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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 06-30-2012

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

C Name of organization
RADY CHILDREN'S HOSPITAL - SAN DIEGO

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
3020 Childrens Way MC 5133

City or town, state or country, and ZIP + 4
San Diego, CA 921234282

D Employer identification number
95-1691313

E Telephone number
(858)966-5824

G Gross receipts $ 882,690,121

F Name and address of principal officer
Kathleen dooley Sellick
3020 Childrens Way MC 5133
San Diego,CA 921234282

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

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

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J **Website: ▶** www rchsd org

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

L Year of formation 1954

M State of legal domicile CA

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
The Hospital provides comprehensive pediatric medical services in San Diego, Southern Riverside, and Imperial Counties

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	18
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	18
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	4,151
6	Total number of volunteers (estimate if necessary)	6	500
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	376,802
b	Net unrelated business taxable income from Form 990-T, line 34	7b	-76,306

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	168,997,202	153,359,580
	9	Program service revenue (Part VIII, line 2g)	564,134,128	595,525,825
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	15,874,650	13,783,698
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	7,640,768	7,291,687
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	756,646,748	769,960,790
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	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)	300,681,738	298,452,862
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶212,361		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	359,815,280	361,731,376
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	660,497,018	660,184,238
	19	Revenue less expenses Subtract line 18 from line 12	96,149,730	109,776,552

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	1,109,213,440	1,235,958,112
	21	Total liabilities (Part X, line 26)	561,067,490	681,730,466
	22	Net assets or fund balances Subtract line 21 from line 20	548,145,950	554,227,646

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 2013-05-13

▶ ROGER ROUX CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ▶ ☐	Preparer's taxpayer identification number (see instructions)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ KPMG LLP 355 S GRAND AVESUITE 2000 LOS ANGELES, CA 90071			EIN ▶ Phone no ▶ (408) 367-5764

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

Part III **Statement of Program Service Accomplishments**

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

1 Briefly describe the organization's mission

TO RESTORE, SUSTAIN AND ENHANCE THE HEALTH AND DEVELOPMENTAL POTENTIAL OF CHILDREN THROUGH EXCELLENCE IN CARE, EDUCATION, RESEARCH AND ADVOCACY

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 $ 484,943,411 including grants of $) (Revenue $ 595,525,825)

Rady Children's Hospital San Diego (the Hospital) is a regional tertiary and quaternary referral center and provides comprehensive inpatient and outpatient acute and intensive care pediatric services The Hospital also is the sole pediatric provider and designated pediatric trauma center for San Diego County and is the primary source of pediatric and neonatal intensive care services for both San Diego and Imperial Counties On its main campus the Hospital operates the only level 3C full scope neonatal intensive care unit in San Diego County In addition, the Hospital operates two level 2 neonatal intensive care units for Scripps Health located in La Jolla and Encinitas, an 11-bed pediatric medical unit for Sharp Health located at its Sharp Grossmont Campus, and two units for palomar pomerado health, a 17-bed pediatric medical unit and a 12-bed neonatal itensive care unit, both located at palomar medical center in escondido The Hospital is amalgamated with the University of California, San Diego, Health Sciences, and serves as a center for graduate and post-graduate education in the field of pediatrics Annually, the Hospital has approximately 16,000 inpatient admissions and approximately 350,000 visits per year in its outpatient departments Additionally, the emergency department and urgent care centers provide approximately 68,000 and 39,000 visits, respectively, per year

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** ▶$ 484,943,411

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

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

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

					Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	804			
b	Enter the number of Forms W-2G included in line 1a *Enter -0- if not applicable*	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	4,151			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			13a		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the aggregate amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*			14b		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a 18			
b	Enter the number of voting members included in line 1a, above, who are independent	1b 18			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		No
6	Did the organization have members or stockholders?		6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

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

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

☐ Own website ☐ Another's website ☑ Upon request

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

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

ROGER ROUX
3020 CHILDRENS WAY MC 5133
San Diego, CA 921234282
(858) 966-5824

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

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

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position: Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
See Additional Data Table										

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	7,055,097	0	2,524,778

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 ▶585

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
CHILDREN'S SPECIALISTS OF SAN DIEGO 3860 CALLE FORTUNADA SUITE 210 SAN DIEGO, CA 92123	MEDICAL SERVICES	75,600,235
SHARP HEALTH PLAN 4305 UNIVERSITY AVE SUITE 200 LOS ANGELES, CA 92614	Medical Insurance	16,297,877
AMN Healthcare 12400 HIGH BLUFF DR SAN DIEGO, CA 92130	Temp Staffing svcs	11,985,485
SCRIPPS MEMORIAL - LA JOLLA 4275 CAMPUS POINT CT CP-1 SAN DIEGO, CA 92121	JV DISTRIB/CLAIM PMT	5,625,297
QUEST DIAGNOSTICS NICHOLS 33608 ORTEGA HWY SAN JUAN CAPISTRANO, CA 92675	Medical Services	1,911,073

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶90

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . .	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations . . .	1d 15,276,475				
	e Government grants (contributions)	1e 136,894,215				
	f All other contributions, gifts, grants, and similar amounts not included above	1f 1,188,890				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . ▶		153,359,580			
Program Service Revenue		Business Code				
	2a INPATIENT AND OUTPATIENT REVENUE	621400	488,581,228	488,581,228		
	b CAPITATED CONTRACT REVENUE	623000	62,042,898	62,042,898		
	c HOME AND HEALTH ASSOCIATION	621610	23,283,570	23,283,570		
	d CHILDREN'S CONVALESCENT HOSPTIAL	623000	6,859,053	6,859,053		
	e OUTPATIENT PHARMACEUTICAL	446110	8,117,345	8,117,345		
	f All other program service revenue		6,641,731	6,641,731		
	g **Total.** Add lines 2a–2f . . . . ▶		595,525,825			
Other Revenue	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		7,427,503			7,427,503
	4 Income from investment of tax-exempt bond proceeds . . ▶		0			
	5 Royalties . . . . ▶		0			
		(i) Real / (ii) Personal				
	6a Gross rents	(i) 1,653,196				
	b Less rental expenses	(i) 0				
	c Rental income or (loss)	(i) 1,653,196				
	d Net rental income or (loss) . . . . ▶		1,653,196			1,653,196
		(i) Securities / (ii) Other				
	7a Gross amount from sales of assets other than inventory	(i) 119,085,526				
	b Less cost or other basis and sales expenses	(i) 112,729,331				
	c Gain or (loss)	(i) 6,356,195				
	d Net gain or (loss) . . . . ▶		6,356,195			6,356,195
	8a Gross income from fundraising events (not including $ of contributions reported on line 1c) See Part IV, line 18 . . . a					
	b Less direct expenses . . . b					
	c Net income or (loss) from fundraising events . . ▶		0			
	9a Gross income from gaming activities See Part IV, line 19 . . . a					
	b Less direct expenses . . . b					
	c Net income or (loss) from gaming activities . . . ▶		0			
	10a Gross sales of inventory, less returns and allowances . a					
	b Less cost of goods sold . . b					
	c Net income or (loss) from sales of inventory . . ▶		0			
	Miscellaneous Revenue	Business Code				
	11a PARKING REVENUE	812930	1,822,288			1,822,288
	b FOOD SERVICE REVENUE	722210	1,548,303			1,548,303
	c MANAGEMENT/INTERCOMPANY SERVICES	541900	1,192,461		365,515	826,946
	d All other revenue		1,075,439		11,287	1,064,152
	e **Total.** Add lines 11a–11d . . . . . ▶		5,638,491			
	12 **Total revenue.** See Instructions . . . ▶		769,960,790	595,525,825	376,802	20,698,583

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	5,285,160	272,338	4,800,461	212,361
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	238,007,930	184,303,727	53,704,203	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	11,412,604	7,985,057	3,427,547	
9	Other employee benefits	25,508,793	17,847,752	7,661,041	
10	Payroll taxes	18,238,375	12,760,844	5,477,531	
11	Fees for services (non-employees)				
a	Management	3,558,238	309,187	3,249,051	
b	Legal	876,579		876,579	
c	Accounting	576,627		576,627	
d	Lobbying	63,835		63,835	
e	Professional fundraising *See Part IV, line 17* . .	0			
f	Investment management fees	778,868		778,868	
g	Other	162,068,258	114,857,921	47,210,337	
12	Advertising and promotion	638,685	67,746	570,939	
13	Office expenses	2,400,584	885,167	1,515,417	
14	Information technology	1,276,041	183,063	1,092,978	
15	Royalties . .	0			
16	Occupancy	12,923,365	10,338,692	2,584,673	
17	Travel	840,944	624,547	216,397	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	207,446	114,499	92,947	
20	Interest	17,594,401	14,075,521	3,518,880	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	37,633,594	13,171,758	24,461,836	
23	Insurance	4,690,278	102,538	4,587,740	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	TAXES AND LICENSES	24,325,767	20,030,638	4,295,129	
b	BAD DEBT	9,447,724	9,447,724		
c	DUES AND SUBSCRIPTIONS	1,061,098	148,842	912,256	
d	MEDICAL SUPPLIES	69,092,077	65,947,958	3,144,119	
e					
f	All other expenses	11,676,967	11,467,892	209,075	
25	**Total functional expenses.** Add lines 1 through 24f	660,184,238	484,943,411	175,028,466	212,361
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

Section	Line	Description			(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing			47,499,444	1	18,365,024
	2	Savings and temporary cash investments			0	2	0
	3	Pledges and grants receivable, net			0	3	0
	4	Accounts receivable, net			80,002,490	4	154,051,033
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			50,000	5	50,000
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			0	6	0
	7	Notes and loans receivable, net			468,623	7	461,785
	8	Inventories for sale or use			6,786,307	8	6,151,565
	9	Prepaid expenses and deferred charges			11,990,568	9	3,800,165
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a	740,999,935			
	b	Less accumulated depreciation	10b	245,113,223	506,382,430	10c	495,886,712
	11	Investments—publicly traded securities			378,120,653	11	367,029,315
	12	Investments—other securities See Part IV, line 11			46,023,489	12	52,969,207
	13	Investments—program-related See Part IV, line 11			0	13	0
	14	Intangible assets			4,746,759	14	3,275,951
	15	Other assets See Part IV, line 11			27,142,677	15	133,917,355
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)			1,109,213,440	16	1,235,958,112
Liabilities	17	Accounts payable and accrued expenses			172,365,149	17	147,563,261
	18	Grants payable			0	18	0
	19	Deferred revenue			24,097,479	19	540,803
	20	Tax-exempt bond liabilities			311,538,039	20	408,441,248
	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			6,412,166	23	6,012,144
	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			46,654,657	25	119,173,010
	26	**Total liabilities.** Add lines 17 through 25			561,067,490	26	681,730,466
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**					
	27	Unrestricted net assets			490,152,543	27	497,846,929
	28	Temporarily restricted net assets			49,868,679	28	47,961,029
	29	Permanently restricted net assets			8,124,728	29	8,419,688
		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			548,145,950	33	554,227,646
	34	Total liabilities and net assets/fund balances			1,109,213,440	34	1,235,958,112

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	769,960,790
2	Total expenses (must equal Part IX, column (A), line 25)	2	660,184,238
3	Revenue less expenses Subtract line 2 from line 1	3	109,776,552
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	548,145,950
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-103,694,856
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	554,227,646

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
RADY CHILDREN'S HOSPITAL - SAN DIEGO

Employer identification number
95-1691313

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

16a **33 1/3% support test—2011.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

17a **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶☐

Part III **Support Schedule for Organizations Described in IRC 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

19a **33 1/3% support tests—2011.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

OMB No 1545-0047

2011

Open to Public Inspection

If the organization answered "Yes," to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then
- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes," to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then
- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then
- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization	Employer identification number
RADY CHILDREN'S HOSPITAL - SAN DIEGO	95-1691313

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

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

2 Political expenditures ▶ $

3 Volunteer hours

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		63,835
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			63,835
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV **Supplemental Information**

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

Identifier	Return Reference	Explanation
Schedule C, Part II-B, Line 1G		Paid outside consultants to increase and obtain funding for building development projects and to influence federal, state and local legislation as it affects Rady Children's Hospital's healthcare reimbursement and regulations

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
RADY CHILDREN'S HOSPITAL - SAN DIEGO

Employer identification number
95-1691313

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	49,723,607	42,252,279	37,093,561	51,130,326	
b Contributions	296,255	151,852	275,375	170,821	
c Investment earnings or losses	-222,291	9,243,544	6,593,869	-12,186,268	
d Grants or scholarships	0	0	0	0	
e Other expenditures for facilities and programs	1,667,699	1,799,491	1,603,715	1,874,174	
f Administrative expenses	93,045	124,576	106,811	147,144	
g End of year balance	48,036,827	49,723,608	42,252,279	37,093,561	

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

a Board designated or quasi-endowment ▶ 74 680 %

b Permanent endowment ▶ 20 910 %

c Term endowment ▶ 4 410 %

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		17,107,314		17,107,314
b Buildings		536,163,348	131,946,994	404,216,354
c Leasehold improvements		6,172,000	4,720,915	1,451,085
d Equipment		167,727,784	106,294,827	61,432,957
e Other		13,829,489	2,150,487	11,679,002
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				495,886,712

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

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

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

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

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

(a) Description	(b) Book value
(1) BOND INDENTURE AGREEMENTS	114,528,188
(2) RECEIVABLES FROM AFFILIATES	15,811,104
(3) EXECUTIVE COMPENSATION	328,471
(4) DEFERRED FINANCING COSTS	2,866,212
(5) ASSET DEPOSITS	383,380
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . ▶	133,917,355

