIGHEST TRICARE PAYOR PERCENTAGES AMONG THE CHILDREN'S HOSPITALS IN THE NATION.

THE SOUTHEASTERN VIRGINIA REGION IS MADE UP OF EIGHT CITIES COLLECTIVELY KNOWN AS HAMPTON ROADS: NORFOLK, VIRGINIA BEACH, CHESAPEAKE, HAMPTON, NEWPORT NEWS, PORTSMOUTH, SUFFOLK AND WILLIAMSBURG. HAMPTON ROADS IS THE 39TH-MOST POPULOUS REGION IN THE COUNTRY, ACCORDING TO THE 2010 CENSUS. MORE THAN 35 PERCENT OF THE REGION'S HOUSEHOLDS HAVE CHILDREN AND

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APPROXIMATELY 30 PERCENT OF THE POPULATION IS UNDER THE AGE OF 19.

THE POVERTY RATE IN HAMPTON ROADS WAS 11.7 PERCENT IN 2011, UP FROM 10.6 PERCENT IN 2010. BASED ON FEDERAL GUIDELINES, 17.4 PERCENT OF CHILDREN IN CHKD'S SERVICE AREA LIVE BELOW THE POVERTY LEVEL. THE UNEMPLOYMENT RATE WAS APPROXIMATELY 6.83 PERCENT IN HAMPTON ROADS.

PROMOTION OF COMMUNITY HEALTH

CHKD PLAYS A UNIQUE ROLE IN ITS COMMUNITY BY PROVIDING PEDIATRIC HEALTHCARE SERVICES THAT NO ONE ELSE OFFERS AND, AT THE SAME TIME, SERVING AS THE SAFETY NET PROVIDER TO THE REGION'S INDIGENT CHILDREN. IN 2012, 56 PERCENT OF CHKD'S INPATIENT DAYS WERE COVERED BY MEDICAID. THE VIRGINIA HOSPITAL WITH THE SECOND-LARGEST MEDICAID PATIENT LOAD WEIGHS IN UNDER 30 PERCENT.

Part VI Supplemental Information

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AFFILIATED HEALTH CARE SYSTEM:

CHKD IS PART OF CHILDREN'S HEALTH SYSTEM, A 501 (C)(3) ORGANIZATION GOVERNED BY A BOARD OF DIRECTORS COMPRISED OF COMMUNITY MEMBERS. A MAJORITY OF THE ORGANIZATION'S GOVERNING BODY ARE NOT EMPLOYEES OR CONTRACTORS OF THE ORGANIZATION, NOR FAMILY MEMBERS THEREOF. CHKD EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY FOR SOME OR ALL OF ITS DEPARTMENTS. SURPLUS FUNDS ARE USED TO MEET THE NEEDS OF THE ORGANIZATION AS DETERMINED BY CHKD SENIOR MANAGEMENT AND THE CHS BOARD OF DIRECTORS. HISTORICALLY, SURPLUS FUNDS HAVE BEEN USED FOR A VARIETY OF PURPOSES INCLUDING PATIENT CARE PROGRAMS, CAPITAL IMPROVEMENT NEEDS, RESERVES, ETC.

ROLES OF ORGANIZATION AND ITS AFFILIATES IN PROMOTING THE HEALTH OF THE COMMUNITIES SERVED: THE CHILDREN'S HEALTH SYSTEM IS COMPRISED OF SEVERAL ORGANIZATIONS. CHKD PROVIDES INPATIENT AND AMBULATORY CARE SERVICES ACROSS MANY PEDIATRIC SPECIALTIES, INCLUDING A HIGH PERCENTAGE OF NEONATAL AND PEDIATRIC INTENSIVE CARE SERVICES. OTHER ENTITIES UNDER THE CHILDREN'S HEALTH SYSTEM UMBRELLA INCLUDE:

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* CHILDREN'S HEALTH FOUNDATION, WHICH RAISES FUNDS, MANAGES INVESTMENTS AND FUNDS EDUCATION, RESEARCH AND OTHER PROGRAMS FOR CHILDREN'S HEALTH SYSTEM

* CHILDREN'S MEDICAL GROUP, INC., A VIRGINIA STOCK CORPORATION, WHICH OWNS AND OPERATES PEDIATRIC PHYSICIAN PRACTICES

* CMG OF NORTH CAROLINA, INC., A NORTH CAROLINA STOCK CORPORATION, WHICH OWNS AND OPERATES A PEDIATRIC PHYSICIAN PRACTICE IN NORTHEASTERN NORTH CAROLINA

* CHILDREN'S SURGICAL SPECIALTY GROUP, INC., A VIRGINIA STOCK CORPORATION, WHICH OWNS AND OPERATES PEDIATRIC SURGICAL SUBSPECIALTY PRACTICES, INCLUDING PEDIATRIC GENERAL SURGERY, PEDIATRIC UROLOGY, PEDIATRIC CARDIAC SURGERY, PEDIATRIC ORTHOPEDIC SURGERY AND SPORTS AND ADOLESCENT MEDICINE, PEDIATRIC NEUROSURGERY AND PEDIATRIC PLASTIC SURGERY.

* CHSIL, A CAPTIVE INSURANCE COMPANY INCORPORATED IN BERMUDA, WHICH PROVIDES COMMERCIAL GENERAL LIABILITY COVERAGE FOR CHS AND ITS SUBSIDIARIES AND MEDICAL PROFESSIONAL LIABILITY COVERAGE FOR NON-PHYSICIAN PRACTITIONERS EMPLOYED BY CHS AND ITS SUBSIDIARIES.

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.

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

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

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

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals 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

STATE FILING OF COMMUNITY BENEFIT REPORT:

CHKD FILES A COMMUNITY BENEFIT REPORT IN VIRGINIA.

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals 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

STATE FILING OF COMMUNITY BENEFIT REPORT

VA,

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 23.**

▶ **Attach to Form 990.** ▶ **See separate instructions.**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS

Employer identification number
54-0506321

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☒ Tax indemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b	X	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	X	
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director Explain in Part III.			
	☒ Compensation committee	☐ Written employment contract		
	☒ Independent compensation consultant	☒ Compensation survey or study		
	☐ Form 990 of other organizations	☒ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:			
a	Receive a severance payment or change-of-control payment?	4a		X
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	X	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:			
a	The organization?	5a		X
b	Any related organization?	5b		X
	If "Yes" to line 5a or 5b, describe in Part III.			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:			
a	The organization?	6a		X
b	Any related organization?	6b		X
	If "Yes" to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	X	
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	8		X
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts 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 as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 MICHELLE BRENNER, M.D.	(i)	0	0	0	0	0	0	0
	(ii)	187,093.	0	129.	7,557.	6,508.	201,287.	0
2 JAMES D DAHLING	(i)	0	0	0	0	0	0	0
	(ii)	715,387.	242,000.	116,154.	629,184.	38,132.	1,740,857.	47,105.
3 SUZANNE STARLING	(i)	189,886.	0	15,897.	7,799.	13,164.	226,746.	0
	(ii)	0	0	0	0	0	0	0
4 JOHN HAMILTON	(i)	187,878.	39,790.	9,366.	17,311.	23,546.	277,891.	0
	(ii)	0	0	0	0	0	0	0
5 JAMES DICE	(i)	133,214.	11,949.	30,968.	5,955.	20,095.	202,181.	0
	(ii)	0	0	0	0	0	0	0
6 MICHAEL FACKELMANN	(i)	167,686.	0	7,013.	5,934.	6,992.	187,625.	0
	(ii)	0	0	0	0	0	0	0
7 ARNO ZARITSKY	(i)	400,392.	82,800.	17,150.	168,303.	22,422.	691,067.	0
	(ii)	0	0	0	0	0	0	0
8 DAVID BOWERS	(i)	260,022.	53,820.	23,015.	295,846.	27,168.	659,871.	5,898.
	(ii)	0	0	0	0	0	0	0
9 JO-ANN BURKE	(i)	262,294.	55,200.	67,217.	116,251.	20,887.	521,849.	20,600.
	(ii)	0	0	0	0	0	0	0
10 JOANN ROGERS	(i)	299,522.	61,870.	27,106.	269,579.	20,856.	678,933.	13,117.
	(ii)	0	0	0	0	0	0	0
11 DENNIS RYAN	(i)	0	0	0	0	0	0	0
	(ii)	386,519.	91,000.	41,193.	212,036.	40,817.	771,565.	27,176.
12 JOSEPH HOOKS	(i)	128,334.	12,880.	28,309.	5,920.	16,837.	192,280.	0
	(ii)	0	0	0	0	0	0	0
13 MARTIN CASEY	(i)	0	0	176,076.	0	0	176,076.	0
	(ii)	0	0	0	0	0	0	0
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

SCHEDULE J, LINE 1:

IN CONNECTION WITH A RETIREMENT PROGRAM, TAX GROSS-UP PAYMENTS ARE PROVIDED TO CERTAIN DIRECTORS WHOSE EMPLOYER FUNDED CONTRIBUTIONS ARE IMMEDIATELY TAXABLE, IN ORDER TO PROVIDE THEM WITH BENEFITS THAT ARE TAX-EQUIVALENT TO BENEFITS OF PARTICIPANTS WHOSE CONTRIBUTIONS ARE NOT IMMEDIATELY TAXABLE.

SCHEDULE J, LINE 4B:

CHILDREN'S HEALTH SYSTEM SPONSORS A SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("THE PLAN"). THE PLAN IS DESIGNED TO RETAIN EXECUTIVES IN POSITIONS ESSENTIAL TO THE SUCCESS OF CHILDREN'S HEALTH SYSTEM. JAMES DAHLING, DENNIS RYAN, ARNO ZARITSKY, JOANN ROGERS, DAVID BOWERS, JOHN HAMILTON AND JO-ANN BURKE PARTICIPATE IN THE PLAN.

SCHEDULE J, LINE 7:

OFFICERS AND VICE PRESIDENTS MAY RECEIVE ADDITIONAL COMPENSATION BASED ON CRITERIA SET UP BY THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS. DEPARTMENT DIRECTORS MAY RECEIVE ADDITIONAL COMPENSATION BASED ON CRITERIA SET BY MANAGEMENT AND APPROVED BY THE BOARD OF DIRECTORS.

REVENUE & REFUNDING BONDS

SCHEDULE K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax-Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS

Employer identification number
54-0506321

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) Pooled financing	
							Yes	No	Yes	No	Yes	No
A	VA SMALL BUSINESS FINANCING AUTHORITY	54-1300845	928104KD9	01/01/2006	78,000,000	REVENUE & REFUNDING BONDS		X		X		X
B												
C												
D												

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	1,600.			
2	Amount of bonds legally defeased				
3	Total proceeds of issue	78,904,564.			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows	55,467,069.			
7	Issuance costs from proceeds	689,744.			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	22,747,751.			
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2007			

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)* REVENUE & REFUNDING BONDS

	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 of bond-financed property?								
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?								
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 ▶		%		%		%		%
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶		%		%		%		%
6 Total of lines 4 and 5		%		%		%		%
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage

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

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

SCHEDULE K, PART II, LINE 3

INVESTMENT EARNINGS ON PROJECT FUND ADDED $904,564 IN PROCEEDS WHICH ARE

Part III Private Business Use *(Continued)* REVENUE & REFUNDING BONDS

	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 of bond-financed property?								
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?								
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 ▶	%		%		%		%	
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%	
6 Total of lines 4 and 5	%		%		%		%	
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

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?								
2 Is the bond issue a variable rate issue?								
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								
4a Were gross proceeds invested in a guaranteed investment contract (GIC)?								
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?								
6 Did the bond issue qualify for an exception to rebate?								

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).

REFLECTED IN PART II, LINE 3, BUT ARE NOT A COMPONENT OF "ISSUE PRICE"
UNDER THE DEFINITION OF SUCH TERMS IN THE TREASURY REGULATIONS.

SCHEDULE L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions With Interested Persons

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

OMB No 1545-0047

2011

Open To Public Inspection

Name of the organization

CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS

Employer identification number

54-0506321

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

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

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	(c) Corrected? No
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

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

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

Part II Loans to and/or From Interested Persons.

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

	(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) Loan to or from the organization? From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) In default? No	(f) Approved by board or committee? Yes	(f) Approved by board or committee? No	(g) Written agreement? Yes	(g) Written agreement? No
(1)											
(2)											
(3)											
(4)											
(5)											
(6)											
(7)											
(8)											
(9)											
(10)											
Total	. . . . . ▶ $										

Part III Grants or Assistance Benefiting Interested Persons.

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

	(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount and type of assistance
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			
(7)			
(8)			
(9)			
(10)			

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	(e) Sharing of organization's revenues? No
(1)	CHILDREN'S SPECIALTY GROUP	FAMILY MEMBER IS DIRECTOR	10,366,498.	PHYSICIAN SERVICES		X
(2)	CHILDREN'S MEDICAL GROUP	MEMBERS SERVE CHKD & CMG	3,295,363	CORPORATE SUPPORT & RENTAL		X
(3)	CHILDREN'S SURGICAL SPECIALTY GROUP	MEMBERS SERVE CHKD & CSSG	1,697,407	CORPORATE SUPPORT & RENTAL		X
(4)						
(5)						
(6)						
(7)						
(8)						
(9)						
(10)						

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

SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

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

OMB No 1545-0047

2011

Open To Public Inspection

Name of the organization
CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS

Employer identification number
54-0506321

Part I Types of Property

		(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1	Art - Works of art				
2	Art - Historical treasures				
3	Art - Fractional interests				
4	Books and publications				
5	Clothing and household goods				
6	Cars and other vehicles	X	60.	46,170.	CASH ON SALE
7	Boats and planes				
8	Intellectual property				
9	Securities - Publicly traded	X	29.	130,626.	AVG FMV ON DATE REC
10	Securities - Closely held stock				
11	Securities - Partnership, LLC, or trust interests				
12	Securities - Miscellaneous				
13	Qualified conservation contribution - Historic structures				
14	Qualified conservation contribution - Other				
15	Real estate - Residential				
16	Real estate - Commercial				
17	Real estate - Other				
18	Collectibles				
19	Food inventory				
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ▶(ATCH 1)		2.	41,500.	
26	Other ▶( )				
27	Other ▶( )				
28	Other ▶( )				

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

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

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

SCHEDULE M, LINE 32A

CHKD PAYS SYR, INC. MANAGEMENT FEES TO MANAGE THRIFT STORES FOR THE BENEFIT OF THE ORGANIZATION. CHKD ALSO PAYS TIDEWATER AUTO AUCTION TO AUCTION CARS FOR THE BENEFIT OF THE ORGANIZATION.

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

ATTACHMENT 1

SCHEDULE M, PART I - OTHER NONCASH CONTRIBUTIONS

DESCRIPTION	(A) CHECK	(B) NUMBER OF CONTRIBUTIONS	(C) REVENUES REPORTED	(D) METHOD OF DETERMINING
VARIOUS IN-KIND ITEMS	X	1.	1,500.	AVG FMV ON DATE REC
DOWN-PAYMENT ON AMBULANCE	X	1.	40,000.	VALUE OF PAYMENT
TOTALS		2.	41,500.	