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
PAYABLE TO BENEFICIARIES	172,121
INTEREST RATE SWAPS	80,150,112
DEFFERED COMPENSATION	941,951
MALPRACTICE IBNR	4,233,604
BENEFITS PAYABLE	14,485,064
SANFORD INVSTMNT OCEANSIDE BUI	2,948,673
SECURITY DEPOSITS	203,177
PENSION FUNDED STATUS	16,038,308
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	119,173,010

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

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

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

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule D, Part V, Line 4		Rady Children's board designated endowment funds support the highest and most urgent needs of the organization as determined by ItS Board of Trustees In addition, donor designated (or restricted) endowment funds support a wide range of Initiatives Identified by the donor

Additional Data

Software ID:
Software Version:
EIN: 95-1691313
Name: RADY CHILDREN'S HOSPITAL - SAN DIEGO

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

1 **(a)** Description of Liability	**(b)** Amount
PAYABLE TO BENEFICIARIES	172,121
INTEREST RATE SWAPS	80,150,112
DEFFERED COMPENSATION	941,951
MALPRACTICE IBNR	4,233,604
BENEFITS PAYABLE	14,485,064
SANFORD INVSTMNT OCEANSIDE BUI	2,948,673
SECURITY DEPOSITS	203,177
PENSION FUNDED STATUS	16,038,308

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
RADY CHILDREN'S HOSPITAL - SAN DIEGO

Employer identification number
95-1691313

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care	3a	Yes	
	☐ 100% ☐ 150% ☐ 200% ☑ Other 250. %			
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 450. %			
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a		No
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b		
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit reportduring the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			1,315,586		1,315,586	0 200 %
b Medicaid (from Worksheet 3, column a)			261,275,246	271,037,198	-9,761,952	1 500 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			58,811	48,612	10,199	
d **Total** Charity Care and Means-Tested Government Programs			262,649,643	271,085,810	-8,436,167	1 300 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	42		24,901,943	13,398,342	11,503,601	1 770 %
f Health professions education (from Worksheet 5)	11		12,410,896	4,945,657	7,465,239	1 150 %
g Subsidized health services (from Worksheet 6)	11		26,251,387	12,020,390	14,230,997	2 190 %
h Research (from Worksheet 7)	24		2,684,348		2,684,348	0 410 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)	2		42,500		42,500	0 010 %
j **Total** Other Benefits	90		66,291,074	30,364,389	35,926,685	5 530 %
k **Total.** Add lines 7d and 7j	90		328,940,717	301,450,199	27,490,518	4 230 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development	2		378,243		378,243	0 060 %
9 Other						
10 **Total**	2		378,243		378,243	0 060 %

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

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1		No
2	Enter the amount of the organization's bad debt expense . . . 2: 2,664,258			
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy . . . 3:			
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	1,618,539
6	Enter Medicare allowable costs of care relating to payments on line 5	6	2,903,152
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-1,284,613

8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

			Yes	No
9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes	

Part IV **Management Companies and Joint Ventures** (see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? **1**

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Rady Children's Hospital San Diego 3020 Childrens Way MC 5133 San Diego, CA 92123	X		X	X		X	X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: Rady Children's Hospital San Diego

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☐ A definition of the community served by the hospital facility b ☐ Demographics of the community c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☐ How data was obtained e ☐ The health needs of the community f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☐ The process for identifying and prioritizing community health needs and services to meet those needs h ☐ The process for consulting with persons representing the community's interests i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☐ Hospital facility's website b ☐ Available upon request from the hospital facility c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☐ Execution of the implementation strategy c ☐ Development of a community-wide community benefit plan for the facility d ☐ Participation in community-wide community benefit plan e ☐ Inclusion of a community benefit section in operational plans f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☐ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 250 % If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 450 % If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☑ Income level b ☐ Asset level c ☐ Medical indigency d ☑ Insurance status e ☐ Uninsured discount f ☑ Medicaid/Medicare g ☑ State regulation h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a ☑ The policy was posted at all times on the hospital facility's web site b ☑ The policy was attached to all billing invoices c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms d ☑ The policy was posted in the hospital facility's admissions offices e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility f ☑ The policy was available upon request g ☑ Other (describe in Part VI)			
	Billing and Collections			
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a ☐ Reporting to credit agency b ☐ Lawsuits c ☐ Liens on residences d ☐ Body attachments or arrests e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged a ☐ Reporting to credit agency b ☐ Lawsuits c ☐ Liens on residences d ☐ Body attachments e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a ☐ Notified patients of the financial assistance policy upon admission b ☐ Notified patients of the financial assistance policy prior to discharge c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V **Facility Information** *(continued)*

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

How many non-hospital facilities did the organization operate during the tax year? **19**

	Name and address	Type of Facility (Describe)
1	See Additional Data Table	
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

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

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
SCHEDULE H, PART I, LINE 7, COLUMN F		THE BAD DEBT EXPENSE INCLUDED IN FORM 990, PART IX, LINE 25 BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS $9,447,724 THE TOTAL EXPENSE USED FOR PURPOSES OF CALCULATING THE PERCENTAGES IN COLUMN (F) IS FORM 990, PART IX, LINE 25 ($659,405,370) LESS BAD DEBT EXPENSE PER FORM 990, PART IX, LINE 24B($9,447,724) FOR TOTAL ADJUSTED FUNCTIONAL EXPENSES OF $649,957,646 SCHEDULE H, PART I, LINE 7 The best available data was used to calculate the cost amounts reported in item 7 For certain categories, primarily charity care and means-tested government programs, the cost to charge ratio was calculated using Worksheet 2, Ratio of Patient Care Cost to Charges and applied to those categories In other categories, the best available data was derived from the hospital's detailed financial information SCHEDULE H, PART II, COMMUNITY BUILDING ACTIVITIES RADY CHILDREN'S CENTER FOR HEALTHIER COMMUNITIES PROVIDES THE FACES FOR THE FUTURE PROGRAM AT A LOCAL HIGH SCHOOL THE FACES PROGRAM IS A YOUTH AND FUTURE HEALTHCARE WORKFORCE DEVELOPMENT PROGRAM THAT PREPARES UNDERREPRESENTED, ETHNICALLY DIVERSE YOUTH FOR CAREERS IN ALL AREAS OF THE HEALTH PROFESSIONS THE PROGRAM ALSO AIMS TO ASSIST LOCAL PUBLIC SCHOOLS IN MOTIVATING AND PREPARING UNDERREPRESENTED HIGH SCHOOL STUDENTS FOR ENTRY INTO COLLEGE, HEALTHCARE/RESEARCH CAREERS AND OTHER VIABLE EMPLOYMENT OPPORTUNITIES IN THE HEALTHCARE INDUSTRY THE PARTICIPATING STUDENTS ROTATE THROUGH CLINICAL DEPARTMENTS AT RADY CHILDREN'S HOSPITAL - SAN DIEGO AND RECEIVE MENTORSHIP

Identifier	ReturnReference	Explanation
SCHEDULE H, PART III, LINE 4		In July 2011, the FASB issued ASU No 2011-07, Health Care Entities, (topic 954), presentation and disclosure of patient service revenue, provision for bad debts, and the allowance for doubtful accounts for certain health care entities (ASU 2011-07) ASU 2011-07 requires certain health care entities to change the presentation of the provision for bad debts associated with patient service revenue by reclassifying the provision from operating expenses to a deduction from net patient service revenue and requires enhanced disclosures about net patient revenue and the policies for recognizing revenue and assessing bad debts RCHSD early adopted ASU 2011-07 for the year ended June 30, 2012, and the adoption of this guidance did not impact the financial condition, results of operations, or cash flows, however, it changed the presentation of revenue on its statements of operations and changes in net assets and resulted in additional disclosures describing policies for recognizing revenue and assessing bad debt and how they affect recorded revenue in the financial statements RCHSD records its provision for bad debts based upon the historical experience, as well as collection trends for major payor types

Identifier	ReturnReference	Explanation
SCHEDULE H, PART III, LINE 9B		IN ITS BILLING AND COLLECTION ACTIVITY, RADY CHILDREN'S HOSPITAL - SAN DIEGO TREATS ALL PATIENTS AND PATIENT FAMILIES OR REPRESENTATIVES WITH FAIRNESS, DIGNITY AND RESPECT RCHSD DOES NOT UTILIZE WAGE GARNISHMENTS, LIENS ON A PATIENT'S PRIMARY RESIDENCE, OR BODY ATTACHMENTS IN ITS COLLECTION ACTIVITIES RCHSD ONLY UTILIZES THOSE OUTSIDE OR THIRD PARTY COLLECTION AGENCIES THAT AGREE TO COMPLY WITH APPLICABLE STATE AND FEDERAL LAWS AND WITH RCHSD POLICIES, AND RCHSD DEBT COLLECTION STANDARDS AND PRACTICES IN DETERMINING THE DEBT THAT RCHSD SEEKS TO RECOVER, RCHSD WILL CONSIDER ONLY THE INCOME AND CERTAIN MONETARY ASSETS OF THE PATIENT/GUARANTOR ELIGIBLE FOR THE RCHSD FINANCIAL ASSISTANCE PROGRAM IN MAKING THIS DETERMINATION, RCHSD WILL NOT CONSIDER RETIREMENT OR DEFERRED COMPENSATION PLANS (EITHER QUALIFIED OR NON-QUALIFIED UNDER THE INTERNAL REVENUE CODE), THE FIRST $10,000 OR THE REMAINING 50 PERCENT OF THE PATIENT/GUARANTOR'S MONETARY ASSETS RCHSD SHALL NOT SEND AN ACCOUNT TO A COLLECTION AGENCY IF THE PATIENT HAS A PENDING APPLICATION FOR THE RCHSD FINANCIAL ASSISTANCE PROGRAM OR GOVERNMENT-SPONSORED INSURANCE PROGRAM OR IS ATTEMPTING IN GOOD FAITH TO SETTLE AN OUTSTANDING BILL BY NEGOTIATING AN INTEREST FREE, EXTENDED PAYMENT PLAN OR BY MAKING REGULAR PARTIAL PAYMENTS OF A REASONABLE AMOUNT A "PENDING APPLICATION" IS DEFINED AS AN APPLICATION THAT HAS BEEN FULLY COMPLETED AND INCLUDES COPIES OF THE REQUIRED DOCUMENTATION BY THE PATIENT/GUARANTOR, SUBMITTED TO THE RELEVANT PUBLIC AGENCY IN THE CASE OF GOVERNMENT PROGRAMS AND TO RCHSD IN THE CASE OF THE RCHSD FINANCIAL ASSISTANCE PROGRAM IF A PATIENT ACCOUNT IS SENT TO COLLECTIONS AND IT IS DETERMINED THAT THE PATIENT IS ELIGIBLE FOR FINANCIAL ASSISTANCE, THE PATIENT ACCOUNT IS REMOVED FROM THE COLLECTION PROCESS AND THE FINANCIAL ASSISTANCE APPLICATION PROCESS IS IMPLEMENTED