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS

Employer identification number
54-0506321

STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

FORM 990, PART III

FOR MORE THAN 50 YEARS, CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS (CHKD) HAS BEEN THE ONLY FACILITY OF ITS KIND IN VIRGINIA, SERVING THE MEDICAL AND SURGICAL NEEDS OF CHILDREN THROUGHOUT THE STATE. ITS PRIMARY SERVICE AREA ENCOMPASSES GREATER HAMPTON ROADS, THE EASTERN SHORE OF VIRGINIA AND NORTHEASTERN NORTH CAROLINA, A REGION THAT IS HOME TO APPROXIMATELY 460,000 CHILDREN.

CHKD WAS ESTABLISHED AS AN 88-BED, NOT-FOR-PROFIT HOSPITAL IN 1961 BY THE KING'S DAUGHTERS, A WOMEN'S SERVICE ORGANIZATION DEDICATED TO THE HEALTH AND WELL BEING OF THE COMMUNITY'S INDIGENT CHILDREN. THE HOSPITAL HAS ALWAYS UPHELD THE CHARITABLE MISSION OF ITS FOUNDERS, AND IN FY 2012, 56 PERCENT OF ITS INPATIENT DAYS WERE COVERED BY MEDICAID.

OVER THE PAST 50 YEARS, CHKD HAS GROWN INTO A 206-BED TEACHING HOSPITAL THAT IS THE HEART OF AN EXTENSIVE PEDIATRIC HEALTH CARE SYSTEM. TODAY, THAT SYSTEM PROVIDES COMPREHENSIVE MEDICAL CARE TO CHILDREN AT THE HOSPITAL AND MULTI-SERVICE HEALTH CENTERS IN VIRGINIA BEACH, NEWPORT NEWS AND CHESAPEAKE. ITS SERVICES INCLUDE EVERYTHING FROM WELLNESS AND PREVENTION INITIATIVES TO PRIMARY CARE, SURGERY AND REHABILITATION. MANY OF ITS UNIQUE SERVICES AND PROGRAMS ADDRESS PRESSING PUBLIC HEALTH NEEDS THAT WOULD OTHERWISE GO UNMET.

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AS THE PREMIER PROVIDER OF HEALTHCARE SERVICES TO THE REGION'S CHILDREN, CHKD HAS SECURED A PLACE IN THE HEART OF THE COMMUNITY. THE HOSPITAL IS AN EAGER COLLABORATOR WITH OTHER COMMUNITY ORGANIZATIONS AND INSTITUTIONS THAT SHARE ITS CONCERN FOR THE WELL BEING OF YOUNG PEOPLE AND OFFERS A VARIETY OF EDUCATION, RESEARCH AND HEALTH INITIATIVES TO IMPROVE THE HEALTH AND WELL BEING OF CHILDREN IN THIS COMMUNITY AND BEYOND.

THE HEALTH SYSTEM'S PRIMARY SERVICES CENTER ON INPATIENT AND OUTPATIENT CARE, COMMUNITY OUTREACH PROGRAMS AND MEDICAL EDUCATION/RESEARCH.

SECTION ONE: INPATIENT CARE

CHILDREN WITH A VAST RANGE OF MEDICAL PROBLEMS, INCLUDING LIFE-THREATENING ILLNESSES AND INJURIES -- TURN TO CHKD FOR INPATIENT CARE. IN FY 2012, CHKD HAD 5,399 ADMISSIONS RESULTING IN 48,521 PATIENT DAYS. APPROXIMATELY 56 PERCENT OF THESE DAYS, WERE COVERED BY MEDICAID, WHICH IS THE HIGHEST PERCENTAGE BY FAR OF ANY ACUTE-CARE HOSPITAL IN VIRGINIA.

CHKD HAS 206 INPATIENT BEDS, AND ALMOST HALF OF THOSE ARE FOR PEDIATRIC INTENSIVE CARE. THE HOSPITAL IS HOME TO THE REGION'S HIGHEST LEVEL NEONATAL INTENSIVE CARE UNIT (NICU), WHERE EACH YEAR CRITICALLY ILL NEWBORNS, SOME AS YOUNG AS 23 WEEKS GESTATION, BENEFIT FROM A UNIQUE COMBINATION OF ADVANCED MEDICAL TECHNOLOGY, DEVELOPMENTAL CARE AND FAMILY SUPPORT. THERE WERE 502 ADMISSIONS TO THE NICU IN FY 2012. THE HOSPITAL

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ALSO OPERATES A NEONATAL STEP-DOWN UNIT FOR BABIES FROM OUR NICU WHO REQUIRE A TRANSITIONAL PERIOD BEFORE BEING DISCHARGED HOME.

THE REGION'S LARGEST AND MOST EXPERIENCED PEDIATRIC INTENSIVE CARE UNIT (PICU) IS AT CHKD. IN THIS UNIT, A FULL-TIME STAFF OF BOARD-CERTIFIED PEDIATRIC INTENSIVE CARE PHYSICIANS, CRITICAL CARE NURSES AND RESPIRATORY THERAPISTS PROVIDE EXTREMELY SOPHISTICATED, TECHNOLOGICALLY ADVANCED CARE TO CHILDREN WITH LIFE-THREATENING INJURIES AND ILLNESSES. MEDICAL CARE IS SUPPLEMENTED WITH SUPPORT FROM CHILD LIFE SPECIALISTS, SOCIAL WORKERS AND CHAPLAINS WHO HAVE EXTENSIVE EXPERIENCE HELPING FAMILIES THROUGH THE TRAUMA AND STRESS OF A SEVERE ILLNESS OR INJURY IN A CHILD. THERE WERE 1,182 ADMISSIONS TO OUR PICU IN FY 2012.

MANY PATIENTS ARE BROUGHT FROM OTHER AREA HOSPITALS TO CHKD BY THE HOSPITAL'S NEONATAL/PEDIATRIC TRANSPORT PROGRAM, WHICH OPERATES OUT OF FOUR FULLY EQUIPPED MOBILE INTENSIVE CARE UNITS. TWO TRANSPORT TEAMS ARE AVAILABLE 24 HOURS A DAY, SEVEN DAYS A WEEK TO ALL AREA MEDICAL FACILITIES THAT NEED TO SEND SICK OR INJURED CHILDREN TO CHKD. EACH TRANSPORT CALL IS ANSWERED BY A NEONATAL/PEDIATRIC CRITICAL CARE NURSE, A REGISTERED RESPIRATORY THERAPIST AND A CERTIFIED EMT PARAMEDIC TRAINED IN NEONATAL/PEDIATRIC CARE. IN FY 2012, THE TEAM TRANSPORTED 1,005 PATIENTS. OF THOSE, 338 WERE NEWBORNS COMING TO OUR NEONATAL INTENSIVE CARE UNIT. CHKD'S TRANSPORT SERVICE IS ALSO UNDER CONTRACT TO THE NAVAL MEDICAL CENTER, PORTSMOUTH, TO PROVIDE ALL NEONATAL AND PEDIATRIC MILITARY TRANSPORTS IN THE REGION. BESIDES GROUND TRANSPORT, THE TEAM ALERTS

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FIXED-WING AIR AND HELICOPTER TRANSPORTS WHEN MEDICALLY NECESSARY.

CHKD OPERATES THE REGION'S ONLY ACUTE INPATIENT REHABILITATION UNIT EXCLUSIVELY FOR CHILDREN, WHERE YOUNG PATIENTS RECEIVE COMPREHENSIVE REHABILITATION SERVICES NEEDED TO REGAIN SKILLS LOST AFTER ACCIDENTS OR ILLNESSES. PRIOR TO THE OPENING OF THIS UNIT, FAMILIES HAD TO TRAVEL LONG DISTANCES OUTSIDE OF THE AREA TO RECEIVE THIS KIND OF CARE, WHICH USUALLY REQUIRES A HOSPITALIZATION OF SEVERAL WEEKS DURATION. ADMISSIONS TO THE INPATIENT REHABILITATION UNIT RESULTED IN 2,030 PATIENT DAYS IN FY 2012.

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CHKD'S TRANSITIONAL CARE UNIT, WHERE TECHNOLOGY-DEPENDENT CHILDREN BEGIN THE PROCESS OF MOVING FROM THE HOSPITAL TO THEIR HOMES, PROVIDES DEVELOPMENTAL, EDUCATIONAL AND EMOTIONAL SUPPORT AS WELL AS HIGH ACUITY MEDICAL CARE AND PARENT/CAREGIVER SUPPORT AND EDUCATION. ADMISSIONS TO THIS UNIQUE UNIT RESULTED IN 3,340 PATIENT DAYS IN FY 2012.

CHKD OPERATES THE REGION'S ONLY PEDIATRIC SURGERY PROGRAM, OFFERING YOUNG PEOPLE STATE-OF-THE-ART TREATMENT IN A SUPPORTIVE, NON-THREATENING ENVIRONMENT CREATED EXCLUSIVELY TO MEET THEIR NEEDS. IN FY 2012, SURGEONS PERFORMED 13,110 SURGERIES AT CHKD FACILITIES FOR A VAST RANGE OF PROBLEMS, FROM THE SIMPLEST OUTPATIENT PROCEDURES TO COMPLEX ORTHOPEDIC AND GENITOURINARY SURGERIES. (SEE OUTPATIENT SERVICES AND PROGRAMS FOR MORE INFORMATION OF CHKD'S SURGERY PROGRAM).

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CHKD EMPLOYS DOZENS OF PROFESSIONALS WHO PROVIDE EMOTIONAL, RECREATIONAL, SPIRITUAL AND PRACTICAL SUPPORT TO CHILDREN AND FAMILIES DURING HOSPITALIZATIONS. THE WORK OF THESE PROFESSIONALS COMPLEMENTS OUR EXPERT MEDICAL CARE TO CREATE A UNIQUE TREATMENT AND HEALING ENVIRONMENT FOR CHILDREN AND THEIR FAMILIES.

OUR CHAPLAINCY SERVICES PROVIDE EMOTIONAL SUPPORT, PASTORAL CARE, ETHICAL REFLECTION, BEREAVEMENT RESOURCES/FOLLOW-UP AND SPIRITUAL GUIDANCE TO PATIENTS, FAMILIES AND STAFF WITH IN-HOSPITAL PRESENCE SEVEN DAYS A WEEK, WITH 24-HOUR ON-CALL AVAILABILITY. THE HOSPITAL EMPLOYS THREE FULL-TIME CHAPLAINS, ONE PART-TIME AND EIGHT PER-DIEM CHAPLAINS WHO REFLECT THE DIVERSITY OF THE COMMUNITY AND ARE PROFESSIONALLY TRAINED TO MEET THE VARIED SPIRITUAL NEEDS OF FAMILIES WITH RESPECT AND COMPASSION. THE CHAPLAINS ALSO FACILITATE EDUCATIONAL PROGRAMS FOR HOSPITAL STAFF AND PHYSICIANS, AS WELL AS PLANNING AND PARTICIPATING IN OUTREACH TO THE COMMUNITY. IN 2012, THE DEPARTMENT COORDINATED ITS ANNUAL BIOETHICS DAY PROGRAM WITH DISTINGUISHED PHYSICIAN, BEST-SELLING AUTHOR DR. ABRAHAM VERGHESE AS GUEST SPEAKER.

THE HOSPITAL EMPLOYS 14 CHILD LIFE STAFF MEMBERS WHO HELP CHILDREN ADJUST AND COPE DURING HOSPITALIZATION. THEIR GOAL IS TO MAKE THE CHILD'S HOSPITAL EXPERIENCE AS NORMAL AS POSSIBLE BY DEVELOPING SUPPORTIVE RELATIONSHIPS WITH PATIENTS AND FAMILIES, PROVIDING AGE-APPROPRIATE PREPARATION FOR MEDICAL PROCEDURES, COPING STRATEGIES AND PLAY OPPORTUNITIES FOR CHILDREN TO RELIEVE STRESS. CHILD LIFE STAFF MEMBERS

ALSO SCHEDULE AND FACILITATE COMMUNITY GROUP VISITORS TO THE HOSPITAL AND MANAGE APPROXIMATELY 100 VOLUNTEERS WEEKLY. THERE ARE FOUR POPULAR ACTIVITY AREAS THROUGHOUT THE HOSPITAL, PROVIDING HOSPITALIZED CHILDREN OPPORTUNITIES FOR SOCIALIZATION AND CREATIVE PLAY. CHILD LIFE SPECIALISTS WORK WITH CHKD'S VOLUNTEER SERVICES DIVISION TO MANAGE THE HOSPITAL'S POPULAR PET THERAPY PROGRAM, THE BUDDY BRIGADE, WHICH BRINGS VISITS OF DOG/HANDLER TEAMS TO THE HOSPITAL SEVERAL TIMES EACH WEEK. THEY ALSO MANAGE OUR VERY POPULAR DAVID WRIGHT VIDEO LIBRARY, WHICH PROVIDES HUNDREDS OF GAMES AND ENTERTAINMENT VIDEOS FOR HOSPITALIZED CHILDREN. CHILD LIFE STAFFERS COLLABORATE WITH SOCIAL WORKERS TO PROVIDE A PEDIATRIC INTENSIVE CARE UNIT SUPPORT GROUP FOR PARENTS AND SIBLINGS, AN ANNUAL INPATIENT TEDDY BEAR CLINIC, INPATIENT DEVELOPMENTAL SCREENINGS AND A POPULAR TEEN NIGHT ACTIVITY.

CHKD'S DEPARTMENT OF SOCIAL WORK HELPS MEET SOCIAL, EMOTIONAL AND PSYCHOLOGICAL NEEDS THAT MAY ARISE WHEN A CHILD IS HOSPITALIZED OR WHEN AN EMERGENCY ARISES. OUR 24 LICENSED SOCIAL WORKERS ALSO WORK WITH CHILDREN IN OUR OUTPATIENT SPECIALTY CLINICS, ESPECIALLY THOSE CATERING TO CHILDREN WITH CHRONIC ILLNESSES. AMONG THE SERVICES OUR SOCIAL WORKERS PROVIDE ARE THE FOLLOWING:

* COORDINATE REFERRALS AND ONGOING COMMUNICATIONS TO OTHER COMMUNITY RESOURCES.
* FACILITATE SUPPORT GROUPS FOR CHKD FAMILIES DEALING WITH CHRONIC ILLNESS AND LOSS.
* CONDUCT PSYCHOSOCIAL HISTORY AND MENTAL HEALTH ASSESSMENTS OF

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PATIENTS TO AID CAREGIVERS IN DEVELOPING TREATMENT PLANS .

* HELP PATIENTS AND FAMILIES DEAL WITH SITUATIONAL CRISES.

* WORK WITH FAMILIES AND CHKD'S ELIGIBILITY WORKERS TO COMPLETE APPLICATIONS FOR INSURANCE COVERAGE FOR MEDICAL CARE.

* 24-HOUR PER-DIEM COVERAGE FOR NIGHTS, WEEKENDS, HOLIDAYS.

SOCIAL WORKERS ALSO FACILITATE A VARIETY OF SUPPORT GROUPS THAT HELP PATIENTS AND FAMILIES CONNECT WITH OTHERS IN THE COMMUNITY WHO SHARE THEIR CHALLENGES. CHKD SPONSORS SUPPORT GROUPS FOR PATIENTS AND THEIR FAMILIES WITH HEART CONDITIONS, DIABETES, TURNER'S SYNDROME, PRADER-WILLI SYNDROME, CANCER AND SICKLE CELL. FAMILIES OF NICU PATIENTS MEET PERIODICALLY TO SHARE INFORMATION; AND OUR RECREATION-BASED GROUP FOR BROTHERS AND SISTERS OF CHILDREN WITH SPECIAL NEEDS, CALLED SIBSHOPS, MEETS REGULARLY TO SUPPORT SIBLINGS.

THE DEPARTMENT OF SOCIAL WORK MANAGES THE HALO FUND OF DONATED MONIES TO ASSIST PARENTS AND PATIENTS WITH THE COST OF TRANSPORTATION, MEALS, MEDICATIONS AND SPECIFIC NEEDS AT DISCHARGE. THESE DONATED FUNDS MAY ALSO BE USED IN EMERGENCY SITUATIONS TO ASSIST WITH SPECIAL NEEDS, WHICH HAVE CONSISTED OF PARTIAL OR ONE-TIME PAYMENTS FOR UTILITY SERVICES NEEDED TO ENSURE THAT PATIENTS ARE DISCHARGED TO A HOME WITH A WAY TO SUPPORT THEIR MEDICAL NEEDS ON DISCHARGE. SOME OTHER EXAMPLES OF USAGES FOR THE FUNDS INCLUDE CORRECTIVE SHOES, HEARING AIDS OR OTHER ITEMS FOR FAMILIES WHO COULD NOT AFFORD THEM. THIS FUND HELPED MORE THAN 700 FAMILIES IN FY 2012.

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CHKD'S MEDICAL INTERPRETER PROGRAM EMPLOYS A PART-TIME CULTURAL LIAISON TO WORK WITH PATIENTS WHO HAVE LIMITED ENGLISH PROFICIENCY AND TO COORDINATE THE ASSESSMENT AND TRAINING OF MEDICAL INTERPRETERS. ELEVEN VOLUNTEER MEDICAL INTERPRETERS WHO ARE EMPLOYED IN VARIOUS POSITIONS THROUGHOUT THE ORGANIZATION ASSIST WITH TRANSLATIONS, AND SEVERAL DEPARTMENTS HAVE HIRED PROFESSIONAL STAFF MEMBERS WHO CAN ALSO FUNCTION AS INTERPRETERS IN THEIR AREAS. THIS HAS IMPROVED CUSTOMER SERVICE AND CONSISTENCY OF CARE. WHEN AN INTERPRETER IS NOT AVAILABLE ONSITE, THE ENTIRE CHKD HEALTH SYSTEM HAS ACCESS TO MEDICAL INTERPRETATION BY PHONE 24 HOURS A DAY. IN FY 2012, CHKD PROVIDED INTERPRETATION SERVICES FOR OUR LIMITED ENGLISH POPULATION THROUGH 3,565 ENCOUNTERS WITH PATIENTS AND FAMILIES AND BEGAN THE PROCESS OF ADAPTING TO MEET NEW JOINT COMMISSION STANDARDS FOR PATIENT CENTERED COMMUNICATION, CREATING A LANGUAGE SERVICES DEPARTMENT AND REVISING TRAINING AND PROFICIENCY TESTING METHODS AND STANDARDS FOR MEDICAL INTERPRETERS.

AS THE REGIONAL PROVIDER OF PEDIATRIC CARE, CHKD IS AN INTEGRAL PART OF THE COMMUNITY'S NATURAL OR MAN-MADE DISASTER PLANNING EFFORTS. THE HEALTH SYSTEM RECOGNIZES THE IMPORTANCE OF A NATIONAL INCIDENT MANAGEMENT SYSTEM (NIMS) COMMUNITY INTEGRATED, ALL-HAZARD EMERGENCY OPERATIONS PLAN. THIS PLAN IS PREPARED, EXERCISED AND SHARED INTERNALLY AND EXTERNALLY WITH COMMUNITY EMERGENCY RESPONSE AGENTS.

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SECTION TWO: OUTPATIENT SERVICES AND PROGRAMS

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CHKD ALSO OFFERS THE COMMUNITY MANY IMPORTANT PEDIATRIC SERVICES ON AN OUTPATIENT BASIS. IN 2012, CHILDREN MADE MORE THAN 654,500 OUTPATIENT VISITS TO CHKD, ITS COMMUNITY-BASED HEALTH CENTERS AND AFFILIATED PHYSICIAN PRACTICES. THEY MADE 415,935 VISITS TO THE PRIMARY CARE PEDIATRICIANS OF CHKD'S MEDICAL GROUP, WHICH OFFERS CARE IN 25 LOCATIONS THROUGHOUT OUR SERVICE AREA. CHKD'S SURGICAL SPECIALTY GROUP MAKES THE SERVICES OF THE REGION'S ONLY PEDIATRIC GENERAL, UROLOGICAL, CARDIAC, NEUROSURGICAL, PLASTIC AND ORTHOPEDIC SURGEONS AVAILABLE TO THOUSANDS OF CHILDREN WHO MIGHT OTHERWISE HAVE TO TRAVEL OUTSIDE OF THE AREA FOR SURGERY. CHILDREN MADE 40,047 VISITS TO THE SURGICAL GROUP PRACTICES IN FY 2012. THE SURGEONS PERFORMED 5,481 SURGICAL CASES.

THE HOSPITAL ALSO PROVIDES CARE TO CHILDREN FACING HEALTH CONDITIONS SUCH AS CANCER, GENETIC DISORDERS, OBESITY, HEART PROBLEMS, DEVELOPMENTAL DISABILITIES, ASTHMA/ALLERGIES AND DIABETES THROUGH MORE THAN 50 OUTPATIENT SPECIALTY CLINICS OFFERING SPECIALIZED PEDIATRIC CARE. IN FY 2012, CHILDREN MADE 150,511 VISITS TO OUR OUTPATIENT CLINICS.

CHILDREN'S HOSPITAL WAS FOUNDED ON THE PREMISE THAT ALL CHILDREN DESERVE EQUAL ACCESS TO QUALITY PEDIATRIC CARE. AS OUR POPULATION GREW AND SETTLED INTO THE FAR CORNERS OF OUR BRIDGE AND TUNNEL-LACED REGION, TRAVEL TO CHKD'S MAIN FACILITY IN NORFOLK BECAME MORE OF A HARDSHIP FOR FAMILIES. TO EASE THAT BURDEN AND IMPROVE CHILDREN'S ACCESS TO CARE IN EVERY CORNER OF OUR SERVICE AREA, CHKD HAS ESTABLISHED THREE

MULTI-SERVICE HEALTH CENTERS AND EIGHT SATELLITE SITES IN STRATEGIC LOCATIONS.

* THE CHKD HEALTH AND SURGERY CENTER AT OYSTER POINT OFFERS FAMILIES WHO LIVE NORTH OF THE HAMPTON ROADS BRIDGE TUNNEL A WEALTH OF IMPORTANT SERVICES IN A CONVENIENT LOCATION. THE CENTER IS HOME TO THE REGION'S FIRST PEDIATRIC AMBULATORY SURGERY CENTER. OTHER SERVICES OFFERED AT THE SITE INCLUDE PRIMARY, SURGICAL AND SUB-SPECIALTY PEDIATRICS, LAB AND RADIOLOGY (INCLUDING ULTRASOUND AND MRI), AUDIOLOGY TESTING AND OCCUPATIONAL, SPEECH AND PHYSICAL THERAPY. SPORTS MEDICINE PHYSICAL THERAPY, AQUATIC THERAPY AND CHILD ABUSE PROGRAM SERVICES ARE ALSO AVAILABLE THERE.
* THE CHKD HEALTH CENTER AT OAKBROOKE SERVES FAMILIES IN CHESAPEAKE AND NORTHEASTERN NORTH CAROLINA. IT IS HOME TO A PRIMARY CARE PEDIATRIC PRACTICE, PHYSICAL, OCCUPATIONAL AND SPEECH THERAPY, X-RAY AND LAB SERVICES, A SPORTS MEDICINE GYM, SLEEP STUDIES UNIT AND THERAPY POOL, AS WELL AS CLINIC SPACE FOR A VARIETY OF PEDIATRIC SPECIALISTS AND SURGEONS PROVIDING EVALUATION, TREATMENT AND FOLLOW-UP.
* THE CHKD HEALTH AND SURGERY CENTER AT PRINCESS ANNE SERVES THE GROWING MEDICAL NEEDS OF FAMILIES IN VIRGINIA BEACH. THE CENTER IS HOME TO VIRGINIA BEACH'S FIRST AMBULATORY SURGERY CENTER EXCLUSIVELY FOR CHILDREN. BEACH FAMILIES CAN ALSO FIND PRIMARY CARE PEDIATRICIANS AND IN-HOUSE LAB AND RADIOLOGY SERVICES, INCLUDING MRI, AT THE CENTER. OTHER SERVICES INCLUDE SPECIALTY CARE PEDIATRICS FOR HELP WITH CHRONIC PROBLEMS SUCH AS ASTHMA AND DIABETES, CHKD'S CHILD ABUSE PROGRAM AND PHYSICAL,

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SPEECH, OCCUPATIONAL AND SPORTS MEDICINE THERAPY.

CHKD'S CHILD ABUSE PROGRAM COORDINATES THE REGION'S EFFORTS TO ACCURATELY IDENTIFY, TREAT AND PROTECT CHILDREN WHO HAVE BEEN ABUSED OR NEGLECTED. THE PROGRAM PROVIDES COMPREHENSIVE ASSESSMENT, EVALUATION AND TREATMENT SERVICES TO SUSPECTED VICTIMS OF ABUSE AND NEGLECT. THESE SERVICES INCLUDE FORENSIC INTERVIEWING, MEDICAL EXAMINATIONS AND CONSULTATIONS, WHICH INCLUDE 24/7 COVERAGE OF ACUTE SEXUAL ASSAULTS OF CHILDREN, AND AN ARRAY OF EVIDENCE-BASED MENTAL HEALTH SERVICES. THE PROGRAM ALSO HELPS COORDINATE THE EFFORTS OF INVESTIGATIVE AGENCIES INVOLVED IN THE INVESTIGATION AND PROSECUTION OF ABUSE. THE PROGRAM, WHICH IS ACCREDITED BY THE NATIONAL CHILDREN'S ALLIANCE, PROVIDED SERVICES TO 960 CHILDREN IN FY 2012. SERVICES ARE ALSO AVAILABLE AT CHKD'S OUTPATIENT CENTERS IN VIRGINIA BEACH AND NEWPORT NEWS.

THE PROBLEM OF CHILDHOOD OBESITY POSES A SIGNIFICANT THREAT TO THE CURRENT AND FUTURE HEALTH OF OUR CHILDREN. IN RESPONSE TO THIS ALARMING PUBLIC HEALTH CRISIS, THE HOSPITAL PROVIDES A MULTI-DISCIPLINARY PEDIATRIC WEIGHT MANAGEMENT PROGRAM FOR CHILDREN BETWEEN 3 AND 16 YEARS OF AGE CALLED "HEALTHY YOU FOR LIFE". THE PROGRAM OFFERS CLINICAL AND PSYCHOSOCIAL EVALUATION AND PLANNING, ONGOING CLASSES TO HELP OVERWEIGHT YOUTH AND THEIR PARENTS MAKE LIFESTYLE CHANGES AND FOLLOW UP CLINICS FOR UP TO A YEAR. THE EXERCISE COMPONENT OF THE PROGRAM IS STRENGTHENED BY THE ADDITION THIS YEAR OF AN EXERCISE SPECIALIST WHO CONDUCTS PERSONAL TRAINING SESSIONS AS WELL AS GROUP FITNESS CLASSES FOR THE WHOLE FAMILY.

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EXERCISE OPPORTUNITIES LISTED ON OUR FITNESS CALENDAR ARE AVAILABLE WEEKDAYS AND WEEKENDS AROUND THE HAMPTON ROADS REGION TO ENHANCE A PATIENT'S ABILITY TO EMBRACE A HEALTHIER LIFESTYLE. WE ALSO HAVE A REGIONAL PARTNERSHIP WITH THE YMCA WHICH OFFERS FAMILIES A SIX-WEEK TRIAL MEMBERSHIP ONCE THEY HAVE COMPLETED THE EIGHT-WEEK LIFESTYLE CLASS. THE HEALTHY YOU FOR LIFE PROGRAM OFFERS INDIVIDUAL COUNSELING SESSIONS, USE OF MULTI-MEDIA COMMUNICATION SUCH AS E-MAILS AND TEXT MESSAGES AND NEW THIS FISCAL YEAR, WE HAVE INCLUDED A FACEBOOK PAGE AS A WAY TO KEEP CONNECTED WITH OUR PATIENTS AND ENCOURAGE POSITIVE LIFESTYLE CHANGES. ALMOST 750 CLINIC PATIENTS AND THEIR PARENTS PARTICIPATED IN THE PROGRAM IN FY 2012.

CHKD'S DIABETES EDUCATION PROGRAM HELPS APPROXIMATELY 1,300 LOCAL CHILDREN WHO LIVE WITH THE CHRONIC DISEASE. TWO CERTIFIED DIABETES EDUCATORS, A SOCIAL WORKER, NURSE AND DEPARTMENT COORDINATOR HELP PATIENTS AND FAMILIES AT THE ONSET OF THE DISEASE AND UNTIL ADULTHOOD. THE DIABETES CENTER PROVIDES INPATIENT AND OUTPATIENT CLINICAL MANAGEMENT, DIABETES EDUCATION, SUPPORT GROUPS, AND PROFESSIONAL AND COMMUNITY EDUCATION PROGRAMS. A TRANSITION PROGRAM HELPS THE OLDER TEENS AND YOUNG ADULTS BEGIN TRANSFERRING CARE TO ADULT PROVIDERS IN THE COMMUNITY.

THE CHILDREN'S CANCER AND BLOOD DISORDERS CENTER IS ONE OF THE HOSPITAL'S BUSIEST OUTPATIENT SPECIALTY CLINICS WITH 10,170 PATIENT VISITS IN FY 2012. THE PROGRAM PROVIDES CARE TO YOUNG PEOPLE WITH CANCER, SICKLE CELL

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DISEASE, BLEEDING AND OTHER BLOOD DISORDERS THROUGH TREATMENT PROGRAMS THAT ENCOMPASS CHILDREN'S PHYSICAL, EMOTIONAL AND EDUCATIONAL NEEDS AND INCORPORATES THE WHOLE FAMILY.

THE REGION'S ONLY PEDIATRIC EMERGENCY CENTER IS LOCATED AT CHKD. IN 2012, CHILDREN MADE 47,998 VISITS TO OUR EMERGENCY CENTER.

CHILDREN'S HOSPITAL OFFERS THE ONLY PEDIATRIC RENAL DIALYSIS SERVICE IN THE AREA. DIALYSIS IS A TIME-CONSUMING PROCESS AND CHILDREN APPRECIATE THE CHANCE TO HAVE THE SERVICE IN A SETTING WHERE THEY CAN MEET WITH FRIENDS THEIR OWN AGES AS WELL AS HOSPITAL SUPPORT STAFF AND SCHOOLTEACHERS.