Identifier	ReturnReference	Explanation
SCHEDULE H, PART V		Schedule h, part v, line 13g ALL LANGUAGE REGARDING THE POLICY IS COMMUNICATED TO PATIENTS VIA SIGNAGE IN ALL ADMITTING AREAS AT THE POINT OF REGISTRATION, ALL PATIENTS RECEIVE BR OCHURES EXPLAINING THE FACILITY'S financial assistance PROGRAM AND THE AVAILABILITY OF GOV ERNMENT SPONSORED PROGRAMS, ALL INITIAL STATEMENTS TO UNINSURED PATIENTS INCLUDES VERBIAGE INFORMING PATIENTS OF THE FACILITY'S financial assistance PROGRAM AND A COPY OF THE CHARI TY CARE APPLICATION A summary of the financial assistance policy is posted on the hospita l's website scheudle h, part v, line 20d The hospital determined, during the tax year, th e maximum amounts that can be charged to FAP eligible individuals for emergency or other m edically necessary care, based on Medi-Cal rates (AB 774) SCHEDULE H, PART VI, LINE 2 NEE DS ASSESSMENT RADY CHILDREN'S HOSPITAL - SAN DIEGO IS COMMITTED TO IMPROVE THE HEALTH STAT US OF THE COMMUNITY RCHSD IS A PARTICIPATING MEMBER OF THE COMMUNITY HEALTH IMPROVEMENT P ARTNERS (CHIP) COALITION IN SAN DIEGO CHIP IS A COLLABORATION OF HEALTHCARE SYSTEMS, HOSP ITALS, PHYSICIANS, COMMUNITY-BASED CLINICS AND THE COUNTY OF SAN DIEGO TO IMPROVE THE HEAL TH OF THE COMMUNITY RCHSD PARTICIPATES WITH CHIP IN A COUNTYWIDE HEALTH NEEDS ASSESSMENT EVERY THREE YEARS, WHICH IS IN COMPLIANCE WITH CALIFORNIA SB 697 IN ADDITION, THROUGH A M YRIAD OF COMMUNITY-BASED PROGRAMS, RCHSD ASSESSES VARIOUS PATIENT POPULATION NEEDS ON AN O NGOING BASIS BASED ON THE RESULTS OF THE TRIENNIAL SAN DIEGO COMMUNITY HEALTH NEEDS ASSES SMENT, AS WELL AS ONGOING ASSESSMENTS, RCHSD OFFERS A VARIETY OF PROGRAMS TO ADDRESS THE P HYSICAL, MENTAL AND SOCIAL HEALTH NEEDS OF CHILDREN SCHEDULE H, PART VI, LINE 3 PATIENT E DUCATION OF ELIGIBILITY FOR ASSISTANCE RCHSD PROVIDES WRITTEN INFORMATION ABOUT THE AVAILA BILITY OF THE RCHSD FINANCIAL ASSISTANCE PROGRAM, INCLUDING A BROCHURE THAT IS DISSEMINATE D THROUGHOUT OUR PATIENT CLINICS THIS INFORMATION IS PROVIDED AT PATIENT REGISTRATION, IN CLUDING PATIENT INFORMATIONAL MATERIALS, EMERGENCY DEPARTMENT, OUTPATIENT CLINICS, AND PAT IENT FINANCIAL SERVICES IN ADDITION, A STATEMENT REGARDING THE FINANCIAL ASSISTANCE PROGR AM IS INCLUDED ON PATIENT BILLING STATEMENTS WRITTEN NOTICE IS PROVIDED TO POTENTIALLY EL IGIBLE PATIENTS DURING THE REGISTRATION PROCESS OR AS SOON AS POSSIBLE THEREAFTER AND DURI NG THE BILLING PROCESS THIS INFORMATION IS PROVIDED IN ENGLISH AND SPANISH AND IS TRANSLA TED FOR PATIENTS/GUARANTORS WHO SPEAK OTHER LANGUAGES NOTIFICATION OF FINANCIAL ASSISTANC E DISCUSSES, AT A MINIMUM, THE FOLLOWING - IF A PATIENT MEETS CERTAIN INCOME REQUIREMENTS , THE PATIENT MAY BE ELIGIBLE FOR A GOVERnMENT-SPONSORED HEALTH INSURANCE PROGRAM OR THE R CHSD FINANCIAL ASSISTANCE PROGRAM - IDENTIFICATION OF RCHSD FINANCIAL COUNSELING - PATIEN T FINANCIAL SERVICES PHONE NUMBER WITH HOURS OF AVAILABILITY SO THAT PATIENTS MAY CALL TO OBTAIN FURTHER INFORMATION ABOUT THE FINANCIAL ASSISTANCE PROGRAM RADY CHILDREN'S PROVIDE S HEALTHCARE SUPPORT SERVICES TO THE COMMUNITY THROUGH THE FINANCIAL COUNSELING TEAM RADY CHILDREN'S FINANCIAL COUNSELORS PROACTIVELY EXPLORE AND ASSIST PATIENTS/GUARANTORS IN APP LYING FOR HEALTH INSURANCE COVERAGE FROM PUBLIC AND PRIVATE PAYMENT PROGRAMS - THE RCHSD WEBSITE PROVIDES INFORMATION ABOUT THE FINANCIAL ASSISTANCE PROGRAM, AND THE FINANCIAL ASS ISTANCE POLICY AND FINANCIAL ASSISTANCE PROGRAM APPLICATION ARE POSTED ON THE RCHSD WEBSIT E SCHEDULE H, PART VI, LINE 4 COMMUNITY INFORMATION There are approximately 775,000 child ren between the ages of infant to 17 that reside in San Diego County The median household income in 2011 was $62,771 and approximately 38 percent of families are considered low in come Rady Children's Hospital - San Diego has participated in a county-wide health needs assessment that occurs every three years through the Community Health Improvement Partners (CHIP) The most recent health needs assessment, funded in part by RCHSD, other local par ticipating hospital providers and community-based organizations, was completed in 2010 and published in March 2011 There were overarching health issues identified, which are belie ved to potentially impact all other health issues, of access to health services, social de terminants of health, public health infrastructure, and health communications and health i nformation technology In this assessment, health-related behaviors were identified as imp ortant components of long-term health and well-being and included current immunizations, m aintaining a healthy weight status and improving nutrition, smoking cessation, increasing physical activity, preventing substance abuse, maintaining oral health, and preventing vio lence and injury The report identified health outcomes of cancer, diabetes, heart disease and stroke, infectious diseases, maternal, infant and child health, mental health, and re spiratory diseases It was determined that the priority areas of focus to improve health a re health access and delivery of care, social dete

Identifier	ReturnReference	Explanation
SCHEDULE H, PART V		rminants of health, a combination of nutrition, weight status, physical activity and fitne ss, injury and violence prevention, and mental health treatment RADY CHILDREN'S HOSPITAL - SAN DIEGO IS A REGIONAL TERTIARY AND QUATERNARY REFERRAL CENTER AND THE LARGEST PROVIDER OF PEDIATRIC HOSPITAL SERVICES IN SAN DIEGO COUNTY RCHSD PROVIDES COMPREHENSIVE CARE AND TREATMENT TO CHILDREN RANGING IN AGE FROM NEWBORN THROUGH INDEPENDENT ADULTHOOD RCHSD IS THE SOLE PEDIATRIC LEVEL 1 TRAUMA CENTER SERVING SAN DIEGO AND IMPERIAL COUNTIES ALSO, R CHSD IS THE PEDIATRIC SAFETY NET HOSPITAL FOR THE REGION WITH A MEDI-CAL PAYOR MIX HOVERIN G OVER 50% RCHSD SERVES AS THE TEACHING HOSPITAL FOR THE SCHOOL OF MEDICINE AT THE UNIVER SITY OF CALIFORNIA, SAN DIEGO (UCSD) AND, IN 2001, RCHSD AND UCSD AMALGAMATED WHERE RCHSD BECAME THE PEDIATRIC PROVIDER OF INPATIENT AND OUTPATIENT MEDICAL AND SURGERY SERVICES AND CERTAIN OTHER CLINICAL SERVICES FOR UCSD PEDIATRIC PATIENTS THERE ARE THREE LARGE HEALTH SYSTEMS OPERATING IN SAN DIEGO, SHARP HEALTHCARE, SCRIPPS HEALTH AND KAISER PERMANENTE, A S WELL AS OTHER HOSPITAL PROVIDERS TO HELP CARE FOR PEDIATRIC PATIENTS, RCHSD COLLABORATE S WITH SHARP HEALTHCARE, SCRIPPS HEALTH AND PALOMAR POMERADO HEALTH THROUGH AFFILIATED PRO GRAM AGREEMENTS SCHEDULE H, PART VI, LINE 5 promotion of community health The Rady Childr en's Hospital and Health Center is governed by an 18-member Board of Trustees The majorit y of the organization's governing body is comprised of persons representing the San Diego community, who are neither employees nor contractors of the organization RCHSD extends me dical staff privileges to all qualified physicians in its community RCHSD applies its sur plus funds to support the highest and most urgent needs of the organization and the commun ity including improving patient care, providing support for our patients' families, resear ch, developmental services, mental health services, child abuse prevention and treatment s ervices, education programs, and purchasing state-of-the art equipment and technology to f urther enhance patient care RCHSD promotes the health of the community it serves through a variety of mechanisms The RCHSD Community Benefit Report for fiscal year 2012 (July 1, 2011 through June 30, 2012) provides detailed information on over 30 programs and related activities RCHSD conducts each year to improve patient's health status From providing fre e medical education training seminars to community-based physicians and other health provi ders, support groups, parent educational resource materials, pediatric research, to progra ms directed to improve the health needs of patients, RCHSD uses a multi-pronged approach t o provide benefit to the community SCHEDULE H, PART VI, LINE 7 RCHSD files a community be nefit report in the state of California

Additional Data

Software ID:
Software Version:
EIN: 95-1691313
Name: RADY CHILDREN'S HOSPITAL - SAN DIEGO

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility (list in order of size from largest to smallest) How many non-hospital facilities did the organization operate during the tax year? **19** Name and address	Type of Facility (Describe)
Chadwick Center for Children & Families 1261 Third Avenue Suite D Chula Vista, CA 91911	Trauma Counseling
Chadwick Center for Children & Families 1261 Third Avenue Suite D Chula Vista, CA 91911	Trauma Counseling
Chadwick Center for Children & Families 1261 Third Avenue Suite D Chula Vista, CA 91911	Trauma Counseling
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Chadwick Center for Children & Families 1261 Third Avenue Suite D Chula Vista, CA 91911	Trauma Counseling

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
RADY CHILDREN'S HOSPITAL - SAN DIEGO

Employer identification number
95-1691313

Part I Questions Regarding Compensation

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

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

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

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

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

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule J, Part I, Line 4b		Rady Children's Hospital and Health Center has established a non-qualified plan pursuant to 457(f) of the Internal Revenue Code The purpose of this plan is to incentivize Rady Children's Hospital - San Diego eligible senior management employees (President, Senior Vice Presidents, Vice Presidents, Senior Managing Directors) in recognition of the fact that they are required to devote significant amounts of time, skill and energy to the organization and to provide these individuals with additional deferral opportunities The amounts listed in Schedule J Part II, Column (C) are subject to substantial future service requirements to the organization and are subject to substantial risk of forfeiture Once vested and not otherwise deferred, the amounts under this plan are reported on Form W-2 as taxable compensation to the individual

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 95-1691313
Name: RADY CHILDREN'S HOSPITAL - SAN DIEGO

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation (i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation	(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
Mary J Fagan	(i)	244,665	18,151	12,755	109,932	789	386,292	1,712
	(ii)	0	0	0	0	0	0	0
kathleen dooley sellick	(i)	689,865	122,800	184,283	251,022	21,069	1,269,039	179,214
	(ii)	0	0	0	0	0	0	0
Margareta E Norton	(i)	436,724	59,613	128,143	234,679	11,489	870,648	100,204
	(ii)	0	0	0	0	0	0	0
David B Gillig	(i)	300,019	20,251	74,883	193,109	21,069	609,331	67,420
	(ii)	0	0	0	0	0	0	0
Irvin A Kaufman MD	(i)	413,531	65,257	328,194	183,018	7,213	997,213	311,005
	(ii)	0	0	0	0	0	0	0
Roger G Roux	(i)	430,633	49,124	108,096	185,751	12,065	785,669	100,960
	(ii)	0	0	0	0	0	0	0
Blair sadler	(i)	0	0	275,367	0	0	275,367	275,367
	(ii)	0	0	0	0	0	0	0
Barbara Ryan	(i)	212,264	23,061	52,526	178,531	7,718	474,100	33,572
	(ii)	0	0	0	0	0	0	0
Albert Oriol	(i)	276,634	28,666	35,241	93,606	10,355	444,502	37,291
	(ii)	0	0	0	0	0	0	0
Charles Wilson	(i)	237,286	0	53,289	137,331	21,069	448,975	38,340
	(ii)	0	0	0	0	0	0	0
Timothy Jacoby	(i)	223,808	33,156	63,756	129,156	7,998	457,874	34,093
	(ii)	0	0	0	0	0	0	0
Angela Vieira	(i)	234,884	17,399	38,393	133,579	11,430	435,685	33,196
	(ii)	0	0	0	0	0	0	0
Glenn Billman	(i)	243,818	14,020	-3,109	70,540	21,069	346,338	5,123
	(ii)	0	0	0	0	0	0	0
Mohammed syed	(i)	232,388	17,004	8,409	53,834	13,814	325,449	6,599
	(ii)	0	0	0	0	0	0	0
Chris Abe	(i)	189,540	13,104	39,353	169,335	11,489	422,821	28,885
	(ii)	0	0	0	0	0	0	0
Glenn W Chong	(i)	230,266	15,920	6,258	44,560	440	297,444	2,616
	(ii)	0	0	0	0	0	0	0
SCOTT CAMPBELL	(i)	232,877	12,650	9,122	63,158	15,691	333,498	0
	(ii)	0	0	0	0	0	0	0
Hoenemeyer Elizabeth S	(i)	197,371	11,209	7,427	72,610	4,034	292,651	5,886
	(ii)	0	0	0	0	0	0	0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
RADY CHILDREN'S HOSPITAL - SAN DIEGO

Employer identification number
95-1691313

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased Yes	(g) Defeased No	(h) On Behalf of Issuer Yes	(h) On Behalf of Issuer No	(i) Pool financing Yes	(i) Pool financing No
A	CALIFORNIA STATEWIDE COMM DEVELOPMENT AUTHORITY	68-0164610	130911420	10-26-2006	194,219,503	See Part VI		X		X		X
B	CALIFORNIA STATEWIDE COMM DEVELOPMENT AUTHORITY	68-0164610	130795VK0	07-02-2008	128,845,000	Current Refunding Series 2007AB		X		X		X
C	CALIFORNIA STATEWIDE COMM DEVELOPMENT AUTHORITY	68-0164610	130795VT1	07-31-2008	101,155,000	Current Refunding Series 2006CD		X		X		X
D	California Health Facilities Financing Authority	52-1643828	13033LUU9	11-22-2011	100,079,621	refund loan,renov,constr&equip pur		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	114,570,000	65,000,000	50,580,000	0
2	Amount of bonds defeased	0	0	0	0
3	Total proceeds of issue	199,346,598	128,845,192	101,156,337	100,378,837
4	Gross proceeds in reserve funds	0	0	0	0
5	Capitalized interest from proceeds	0	0	0	0
6	Proceeds in refunding escrow	0	0	0	0
7	Issuance costs from proceeds	1,866,248	803,735	820,490	1,682,269
8	Credit enhancement from proceeds	5,734,000	526,458	335,833	0
9	Working capital expenditures from proceeds	0	0	0	0
10	Capital expenditures from proceeds	100,593,484	0	0	0
11	Other spent proceeds	91,152,866	127,515,000	100,000,013	57,657,589
12	Other unspent proceeds	0	0	0	41,038,979
13	Year of substantial completion	2009	2010	2010	

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X		X		X		X	
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X		X	
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		X
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
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 ▶	1 840 %		0 %		0 130 %		0 %	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %		0 %		0 %		0 %	
6	Total of lines 4 and 5	1 840 %		0 %		0 130 %		0 %	
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X		X	