ONE MARK OF CHKD'S DISTINCTIVE PEDIATRIC CARE HAS ALWAYS BEEN CHILD-CENTERED DIAGNOSTIC SERVICES, SUCH AS RADIOLOGY AND LABORATORY. OVER THE PAST SEVERAL YEARS, CHKD HAS WORKED HARD TO MAKE THESE UNIQUE SERVICES MORE ACCESSIBLE TO FAMILIES THROUGHOUT OUR SERVICE REGION. THE HOSPITAL NOW HAS LABORATORIES IN ITS OYSTER POINT, PRINCESS ANNE AND OAKBROOKE HEALTH CENTERS AS WELL AS DRAW SITES AT PEDIATRIC PRACTICES IN NORFOLK AND WILLIAMSBURG. THE LABORATORY ALSO OPERATES A COURIER SERVICE THAT FACILITATES QUICK TURNAROUND OF SPECIMENS. OF THE 1,129,997 TESTS PERFORMED IN FY 2012, MORE THAN 63 PERCENT WERE FOR OUTPATIENTS.

CHKD RADIOLOGY SERVICES ARE ALSO AVAILABLE TO FAMILIES AT OUR CHKD FACILITIES IN NEWPORT NEWS, CHESAPEAKE, SUFFOLK, NORFOLK AND VIRGINIA

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BEACH. THE RADIOLOGY DEPARTMENT IS A FULLY-INTEGRATED DIGITAL IMAGING CENTER THAT ALLOWS DIAGNOSTIC IMAGES AND REPORTS TO BE TRANSMITTED AND VIEWED ELECTRONICALLY. IN 2012, 86,438 DIAGNOSTIC EXAMS WERE PERFORMED, INCLUDING X-RAYS, FLUOROSCOPIC TESTS, URODYNAMICS AND BONE DENSITY TESTS, CT AND MRI SCANS, ULTRASOUND AND NUCLEAR MEDICINE STUDIES. WE INSTALLED A NEW 3T FIXED MRI WITH THE FIRST PATIENT USE IN NOVEMBER 2012.

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CHKD'S REHABILITATIVE THERAPY SERVICES ARE OFFERED IN LOCATIONS THROUGHOUT THE COMMUNITY, INCLUDING NORFOLK, CHESAPEAKE, VIRGINIA BEACH, SUFFOLK AND NEWPORT NEWS. IN ADDITION TO ITS HIGHLY SPECIALIZED PEDIATRIC PHYSICAL, OCCUPATIONAL AND SPEECH THERAPY, THE DEPARTMENT ALSO OFFERS:

* AQUATIC THERAPY - PHYSICAL AND OCCUPATIONAL THERAPISTS WORK WITH CHILDREN IN THE WATER TO HELP RELAX TIGHT MUSCULATURE, INCREASE RANGE OF MOTION AND IMPROVE STRENGTH, BALANCE AND ENDURANCE.

* ASSISTIVE TECHNOLOGY/AUGMENTATIVE PROGRAM - SERVICES PROVIDED FOR CHILDREN WHO ARE UNABLE TO COMMUNICATE VERBALLY OR THROUGH GESTURES DUE TO VARIOUS MEDICAL CONDITIONS. IN FY 2012, WE DID 238 AUGMENTATIVE COMMUNICATION EVALUATIONS.

* CAR SEAT PROGRAM - SPECIALLY TRAINED THERAPISTS OFFER CAR SEAT SAFETY RESTRAINT EVALUATIONS FOR PATIENTS WITH SPECIAL NEEDS. IN FY 2012, WE DID 286 CAR SEAT EVALUATIONS, DISTRIBUTED 431 SPECIAL NEEDS CAR SEATS AND PARTICIPATED IN EIGHT COMMUNITY-BASED CAR SEAT SAFETY CHECKS THROUGH THIS PROGRAM.

* WHEELCHAIR CLINIC - CERTIFIED THERAPISTS COMPLETE A COMPREHENSIVE EVALUATION TO DETERMINE AND PRESCRIBE THE APPROPRIATE WHEELCHAIR AND

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SEATING SYSTEM. CHILDREN MADE ALMOST 1,116 VISITS TO THIS CLINIC IN FY 2012 FOR EVALUATION AND TECHNICAL ADJUSTMENTS.

SECTION THREE: COMMUNITY OUTREACH

CHKD REACHED FAMILIES IN THEIR HOMES, DOCTORS' OFFICES, NEIGHBORHOODS AND COMMUNITY CENTERS WITH A WIDE VARIETY OF PROGRAMS AND PUBLICATIONS THAT PROMOTE WELLNESS, PREVENT INJURIES AND STRENGTHEN FAMILIES.

OUR COMMUNITY OUTREACH EXPERTS COORDINATED A TOTAL OF 389 PARENT, PROFESSIONAL, AND STUDENT PROGRAMS THAT BROUGHT IMPORTANT HEALTH, SAFETY AND WELLNESS INFORMATION TO MORE THAN 46,143 PARTICIPANTS. 28,797 OF THESE PARTICIPANTS WERE PART OF THE KOHL'S CARES FAMILY PROGRAM WHICH PROVIDED 57 SCHOOL-BASED PROGRAMS AND 122 COMMUNITY PROGRAMS. IN ADDITION, WE LAUNCHED A PILOT KOHL'S STEPS TO FITNESS ASSEMBLY PROGRAM WITH GREAT SUCCESS.

CHKD IS A SITE OF THE NATIONAL "REACH OUT AND READ" LITERACY PROGRAM, WHICH ENCOURAGES READING BY DISTRIBUTING FREE BOOKS TO CHILDREN AT THEIR WELL CHILD VISITS TO THEIR PEDIATRICIANS. THROUGH THE DONOR FUNDED PROGRAM, CHKD'S PRIMARY CARE PEDIATRICIANS GAVE MORE THAN 70,000 BOOKS TO CHILDREN IN FY 2012.

CHKD'S WEBSITE, WWW.CHKD.ORG, CONTINUES TO BE A POPULAR AND EFFECTIVE METHOD OF COMMUNICATION, AVERAGING OVER 62,000 UNIQUE VISITORS A MONTH

Name of the organization	Employer identification number
CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS	54-0506321

FOR FY 2012. CHKD UTILIZED SOCIAL MEDIA OUTLETS SUCH AS FACEBOOK AND TWITTER TO INCREASE DIRECT INTERACTION WITH OUR PATIENTS AND THEIR FAMILIES. THE WEBSITE CONTINUES TO BE A RESOURCE FOR OUR SERVICES AND HEALTH INFORMATION.

CHKD IS ONE OF SIX LOCATIONS IN THE STATE FOR THE CARE CONNECTION FOR CHILDREN (CCC), THE STATE FUNDED TITLE V PROGRAM THAT PROVIDES COMPREHENSIVE CARE COORDINATION, INFORMATION AND REFERRAL FOR CHILDREN AND YOUTH WITH SPECIAL HEALTHCARE NEEDS. THERE ARE APPROXIMATELY 12,000 CHILDREN WITH SPECIAL HEALTHCARE NEEDS IN THE REGION'S PUBLIC HEALTH DISTRICTS. IN FY 2012, CARE CONNECTION ASSISTED WITH 556 INFORMATION AND REFERRAL CALLS AND PROVIDED CASE MANAGEMENT SERVICES TO APPROXIMATELY 620 FAMILIES. FINANCIAL ASSISTANCE WAS PROVIDED FOR 86 CHILDREN WHO WERE UNINSURED OR UNDER INSURED, AND 204 FAMILIES WERE ASSISTED IN APPLYING FOR STATE HEALTH PROGRAMS. THE STAFF AT CCC ALSO PROVIDED SEVERAL TRAINING SESSIONS FOR FAMILIES AND PROVIDERS ON MEDICAID WAIVER SERVICES AND THE EARLY AND PERIODIC SCREENING, DIAGNOSTIC AND TREATMENT (EPSDT) BENEFITS AND EDUCATION FOR PEDIATRIC RESIDENTS WITH THE UNIQUE "FAMILIES AS EDUCATORS" PROGRAM.

CHKD'S PHYSICIANS, ADMINISTRATORS AND STAFF MEMBERS LEND THEIR KNOWLEDGE AND TIME AS VOLUNTEERS TO MANY NATIONAL, STATE AND LOCAL ORGANIZATIONS THAT SHARE OUR CONCERN FOR CHILDREN. THESE INCLUDE THE NATIONAL ASSOCIATION OF CHILDREN'S HOSPITALS AND RELATED INSTITUTIONS, THE AMERICAN ACADEMY OF PEDIATRICS, THE CHILDREN'S MIRACLE NETWORK, THE

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NATIONAL SAFE KIDS CAMPAIGN, THE UNITED WAY, THE VIRGINIA HOSPITAL ASSOCIATION AS WELL AS LOCAL ORGANIZATIONS SUCH AS VOLUNTEER HAMPTON ROADS AND THE AMERICAN RED CROSS.

SECTION FOUR: MEDICAL EDUCATION AND RESEARCH

CHKD INVESTS IN THE PRESENT AND FUTURE HEALTH OF OUR CHILDREN THROUGH A VARIETY OF RESEARCH PROGRAMS AND EDUCATIONAL ACTIVITIES.

CHILDREN'S HOSPITAL IS HOME TO EASTERN VIRGINIA MEDICAL SCHOOL'S (EVMS) PEDIATRIC RESIDENCY PROGRAM, WHERE NEW PHYSICIANS BECOME SPECIALISTS IN THE FIELD OF PEDIATRICS. MANY OF THEM STAY IN THIS COMMUNITY OR IN THE STATE TO PRACTICE PEDIATRICS AFTER THEY COMPLETE THEIR RESIDENCIES. CHKD ALSO SERVES AS THE EXCLUSIVE PEDIATRIC TEACHING SITE FOR RESIDENTS IN FAMILY MEDICINE PRACTICE, EMERGENCY PRACTICE, ENT AND PHYSICIAN ASSISTANTS, AS WELL AS THE EXCLUSIVE SITE FOR SOME 120 THIRD-YEAR MEDICAL SCHOOL STUDENTS FOR THEIR EIGHT WEEK PEDIATRIC ROTATION.

CHKD PROVIDES A SETTING FOR MANY CLINICAL RESEARCH TRIALS. HIGHLIGHTS OF THE BASIC SCIENCE RESEARCH INCLUDE PROTECTION OF THE NEWBORN BRAIN FROM THE EFFECTS OF HYPOXIC INJURY, NEW INNOVATIONS TO COMBAT SERIOUS INVASIVE INFECTION, MANAGEMENT OF AUTISM, AND EMERGENCY INTERVENTIONS FOR ASTHMA. IN ADDITION, RESEARCH INCLUDES NEW MEDICATIONS AND OTHER THERAPIES, CLINICAL OUTCOMES ANALYSES AND EPIDEMIOLOGICAL STUDIES SANCTIONED BY THE EASTERN VIRGINIA MEDICAL SCHOOL INSTITUTIONAL REVIEW BOARD (IRB). THERE

WERE 185 IRB APPROVED ACTIVE FUNDED STUDIES IN FY 2012. TOPICS OF STUDY INCLUDED HEMATOLOGY/ONCOLOGY, ALLERGY/ASTHMA, INFECTIOUS DISEASE, NEUROLOGY, PEDIATRIC SURGERY, CARDIOLOGY, OTOLARYNGOLOGY, PULMONOLOGY, GASTROENTEROLOGY, CHILD ABUSE, ENDOCRINOLOGY, DERMATOLOGY, NEONATOLOGY AND MENTAL HEALTH. MANY OF THESE STUDIES ARE STAGE THREE CLINICAL TRIALS THAT BRING CUTTING EDGE TREATMENTS TO CHKD PATIENTS YEARS BEFORE THEY ARE AVAILABLE TO THE PUBLIC. IN ADDITION, THERE IS AN INCREASED FOCUS ON REGISTRY STUDIES ACROSS ALL DISCIPLINES. DATA COLLECTED IN THESE REGISTRIES IS INTENDED TO STANDARDIZE OPTIMAL LEVELS OF CARE AND LEAD TO IMPROVED PATIENT OUTCOMES.

STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

OUR DIVISION OF COMMUNITY HEALTH AND RESEARCH HAS FOCUSED ON CONDITIONS AND ISSUES IMPACTING CHILDREN'S HEALTH WITH AN EMPHASIS ON HEALTH DISPARITIES IN THE CITIES OF THE HAMPTON ROADS REGION, WESTERN TIDEWATER, AND THE RURAL EASTERN SHORE. CURRENT AREAS OF EMPHASIS INCLUDE CHILDHOOD OBESITY, ASTHMA, IMMUNIZATION, INFANT AND CHILD PASSENGER SAFETY, TEEN ALCOHOL ABUSE AND AUTISM. DURING THE 2011-2012 ACADEMIC YEAR, APPROXIMATELY $1.43 MILLION IN EXTRAMURAL GRANTS SUPPORTED THIS WORK WITH ADDITIONAL FUNDING FROM CHKD AND EVMS.

THE NUSS PROCEDURE FOR THE CORRECTION OF PECTUS EXCAVATUM, DEVELOPED AT CHKD MORE THAN 20 YEARS AGO, CONTINUES TO DRAW NATIONAL ATTENTION FROM BOTH PATIENTS AND SURGEONS. IN FY 2012, CHKD'S SURGEONS HOSTED THE 10TH ANNUAL WORKSHOP ON THE SURGICAL PROCEDURE, TEACHING A KINDER, GENTLER CORRECTION FOR THIS COMMON BIRTH DEFECT TO MORE THAN 30 SURGEONS FROM ALL

Name of the organization	Employer identification number
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OVER THE UNITED STATES, EUROPE, ASIA AND THE MIDDLE EAST. A NEW FOCUS FOR CORRECTING CHEST WALL DEFORMITY WAS INITIATED AT CHKD WITH A FIRST-IN-THE-U.S. BRACING TREATMENT PERFORMED TO HELP CHILDREN WITH PECTUS CARINATUM, A DEFECT THAT IS THE OPPOSITE OF PECTUS EXCAVATUM. THE HOSPITAL CONTINUED ITS MULTI-SITE RESEARCH STUDY ON THE GENETIC MARKERS OF PECTUS EXCAVATUM. TO DATE, MORE THAN 1,380 SURGICAL PATIENTS HAVE UNDERGONE THE NUSS PROCEDURE AT CHKD.

CHKD IS A MEMBER OF CHILDREN'S ONCOLOGY GROUP (COG), AN INTERNATIONAL RESEARCH GROUP THAT CONDUCTS CLINICAL TRIALS FOR CHILDREN WITH CANCER. AS A MEMBER, CHKD HAS ACCESS TO THE LATEST PROTOCOLS FOR TREATMENT OF CHILDHOOD CANCER, PROVIDING THE COMMUNITY AND REGION WITH THE BEST PRACTICES AND TREATMENT RESULTS FROM MORE THAN 240 COG-MEMBER HOSPITALS IN NORTH AMERICA, AUSTRALIA, NEW ZEALAND AND EUROPE. IN FY 2012, CHKD HAD 89 COG STUDIES OPEN TO ENROLLMENT OR UNDERGOING DATA ANALYSIS. SEVERAL OF THESE STUDIES WERE INCLUDED IN COG'S LONG-TERM FOLLOW-UP STUDY, WHICH COLLECTS DATA ON PATIENTS WHO HAVE PARTICIPATED IN STUDIES THAT ARE NO LONGER OPEN TO ENROLLMENT. IN ALL, APPROXIMATELY 220 CHKD PATIENTS PARTICIPATED IN EITHER OPEN OR FOLLOW-UP COG STUDIES IN FY 2012.

IN FY 2012, CHKD HOSTED 62 INDIVIDUAL CONTINUING MEDICAL EDUCATION EVENTS IN VARIOUS LOCATIONS THROUGHOUT THE REGION, HELPING CHILD HEALTH EXPERTS IN OUR REGION KEEP UP WITH THEIR SKILLS AND THEIR ACCREDITATION. AND THE HOSPITAL HELD ITS 10TH SUMMER NURSE EXTERNSHIP, INTRODUCING 10 NURSING STUDENTS TO OUR HOSPITAL FOR SUMMER EMPLOYMENT.

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PART VI, SECTION A LINES 6, 7A, 7B & 11

LINE 6: CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED IS A VIRGINIA NON-STOCK CORPORATION WITH A SOLE MEMBER. THE SOLE MEMBER OF CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED IS CHILDREN'S HEALTH SYSTEM, INC., A VIRGINIA NON-STOCK NOT-FOR-PROFIT CORPORATION. PURSUANT TO SECTION 13.1-852.1 OF THE CODE OF VIRGINIA, CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED IS MANAGED BY ITS SOLE MEMBER, CHILDREN'S HEALTH SYSTEM, INC.

LINE 7A: CHILDREN'S HEALTH SYSTEM, INC., THE SOLE MEMBER OF CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED, IS A VIRGINIA NON-STOCK NOT-FOR-PROFIT CORPORATION. PURSUANT TO SECTION 13.1-852.1 OF THE CODE OF VIRGINIA, CHILDREN'S HEALTH SYSTEM, INC., THE SOLE MEMBER OF CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED, MANAGES CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS. ACCORDINGLY, THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC. IS THE GOVERNING BODY FOR CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED. AS A VIRGINIA NON-STOCK CORPORATION, CHILDREN'S HEALTH SYSTEM, INC. HAS MEMBERS THAT ELECT THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC. THE MEMBERS OF CHILDREN'S HEALTH SYSTEM, INC. THAT ELECT THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC. ARE THE CLASS A MEMBERS OF CHILDREN'S HEALTH SYSTEM, INC. (I.E., THE THEN CURRENT MEMBERS IN GOOD STANDING OF THE NORFOLK CITY UNION OF THE KING'S DAUGHTERS, INC., A VIRGINIA NON-STOCK NOT-FOR-PROFIT CORPORATION) AND THE CLASS B MEMBERS OF CHILDREN'S HEALTH SYSTEM INC. (I.E., THE THEN CURRENT DIRECTORS ON THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC.).

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LINE7B: THE FOLLOWING DECISIONS OF THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC., WHICH IS THE GOVERNING BODY FOR CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED, ARE SUBJECT TO APPROVAL BY THE CLASS A AND CLASS B MEMBERS OF CHILDREN'S HEALTH SYSTEM, INC.: 1) ANY AMENDMENTS TO THE ARTICLES OF INCORPORATION OF THE CORPORATION; AND 2) ANY PROPOSED MERGER OR CONSOLIDATION OF THE CORPORATION, OR ANY SALE, LEASE, EXCHANGE, MORTGAGE, PLEDGE OR OTHER DISPOSITION OF ALL, OR SUBSTANTIALLY ALL, OF THE PROPERTY AND ASSETS OF THE CORPORATION.

LINE 11: THE 990 IS PREPARED USING THE ANNUAL FINANCIAL STATEMENTS THAT ARE REVIEWED BY THE BOARD AND AUDITED ANNUALLY AS A PART OF THE CONSOLIDATED FINANCIAL STATEMENTS OF CHILDREN'S HEALTH SYSTEM, INC. UPON COMPLETION OF THE DRAFT OF THE RETURN A DETAIL REVIEW IS PERFORMED BY SEVERAL MEMBERS OF STAFF AND MANAGEMENT. PRIOR TO FILING WITH THE IRS, THE BOARD IS PROVIDED A COPY TO REVIEW

POLICIES & DISCLOSURE ITEMS

990 PART VI SECTIONS B & C

CONFLICT POLICY CONSIDERATIONS:

CHKD CONFLICT OF INTEREST POLICY INCLUDES OFFICERS, MEMBERS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES, KEY EMPLOYEES, ALL OTHER EMPLOYEES, PROFESSIONAL STAFF AND SUBSTANTIAL DONORS. ANNUALLY, A QUESTIONNAIRE IS DISTRIBUTED AND COLLECTED FROM OFFICERS, MEMBERS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES AND KEY EMPLOYEES.

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THE QUESTIONNAIRES ARE REVIEWED BY THE LEGAL DEPARTMENT. FOR KNOWN CONFLICTS, THE PERSON INVOLVED RECUSES HIMSELF OR HERSELF FROM DELIBERATIONS REGARDING THE TRANSACTION. VIOLATIONS OF THE CONFLICTS OF INTEREST POLICY ARE REPORTED TO THE CHKD BOARD CHAIR OR THE CHKD COMPLIANCE OFFICER, AS APPLICABLE, AND MAY REQUIRE CORRECTIVE ACTION UP TO AND INCLUDING TERMINATION OF EMPLOYMENT.

COMPENSATION PROCESS CONSIDERATIONS:

CHILDREN'S HEALTH SYSTEM ESTABLISHES THE COMPENSATION OF THE CEO JAMES DAHLING. CHILDREN'S HEALTH SYSTEM AND CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS USE THE FOLLOWING PROCESS TO ESTABLISH COMPENSATION FOR OFFICERS AND KEY EMPLOYEES:

AN INDEPENDENT COMPENSATION CONSULTANT APPROVED AND RETAINED BY THE COMPENSATION COMMITTEE OF THE BOARD ANNUALLY, USUALLY IN APRIL, PROVIDES EDUCATION AND PRESENTS TO THE FULL BOARD COMPARATIVE SALARIES AND SALARY RANGES FROM A DATABASE COMPRISED OF CHILDREN'S HOSPITALS AND OTHER APPLICABLE HOSPITALS FOR OFFICERS & EXECUTIVES FOR THE BOARD TO REVIEW. THE COMPENSATION COMMITTEE WITH THE AID OF THE CONSULTANT REVIEWS AND MAKES DECISIONS AS TO EXECUTIVE SALARIES OF CHKD AND ITS SUBSIDIARIES. THOSE SALARY CHANGES AND APPROVALS ARE DOCUMENTED BY MINUTES MAINTAINED BY THE COMPENSATION COMMITTEE AND SIGNED BY THE CHAIRMAN OF THE BOARD.

Name of the organization: CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS

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PART VI, C, LINE 19:

FINANCIAL STATEMENTS (PART OF THE CONSOLIDATED FINANCIAL STATEMENTS OF CHILDREN'S HEALTH SYSTEM, INC.) ALONG WITH GOVERNING DOCUMENTS OF THE ORGANIZATION INCLUDING THE CONFLICT OF INTEREST POLICY ARE AVAILABLE TO THE PUBLIC THROUGH DIRECT INQUIRY AND REQUEST.

FORM 990, PART VII

THE FOLLOWING INDIVIDUALS WORK FOR MULTIPLE RELATED ORGANIZATIONS AS INDICATED BELOW:

MICHELLE BRENNER - 1 HOUR CHS AND 40 HOURS CMG

JIM DAHLING - 40 HOURS CHS AND 1 HOUR CHF

DENNIS RYAN - 40 HOURS CHS AND 1 HOUR CHF.

FORM 990, PART XI

OTHER CHANGES IN NET ASSETS IS MADE UP OF TRANSFERS OUT ($6,111,819), UNREALIZED LOSS ON INVESTMENTS ($1,412,989), UNREALIZED LOSS ON DERIVATIVE ($9,816,197) AND OTHER CHANGES OF ($585,355).

ATTACHMENT 1

990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTORS

NAME AND ADDRESS	DESCRIPTION OF SERVICES	COMPENSATION
CHILDRENS SPECIALTY GROUP PO BOX 11049 NORFOLK, VA 23517	MEDICAL/HEALTH CARE	10,182,377.
SYR, INC. 795 MONTICELLO AVE NORFOLK, VA 23510	MANAGEMENT FEES	796,176.

Name of the organization: CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS

Employer identification number: 54-0506321

ATTACHMENT 1 (CONT'D)

990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTORS

NAME AND ADDRESS	DESCRIPTION OF SERVICES	COMPENSATION
SODEXHO INC AND AFFILIATES PO BOX 536922 ATLANTA, GA 30353	FOOD SERVICES	2,124,466.
ALLIANCE IMAGING INC PO BOX 96485 CHICAGO, IL 60693	MEDICAL IMAGING SVCS	1,103,809.
MEDICAL CENTER RADIOLOGISTS 5544 GREENWICH ROAD, SUITE 200 VIRGINIA BEACH, VA 23462	RADIOLOGY SERVICES	897,352.
TOTAL COMPENSATION		15,104,180.

ATTACHMENT 2

FORM 990, PART VIII - EXCLUDED CONTRIBUTIONS

DESCRIPTION	AMOUNT
DAVID WRIGHT EVENT	113,395.
MINI GRAND PRIX	92,933.
TOTAL	206,328.

ATTACHMENT 3

FORM 990, PART VIII - FUNDRAISING EVENTS

DESCRIPTION	GROSS INCOME	DIRECT EXPENSES	NET INCOME
DAVID WRIGHT EVENT	55,125.	38,581.	16,544.
MINI GRAND PRIX		34,743.	-34,743.
TOTALS	55,125.	73,324.	-18,199.

SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) CHILDREN'S MEDICAL TOWER, LLC 45-2907147 601 CHILDREN'S LANE NORFOLK, VA 23507	LESSOR	VA	1,479,013.	21,535,736.	CHILDREN'S H
(2)					
(3)					
(4)					
(5)					
(6)					

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) CHILDREN'S HEALTH SYSTEM, INC. 54-1278830 601 CHILDREN'S LANE NORFOLK, VA 23507	HEALTHCARE	VA	501(C)(3)	11C	N/A		X
(2) CHILDREN'S HEALTH FOUNDATION, INC 54-1278865 601 CHILDREN'S LANE NORFOLK, VA 23507	FUNDRAISING	VA	501(C)(3)	11C	N/A		X
(3) NORFOLK CITY UNION OF THE KING'S DAUGHTE 54-1283946 601 CHILDREN'S LANE NORFOLK, VA 23507	CHARITY PROMO	VA	501(C)(3)	7	N/A		X
(4)							
(5)							
(6)							
(7)							

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1)												
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) CHILDREN'S SURGICAL SPECIALTY GROUP, INC 31-1610834 601 CHILDREN'S LANE NORFOLK, VA 23507	HEALTHCARE	VA	N/A	C CORP			
(2) CHILDREN'S MEDICAL GROUP, INC 54-1778786 601 CHILDREN'S LANE NORFOLK, VA 23507	HEALTHCARE	VA	N/A	C CORP			
(3) CMG OF NORTH CAROLINA, INC 56-1960102 601 CHILDREN'S LANE NORFOLK, VA 23507	HEALTHCARE	NC	N/A	C CORP			
(4) CHILDREN'S HEALTH SYSTEM INSURANCE, LTD 4TH FLOOR, 41 CEDAR AVENUE HM12	INSURANCE	BD	N/A	C CORP			
(5)							
(6)							
(7)							

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

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

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

	(a) Name of other organization	(b) Transaction type (a–r)	(c) Amount involved	(d) Method of determining amount involved
(1)	CHILDREN'S SPECIALTY SURGICAL GROUP, INC.	A, I	928,043.	BOOK VALUE
(2)	CHILDREN'S MEDICAL GROUP, INC.	A, I	445,428.	BOOK VALUE
(3)	CHILDREN'S HEALTH SYSTEM, INC.	O	10,795,682.	BOOK VALUE
(4)	CHILDREN'S HEALTH SYSTEM, INC.	E	492,508.	BOOK VALUE
(5)	NORFOLK CITY UNION OF THE KING'S DAUGHTERS	C	500,150.	BOOK VALUE
(6)	NORFOLK CITY UNION OF THE KING'S DAUGHTERS	N, I	226,196.	BOOK VALUE

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

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

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)	CMG OF NORTH CAROLINA, INC.	P	153,744.	BOOK VALUE
(2)	CHILDREN'S MEDICAL GROUP, INC.	P	2,696,191.	BOOK VALUE
(3)	CHILDREN'S SURGICAL SPECIALTY GROUP, INC.	B	1,945,068.	BOOK VALUE
(4)	CHILDREN'S HEALTH FOUNDATION, INC.	B, Q	1,916,751.	BOOK VALUE
(5)	CHILDREN'S SURGICAL SPECIALTY GROUP, INC.	B, Q	2,250,000.	BOOK VALUE
(6)	CHILDREN'S MEDICAL GROUP, INC.	D	574,280.	BOOK VALUE

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 section 512-514)	(e) Are all partners section 501(c)(3) organizations? Yes	(e) No	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1)													
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
(11)													
(12)													
(13)													
(14)													
(15)													
(16)													

Part VII Supplemental Information

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

Form **8868**
(Rev January 2012)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File an Exempt Organization Return

▶ File a separate application for each return.

OMB No 1545-1709

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

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

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

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

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

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

Enter filer's identifying number, see instructions

Type or print	Name of exempt organization or other filer, see instructions	Employer identification number (EIN) or
File by the due date for filing your return See instructions	CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS	[X] 54-0506321
	Number, street, and room or suite no If a P O box, see instructions 601 CHILDREN'S LANE	Social security number (SSN) [ ]
	City, town or post office, state, and ZIP code For a foreign address, see instructions NORFOLK, VA 23507	

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

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

- The books are in the care of ▶ DENNIS RYAN

Telephone No. ▶ 757 668-7000 FAX No ▶

- If the organization does not have an office or place of business in the United States, check this box . . . . . ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the whole group, check this box . . . . . ▶ [ ] . If it is for part of the group, check this box . . . . . ▶ [ ] and attach a list with the names and EINs of all members the extension is for.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until 02/15, 20 13, to file the exempt organization return for the organization named above The extension is for the organization's return for
▶ [ ] calendar year 20 ____ or
▶ [X] tax year beginning 07/01, 2011, and ending 06/30, 20 12.

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

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

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

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

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

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

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

Enter filer's identifying number, see instructions

Type or print

File by the due date for filing your return See instructions

Name of exempt organization or other filer, see instructions	Employer identification number (EIN) or
CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS	[X] 54-0506321
Number, street, and room or suite no If a P O box, see instructions	Social security number (SSN)
601 CHILDREN'S LANE	[ ]
City, town or post office, state, and ZIP code For a foreign address, see instructions	
NORFOLK, VA 23507	

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

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

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

- The books are in the care of ▶ DENNIS RYAN
  Telephone No ▶ 757 668-7000 FAX No ▶
- If the organization does not have an office or place of business in the United States, check this box . . . . . ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the whole group, check this box . . . . . ▶ [ ] . If it is for part of the group, check this box . . . . . ▶ [ ] and attach a list with the names and EINs of all members the extension is for

4 I request an additional 3-month extension of time until 05/15 , 20 13

5 For calendar year _____ , or other tax year beginning 07/01 , 20 11 , and ending 06/30 , 20 12

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

7 State in detail why you need the extension INFORMATION NECESSARY TO PREPARE A COMPLETE AND ACCURATE RETURN IS NOT YET AVAILABLE.