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		X
2	Is the bond issue a variable rate issue?	X		X		X			X
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X		X		X			X
b	Name of provider	see part vi		GOLDMAN SACHS		GOLDMAN SACHS			
c	Term of hedge	29 82		39 15		33 14			
d	Was the hedge superintegrated?		X		X		X		
e	Was a hedge terminated?	X			X		X		
4a	Were gross proceeds invested in a GIC?	X		X		X			X
b	Name of provider	hypo repurchase agrt		NATIXIS		hypo repurchase agrt		0	
c	Term of GIC	3 05		2 26		3 05			
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X		X			
5	Were any gross proceeds invested beyond an available temporary period?		X	X			X		X
6	Did the bond issue qualify for an exception to rebate?	X		X		X			X

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation
2006ABCD Bonds	0	part i, col f purpose - Current Refunding Series 1996, 1993, Capital Lease 2004 and provided qualifed hospital facilities Part I, col f The Issue Date of the 1993 Bonds was 04/01/1993, the Issue Date of the 1996 Bonds was 02/07/1996, and the Issue Date of the 2004 capital lease was 03/19/2004 Part II, 1 The 2006 Series CD Bonds were refunded by the 2008 Bonds on July 31, 2008 part ii, 3 the difference between the issue price listed in part I(e) is due to interest earnings on bond proceeds PART IV, 3B NAME OF THE PROVIDER - GOLDMAN SACHS AND BANK OF NEW YORK Part IV, 4a The 2006CD Bonds proceeds were invested in the Hypo Repurchase Agreement which was transferred to the 2008CD Bonds on the date of their refundings Part IV, 4e The 2006 Series C hedge was originally entered into a term of 29 82 years but was deemed terminated on July 31, 2008 and had a term of 1 76 Years Part IV, 4e The 2006 Series D hedge was originally entered into a term of 33 58 years but was terminated on July 2, 2008 and had a term of 0 44 Years
2008AB Bonds	0	Part I, f The issue date of the 2007AB Bonds was 10/24/07 Part ii, Line 3 the difference between the issue price listed in part i(e) is due to interest earnings on bond proceeds
2008CD Bonds	0	Part I, f The issue date of the 2006CD Bonds was 10/26/06 part ii, 3 the difference between the issue price listed in part 1(e) is due to interest earnings on bond proceeds Part IV, 4a The 2006CD Bonds proceeds were invested in the Hypo Repurchase Agreement which was transferred to the 2008CD Bonds on the date of their refundings see additional schedules included to report bond liabilities

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
RADY CHILDREN'S HOSPITAL - SAN DIEGO

Employer identification number
95-1691313

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased Yes	(g) Defeased No	(h) On Behalf of Issuer Yes	(h) On Behalf of Issuer No	(i) Pool financing Yes	(i) Pool financing No
A	CALIFORNIA STATEWIDE COMM DEVELOPMENT AUTHORITY	68-0164610	1307955Y9	06-14-2012	115,580,000	REISSUANCE OF 2008B & 2008D BONDS		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	0			
2	Amount of bonds defeased	0			
3	Total proceeds of issue	115,580,000			
4	Gross proceeds in reserve funds	0			
5	Capitalized interest from proceeds	0			
6	Proceeds in refunding escrow	0			
7	Issuance costs from proceeds	0			
8	Credit enhancement from proceeds	0			
9	Working capital expenditures from proceeds	0			
10	Capital expenditures from proceeds	115,580,000			
11	Other spent proceeds	0			
12	Other unspent proceeds	0			
13	Year of substantial completion	2012			

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

Part III Private Business Use *(Continued)*

		A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D No
3a	Are there any management or service contracts that may result in private business use?	X							
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 060 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %							
6	Total of lines 4 and 5	0 060 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

		A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2	Is the bond issue a variable rate issue?	X							
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X							
b	Name of provider	goldman sachs							
c	Term of hedge	39 15							
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider	0							
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?	X							

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation
2008b and 2008d	0	Part I, col f The issue date of the prior 2008B Bonds was 7/2/2008 The issue date of the prior 2008D Bonds was 7/31/2008

Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
RADY CHILDREN'S HOSPITAL - SAN DIEGO

Employer identification number
95-1691313

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

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

1 (a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	No

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	No	(f) Approved by board or committee? Yes	No	(g) Written agreement? Yes	No
(1) Roger G Roux (Relocation Loan)		X	50,000	50,000		No	Yes		Yes	
Total . . . . ▶ $				50,000						

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

Part IV **Business Transactions Involving Interested Persons.**
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
RADY CHILDREN'S HOSPITAL - SAN DIEGO

Employer identification number
95-1691313

Identifier	Return Reference	Explanation
Part VI, Section A Line 6		Rady Children's Hospital and Health Center (RCHHC) is the sole member as that term is defined in California Corporations Code 5056 ("Member")of Rady Children's Hospital - San Diego (RCHSD) Part VI, Section A Lines 7a and 7b The RCHSD Board of Directors consists of those individuals serving as the Board of Trustees of the Member Only the Member may remove a Director The following actions of the RCHSD Board require "prior written approval" of the Member to be effective o Any amendment, revision, modification of the Articles of Incorporation or the bylaws o Any change in the nature of the business activities of RCHSD o Approval of operating and capital budgets of RCHSD o Borrowing any amount or incurring any debt in the amount of $100,000 or more o Making or incurring any unbudgeted extraordinary or non-recurring expense or expenditure of $100,000 The RCHSD Board cannot authorize or direct any officer of RCHSD to perform or commit any of the following acts, without prior written approval of the Member o Borrow money in RCHSD's name or utilize property owned by RCHSD as security for loans, except in the ordinary course of business o Make, execute, or deliver any assignment for the benefit or creditors, or any bond, confession, judgment, chattel mortgage, security agreement, deed, guaranty, indemnity bond, surety bond, contract to sell or bill of sale of the property of RCHSD, except in the ordinary course of business o Acquire, purchase, develop, improve, sell, lease or mortgage any corporate real estate or any interest therein or enter into any contract for any such purposes o Make any loan or investment of any RCHSD assets, or enter into any contract or incur any liability on behalf of RCHSD other than for fair consideration or in the ordinary course of business relating to its normal daily operation Part VI, Section B,Line 11a Review of Form 990 The Form 990 was reviewed by the CFO and then provided to the organization's Audit and Corporate Responsibility Committee for review Following review by the Committee, the returns were finalized, signed and submitted to the Internal Revenue Service A complete copy of the Form 990 was provided to each voting board member prior to filing

Identifier	Return Reference	Explanation
Part VI, Section B, Line 12c	Conflict of Interest Policy	On an annual basis and upon election or appointment, the policy and disclosure statement is distributed to all Board members, officers, and key employees and medical staff leaders All completed and signed statements are returned to the Corporate Compliance Officer for review If a person discloses a potential or actual conflict, the person with the conflict of interest is excluded from any discussion or approval of any such related transaction Financial interest disclosures by board members and officers are brought to the RCHHC Board of Trustees or the Audit and Corporate Responsibility Committee for review and, as needed, appropriate action Financial interest disclosures by key employees and medical staff leaders are reviewed by the Corporate Compliance Officer and referred to the President and Chief Executive Officer or to the RCHHC Board of Trustees The Corporate Compliance Officer reports annually to the Executive Corporate Compliance Committee and the Audit and Corporate Responsibility Committee a summary of all disclosures and action taken, if any All other employees are required to complete a disclosure statement on an annual basis that is reviewed by the Corporate Compliance Officer

Identifier	Return Reference	Explanation
Part VI, Section B, Line 15	Determination of Compensation	Rady Children's Hospital and Health Center/Rady Children's Hospital - San Diego working through the Board Compensation Committee has a process for establishing, reviewing and approving compensation of officers and key employees of the organization on a no less than an annual basis The Compensation Committee is comprised of independent, lay members of the Board of Trustees Prior to conducting its review, the Chair of the Compensation Committee determines whether any member has a conflict of interest with respect to the matter(s) under review If there is a conflict, the conflicted member recuses himself/herself and is not present during discussion or vote on the arrangement under review In determining and approving the compensation arrangement, the Committee considers all components of compensation It considers comparability data and retains an independent compensation consultant to provide comparability data to the committee Total compensation is targeted to be between the 50th and 75th percentiles of the comparability data The Committee's deliberations and decisions are documented in minutes that are reviewed at its next meeting The Committee's written records include the (1) terms of the arrangement with the disqualified person (including the date the arrangement was approved), (2) a list of members present during the discussion of the transaction (and how the members voted when it was approved), and (3) a description of the comparable data relied on by the Committee and how it was obtained

Identifier	Return Reference	Explanation
Part VI, Section C, Line 19		the federal tax laws do not mandate that the organization's governing documents and conflict of interest policy be made available for public inspection The organization makes its financial statements available upon request and they are also attached to this Form 990

Identifier	Return Reference	Explanation
part xı, reconcılıatıon of net assets	lıne 5	net unrealızed gaıns & losses on ınvestments - (17,711,797) market adjustment on sw ap - (51,415,722) pensıon fundıng status - (34,698,509) ıntercompany adjustments - 205,728 book to tax adj for partnershıp k-1 - (74,556) ============= total (103,694,856)

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Lisa A Barkett TITLE Board Member HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:Penny Dokmo TITLE:Board Member HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME John M Gilchrist, Jr TITLE Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME David F Hale TITLE CHAIR HOURS 2

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Jeffrey Jacobs TITLE Board Member HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Catherine J Mackey, PhD TITLE Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME G Diego Miralles, MD TITLE Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Michael P Peckham TITLE Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:Harry M Rady TITLE:Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Theodore D Roth TITLE vice chair HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME.Scott N Wolfe, Esq TITLE.Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME David A Brenner, MD TITLE Board Member HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:Marye Anne Fox, PhD TITLE:Board Member HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Mary Hilfiker, MD TITLE Board Member HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Anthony E Magıt, MD TITLE Board Member HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Santiago Munoz TITLE Board Member HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Cathy C Polk TITLE Chair HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Gail R Knight, MD TITLE Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Tina Nova TITLE Board Member HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME.William Sailer TITLE.Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:James Harley TITLE:Board Member HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME kathleen dooley sellick TITLE Pres/CEO HOURS 26

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Margareta E Norton TITLE SVP/COO/secretary HOURS 24

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME David B Gillig TITLE SVP/Exec Dir, RCHFSD HOURS 26

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Irvin A Kaufman, MD TITLE SVP/CMO HOURS 24

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Roger G Roux TITLE SVP/CFO/treasurer HOURS 24

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Belinda Santos TITLE Asst Secty HOURS 20

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Mary J Fagan TITLE VP/cno HOURS 20

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:Barbara Ryan TITLE:VP, Government Affairs HOURS 20

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
RADY CHILDREN'S HOSPITAL - SAN DIEGO

Employer identification number
95-1691313

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization Yes	No
(1) Rady Children's Hospital and Health Cent 3020 Childrens Way MC 5001 San Diego, CA 92123 95-3545901	Support	CA	7	501(c)(3)	NA		No
(2) Rady Children's Hospital Research Center 3020 Childrens WayMC 5001 San Diego, CA 92123 95-3814185	Research	CA	11A	501(c)(3)	RCHHC		No
(3) Rady Children's Hospital Foundation - SD 3020 Childrens WayMC 5001 San Diego, CA 92123 33-0170626	Fundraising	CA	7	501(c)(3)	RCHHC		No
(4) Rady Children's Health Services - SD 3020 Childrens WayMC 5001 San Diego, CA 92123 33-0278018	Support	CA	11A	501(c)(3)	RCHHC		No

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Children's Hospital Integrated Risk Prot 22 Victoria StreetHamilton Hamilton HM12 BD 99-9999999	Captive insur	BD	RCHHC	C CORP	0	0	0 %
(2) Rady Children's Physician Management Ser 3860 Calle FortunadaSuite 200 San Diego, CA 921234282 33-0670694	Management	CA	RCHHC	C CORP	0	0	0 %
(3) Children's Hospital Insurance Ltd Canons Court 22 Victoria Street Hamilton HM12 BD 99-9999999	captive insur	BD	RCHHC	C corp	0	0	0 %

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

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

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

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

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

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

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

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493135066163

Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2011

Attachment Sequence No **179**

Name(s) shown on return	Business or activity to which this form relates	Identifying number
RADY CHILDREN'S HOSPITAL - SAN DIEGO	GENERAL DEPRECIATION	95-1691313

Part I Election To Expense Certain Property Under Section 179

Note: *If you have any listed property, complete Part V before you complete Part I.*

1 Maximum amount (see instructions)	1	$ 500,000
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	$ 2,000,000
4 Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5 Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	

6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost

7 Listed property Enter the amount from line 29	7	
8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8	
9 Tentative deduction Enter the **smaller** of line 5 or line 8	9	
10 Carryover of disallowed deduction from line 13 of your 2010 Form 4562	10	
11 Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12 Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12	
13 Carryover of disallowed deduction to 2012 Add lines 9 and 10, less line 12 ▶	13	

Note: *Do not use Part II or Part III below for listed property. Instead, use Part V.*

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property) (See instructions)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2011	17	
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶☐		

Section B—Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (see instructions)

21 Listed property Enter amount from line 28	21	
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	1,460
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: *For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.*

Section A—Depreciation and Other Information (Caution: *See the instructions for limits for passenger automobiles.*)

24a Do you have evidence to support the business/investment use claimed? ☐ Yes ☑ No | **24b** If "Yes," is the evidence written? ☐ Yes ☑ No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						**25**		
26 Property used more than 50% in a qualified business use								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L -		
		%				S/L -		

28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1 . **28**

29 Add amounts in column (i), line 26 Enter here and on line 7, page 1 . . . . **29**

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person

If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**do not** include commuting miles) . . .												
31 Total commuting miles driven during the year .												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use? .												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year (see instructions)					

43 Amortization of costs that began before your 2011 tax year **43**

44 Total. Add amounts in column (f) See the instructions for where to report . . **44**

RADY CHILDREN'S HOSPITAL AND HEALTH CENTER

Consolidated Financial Statements and
Consolidating Supplementary Schedules

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 600
4747 Executive Drive
San Diego, CA 92121