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

Signature and Verification must be completed for Part II only.

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

Signature ▶ [signature] Title ▶ CPA Date ▶ 2/12/13

KPMG

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Financial Statements and
Supplemental Schedules

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Table of Contents

KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

The Board of Directors
Children's Health System, Inc.:

We have audited the accompanying consolidated balance sheets of Children's Health System, Inc. and subsidiaries (the Health System) as of June 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Health System's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children's Health System, Inc. and subsidiaries as of June 30, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 18, 2012

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2012 and 2011

(Dollars in thousands)

Assets		2012	2011
Current assets:			
Cash and cash equivalents	$	37,185	34,480
Receivables, net		38,564	34,455
Pledges receivable, net		2,330	1,827
Supplies inventory		5,211	4,651
Prepaid expenses and other current assets		11,278	5,890
Total current assets		94,568	81,303
Pledges receivable, net		1,118	1,580
Investments and assets whose use is limited		221,867	213,657
Property, plant and equipment, net		179,613	161,795
Other assets, net		6,352	6,609
Total assets	$	503,518	464,944
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	13,904	9,795
Accrued expenses		20,484	22,861
Current installment of long-term debt		1,700	1,600
Total current liabilities		36,088	34,256
Long-term debt		74,700	76,400
Other long-term liabilities		40,674	26,697
Total liabilities		151,462	137,353
Net assets:			
Unrestricted		321,916	298,603
Temporarily restricted		8,783	8,866
Permanently restricted		21,357	20,122
Total net assets		352,056	327,591
Total liabilities and net assets	$	503,518	464,944

See accompanying notes to consolidated financial statements.

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2012 and 2011

(Dollars in thousands)

	2012	2011
Unrestricted operating revenues, gains, and other support:		
Net patient service revenue	$ 357,347	339,209
Other operating revenue	10,969	8,840
Net assets released from restrictions for operations	1,244	1,440
Total operating revenues, gains, and other support	369,560	349,489
Operating expenses:		
Salaries and employee benefits	204,486	193,826
Supplies	49,199	47,340
Purchased services	34,412	32,117
Other	30,066	31,080
Depreciation and amortization	18,458	16,198
Provision for bad debts	7,736	7,438
Interest expense	3,705	3,602
Research and development expense	775	1,002
Total operating expenses	348,837	332,603
Operating income	20,723	16,886
Nonoperating income:		
Contributions	8,845	9,217
Investment (loss) income, net	(4,090)	7,456
Net realized gains on sale of investments	5,411	5,043
Total nonoperating income	10,166	21,716
Excess of revenues over expenses	30,889	38,602
Net unrealized (losses) gains on investments	(5,093)	13,478
Other changes in pension liability	(2,638)	1,154
Net assets released from restrictions for capital acquisitions	740	654
Other changes	(585)	—
Increase in unrestricted net assets	23,313	53,888
Temporarily restricted net assets:		
Contributions	1,679	1,476
Endowment appreciation	461	1,343
Change in value of trusts	(711)	1,217
Net assets released from restrictions	(1,984)	(2,094)
Transfers	472	—
(Decrease) increase in temporarily restricted net assets	(83)	1,942
Permanently restricted net assets:		
Contributions	698	73
Change in value of trusts	424	31
Transfers	113	—
Increase in permanently restricted net assets	1,235	104
Increase in net assets	24,465	55,934
Net assets at beginning of year	327,591	271,657
Net assets at end of year	$ 352,056	327,591

See accompanying notes to consolidated financial statements.

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2012 and 2011

(Dollars in thousands)

	2012	2011
Cash flows from operating activities:		
Increase in net assets	$ 24,465	55,934
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for bad debts	7,736	7,438
Depreciation and amortization	18,458	16,198
Net realized and unrealized gains on investments	(318)	(19,558)
Change in fair value of derivative instruments	9,816	(2,328)
Loss on disposal of property, plant and equipment	11	308
Other changes in pension liability	2,638	(1,154)
Restricted contributions	(2,377)	(2,766)
Changes in:		
Receivables	(11,845)	(7,661)
Pledges receivable, net	(41)	1,137
Supplies inventory	(560)	(231)
Prepaid expenses and other current assets	(5,388)	8,261
Accounts payable	4,109	(3,250)
Accrued expenses	(2,377)	(153)
Other assets	197	(1,225)
Other long-term liabilities	1,523	1,923
Net cash provided by operating activities	46,047	52,873
Cash flows from investing activities:		
Proceeds from sales of investments and assets whose use is limited	58,358	16,770
Purchases of investments and assets whose use is limited	(66,250)	(49,104)
Proceeds from disposal of property, plant and equipment	11	104
Purchases of property, plant and equipment	(36,238)	(14,096)
Net cash used in investing activities	(44,119)	(46,326)
Cash flows from financing activities:		
Proceeds from borrowing on line of credit	10,000	—
Payment on bank line of credit	(10,000)	—
Payment on long-term debt	(1,600)	—
Restricted contributions received	2,377	2,766
Net cash provided by financing activities	777	2,766
Increase in cash and cash equivalents	2,705	9,313
Cash and cash equivalents at beginning of year	34,480	25,167
Cash and cash equivalents at end of year	$ 37,185	34,480
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 3,437	3,481

See accompanying notes to consolidated financial statements.

(1) Corporate Organization and Principles of Consolidation

(a) Corporate Organization

Children's Health System, Inc. (CHS or the Health System) is a nonstock, nonprofit Virginia corporation formed to coordinate, promote and plan for the provision of healthcare services, medical education, and healthcare-related educational development for the community. To fulfill its corporate purpose, CHS is the parent holding company of six controlled subsidiary corporations, Children's Hospital of The King's Daughters, Inc. (the Hospital), Children's Health Foundation, Inc. (the Foundation), Children's Medical Group, Inc. (CMG), CMG of North Carolina, Inc., a wholly owned subsidiary of CMG (CMG-NC), Children's Surgical Specialty Group, Inc. (CSSG) and Children's Health System Insurance Limited (CHSIL). CHS is the sole member of the Hospital and the Foundation and the sole shareholder of CMG, CSSG and CHSIL. As the sole member, or sole shareholder of these subsidiaries, CHS has those rights and powers prescribed by law and the rights and powers provided in the Articles of Incorporation and Bylaws of the subsidiaries, including the power to approve any alteration or amendment of the Articles of Incorporation and the Bylaws and the adoption of new bylaws.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of CHS and the following subsidiaries:

- The Hospital, a Virginia nonstock, nonprofit corporation, which provides a wide range of healthcare services for children. The Hospital provides inpatient and ambulatory care services across many pediatric specialties, including a high percentage of neonatal and pediatric intensive care services. It is Virginia's only free-standing, full-service pediatric hospital treating children from birth through age 21. The Hospital is not only a health care facility, but a teaching hospital licensed for 206 beds. Included in the financial statements of the Hospital is Children's Medical Tower, LLC (CMT), a single member LLC owned by the Hospital. CMT generates rental income through parking and leased spaces within a medical office building.
- The Foundation, a Virginia nonstock, nonprofit corporation, which was established to raise funds, manage investments and fund education, research and other programs for Children's Health System;
- CMG, a Virginia stock corporation, which owns and operates pediatric physician practices;
- CMG-NC, a North Carolina stock corporation, which owns and operates a pediatric physician practice in northeastern North Carolina;
- CSSG, a Virginia stock corporation, which owns and operates pediatric surgical subspecialty practices, including pediatric general surgery, pediatric urology, pediatric cardiac surgery, pediatric orthopedic surgery and sports and adolescent medicine, pediatric neurosurgery and pediatric plastic surgery; and

(Continued)

- CHSIL, a captive insurance company incorporated in Bermuda, which provides commercial general liability coverage for CHS and its subsidiaries and medical professional liability coverage for nonphysician practitioners employed by CHS and its subsidiaries.

All significant intercompany balances and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Healthcare Industry Reporting Practices

The financial statement presentation and significant accounting policies adopted by CHS conform to general practice within the healthcare industry, as published by the American Institute of Certified Public Accountants in its audit and accounting guide, *Health Care Organizations*.

(b) Net Patient Service Revenue

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

Payments to the Hospital are at amounts differing from its established rates. Payments are under the provisions of reimbursement arrangements in effect for each payor. A summary of the payment arrangements with major third-party payors follows:

Medicaid. Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates based on a blend of per patient day and per discharge payments. Inpatient nonacute services and certain outpatient services rendered to Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlements determined after submission of annual cost reports by the Hospital and audits thereof by Medicaid. The reports for all years through June 30, 2010 for Virginia Medicaid and June 30, 2004 for North Carolina Medicaid have been substantially resolved with the respective fiscal intermediary.

Anthem. Inpatient services rendered to Anthem subscribers are reimbursed at prospectively determined per diem rates and outpatient services are reimbursed at prospectively determined discounted rates. The amounts reimbursed are not subject to retroactive adjustment.

Optima Health Plan. Inpatient services are reimbursed on a rate per discharge basis. Outpatient services are reimbursed at prospectively determined discounted rates.

Tricare. Inpatient services are reimbursed based on a fixed amount per discharge, along with retrospectively determined amounts for capital and medical education costs.

Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. CHS believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the consolidated financial statements. Compliance with such laws and regulations is subject to government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicaid program.

CHS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because CHS does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue; however, the expenses incurred in providing these services are included in CHS' operating expenses.

(c) Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CHS and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of CHS and/or by the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that are required to be maintained in perpetuity by CHS.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Releases of temporarily restricted net assets used for operating purposes are included as unrestricted support in the period the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished. Releases of temporarily restricted net assets used for the purchase of long-lived assets are included as unrestricted support and are excluded from the excess of revenues over expenses.

(d) Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become substantially unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that are to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fund-raising activity. Similarly, unconditional promises to make contributions are recognized as expenses in the period the promise is made.

(e) Excess of Revenues over Expenses

The accompanying consolidated statements of operations and changes in net assets include excess of revenues over expenses (the performance indicator). Changes in unrestricted net assets, which are excluded from the performance indicator, consistent with industry practice, include unrealized gains or losses on investments other than trading securities, changes in pension liability and net assets released from restrictions for the purchase of property, plant and equipment.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash held in checking accounts, certificates of deposit and money market funds, with original maturities of three months or less.

(g) Receivables

Receivables are primarily comprised of patient receivables and are presented net of allowances for contractual adjustments and uncollectible receivables. The allowances for uncollectible receivables are $7,735 and $5,973 at June 30, 2012 and 2011, respectively, and represent management's best estimate of the amount of probable credit losses in CHS' existing receivables. CHS determines the allowance based on historical write-off experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. CHS does not have any off-balance-sheet credit exposure related to its customers.

(h) Supplies Inventory

Inventories, primarily medical supplies, are stated at the lower of cost (first-in, first-out) or market.

(i) Derivative Financial Instruments

CHS recognizes the fair value of derivative financial instruments, currently consisting of an interest rate swap agreement, as an asset or liability in the accompanying consolidated balance sheets. The change in the fair value of this instrument is included in investment income, net. Net cash settlement amounts are included in interest expense in the accompanying consolidated statements of operations and changes in net assets.

(j) Investments

All investments, except for the portion required for payment of current liabilities, are classified as noncurrent assets. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income (including realized gains and losses) is included in the performance indicator. Unrealized losses on investments due to other-than-temporary declines in value are considered realized with the cost basis of the underlying investments being reduced and the loss recognized in the performance indicator. Unrealized gains and losses on readily marketable investments are excluded from the performance indicator unless the investments are designated as trading securities.

Investments with losses of more than 25% of cost basis that has been in a loss position for more than nine months are deemed to be other-than-temporarily impaired.

CHS' investments include various types of investment securities and investment vehicles. These investments are exposed to several risks, such as interest rate, currency, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in estimated values will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Investments in hedge funds and real asset funds, included in investments, are accounted for under the equity method using net asset value. These amounts represent CHS' contribution to the investment plus or minus CHS' portion of the investment's gains and losses, which are allocated according to CHS' ownership percentage. Because of the inherent uncertainties in the valuation of nonreadily marketable investments, the carrying values of these investments could differ materially from the values that would have been used had a ready market for the investments existed. CHS' equity in the earnings of these investments is included in investment income, net in the accompanying statements of operations and changes in net assets.

(k) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Donated property, plant and equipment are recorded at fair market value at date of donation, which is then treated as cost. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized on the straight-line method over the shorter of the lease term or the estimated useful life. The estimated useful lives of each major class of depreciable assets are as follows:

Buildings and improvements	5 – 40 years
Leasehold improvements	2 – 20 years
Fixed equipment	2 – 30 years
Movable equipment	2 – 20 years

(Continued)

The carrying value of property, plant, and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value.

(l) Estimated Malpractice Costs

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

(m) Research and Development Costs

CHS expenses its research and development costs as incurred.

(n) Income Taxes

CHS, the Hospital and the Foundation have been recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code of 1986 (the Code) and as a public charity under Section 509(a) of the Code. CMG, CMG-NC and CSSG are taxable corporations.

CHS' for-profit subsidiaries have cumulative net operating loss carryforwards of approximately $80,000 through June 30, 2012 for income tax purposes, which expire in various years from 2013 through 2032. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. Due to historical losses of the for-profit subsidiaries, CHS has recorded a full valuation allowance against its net operating loss carryforwards in the accompanying consolidated financial statements.

CHSIL is incorporated in Bermuda and is generally not subject to income or capital gains taxes in the United States of America or Bermuda. Accordingly, no provision for income taxes is made in the accompanying consolidated financial statements for this entity.

CHS recognizes any benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. If applicable, the tax benefits recognized in the consolidated financial statements from such a position would be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. CHS does not believe its consolidated financial statements include any uncertain tax provisions.

(o) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant

(Continued)

(Dollars in thousands)

items subject to such estimates and assumptions include valuation allowances for receivables, self-insurance liabilities, third-party settlement liabilities, retirement obligations, tax asset valuation allowances, and the carrying amount of property, plant and equipment and investments.

(p) New or Recent Accounting Pronouncements

On July 1, 2011, the Health System adopted ASU 2010-23, *Measuring Charity Care for Disclosure,* which amends ASC Subtopic 954-605, *Health Care Entities – Revenue Recognition,* to require that cost be used as the measurement basis for charity care disclosure purposes. The method used to estimate such costs as well as any funds received to offset or subsidize charity services provided are required to be disclosed (note 3).

On July 1, 2011, the Health System adopted ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries.* ASU 2010-24 amends ASC Subtopic 054-450, *Health Care Entities – Contingencies,* to clarify that a health care entity should not net insurance recoveries against a related liability and the claim liability should be determined without consideration of insurance recoveries. The adoption of ASU 2010-24 did not have a material impact to the consolidated financial statements of the Health System.

In July 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-07, *Health Care Entities. Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities.* This ASU will change the Health System's presentation of provision for bad debts in the consolidated statements of operations and changes in net assets from operating expenses to a deduction from net patient service revenue. It also expands disclosures regarding policies for recognizing revenue, assessing contra revenue line items, and activity in the allowance for bad debts. The Health System will adopt this ASU in fiscal year 2013.