Independent Auditors' Report

The Board of Trustees
Rady Children's Hospital and Health Center

We have audited the accompanying consolidated balance sheets of Rady Children's Hospital and Health Center (RCHHC) 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 RCHHC'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 RCHHC'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 Rady Children's Hospital and Health Center as of June 30, 2012 and 2011, and the results of its operations and its 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 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 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 22, 2012

RADY CHILDREN'S HOSPITAL AND HEALTH CENTER

Consolidated Balance Sheets

June 30, 2012 and 2011

(Dollars in thousands)

Assets		**2012**	**2011**
Current assets			
Cash and cash equivalents	$	18,388	47,605
Investments		418,164	404,712
Patient accounts receivable, net of allowance for doubtful accounts of $12,001 and $13,363 at June 30, 2012 and 2011, respectively		85,532	67,083
Other receivables		76,657	26,341
Assets limited as to use – required for current liabilities		339	34
Inventory		7,488	7,677
Other current assets		4,096	12,180
Total current assets		610,664	565,632
Assets limited as to use, net of current portion		115,827	23,352
Property and equipment, net		496,810	507,089
Investments, noncurrent		56,814	48,975
Other assets		38,184	41,405
Total	$	1,318,299	1,186,453
Liabilities and Net Assets			
Current liabilities			
Accounts payable and accrued expenses	$	79,202	52,167
Accrued salaries and related benefits		34,461	37,615
Short-term borrowings		37,600	83,600
Current portion of long-term debt		3,591	3,445
Deferred revenue		838	24,416
Total current liabilities		155,692	201,243
Long-term debt, net of current portion		410,862	314,505
Interest rate swaps		80,150	28,734
Other long-term liabilities		43,422	22,074
Payable to beneficiaries under deferred giving arrangements		1,912	1,960
Total liabilities		692,038	568,516
Net assets			
Unrestricted		568,727	559,180
Temporarily restricted		48,640	50,159
Permanently restricted		8,894	8,598
Total net assets		626,261	617,937
Total	$	1,318,299	1,186,453

See accompanying notes to consolidated financial statements

RADY CHILDREN'S HOSPITAL AND HEALTH CENTER

Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2012 and 2011

(Dollars in thousands)

		2012	2011
Operating revenues			
Net patient service revenue before provision for bad debts	$	511,957	488,873
Provision for bad debts		(9,448)	(6,749)
Net patient service revenue		502,509	482,124
Provider fee program		72,025	65,091
Premium revenue		62,043	60,584
Grants and contracts		30,098	30,785
Other government revenue		35,319	31,291
Physician management services revenue		33,849	32,416
Other revenue		31,146	23,862
Net assets released from restrictions used for operations		8,297	8,439
Total		775,286	734,592
Operating expenses			
Salaries and wages		229,480	232,826
Employee benefits		88,929	87,077
Supplies		88,904	90,393
Professional fees		101,563	103,336
Purchased services		69,880	73,850
Provider fee program		22,612	20,903
Insurance		4,881	1,593
Depreciation and amortization		37,939	31,618
Interest		17,594	15,028
Other		28,126	32,181
Total		689,908	688,805
Operating income		85,378	45,787
Nonoperating income (expenses)			
Contributions		7,956	5,583
Fundraising expenses		(5,249)	(5,601)
Change in fair value of interest rate swaps		(51,416)	10,950
Investment income, net		(4,530)	74,979
Excess of revenues over expenses	$	32,139	131,698

(Continued)

RADY CHILDREN'S HOSPITAL AND HEALTH CENTER

Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2012 and 2011

(Dollars in thousands)

	2012	2011
Unrestricted net assets		
Excess of revenues over expenses	$ 32,139	131,698
Third-party funding for property and equipment	10,563	23,610
Net assets released from restrictions used for purchase of property and equipment	1,544	5,925
Change in unrecognized defined benefit plan cost not yet recognized in net periodic benefit cost	(34,699)	10,072
Increase in unrestricted net assets	9,547	171,305
Temporarily restricted net assets		
Contributions	7,806	7,075
Change in value of split-interest agreements	461	591
Investment income, net	55	1,170
Net assets released from restrictions	(9,841)	(14,364)
Decrease in temporarily restricted net assets	(1,519)	(5,528)
Permanently restricted net assets		
Contributions	296	151
Increase in permanently restricted net assets	296	151
Total increase in net assets	8,324	165,928
Net assets at beginning of year	617,937	452,009
Net assets at end of year	$ 626,261	617,937

See accompanying notes to consolidated financial statements

RADY CHILDREN'S HOSPITAL AND HEALTH CENTER

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	$	8,324	165,928
Adjustments to reconcile increase in net assets to net cash provided by operating activities			
Third-party funding for property and equipment		(10,563)	(23,610)
Change in unrecognized defined benefit plan cost not yet recognized in net periodic benefit cost		34,699	(10,072)
Depreciation and amortization		37,939	31,618
Amortization of debt issuance costs and discount		142	603
Provision for bad debts		9,448	6,749
Net realized and unrealized losses (gains) on investments		11,674	(71,469)
Change in fair value of interest rate swap		51,416	(10,950)
Contributions restricted to property and endowments		(1,057)	(1,054)
Gain on sale of property and equipment		(1,195)	—
Loss due to impairment of fixed assets		240	4,368
Changes in assets and liabilities			
Patient accounts receivable		(27,897)	2,893
Other receivables		(50,316)	3,708
Inventory		189	(738)
Other current assets		8,013	(6,102)
Interest rate swap collateral		(51,416)	10,950
Other assets		(9,590)	1,700
Accounts payable and accrued expenses		27,480	(4,023)
Accrued salaries and related benefits		(3,154)	6,280
Deferred revenue		(23,578)	23,048
Other long-term liabilities		(602)	(18,098)
Payable to beneficiaries under deferred giving arrangements		(48)	486
Net cash provided by operating activities		10,148	112,215
Cash flows from investing activities			
Purchases of trading investments		(47,503)	(64,879)
Proceeds from sales and maturities of trading investments		15,040	23,624
Acquisition of property and equipment		(27,006)	(143,984)
Proceeds from sale of property and equipment		1,327	—
(Increase) decrease in assets limited as to use		(41,866)	14,836
Net cash used in investing activities		(100,008)	(170,403)
Cash flows from financing activities			
Cash received for contributions restricted to property and endowment		1,057	1,054
Cash received from third-party for property and equipmen		10,563	23,610
Payment of long-term debt issuance costs		(1,611)	—
Net proceeds from issuing long-term debt		100,080	—
Repayment of long-term debt		(3,446)	(3,299)
Changes in short-term borrowings			
Net proceeds from nonrevolving bank line of credit		—	83,387
Repayment of nonrevolving bank line of credit		(66,000)	—
Proceeds from working capital line of credit		210,784	115,179
Repayments of working capital line of credit		(190,784)	(115,179)
Net cash provided by financing activities		60,643	104,752
Net increase (decrease) in cash and cash equivalents		(29,217)	46,564
Cash and cash equivalents, beginning of year		47,605	1,041
Cash and cash equivalents, end of year	$	18,388	47,605
Supplemental disclosures of cash flow information			
Interest paid during the year, net of amounts capitalized	$	8,606	7,140
Change in collateral received under securities lending program		—	18,296
Change in payable under securities lending program		—	(18,296)
Property additions recorded in accounts payable		2,274	2,719

See accompanying notes to consolidated financial statements

(1) Organization

Rady Children's Hospital and Health Center (RCHHC) is an academic integrated pediatric health care system that is the primary provider of pediatric hospital services and the sole pediatric trauma center serving San Diego and Imperial Counties. RCHHC also serves as a tertiary and quaternary referral center for treatment of critically ill and seriously injured children throughout the Southwestern United States. The mission of RCHHC is to restore, sustain and enhance the health and developmental potential of children through excellence in care, education, research and advocacy. RCHHC is dedicated to providing the best health care for its patients and serving as a valuable community resource to improve the health and well-being of children in the community.

RCHHC is the sole member of the following not-for-profit, tax-exempt entities, which are referred to in these consolidated financial statements as the "affiliates" of RCHHC:

- Rady Children's Hospital – San Diego (RCHSD)
- Rady Children's Hospital Foundation – San Diego (the Foundation)
- Rady Children's Hospital Research Center (RCHRC)
- Rady Children's Health Services – San Diego (RCHSSD)

In addition, RCHHC owns the following for-profit subsidiaries:

- Children's Hospital Integrated Risk Protective Limited (CHIRPL)
- Rady Children's Physician Management Services, Inc. (RCPMS)

A brief description of each of the entities follows:

- *Rady Children's Hospital and Health Center* was formed to acquire, establish, maintain, conduct, operate, raise funds for and otherwise support, directly or indirectly through its affiliates, facilities, and programs for the benefit of children and of adults with diseases, disorders, and other health problems of pediatric origin, including providing resources for charity care, research, and education. To further its mission, RCHHC solicits and receives grants and donations to be used to promote and advance the activities of its affiliates.
- *Rady Children's Hospital – San Diego* provides comprehensive inpatient acute and intensive care and outpatient pediatric services. RCHSD is composed of the acute care hospital, with 442 licensed beds at June 30, 2012, including neonatal intensive care and pediatric medical/surgical beds at its main location and at joint venture sites operated under its license, the convalescent hospital, with 43 licensed skilled nursing and subacute care beds at June 30, 2012, Children's Emergency Transport (CHET) that provides 24-hour emergency pediatric and neonatal critical care transport, and a home care program with a home health agency and home infusion pharmacy services to address the ongoing health needs of newborns, infants, and pediatric patients in the home-based setting. RCHSD is the sole Level I Pediatric Trauma Center in San Diego County. RCHSD also provides numerous programs that benefit the community through various departments including

Developmental Services, Chadwick Center for Children and Families, and Center for Healthier Communities

The majority of RCHSD's outpatient pediatric care services are provided through its medical practice foundation, Rady Children's Specialists of San Diego (RCSSD), which is an operating division of RCHSD formed in September 2009. In collaboration with Children's Specialists of San Diego (CSSD) and the School of Medicine of the University of California San Diego (UCSD), RCSSD improves access to pediatric patient care services and was established in compliance with California Health and Safety Code, Sections 1206(g) and 1206(l). Pursuant to a Professional Services Agreement (PSA) between RCHSD and CSSD, CSSD provides physicians and other medical professionals to perform clinical professional services and teaching and research services for RCSSD, and RCHSD provides facilities, personnel and equipment for the outpatient clinics. The revenue for these services is included as a component of patient revenue and premium revenue in the accompanying consolidated statements of operations and changes in net assets. The PSA is a 10-year agreement that provides that the compensation provisions are negotiated every three years. RCSSD incurred operating expenses, including compensation under the PSA, of $132,283 and $127,521 for the 12 months ended June 30, 2012 and 2011, respectively.

RCHSD is the largest entity within RCHHC and constituted approximately 94% of the consolidated RCHHC total excess of revenues over expenses for the fiscal year ended June 30, 2012 and 2011 and 94% and 93% of the consolidated RCHHC total assets as of June 30, 2012 and 2011, respectively.

- *Rady Children's Hospital Foundation – San Diego* was formed to advance, promote, raise funds for, and otherwise support the activities of RCHHC and its affiliates. Funds are raised through major and planned gifts, corporate giving, community development, grants, and fundraising events. Also, the Foundation has a dedicated group of volunteers through its Hospital Foundation Auxiliary that supports RCHHC through its fundraising, advocacy, education, and outreach efforts.
- *Rady Children's Hospital Research Center* engages in scientific medical research and conducts clinical research in diseases and disorders affecting children and adolescents, and is primarily funded by grants and contracts from government and private agencies.
- *Rady Children's Health Services – San Diego* was formed to aid and assist RCHHC in carrying out the charitable purposes and programs of RCHHC and its affiliates.
- *Children's Hospital Integrated Risk Protective Limited* is a holding company for Children's Hospital Insurance Limited (CHIL). CHIL is an offshore captive insurance company domiciled in Bermuda, which underwrites the professional liability, general liability, and employment practices liability insurance risk exposures of RCHHC and its affiliates and subsidiaries.
- *Rady Children's Physician Management Services, Inc.* is a management services organization providing facilities, personnel, and management services to pediatric medical groups. Services include practice management, finance and accounting, patient billing and accounts receivable, centralized information systems, human resources, quality assurance, and risk management.