(3) Charity Care and Other Mission-Related Costs

CHS maintains detailed records to identify and monitor the level of charity care it provides to its patients. These records include the amount of charges foregone and estimated direct and indirect costs incurred for services furnished under its charity care policy. Costs incurred are estimated based on the ratio of certain operating expenses to gross charges applied to charity care charges. CHS received a temporarily restricted gift of $50 during 2011 to subsidize charity care services provided that was released from restriction during 2012. No such amounts were received during 2012. The following information measures the level of charity care provided during the years ended June 30:

		2012	2011
Charges foregone, based on established rates	$	5,368	3,894
Estimated costs incurred	$	2,024	1,473

As part of its mission, CHS continually underwrites much of the cost of training physicians and residents in its emergency rooms, clinics and inpatient facilities.

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(Dollars in thousands)

CHS has a long-standing commitment to providing free or low-cost outreach, educational and clinical programs as a benefit back to the community. Community benefit programs include full-service medical and psychosocial evaluative services for victims of abuse and neglect, special-needs car safety seat distribution, community-wide school-age field trips to CHS, programs tackling childhood obesity, parent education classes, a literacy program supplying books to children, numerous support groups and a multitude of associations and partnerships with community groups and agencies.

(4) Concentration of Credit Risk

Patient receivables and net patient service revenue consist of amounts earned for patient care whereby payments are made either directly or indirectly by patients or by third-party payors, including state (Medicaid) governments, Tricare and private insurance carriers. Services are generally provided without requiring collateral from patients or third-party payors. A breakdown of net patient accounts receivable of the Hospital by significant type of payor follows for the years ended June 30, 2012 and 2011:

	2012	2011
Medicaid	31%	29%
Tricare	11	13
Anthem (Blue Cross)	28	20
Optima Health Plan	9	16
All others (none more than 10%)	21	22
	100%	100%

(5) Pledges Receivable

As of June 30, 2012 and 2011, CHS contributors have made unrestricted written and oral unconditional promises to give of $4,007 and $4,288, respectively, to CHS. These amounts are recorded at net present value using discount rates of approximately 2.6% and 4.1% as of June 30, 2012 and 2011, respectively. CHS projects that contributors will remit these contributions as follows:

		2012	2011
Due within one year	$	2,330	1,827
Due within one to five years		1,648	2,334
Due after five years		29	127
Total pledges receivable		4,007	4,288
Less allowance for uncollectible pledges and discount		(559)	(881)
Pledges receivable, net	$	3,448	3,407

(Continued)

(Dollars in thousands)

(6) Investments and Assets Whose Use Is Limited

The composition of investments and assets whose use is limited at June 30, 2012 and 2011 was as follows:

	2012	2011
Investments:		
Fixed income mutual funds	$ 74,989	87,615
Equity mutual funds	62,209	48,952
Real asset funds	2,639	2,370
Hedge fund	9,163	9,318
Other	13,536	13,352
	162,536	161,607
Investments related to restricted net assets:		
Fixed income mutual funds	10,309	9,750
Equity mutual funds	5,678	5,627
Real asset funds	842	755
Hedge fund	2,901	2,950
Other	2,304	2,246
	22,034	21,328
Investments related to debt service:		
Cash	3,985	—
Board designated:		
Fixed income mutual funds	13,641	12,775
Equity mutual funds	14,821	13,170
Real asset funds	619	552
Hedge fund	2,414	2,454
Other	1,817	1,771
	33,312	30,722
Total investments	$ 221,867	213,657

Management continually reviews its investment portfolio and evaluates whether declines in the fair value of securities should be considered other than temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of advisors and the length of time and extent to which the fair value was less than cost. No losses were recognized for other-than-temporary declines in the fair market value of investments during the year ended June 30, 2012 or 2011.

(Continued)

(Dollars in thousands)

The following table shows the gross unrealized losses and fair value of the investments with unrealized losses that are deemed to be not other-than-temporarily impaired, aggregated by length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2012:

	Less than 12 months		12 months or greater	
	Fair value	Unrealized losses	Fair value	Unrealized losses
Fixed income mutual funds	$ 44,972	(558)	156	(44)
Equity mutual funds	17,554	(706)	16,229	(687)
Total	$ 62,526	(1,264)	16,385	(731)

The temporary declines in value of mutual funds are primarily due to market volatility and interest rate fluctuations.

Investment return is comprised of the following for the years ended June 30, 2012 and 2011:

	2012	2011
Nonoperating income:		
Investment income, net of related fees	$ 5,726	5,128
Change in fair value of derivative instruments	(9,816)	2,328
Equity in gains of alternative investments	177	1,608
Net realized gains on investment sales	5,234	3,435
	1,321	12,499
Other changes in unrestricted net assets:		
Net unrealized (losses) gains on investments	(5,093)	13,478
Changes in temporarily restricted net assets:		
Endowment appreciation	461	1,343
Total investment return	$ (3,311)	27,320

(7) Fair Value Measurements

The fair value of a financial instrument represents management's best estimate of the amount that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects CHS' own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by CHS based on the best information available in the circumstances.

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

Cash and cash equivalents, receivables, net, accounts payable and accrued expenses: The carrying amounts materially approximate fair value because of the short maturity of these instruments.

Pledges receivable, net: CHS values contributions receivable using the present value of future cash flows as described in note 5.

Investments and assets whose use is limited – Equity and Fixed Income Mutual Funds: Investments in this category are based on the market approach. Each fund is measured using daily net asset valuations at the reporting date.

Investments and assets whose use is limited – Hedge Funds and Real Asset Funds: Investments in these funds are generally valued at net asset value per share as provided by the external investment managers without further adjustment. Accordingly, such values may differ from values that would have been used had a ready market for the investments existed. The net asset values provided by the investment managers are monitored on a quarterly basis and the carrying value is adjusted based on CHS' percentage of ownership.

Debt: Debt is carried at the principal amount outstanding. The fair value of debt is presented in note 10. The fair value of variable rate debt approximates the carrying value because the financial instruments bear interest rates, which approximate current market rates for loans with similar maturities and credit quality.

Interest rate swaps: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and CHS.

ASC 820 establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

(Dollars in thousands)

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

The following table presents the balances of assets and liabilities measured at fair value in the consolidated balance sheet on a recurring basis as of June 30, 2012, by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds:				
Index funds	$ 47,348	—	—	47,348
Balanced funds	7,461	—	—	7,461
Growth funds	42,269	—	—	42,269
Fixed income funds	77,059	7,509	—	84,568
Other funds	17,657	—	—	17,657
Total	$ 191,794	7,509	—	199,303
Liabilities-				
Interest rate swap agreement	$ —	—	19,478	19,478

The following table presents the balances of assets and liabilities measured at fair value in the consolidated balance sheet on a recurring basis as of June 30, 2011, by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds:				
Index funds	$ 56,665	—	—	56,665
Balanced funds	5,590	—	—	5,590
Growth funds	33,544	—	—	33,544
Fixed income funds	75,118	6,969	—	82,087
Other funds	17,372	—	—	17,372
Total	$ 188,289	6,969	—	195,258
Liabilities-				
Interest rate swap agreement	$ —	—	9,662	9,662

(Continued)

(Dollars in thousands)

The following table summarizes changes in Level 3 liabilities:

		Interest rate swap agreement
Liabilities:		
Beginning balance as of July 1, 2011	$	9,662
Total losses included in:		
Change in net assets		9,816
Ending balance as of June 30, 2012	$	19,478
Net unrealized losses included in change in net assets for the period relating to assets held at June 30, 2012	$	(9,816)

A summary of hedge fund and real asset funds accounted for under the equity method included in investments in the accompanying June 30 consolidated balance sheets is as follows:

	Ownership percentage		2012	2011
Mercer Hedge Fund Investors Segregated Portfolio I	2.9%	$	14,479	14,722
Blackrock Diamond Property Fund	0.4		1,597	1,497
ING Clarion Partners Lion Value Fund	0.7		2,503	2,180
Total hedge fund and real asset funds		$	18,579	18,399

CHS' hedge fund and real asset funds are reported on the equity method based on the underlying net asset value of the investment. Due to the nature of the underlying investments held, changes in market conditions and the economic environment may significantly impact the investments' net asset value and the carrying value of CHS' interest.

These funds are redeemable quarterly at their net asset value under the current terms of the subscription agreements, and therefore, their carrying value approximates their estimated fair value. However, it is possible that these redemption rights may be restricted or eliminated by the funds in accordance with the underlying agreements in the future.

During April 2012, investors approved the dissolution of the ING Clarion Partners Lion Value Fund pursuant to the underlying agreement, which resulted in the fund being closed to new investors and restricting redemptions by current investors. The liquidation of the assets of the fund is expected to take place through 2016 with distributions made to investors on a pro rata ownership basis.

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(Dollars in thousands)

(8) Derivative Instruments

CHS has only limited involvement with derivative financial instruments and does not use them for trading purposes. In October 2005, CHS entered into an interest rate swap agreement having a notional amount of $78,000 to reduce interest rate risk on the variable rate Revenue and Refunding Bonds Series 2006 (Series 2006 Bonds). Under terms of the swap agreement, CHS receives amounts based upon 64% of the one-month LIBOR (approximately 0.15% and 0.12% at June 30, 2012 and 2011, respectively) and makes payments at 3.39% and settles with the counterparty on a monthly basis. The swap agreement carries a 30-year term, and the agreement provides that the notional amount will be reduced in the same amount, and at the same time, the principal of the Series 2006 Bonds is scheduled to be paid upon redemption or at maturity. The net cash settlement amounts incurred on the swap agreement totaled approximately $2,498 and $2,517 for the years ended June 30, 2012 and 2011, respectively, and are included in interest expense in the accompanying consolidated statements of operations and changes in net assets.

The fair value of the interest rate swap agreement is the estimated amount that CHS would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparty. The fair value of the interest rate swap agreement at June 30, 2012 and 2011 was a liability of $19,478 and $9,662, respectively, and is included in other liabilities in the accompanying consolidated balance sheets. The changes in the fair market value of the interest rate swap agreement for the years ended June 30, 2012 and 2011 was a (decrease) increase of ($9,816) and $2,328, respectively, and are included in investment income, net in the accompanying consolidated statements of operations and changes in net assets. CHS is exposed to credit loss in the event of nonperformance by the swap counterparty. CHS monitors the credit standing of its counterparty.

(9) Property, Plant and Equipment

Property, plant and equipment as of June 30, 2012 and 2011 are summarized as follows:

	2012	2011
Land	$ 20,863	7,845
Land improvements	248	243
Buildings and leasehold improvements	174,063	162,049
Fixed equipment	16,622	16,065
Movable equipment	123,366	113,858
	335,162	300,060
Less accumulated depreciation and amortization	163,628	145,522
	171,534	154,538
Construction in progress	8,079	7,257
	$ 179,613	161,795

(Continued)

(Dollars in thousands)

Depreciation expense for the years ended June 30, 2012 and 2011 totaled $18,398 and $16,138, respectively. At June 30, 2012 and 2011, accumulated depreciation for assets acquired under capital lease was $1,043 and $722, respectively.

At June 30, 2012, the estimated cost to complete projects under construction approximated $17,967 and relate primarily to renovations and upgrades to the Hospital.

(10) Long-Term Debt

Long-term debt as of June 30, 2012 and 2011 is summarized as follows:

	2012	2011
Bonds payable:		
Hospital Revenue and Refunding Bonds Series 2006	$ 76,400	78,000

The fair value of all bonds at June 30, 2012 and 2011 was approximately $76,400 and $78,000, respectively.

The principal maturities of the bonds payable for each fiscal year ending June 30 are as follows:

	Bonds payable
2013	$ 1,700
2014	1,800
2015	1,900
2016	2,000
2017	2,100
Thereafter	66,900
	$ 76,400

On January 1, 2006, the Hospital issued Series 2006 Bonds in the amount of $78,000. The bonds bear interest at a variable weekly rate based on the remarketing of the bonds (approximately 0.36% and 0.09% at June 30, 2012 and 2011, respectively). The Series 2006 Bonds are repayable in annual installments ranging from $1,700 due January 1, 2013 to $4,400 due January 1, 2036.

A portion of the proceeds were used to finance the construction of a freestanding ambulatory surgery and multispecialty center in Virginia Beach, Virginia, the construction of a multispecialty center in Chesapeake, Virginia and the major renovation of the Hospital's surgery and outpatient clinic areas. The remaining proceeds were used to pay off the outstanding Series 1999 and Series 1993 Bonds and the term loans. The Series 2006 Bonds are collateralized by a letter of credit, which expires on December 15, 2012.

CHS' bonds are not secured by any security interest in or lien on any revenues or real or personal property owned by the Hospital or Foundation (the Obligated Group). The Master Trust Indenture places certain

(Dollars in thousands)

restrictions on the Obligated Group relative to operating ratios, incurrence of additional indebtedness and financial reporting requirements.

(11) Bank Line of Credit

At June 30, 2012 and 2011, CHS had an unsecured bank line of credit with no amount outstanding and could borrow a total of $20,000 on the line of credit with Bank of America, N.A., which expires on January 31, 2013. Interest on outstanding amounts accrues at the BBA LIBOR plus 0.45%.

(12) Pension Plan

CHS maintains an unfunded supplemental executive retirement plan (the retirement plan) for certain executives. The benefits of the retirement plan are based on years of service and the executive's compensation during the last five years of employment. In 2012 and 2011, pension expense of $1,961 and $2,008, respectively, was recorded as operating expense. CHS does not expect to contribute any amount to this plan in fiscal year 2013 to cover benefit payments.

No pension benefits are expected to be paid in either 2013 or 2014. Pension benefits expected to be paid in each year from 2015 to 2017 are $823, $656 and $1,511, respectively. The aggregate benefits expected to be paid in the five years from 2018 to 2022 are $12,356. The expected benefits to be paid are based on the same assumptions used to measure CHS' benefit obligation at June 30 and include estimated future employee service. CHS pays all benefits on a current basis.

Benefit obligations of the plan are included as other long-term liabilities in the consolidated balance sheets. The following table provides a reconciliation of the changes in the retirement plan's benefit obligation for the years ended June 30:

		2012	2011
Reconciliation of benefit obligation:			
Benefit obligation at July 1	$	10,934	10,233
Service cost		1,013	1,046
Interest cost		574	504
Actuarial loss (gain)		3,012	(695)
Benefit payments		—	(154)
Benefit obligation at June 30	$	15,533	10,934

(Continued)

(Dollars in thousands)

The following table provides the components of net periodic benefit cost for the retirement plan for the years ended June 30:

		2012	2011
Service cost	$	1,013	1,046
Interest cost		574	504
Prior service cost recognized		257	257
Recognized losses		117	201
Net periodic pension cost	$	1,961	2,008

The amounts included in unrestricted net assets that have yet to be recognized in net periodic benefit expense as of June 30, 2012 are as follows:

Prior service	$	898
Accumulated loss		5,032
	$	5,930

The net loss and prior service credit for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $435 and $257, respectively.

Unrecognized prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the benefit obligation are amortized over the average remaining service period of active participants.