(2) Affiliation with Health Related Organizations

In 2001, RCHHC and RCHSD (collectively, Rady Children's) entered into a Joint Powers Affiliation Agreement with The Regents of the University of California (University) on behalf of UCSD Rady Children's and the University determined that the affiliation agreement supports their respective missions of community service, provision of acute care hospital and outpatient services to children, basic and clinical research, and medical education to students, residents, and fellows Pursuant to the agreement, certain clinical services were transferred to Rady Children's The corporate bylaws of RCHHC and RCHSD were amended to provide that one-third of the RCHHC Board of Trustees (the Board) and RCHSD Board of Directors shall be representatives of the University

The affiliation agreement provides for Rady Children's to make annual payments to UCSD to support the University's Department of Pediatrics academic and clinical programs RCHSD paid UCSD $22,265 and $19,151 in 2012 and 2011, respectively, for this support and various services purchased from UCSD RCHSD received payments from UCSD of $2,847 and $6,006 in 2012 and 2011, respectively, for services provided to UCSD As of June 30, 2012 and 2011, RCHSD's consolidated balance sheets include $3,974 and $805, respectively, of other receivables from UCSD and $14,160 and $14,649, respectively, of accounts payable and accrued expenses to UCSD

(3) Summary of Significant Accounting Policies

(a) Basis for Presentation

The accompanying consolidated financial statements present the financial position, results of operations, changes in net assets, and cash flows of RCHHC and its affiliates after elimination of intercompany transactions and balances Certain prior year amounts have been reclassified to conform to current year presentation

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U S GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates Key estimates include valuation of patient accounts receivable, self-insured liabilities, fair value of investments, interest rate swap agreements, and pension obligations

(c) Cash and Cash Equivalents

For purposes of the consolidated financial statements, all cash and highly liquid investments with maturities of three months or less, other than holdings within the investment portfolio, are classified as cash and cash equivalents and are deposited in financial institution accounts that are federally insured in limited amounts Cash equivalents potentially subject RCHHC to concentrations of credit risk

(d) Investments

RCHHC classifies its investments with readily determinable fair values as trading assets. All investments in debt securities and investments in equity securities with readily determinable fair values are measured at fair value in the consolidated balance sheets. Alternative investments are generally reported at the net asset value (NAV) reported by the investment managers, which is used as a practical expedient to estimate the fair value of RCHHC's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from the NAV. As of June 30, 2012 and 2011, RCHHC had no plans or intentions to sell any of the investments at amounts different from the NAV. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Investment income or loss (including interest, dividends, and realized and unrealized gains (losses) on investments) is included as nonoperating income (expenses) within excess of revenues over expenses unless the income or loss is restricted by donor or law, in which case the investment income or loss is recorded directly to temporarily restricted net assets. Investment transactions are recorded on a trade date basis using the specific identification method.

(e) Inventory

RCHHC changed the method of valuing its inventory to the weighted average cost method as of June 30, 2012 from the first-in, first-out (FIFO) method to provide a better matching of current costs with current revenues. The effect of the change in accounting for inventory valuation did not have a material impact on RCHHC's consolidated financial statements.

(f) Property and Equipment

Property and equipment are recorded at cost when purchased or at fair market value if contributed. Improvements and replacements are capitalized and repairs and maintenance costs are expensed in the period incurred. Depreciation of assets is recorded on a straight-line basis over the period in which the assets are estimated to be in service and of value to the organization.

RCHHC evaluates the carrying value of its property, equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized. RCHHC evaluated the recoverability of certain software implementation costs and other long-lived assets during the years ended June 30, 2012 and 2011 and recorded asset impairment charges of $240 and $4,368, respectively, which are included in other operating expenses.

(g) Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short maturities The fair value of investments is disclosed in note 5 and the fair value of debt is disclosed in note 8

(h) ***Cost of Borrowing***

Interest expense is recorded as incurred, however, when money is borrowed for construction or renovation of facilities, the net interest cost on that debt during the period of construction is capitalized as part of the cost of the asset Any interest income earned on tax-exempt borrowed funds during construction is accounted for as a reduction of capitalized interest cost Interest expense, net of capitalized interest, is recorded as interest expense within operating income in the consolidated statements of operations and changes in net assets Net interest rate swap payments are recorded within interest expense in the consolidated statements of operations and changes in net assets Costs associated with issuing debt are capitalized and amortized using a method that approximates the effective-interest method

(i) ***Net Assets***

Net assets that are not restricted by donors are included in unrestricted net assets Gifts of long-lived operating assets, such as property, plant or equipment, are reported as direct additions to unrestricted net assets and are excluded from excess of revenues over expenses Net assets restricted by donors for a specified time or purpose are reported as temporarily restricted net assets Net assets that have been restricted by donors to be maintained in perpetuity are reported as permanently restricted net assets

(j) ***Performance Indicator***

RCHHC considers excess of revenues over expenses to be RCHHC's performance indicator Excess of revenues over expenses includes all changes in unrestricted net assets except third-party funding for property and equipment, net assets released from restrictions used for purchase of property and equipment, and change in unrecognized defined benefit plan cost not yet recognized in net periodic benefit cost

(k) ***Contributions***

Donations and bequests are reported at fair value at the date of the donation Conditional promises to give are reported at fair value when the gift is received or the promise becomes unconditional Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions

(l) ***Fundraising***

The Foundation conducts all fundraising activities on behalf of RCHHC and its affiliates During the years ended June 30, 2012 and 2011, restricted and unrestricted contributions totaled $16,058 and $12,809, respectively

(m) *Charity Care and Community Benefit*

RCHSD provides services without charge or at amounts less than its established rates to patients who meet certain criteria under its patient financial assistance and charity care policy. Because RCHSD does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. Charity care amounts are determined using a ratio of cost to gross charges. The estimated cost of charity care services provided during the years ended June 30, 2012 and 2011 was $1,475 and $4,272, respectively. In addition to amounts provided for charity care, RCHHC also sponsors numerous educational and community outreach programs and provides pediatric public support within its service area. Some of these programs, which are referred to as community benefit, include child safety and injury prevention, pediatric dental services, trauma counseling, mental health counseling, high-risk infant clinic, developmental screening, family support, health referral services, pediatric research and clinical education.

(n) *Income Taxes*

RCHHC and most of its affiliates are organizations exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and are generally not subject to federal or state income taxes. However, RCHHC is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, that is not in furtherance of the purpose for which it is granted exemption, or that is generated by any of its for-profit affiliates. No income tax provision has been recorded in the accompanying consolidated financial statements as the revenue from unrelated trade or business activity has been fully offset by corresponding expenses. In addition, RCHHC has available federal and California net operating loss carryforwards from prior fiscal years ended June 30, 1997 through June 30, 2012 that total approximately $3,084 and $2,323, respectively.

(o) *Recent Accounting Pronouncements*

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, *Balance Sheet, (Topic 210), Disclosures about Offsetting Assets and Liabilities* (ASU 2011-11). This pronouncement requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position, and to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under International Financial Reporting Standards (IFRS). The disclosure requirements of ASU 2011-11, which are to be applied retrospectively, are effective for RCHHC beginning July 1, 2013. Management is currently evaluating the potential impact of this guidance and does not expect it to have a material impact on RCHHC's consolidated financial statements.

In July 2011, the FASB issued ASU No. 2011-07, *Health Care Entities, (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-07). ASU 2011-07 requires certain health care entities to change the presentation of the provision for bad debts associated with patient service revenue by reclassifying the provision from operating expenses to a deduction from net patient revenue and requires enhanced disclosures about net patient revenue and the policies for recognizing revenue and assessing bad debts RCHHC early adopted ASU 2011-07 for the year ended June 30, 2012, and the adoption of this guidance did not impact the financial condition, results of operations, or cash flows, however, it changed the presentation of revenue on its statements of operations and changes in net assets and resulted in additional disclosures describing policies for recognizing revenue and assessing bad debt and how they affect recorded revenue in the financial statements

In May 2011, the FASB issued ASU No 2011-04, *Fair Value Measurements, (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U S GAAP and IFRSs* The amendments clarify existing U S GAAP and change the wording used to describe many of the requirements in U S GAAP for measuring fair value and for disclosing information about fair value measurements Management is currently evaluating the potential impact of this guidance, which is effective for RCHHC beginning July 1, 2012 and does not expect it to have a material impact on RCHHC's consolidated financial statements

In August 2010, the FASB issued ASU No 2010-24, *Health Care Entities, (Topic 954), Presentation of Insurance Claims and Related Insurance Recoveries* (ASU 2010-24) ASU 2010-24 clarifies that health care entities should not net insurance recoveries against a related claim liability Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries RCHHC adopted ASU 2010-24 for the year ended June 30, 2012, and the adoption of this guidance did not have a material impact on RCHHC's consolidated financial statements

In August 2010, the FASB issued ASU No 2010-23, *Health Care Entities, (Topic 954), Measuring Charity Care for Disclosure* (ASU 2010-23) ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost can be identified as the direct and indirect costs of providing charity care It also requires disclosure of the method used to identify or determine such costs RCHHC adopted ASU 2010-23 for the year ended June 30, 2012, and the adoption of this guidance did not have a material impact on RCHHC's consolidated financial statements

(4) Revenue

(a) Net Patient Revenue

RCHSD has agreements with third-party payors that provide for payments at amounts different from its established rates Payment arrangements include per diem payments, per discharge payments, reimbursed costs, and discounted charges Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors Settlements are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined

RCHSD has contracted with the State of California (the State) to provide acute hospital inpatient services to Medi-Cal beneficiaries at a negotiated rate per day Either party may cancel this contract with 120 days' written notice Outpatient services to Medi-Cal beneficiaries are reimbursed according to a State fee schedule Convalescent hospital services are reimbursed by Medi-Cal at a rate per day which is based on prior year costs that are subject to audit by the State, and is limited by the state median cost per day for similar facilities All applicable Medi-Cal program cost reports for hospital services have been audited by the State through 2010 Accounts receivable from Medi-Cal and California Children's Services (CCS) represented 28% and 20% of patient accounts receivable as of June 30, 2012 and 2011, respectively

(Dollars in thousands)

RCHSD recognizes significant amounts of patient service revenue at the time the services are rendered even though a patient's ability to pay is not assessed RCHSD records its provision for bad debts based upon historical experience, as well as collection trends for major payor types Patient service revenues, net of contractual allowances and discounts, recognized for the years ended June 30 are as follows

		2012	2011
Gross patient revenue			
Government	$	1,003,480	989,469
Contracted		680,695	646,407
Self-pay and others		49,929	39,276
		1,734,104	1,675,152
Contractual allowances and discounts		(1,222,147)	(1,186,279)
Net patient revenue before provision for bad debts		511,957	488,873
Provision for bad debts		(9,448)	(6,749)
Net patient revenue	$	502,509	482,124

RCHSD recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered For uninsured patients that do not qualify for charity care, RCHSD recognizes revenue on the basis of its standard rates for services provided, or on the basis of discounted rates if negotiated or provided by policy On the basis of historical experience, a significant portion of RCHSD's uninsured patients are unable or unwilling to pay for the services provided Thus, RCHSD records a significant provision for bad debts related to uninsured patients in the period services are provided Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the year ended June 30, 2012 from these major payor sources, is as follows

Revenue (net of contractual allowances and discounts)		
Third-party payors	$	499,458
Self-pay		12,499
Total	$	511,957

The allowance for doubtful accounts and self-pay reserves as a percentage of accounts receivable were consistent between fiscal years 2012 and 2011 In addition, the amounts written-off related to self-pay accounts were $6,427 for 2012 and $6,474 for 2011 RCHSD did not change its charity care or discount policies during fiscal year 2012 or 2011

(b) ***Premium Revenue***

RCHSD has agreements with health maintenance organizations to provide pediatric health care services to enrollees Under these agreements, RCHSD has negotiated monthly capitation payments based on the number of enrollees, regardless of services actually performed by RCHSD RCHSD accrues the estimated cost of health care services provided to enrollees under these agreements for services rendered, but not yet billed, by providers other than RCHSD

(c) ***Provider Fee Program***

The State enacted legislation for a hospital provider fee program that assesses provider fees on California hospitals to obtain federal matching funds that are then issued as supplemental Medi-Cal fee-for-service and managed care payments to hospitals There have been three such programs since inception In connection with the implementation of the hospital fee program, the California Hospital Association (CHA) created a private program that aggregates and distributes financial resources as grants to support charitable activities at various California hospitals and health systems

In September 2011, a 30-month program was established for the period July 1, 2011 through December 31, 2013 (the 30-month Program) In June 2012, legislation was passed to separate the fee-for-service and managed care components of the 30-month Program, and the Centers for Medicare and Medicaid Services (CMS) granted approval for the fee-for-service component of the program Based on the CMS approval of the fee-for-service component of the program, the portion of the anticipated fee-for-service supplemental receipts and provider fee and CHA payments for the period from July 2011 to June 2012 have been recognized within the consolidated statements of operations and changes in net assets for the year ended June 30, 2012 As of June 30, 2012, no amounts had been paid or received for the 30-month Program, and accordingly, the provider fee program revenue of $43,500 is reflected in other receivables, provider fee program expense including fees and CHA payment amounts of $14,000 and $2,000, respectively, are reflected in accounts payable and accrued expenses

In April 2011, the State enacted a 6-month program covering January 1 through June 30, 2011 (the 6-month Program), which was approved by CMS in December 2011 As of June 30, 2011, supplemental payments for the 6-month Program of $23,305 had been received and were reflected in deferred revenue, provider fees and CHA payments of $5,882 and $717, respectively, were reflected in other current assets Additional supplemental payments of $5,220 were received and CHA payments of $13 were made during the year ended June 30, 2012 For the 6-month Program, provider fee program revenue of $28,525 and provider fee program expense of $6,612 have been recognized for the year ended June 30, 2012

(Dollars in thousands)

In December 2010, CMS approved a 21-month program covering April 1, 2009 through December 31, 2010 (the 21-month Program). For the 21-month Program, provider fee program revenue of $65,091 and provider fee program expense including fees and CHA payment amounts of $17,362 and $3,541, respectively, have been recognized for the year ended June 30, 2011.

(d) *Grants and Contracts*

Advances received under various research grants and contracts are recorded as deferred revenue until the related research costs are incurred. RCHHC receives reimbursement for indirect costs on certain research grants and contracts based on a rate applied to direct costs. Direct and indirect costs reimbursed by United States government and certain other agencies are subject to audit by such agencies.

(e) *Physician Management Services Revenue*

Revenue from services provided by RCPMS to pediatric medical groups represents management fees and payments for the costs incurred in the operation of the practices.

(f) *Other Government Revenue*

RCHSD qualifies as a disproportionate share hospital under State Senate Bill 855 (SB 855) and receives related funding from the State. RCHSD also receives from the State supplemental funding for emergency services and patient care (SB 1100) and funds for the reimbursement of certain capital project financing costs (SB 1732). RCHSD also participates in the federal Children's Hospital Graduate Medical Education (CHGME) program, which provides funds to freestanding children's hospitals to support the training of pediatric and other residents. In addition, RCHSD qualifies for and received funds from the State for the Medi-Cal Electronic Health Record (EHR) Incentive Program (also known as meaningful use funding).