The assumptions used in the measurement of CHS' benefit obligation and benefit cost as of June 30 are shown in the following table:

	2012	2011
Discount rate	3.75%	5.25%
Rate of compensation increase	5.00	5.00

CHS maintains two tax-exempt, defined contribution plans, which cover substantially all employees of the Hospital and certain subsidiaries of CHS. Employees become eligible for the plans after completing one year of service and may elect to make annual plan contributions in one plan subject to Internal Revenue Service limitations. CHS matches one-half of each employee's contribution to one of the plans; however, the matching contribution cannot exceed 3% of the employee's income. CHS contributes an additional 1% to every employee's account in the other plan. CHS' total expenses under these plans were $4,122 and $3,610 for the years ended June 30, 2012 and 2011, respectively.

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CHS also maintains a Director's Nonqualified Deferred Annuity Plan. This defined contribution plan is available to full-time directors and certain employees designated by CHS. Eligible participants must complete three years of service as a full-time director. Compensation expense of $795 and $764 was recorded for the plan for the years ended June 30, 2012 and 2011, respectively. There were no liabilities recorded as of June 30, 2012 and 2011 related to this plan.

(13) Commitments and Contingencies

(a) Malpractice Insurance

The Hospital's malpractice insurance is obtained through CHS' wholly owned captive insurance company, CHSIL. CHSIL is in compliance with minimum statutory capital requirements pursuant to its license as of June 30, 2012 and 2011. Under the terms of the Hospital's malpractice policy, coverage is subject to annual limits of $250 per occurrence and $1,000 in the aggregate.

CHS maintains a separate malpractice insurance policy for its physicians. The policy is on a claims-made basis. CHS is insured for losses up to $2,000 per claim and $4,000 in the aggregate. Should CHS not renew its policy or replace it with equivalent insurance, occurrences during its term but asserted after its term will be uninsured unless CHS obtains tail coverage. CHS management believes that the accompanying consolidated financial statements will not be materially affected by retrospective adjustments or the ultimate cost related to unasserted claims, if any, at June 30, 2012.

CHS also maintains a primary, secondary and third layer excess general and professional liability umbrella policies through Homeland Insurance Company of New York, Darwin and Lloyds of London, which are each subject to annual limits of $10,000 per occurrence and in the aggregate.

(b) Litigation

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.

(c) 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 Health System is in compliance with fraud and abuse and other applicable government laws and regulations.

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(Dollars in thousands)

(d) Minimum Lease Payments

Several of the subsidiaries of CHS have entered into operating leases for office space and equipment. Rental expense for the years ended June 30, 2012 and 2011 was $9,923 and $8,991, respectively, and is included in other operating expenses and purchased services in the accompanying consolidated statements of operations and changes in net assets.

The following is a schedule of future minimum lease payments expected to be paid in the following years ending June 30:

2013	$	8,358
2014		6,920
2015		4,893
2016		3,292
2017		2,648
Thereafter		4,513
	$	30,624

(14) Endowment Net Assets

CHS' endowments consist of approximately 160 individual funds established for a variety of purposes including both donor-restricted endowment funds and term endowments. The portion of a term endowment that must be maintained for a specified term is classified as temporarily restricted net assets. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

CHS has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act of 2007 (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, CHS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CHS in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, CHS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Health System and the donor-restricted endowment fund

(Continued)

(Dollars in thousands)

3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation or depreciation of investments
6. Other resources of the Health System
7. The investment policies of the Health System

Endowment net assets consist of the following at June 30, 2012:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	1,623	21,357	22,980

Endowment net assets consist of the following at June 30, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	887	20,122	21,009

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2011	$ —	887	20,122	21,009
Contributions	—	—	698	698
Investment gain and net appreciation	—	461	424	885
Appropriation of endowment assets for expenditure	—	(189)	—	(189)
Other	—	464	113	577
Endowment net assets, June 30, 2012	$ —	1,623	21,357	22,980

(Continued)

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2010	$ (1,280)	126	20,018	18,864
Contributions	—	—	73	73
Investment gain and net appreciation	1,280	1,343	31	2,654
Appropriation of endowment assets for expenditure	—	(582)	—	(582)
Endowment net assets, June 30, 2011	$ —	887	20,122	21,009

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires CHS to retain as a fund of perpetual duration. There were no deficiencies reported in unrestricted net assets as of June 30, 2012 and 2011.

Return Objectives and Risk Parameters

CHS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity or for a donor-specified period. CHS attempts to manage the endowments to provide long-term real returns that compare favorably with the returns of other endowments on a risk-adjusted basis. The long-term expected return equals 6.5%. The returns and risks are frequently measured against a comparable universe.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, CHS relies on a portfolio benchmark comprised of public market indices. At present, this policy benchmark is 60% equity, 10% real estate, and 30% fixed income. The strategic asset allocation is prudently diversified across asset classes and lies near the efficient frontier of portfolios that provide the highest expected return per unit of risk and the lowest risk per unit of expected return. CHS relies on the risk controls based on tolerance for volatility, but also to ensure adequate liquidity.

Spending Policy and How the Investment Objectives Relate to Spending Policy

CHS has a policy of appropriating for distribution each year a target of 5.0% or less of the endowment funds. In establishing this policy, CHS considered the expected return on its endowment. Accordingly, the Health System expects the current spending policy to allow the endowment to maintain its purchasing power by growing at a rate equal to planned spending and the underlying inflation rate. Additional real

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(Dollars in thousands)

growth will be provided through new gifts and any excess investment return. The endowment spending rate is monitored at each Foundation Board meeting and evaluated annually as part of the Health System's Operating Budget approval process. Donor spending restrictions accepted by the Health System shall be honored unless the donor consents or when a change is permitted by the gift instrument or applicable law.

(15) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2012 and 2011:

		2012	2011
Charitable remainder trusts	$	2,739	3,450
Community outreach		720	732
Research		447	206
Nursing education		328	145
Cancer program		197	110
Child abuse program		137	329
Satellite health centers		—	598
Various other specific purpose projects		4,215	3,296
	$	8,783	8,866

Permanently restricted net assets at June 30, 2012 and 2011 are restricted to:

		2012	2011
Investments to be held in perpetuity, the income from which is expendable to support:			
Healthcare services for the child abuse program	$	7,093	7,608
Healthcare services for cancer programs		1,483	1,467
Healthcare services for the neonatal intensive care unit		2,637	2,582
Healthcare services for pediatric research		1,999	1,999
Various other healthcare services		8,145	6,466
	$	21,357	20,122

(Continued)

(Dollars in thousands)

(16) Net Patient Service Revenue

Net patient service revenue is summarized as follows for the years ended June 30, 2012 and 2011:

		2012	2011
Gross patient service revenue	$	836,113	791,753
Deductions from gross patient service revenue:			
Contractual adjustments		(494,263)	(471,745)
Policy discounts		(10,923)	(8,660)
Total deductions from patient service revenue		(505,186)	(480,405)
Disproportionate share payments		26,420	27,861
Net patient service revenue	$	357,347	339,209

Net patient service revenue was (decreased) increased by approximately $(696) and $3,994 for the years ended June 30, 2012 and 2011, respectively, as a result of changes in estimates associated with settlements and other revisions to prior years for third-party settlement amounts. The estimated amounts due from third-party payors at June 30, 2012 and 2011 were approximately $3,936 and $2,345, respectively, and are included in prepaid expenses and other current assets in the accompanying consolidated balance sheets. The estimated amounts due to third-party payors at June 30, 2012 and 2011 were approximately $2,690 and $3,914, respectively, and are included in accrued expenses in the accompanying consolidated balance sheets.

Net patient service revenue for the Hospital includes payments for services provided to beneficiaries of various plans for the years ended June 30, 2012 and 2011, as follows:

		2012	2011
Virginia and North Carolina Medical Assistance Programs and Medicaid managed care plans (Medicaid)	$	106,191	109,083
Anthem Services, Inc. (Anthem)		65,755	56,120
Optima Health Plan		30,740	32,709
Tricare		33,870	26,447
All others		47,770	44,772
Net patient service revenue	$	284,326	269,131

Revenues from the Medicaid and Anthem programs accounted for approximately 37% and 23%, respectively, of the Hospital's net patient service revenue for the year ended June 30, 2012 (41% and 21%, respectively, for the year ended June 30, 2011).

(Continued)

(Dollars in thousands)

(17) Functional Expenses

CHS provides pediatric healthcare services to residents of the Hampton Roads area of Virginia and the surrounding areas. Expenses related to providing these services are classified as follows for the years ended June 30, 2012 and 2011:

	2012	2011
Healthcare services	$ 302,128	288,698
General and administrative	45,284	42,433
Fund-raising expense	1,424	1,472
	$ 348,836	332,603

(18) Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the 2012 consolidated financial statement presentation. The reclassifications had no effect on net assets or excess of revenues for the year ended June 30, 2011.

(19) Subsequent Events

On September 19, 2012, the Health System issued a Revenue and Refunding Bond (Series 2012 Bond) in the amount of $76,400. The bond was issued through the Virginia Small Business Financing Authority with PNC Bank, N.A. as the sole bond holder. The issuance of the Series 2012 Bond refunded and replaced the Series 2006 Bonds and removed the letter of credit backing those bonds. The Series 2012 Bond matures in 10 years and bears interest at a variable rate of 70% of one-month LIBOR, plus 1.10%.

The principal maturities of the bond payable for each fiscal year ending June 30 are as follows:

	Bonds payable
2013	$ 1,700
2014	1,800
2015	1,900
2016	2,000
2017	2,100
Thereafter	66,900
	$ 76,400

The Series 2012 Bond is repayable in annual installments ranging from $1,700 due January 1, 2013 to $54,700,000 due September 1, 2022.

CHS has evaluated subsequent events for potential recognition and/or disclosure through October 18, 2012, the date of issuance of these consolidated financial statements.

Schedule 1

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2012

(Dollars in thousands)

Assets	Children's Hospital of The King's Daughters, Inc.	Children's Health Foundation, Inc.	Children's Surgical Specialty Group, Inc.	Children's Medical Group, Inc.	Children's Health System, Inc.	Children's Health System Insurance Limited	Eliminations	Consolidated
Current assets								
Cash and cash equivalents	$ 21,987	5,762	200	3,097	2,501	3,638	—	37,185
Receivables, net	34,593	—	1,222	2,749	—	—	—	38,564
Pledges receivable, net	2,330	—	—	—	—	—	—	2,330
Supplies inventory	5,211	—	—	—	—	—	—	5,211
Intercompany receivable	157	—	—	590	488	—	(1,235)	—
Prepaid expenses and other current assets	9,281	49	489	942	511	6	—	11,278
Total current assets	73,559	5,811	1,911	7,378	3,500	3,644	(1,235)	94,568
Pledges receivable, net	1,118	—	—	—	—	—	—	1,118
Investments and assets whose use is limited	92,856	121,375	—	—	7,636	—	—	221,867
Property, plant and equipment, net	177,079	—	820	1,662	52	—	—	179,613
Other assets, net	4,069	—	67	2,059	157	—	—	6,352
Investments in subsidiaries	—	—	—	—	41,147	—	(41,147)	—
Total assets	$ 348,681	127,186	2,798	11,099	52,492	3 644	(42,382)	503,518

(Continued)

Schedule 1

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2012

(Dollars in thousands)

Liabilities and Net Assets	Children's Hospital of The King's Daughters, Inc.	Children's Health Foundation, Inc.	Children's Surgical Specialty Group, Inc.	Children's Medical Group, Inc.	Children's Health System, Inc.	Children's Health System Insurance Limited	Eliminations	Consolidated
Current liabilities								
Accounts payable	$ 10,921	60	59	2,028	784	52	—	13,904
Accrued expenses	14,381	—	557	3,936	473	1,137	—	20,484
Intercompany liability	35	15	1,185	—	—	—	(1,235)	—
Current installment of long-term debt	1,700	—	—	—	—	—	—	1,700
Total current liabilities	27,037	75	1,801	5,964	1,257	1,189	(1,235)	36,088
Long-term debt	74,700	—	—	—	—	—	—	74,700
Other long-term liabilities	21,543	—	642	1,280	17,209	—	—	40,674
Total liabilities	123,280	75	2,443	7,244	18,466	1,189	(1,235)	151,462
Net assets								
Common stock	—	—	13,850	27,047	—	250	(41,147)	—
Unrestricted net assets and retained deficit	195,261	127,111	(13,495)	(23,192)	34,026	2,205	—	321,916
Temporarily restricted	8,783	—	—	—	—	—	—	8,783
Permanently restricted	21,357	—	—	—	—	—	—	21,357
Total net assets	225,401	127,111	355	3,855	34,026	2,455	(41,147)	352,056
Total liabilities and net assets	$ 348,681	127,186	2,798	11,099	52,492	3,644	(42,382)	503,518

See accompanying independent auditors' report

Schedule 2

CHILDREN'S HEALTH SYSTEM, INC AND SUBSIDIARIES

Consolidating Statement of Operations and Changes in Unrestricted Net Assets Information

Year ended June 30, 2012

(Dollars in thousands)

	Children's Hospital of The King's Daughters, Inc	Children's Health Foundation, Inc	Children's Surgical Specialty Group, Inc	Children's Medical Group, Inc	Children's Health System, Inc	Children's Health System Insurance Limited	Eliminations	Consolidated
Operating revenues, gains, and other support								
Net patient service revenue	$ 284,326	—	12,470	60,558	—	—	(7)	357,347
Other operating revenue	13,519	87	1,219	2,282	10,979	681	(17,798)	10,969
Net assets released from restrictions	1,244	—	—	—	—	—	—	1,244
Total operating revenues, gains, and other support	299,089	87	13,689	62,840	10,979	681	(17,805)	369,560
Operating expenses								
Salaries and employee benefits	138,806	—	15,855	42,212	7,613	—	—	204,486
Supplies	38,639	—	359	10,167	34	—	—	49,199
Purchased services	31,445	—	633	1,865	672	—	(203)	34,412
Other	24,633	197	1,378	4,659	2,642	513	(3,956)	30,066
Depreciation and amortization	17,811	—	144	485	18	—	—	18,458
Provision for bad debts	7,024	—	409	303	—	—	—	7,736
Interest expense	3,705	—	—	—	—	—	—	3,705
Research and development expense	—	775	—	—	—	—	—	775
Corporate support allocation	10,303	—	493	2,850	—	—	(13,646)	—
Total operating expenses	272,366	972	19,271	62,541	10,979	513	(17,805)	348,837
Operating income (loss)	26,723	(885)	(5,582)	299	—	168	—	20,723
Contributions	8,845	—	—	—	—	—	—	8,845
Investment (loss) income, net	(7,517)	3,289	—	—	138	—	—	(4,090)
Net realized gains on sales of investments	1,773	3,638	—	—	—	—	—	5,411
Excess (deficiency) of revenues over expenses	29,824	6,042	(5,582)	299	138	168	—	30,889
Transfers	(6,112)	1,917	4,698	—	(503)	—	—	—
Net unrealized gains on investments	(1,412)	(3,974)	—	—	293	—	—	(5,093)
Other changes in pension liability	—	—	—	—	(2,638)	—	—	(2,638)
Net assets released from restrictions used for capital acquisitions	740	—	—	—	—	—	—	740
Other changes	(585)	—	—	—	—	—	—	(585)
Increase (decrease) in unrestricted net assets	$ 22,455	3,985	(884)	299	(2,710)	168	—	23,313

See accompanying independent auditors' report.