Other government revenue for the years ended June 30, 2012 and 2011 includes the following:

		2012	2011
SB 1100 – Hospital supplemental payment program	$	17,900	18,400
SB 855 – Disproportionate Share Hospital program		4,364	5,902
SB 1732 – Capital project financing program		2,000	2,012
CHGME		4,162	4,348
Medi-Cal EHR incentive program		6,527	—
Other		366	629
Total other government revenue	$	35,319	31,291

(5) Fair Value

The fair value of certain assets and liabilities has been estimated using available market information and appropriate valuation methodologies. A fair market value hierarchy for valuation inputs has been established to prioritize the valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are as follows:

- Level 1 inputs are quoted prices (unadjusted) available in active markets for identical assets or liabilities as of the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are generally unobservable for the asset or liability and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are, therefore, determined using factors that involve judgment including private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates.

(Dollars in thousands)

The fair value of RCHHC's assets and liabilities measured on a recurring basis at June 30, 2012 consists of the following

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total balance at June 30, 2012
Assets				
Investments				
Cash and cash equivalents	$ 3,126	—	—	3,126
Common and preferred stocks	1,549	—	47	1,596
Domestic equity funds	71,612	69,446	—	141,058
International equity funds	52,199	25,357	—	77,556
Fixed income funds	99,215	16,138	—	115,353
Alternative investments	—	—	114,023	114,023
Real assets and other	21,545	35	686	22,266
Total investments	249,246	110,976	114,756	474,978
Funds under indenture agreement, held by trustee	41,378	—	—	41,378
Swap collateral fund held by trustee	73,150	—	—	73,150
Charitable gift annuities, trusts, and other, held by trustee	460	1,178	—	1,638
Split-interest agreements, held by trustees	—	—	1,370	1,370
Total assets	$ 364,234	112,154	116,126	592,514
Liabilities				
Interest rate swaps	$ —	(80,150)	—	(80,150)
Total liabilities	$ —	(80,150)	—	(80,150)

(Dollars in thousands)

The fair value of RCHHC's assets and liabilities measured on a recurring basis at June 30, 2011 consists of the following

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total balance at June 30, 2011
Assets					
Investments					
Cash and cash equivalents	$	3,518	—	—	3,518
Common and preferred stocks		96,936	—	226	97,162
Domestic equity funds		20,412	50,817	—	71,229
International equity funds		36,911	25,121	—	62,032
Fixed income funds		91,554	6,606	—	98,160
Alternative investments		—	—	97,326	97,326
Real assets and other		23,306	28	926	24,260
Total investments		272,637	82,572	98,478	453,687
Funds under indenture agreement, held by trustee		34	—	—	34
Swap collateral fund held by trustee		21,734	—	—	21,734
Charitable gift annuities, trusts, and other, held by trustee		852	766	—	1,618
Split-interest agreements, held by trustees		—	—	1,405	1,405
Total assets	$	295,257	83,338	99,883	478,478
Liabilities					
Interest rate swaps	$	—	(28,734)	—	(28,734)
Total liabilities	$	—	(28,734)	—	(28,734)

There were no significant transfers to or from Level 1, 2, or 3 during the years presented

Significant Level 2 and Level 3 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs

Domestic equity funds, international equity funds, and fixed income funds consist of marketable securities such as U S and foreign equity securities, government securities, and corporate bonds Where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, as well as discounted cash flows models and other pricing models These inputs to fair value are included in industry-standard valuation techniques such as the income or market approach RCHHC classifies all such investments as Level 2

For assets such as alternative investments, which comprise private equity and hedge funds, fair value is determined using the calculated NAV as fair value is based on pricing that is not readily determinable The value of underlying investments of private equity or hedge funds includes estimates determined based on recent filings, operating results, balance sheet stability, growth, and other business and market sector fundamentals For Level 3 real asset investments, valuation techniques used include the sales comparison (market) approach Significant inputs include sales of comparable properties and market rent growth trends For Level 3 split-interest agreements, valuation techniques include present value discounting and the significant inputs used consider the life expectancy of the donor and/or primary beneficiaries Due to the significant unobservable inputs present in these valuations, RCHHC classifies all such investments as Level 3

The fair value of interest rate swap instruments classified as Level 2 is determined using an industry standard valuation model that is based on a market approach A credit risk spread (in basis points) is added as a flat spread to the discount curve used in the valuation model Each leg is discounted and the difference between the present value of each leg's cash flows equals the market value of the swap The fair value also considers the risk of each counterparty by including a "credit valuation adjustment" determined by taking into account the nonperformance risk of each counterparty to the swap

(Dollars in thousands)

The change in the balance of Level 3 assets measured on a recurring basis for the years ended June 30, 2012 and 2011 is as follows:

		Alternative investments	Common and preferred stocks	Real assets and other	Split-interest agreements	Total
Balance at June 30, 2010	$	71,509	1,024	175	1,283	73,991
Realized and unrealized gains (losses), net, included in excess of revenues over expenses		16,571	(798)	(80)	—	15,693
Purchases, sales, and settlements, net		9,246	—	827	—	10,073
Change in value of split-interest agreements and real assets and other		—	—	4	122	126
Balance at June 30, 2011		97,326	226	926	1,405	99,883
Realized and unrealized gains (losses), net, included in excess of revenues over expenses		2,165	(5)	(245)	—	1,915
Purchases		17,077	—	1	—	17,078
Sales		(2,545)	(174)	—	—	(2,719)
Change in value of split-interest agreements and real assets and other		—	—	4	(35)	(31)
Balance at June 30, 2012	$	114,023	47	686	1,370	116,126
Change in unrealized gains (losses) included in investment income for investments held as of June 30, 2011	$	14,557	(12)	(80)	—	14,465
Change in unrealized gains (losses) included in investment income for investments held as of June 30, 2012	$	(10,075)	7	(165)	—	(10,233)

(Dollars in thousands)

The fair value of certain of RCHHC's alternative investments is determined using a calculated NAV or its equivalent The following table and explanations identify attributes relating to the nature and risk of such investments as of June 30, 2012 and 2011

	Fair value 2012	Fair value 2011	Redemption frequency	Redemption notice period
Fixed income hedge funds [1]	$ 26,233	25,123	Monthly	30 – 60 days
Equity long/short hedge funds [1]	21,276	23,228	Quarterly	45 – 135 days
Event driven hedge funds [1]	9,700	—	Quarterly	65 days
Private equity funds [2]	56,814	48,975	Illiquid	N/A
	$ 114,023	97,326		

(1) These classes include investments in hedge funds that pursue diversification of domestic and international fixed income and equity securities The primary objective of these funds is to maximize returns while limiting volatility by allocating capital to external portfolio managers selected for expertise in one or more investment strategies, which may include, but are not limited to, event driven and long/short equity Two funds, one within the "Equity long/short hedge funds" and one within the "Event driven hedge funds" categories, with fair values of $11,220 and $9,700 as of June 30, 2012 are subject to a maximum redemption of 25% of the original investment per quarter

(2) This category includes private equity funds that invest in a variety of investment groups, including but not limited to, venture capital, leveraged buyout, and other strategies In connection with these funds, RCHHC, as limited partner, is committed to invest amounts subscribed to by agreement The aggregate amount of these capital commitments is $87,339 and $66,500 at June 30, 2012 and 2011, respectively, of which $62,802 and $48,826 had been funded as of June 30, 2012 and 2011, respectively As of June 30, 2012, it is estimated that these funds will be liquidated within the next two to 10 years, and they are classified as noncurrent investments

Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instrument Changes in assumptions could significantly affect these estimates Since the fair value is estimated as of June 30, 2012, the amounts that will actually be realized or paid at settlement or maturity of the instruments could be significantly different

(Dollars in thousands)

(6) Investment and Assets Limited as to Use

At June 30, 2012 and 2011, the fair value of investments and assets limited as to use is summarized as follows

		2012	2011
Cash	$	76,747	25,287
Common and preferred stocks		1,596	97,162
Domestic equity funds		141,058	71,229
International equity funds		77,556	62,032
Fixed income funds		116,531	98,160
Alternative investments		114,023	97,326
Real assets and other		63,633	25,877
Less assets limited as to use		(116,166)	(23,386)
Total investments	$	474,978	453,687

At June 30, 2012 and 2011, assets limited as to use are held for the following purposes

		2012	2011
Under indenture agreement, held by trustee	$	41,378	34
Interest rate swap collateral		73,150	21,734
Charitable gift annuities, held by trustee		1,310	1,419
Executive compensation, held by trustee		328	199
Total assets limited as to use, including current portion	$	116,166	23,386

For the years ended June 30, 2012 and 2011, investment income (loss) comprises the following

		2012	2011
Unrestricted			
Interest and dividends	$	7,051	4,581
Net realized gains on investments		6,916	9,850
Net unrealized gains (losses) on investments		(18,497)	60,548
Total	$	(4,530)	74,979
Restricted			
Interest and dividends	$	148	99
Net realized gains on investments		186	251
Net unrealized gains (losses) on investments		(279)	820
Total	$	55	1,170

(Continued)

(Dollars in thousands)

Investments with a fair value totaling $78,298 have an aggregate loss of $7,632 at June 30, 2012

(7) Property and Equipment, Net

As of June 30, 2012 and 2011, property and equipment are summarized as follows

	Useful lives		2012	2011
Buildings and improvements	5 – 40 years	$	550,440	536,466
Equipment	5 – 15 years		168,657	145,665
			719,097	682,131
Less accumulated depreciation			(248,018)	(213,081)
			471,079	469,050
Land			17,124	17,216
Construction in progress			8,607	20,823
Property and equipment, net		$	496,810	507,089

Depreciation expense for the years ended June 30, 2012 and 2011 was $36,469 and $30,760, respectively

(8) Debt

As of June 30, 2012 and 2011, long-term debt is summarized as follows

		2012	2011
Under the master trust indenture			
Fixed Rate Insured Revenue Bonds, Series 2006A 4 00% to 5 00% serial and term bonds, payable in varying installments to 2024, interest payable semiannually	$	49,570	52,615
Fixed Rate Insured Revenue Bonds, Series 2006B 4 50% term bond, sinking fund payments due beginning in 2024, interest payable semiannually		28,230	28,230
Variable Rate Revenue Bonds, Series 2008A due in varying installments to 2047, interest payable weekly at a variable rate (weighted average of 0 11% and 0 24% for the years ended June 30, 2012 and 2011, respectively)		63,845	63,845

(Dollars in thousands)

		2012	2011
Variable Rate Revenue Bonds, Series 2008B due in varying installments to 2047, interest payable monthly at a variable rate (weighted average of 0.11% and 0.14% for the years ended June 30, 2012 and 2011, respectively)	$	65,000	65,000
Variable Rate Revenue Bonds, Series 2008C due in varying installments to 2036, interest payable weekly at a variable rate (weighted average of 0.11% and 0.21% for the years ended June 30, 2012 and 2011, respectively)		50,575	50,575
Variable Rate Revenue Bonds, Series 2008D due in varying installments to 2041, interest payable monthly at a variable rate (weighted average of 0.11% and 0.16% for the years ended June 30, 2012 and 2011, respectively)		50,580	50,580
Fixed Rate Revenue Bonds, Series 2011 3.25% to 5.50% serial and term bonds, payable in varying installments to 2041, interest payable semiannually		100,000	—
Other			
Medical office building mortgage payable due in monthly installments to 2017, interest payable at a fixed rate of 6.32%		6,012	6,412
		413,812	317,257
Plus			
Premium, net of accumulated amortization		641	693
Less			
Current portion of long-term debt		(3,591)	(3,445)
Long-term debt	$	410,862	314,505

Based on the borrowing rates currently available to RCHHC for financing with similar terms and average maturities, the estimated fair value of long-term debt was $425,277 and $315,600 as of June 30, 2012 and 2011, respectively.

The Obligated Group members, RCHHC and RCHSD, are subject to certain debt covenants, including restrictions on additional indebtedness under the master trust indenture, supplemental indentures, bank reimbursement agreements, and line of credit agreements. The debt issued under the master trust indenture is secured by Obligated Group gross revenues as defined in the master trust indenture. The Obligated Group constituted approximately 92% of the consolidated RCHHC total excess of revenues over expenses for the fiscal year ended June 30, 2012 and 97% of the consolidated RCHHC total assets as of June 30, 2012.

In October 2006, RCHHC issued $192,370 of fixed and variable rate revenue bonds (Series 2006A, 2006B, 2006C, and 2006D) with various maturities through 2041 A portion of the proceeds of the bonds was used to finance the acquisition, construction, equipping, and improvement of certain facilities owned and/or operated by RCHHC, and a portion was used to refund in advance outstanding bond obligations and a capital lease The Series 2006C and Series 2006D debt was legally defeased in July 2008 and, accordingly, the previously outstanding bond obligations and the assets placed in the trust are not included in the consolidated balance sheets as of June 30, 2012 and 2011

In July 2008, RCHHC issued $230,000 of variable rate revenue bonds (Series 2008A, 2008B, 2008C, and 2008D) with various maturities through 2047 A portion of the bond proceeds was placed in an irrevocable trust and, pursuant to an escrow agreement, was used to purchase government securities to advance refund outstanding bond obligations totaling $225,659 and to finance bond issuance costs of $2,109 and a portion of certain total return swap termination payments

The Series 2008A, 2008B, 2008C, and 2008D bond indentures allow the bondholders to put the bonds back to RCHHC As of June 30, 2011, the Series 2008 bonds were supported by letters of credit expiring between August 2013 and July 2015 In April 2012, RCHHC elected to execute early extensions of the 2008A and 2008C letters of credit and to replace the 2008B and 2008D letters of credit with direct purchase agreements Under the direct purchase agreements, mandatory tenders of the 2008B and 2008D bonds were required, pursuant to provisions for a purchase in lieu of redemption in the bond indentures The tenders allowed for the bonds to be obtained from the existing bondholders and sold to the direct purchase banks There was no material financial statement impact due to these transactions

As of June 30, 2012, under the letters of credit related to the 2008A and 2008C bonds, to the extent that amounts are drawn on the letters of credit, the outstanding balance commences amortization on the earlier of 367 days after the advance is made, if the advance has not been repaid in those 367 days, or the termination date of the letter of credit Quarterly (or semiannual) payments on the advance, along with accrued interest, are then due through three years after the advance, or when a substitute letter of credit or other liquidity facility is put in place, or if the bonds are converted Additionally, amounts become due in the event of default The 2008A letter of credit expires April 2017 and the 2008C letter of credit expires May 2016

In November 2011, Rady Children's issued $100,000 of fixed rate revenue bonds with various maturities through 2041 A portion of the bond proceeds is to finance and refinance the costs of acquisition, construction, improvement and/or equipping of certain health facilities owned and/or operated by RCHHC, and a portion was used to finance bond issuance costs of $1,611

(Dollars in thousands)

The scheduled repayment of principal for all long-term debt according to the original bond amortization schedule and the scheduled repayments should the bond credit facility be utilized, as of June 30, 2012, is as follows

		Bond amortization schedule	Credit facility terms
Fiscal year ending June 30			
2013	$	3,591	3,591
2014		6,049	43,829
2015		6,293	44,048
2016		6,525	44,280
2017		6,813	6,403
Thereafter		384,541	271,661
Total	$	413,812	413,812

RCHHC utilizes derivative financial instruments, specifically interest rate swaps, to manage the fixed and variable interest rate mix and the related interest rate risk on the overall cost of long-term debt RCHHC does not use financial instruments for trading purposes RCHHC was party to three total return swap agreements as of June 30, 2011 In conjunction with the direct purchase agreements discussed above, one of the outstanding swaps was bifurcated to separate the swap amounts related to the 2008A and 2008B bonds As a result, as of June 30, 2012, RCHHC was party to four total return swap agreements with notional amounts totaling $228,845 RCHHC pays interest to the swap counterparty at an average fixed rate of 3 43% and, in return, receives interest at a variable rate equal to a percentage of one-month LIBOR Both RCHHC and the counterparty have the right to terminate the agreements prior to maturity The net amount paid (received) under the swap agreements is recorded as interest expense (or a reduction thereof) in the consolidated statements of operations and changes in net assets Net cash payments under the swaps totaled $7,474 and $7,441 for the years ended June 30, 2012 and 2011, respectively

The estimated fair value of the total return swap agreements is determined using available market information and valuation methodologies, considering both discounted cash flows and the current market value of the variable interest rate bonds These instruments have not been designated as a cash flow hedge and, therefore, the change in fair value for the years ended June 30, 2012 and 2011 is included in the excess of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets The fair value of the total return swap instruments was recorded in the consolidated balance sheets as liabilities of $80,150 and $28,734 at June 30, 2012 and 2011, respectively RCHHC is required to collateralize the fair value of the interest rate swap agreements when the aggregate liability exceeds $7,000, and the swap counterparty is required to collateralize the fair value of the interest rate swap agreements when the aggregate receivable exceeds $10,000 The collateral posting thresholds are determined based on each counterparty's current credit rating At June 30, 2012 and 2011, a swap collateral fund held by the swap counterparty of $73,150 and $21,734, respectively, was recorded as an asset limited as to use in the consolidated balance sheets

(Dollars in thousands)

In December 2010, RCHHC purchased certain real estate located near the RCHSD main campus In connection with this purchase, RCHHC entered into an $85 million nonrevolving bank line of credit to serve as interim financing until permanent financing was arranged RCHHC has the option to borrow at either (1) the bank's Base Rate, which is equal to the higher of (a) the Federal Funds Rate plus 1 50% per annum or (b) the bank's Prime Rate or (2) the one, two, three or six month Eurodollar Rate plus 1 00% An extension of the maturity date, from December 16, 2011 to December 15, 2012, was obtained in December 2011 The amount outstanding on this line of credit was $17,600 and $83,600 as of June 30, 2012 and 2011, respectively, and was recorded as short-term borrowings in the consolidated balance sheets

As of June 30, 2012 and 2011, RCHHC had a $30 million line of credit, pursuant to which revolving working capital loans could be obtained Included as part of this credit facility were standby letters of credit, to guarantee payment of workers' compensation claims, totaling $6,309 as of June 30, 2012 and 2011 During 2011, RCHHC obtained a second credit facility (allowing for a line of credit and letters of credit), with another bank, for an additional $40 million, bringing the total available under the two credit facilities to $70 million As of June 30, 2012 there was $20 million outstanding on the working capital lines of credit, recorded as short-term borrowings in the consolidated balance sheets and there were no draws on the letters of credit No amounts were outstanding as of June 30, 2011 on the working capital lines of credit and there were no draws on the letters of credit

(9) Temporarily and Permanently Restricted Net Assets

As of June 30, 2012 and 2011, temporarily restricted net assets are available for the following purposes

		2012	2011
Specified health care services and education	$	44,418	46,004
Capital projects		4,222	4,155
Total	$	48,640	50,159

During the years ended June 30, 2012 and 2011, temporarily restricted net assets were released from restrictions for the following purposes

		2012	2011
Specified health care services and education	$	8,297	8,439
Capital projects		1,544	5,925
Total	$	9,841	14,364

Permanently restricted net assets of $8,894 and $8,598 at June 30, 2012 and 2011, respectively, represent funds to be held in perpetuity The income from such net assets is restricted for the care of indigent patients or to support health care services

(Dollars in thousands)

(10) Endowments

RCHHC's endowment consists of approximately 37 separate endowment funds, established for a variety of purposes, which are included in assets limited as to use. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

RCHHC has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, RCHHC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. 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 allocated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the UPMIFA.

RCHHC has investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. RCHHC targets a diversified asset allocation to achieve its long-term investment return objectives within prudent risk constraints. Investment policies, spending policies, and target asset allocations are reviewed annually.

Changes in donor-restricted and board-designated endowment net assets for the years ended June 30, 2012 and 2011 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at June 30, 2010	$ 26,232	410	8,447	35,089
Investment income (loss)	5,666	1,786	—	7,452
Contributions	—	—	151	151
Releases for expenditures	(1,135)	(211)	—	(1,346)
Other	(20)	—	—	(20)
Endowment net assets at June 30, 2011	30,743	1,985	8,598	41,326
Investment income (loss)	(191)	(137)	—	(328)
Contributions	—	—	296	296
Releases for expenditures	(1,261)	(345)	—	(1,606)
Other	—	—	—	—
Endowment net assets at June 30, 2012	$ 29,291	1,503	8,894	39,688

(Dollars in thousands)

(11) Employee Benefit Plans

(a) Defined Benefit Pension Plan

RCHHC has a noncontributory defined benefit pension plan covering substantially all employees A participating employee's annual postretirement pension benefit is based on average compensation, years of service, and social security benefits RCHHC's funding policy is to contribute annually at least the required minimum amount as actuarially determined RCHHC uses a June 30 measurement date for its defined benefit plan

The change in plan assets and the related change in benefit obligation as of and for the years ended June 30, 2012 and 2011 are presented as follows

		2012	2011
Change in benefit obligation			
Projected benefit obligation, beginning of year	$	145,564	121,744
Service cost		8,140	8,227
Interest cost		8,067	6,916
Actuarial loss		26,621	11,583
Benefits paid		(3,563)	(2,827)
Administrative expenses paid		(76)	(79)
Projected benefit obligation, end of year		184,753	145,564
Change in plan assets			
Fair value of plan assets, beginning of year		152,369	108,229
Actual return on plan assets		1,985	26,546
Employer contributions		18,000	20,500
Benefits paid		(3,563)	(2,827)
Administrative expenses paid		(76)	(79)
Fair value of plan assets, end of year		168,715	152,369
Net prepaid (accrued) benefit cost at end of year	$	(16,038)	6,805
Amounts recognized in the consolidated balance sheets consist of			
Other long-term liabilities	$	(16,038)	—
Other assets		—	6,805
Accumulated charge to unrestricted net assets		60,629	25,930
Net amount recognized	$	44,591	32,735

The accumulated charge to unrestricted net assets as of June 30, 2012 represents charges arising from the defined benefit plan but not yet recognized as a component of net periodic benefit cost The accumulated charge to unrestricted net assets at June 30, 2012 of $60,629 comprises $60,095 of unrecognized net actuarial losses and $534 of unrecognized prior service cost During fiscal year

(Dollars in thousands)

2013, approximately $1,303 is expected to be reclassified from the accumulated charge to unrestricted net assets to pension benefit cost

The accumulated benefit obligation for the plan was $145,360 and $112,653 at June 30, 2012 and 2011, respectively

For the years ended June 30, 2012 and 2011, the actuarially computed net periodic benefit cost includes the following components

		2012	2011
Service cost	$	8,140	8,227
Interest cost		8,067	6,916
Expected return on plan assets		(11,365)	(8,568)
Net prior service cost amortization		155	155
Net loss amortization		1,148	3,521
Net periodic benefit cost	$	6,145	10,251

The plan's assumptions used to determine benefit obligations as of June 30, 2012 and 2011 were as follows

	2012	2011
Discount rate	4.52%	5.65%
Rate of compensation increase	4.50	5.00

The plan's assumptions used to determine net periodic pension cost for the years ended June 30, 2012 and 2011 were as follows

	2012	2011
Discount rate	5.65%	5.50%
Expected long-term return on plan assets	7.50	7.50
Rate of compensation increase	5.00	5.00

(Dollars in thousands)

The plan's expected future benefit payments as of June 30, 2012 were as follows

Fiscal year(s) ending June 30		
2013	$	3,648
2014		4,020
2015		4,414
2016		5,068
2017		5,720
2018 through 2022		42,922

The basis used to determine the plan's overall expected long-term rate of return on assets has been the historical results of a balanced portfolio The plan's investment strategy has been to diversify its portfolio and to have its assets managed by third-party professionals

The target and actual allocations for the plan's assets by category are as follows as of June 30, 2012

	Target	**Actual**
Equity securities	54%	57%
Debt securities	30	35
Real assets	8	4
Other	8	4
	100%	100%

For the year ended June 30, 2013, there is no minimum funding requirement for the plan RCHHC expects to contribute $20,000 to the plan during the fiscal year ending June 30, 2013

(Dollars in thousands)

The fair value of RCHHC's pension investments as of June 30, 2012 and 2011 consists of the following

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total balance at June 30, 2012
Investments					
Cash and cash equivalents	$	859	—	—	859
Domestic equity funds		26,786	41,884	—	68,670
International equity funds		13,869	12,863	—	26,732
Fixed income funds		40,631	18,822	—	59,453
Real estate mutual funds		6,370	—	—	6,370
Alternative investments		—	—	5,393	5,393
Immediate participation guarantee contract		—	—	1,238	1,238
Total investments	$	88,515	73,569	6,631	168,715

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total balance at June 30, 2011
Investments					
Cash and cash equivalents	$	679	—	—	679
Common and preferred stocks		17,099	—	—	17,099
Domestic equity funds		10,123	40,924	—	51,047
International equity funds		12,642	10,862	—	23,504
Fixed income funds		37,224	12,051	—	49,275
Real estate mutual funds		6,897	—	—	6,897
Alternative investments		—	—	2,589	2,589
Immediate participation guarantee contract		—	—	1,279	1,279
Total investments	$	84,664	63,837	3,868	152,369

(Dollars in thousands)

For a description of the levels used for valuation, information about the valuation techniques and inputs used to measure the fair value of plan assets, see discussion regarding fair value measurements in note 5

The change in the balance of Level 3 pension assets measured on a recurring basis for the years ended June 30, 2012 and 2011 is as follows

		Immediate participation guarantee contract	Alternative investments	Total
Balance at June 30, 2010	$	1,297	—	1,297
Benefit distributions		(109)	—	(109)
Realized and unrealized gains, net		—	39	39
Actuarial return on plan assets		91	—	91
Purchases, sales, and settlements, net		—	2,550	2,550
Balance at June 30, 2011		1,279	2,589	3,868
Benefit distributions		(109)	—	(109)
Realized and unrealized gains, net		—	32	32
Actuarial return on plan assets		68	—	68
Purchases		—	2,772	2,772
Sales		—	—	—
Balance at June 30, 2012	$	1,238	5,393	6,631
Change in unrealized gains on investments held as of June 30, 2011	$	—	39	39
Change in unrealized gains on investments held as of June 30, 2012	$	—	(7)	(7)

(b) Deferred Compensation and Savings Plans

RCHHC has a deferred compensation plan established for senior management and a voluntary savings plan for certain management employees, whereby RCHHC contributes a percentage of eligible employees' earnings At June 30, 2012 and 2011, a liability related to these plans of $2,722 and $2,893, respectively, is included in accrued salaries and related benefits and other long-term liabilities Included in assets limited as to use at June 30, 2012 and 2011 are $328 and $199, respectively, of investments that have been placed in a trust to fund a portion of this liability (note 6) During the years ended June 30, 2012 and 2011, RCHHC recorded expenses for these plans of $1,308 and $1,171, respectively, that are included in employee benefits within the consolidated statements of operations and changes in net assets

(Dollars in thousands)

(c) *Retirement Savings Plan*

RCHHC has a voluntary 403(b) savings plan for substantially all RCHSD employees. For employees who work more than 1,000 hours in a given year, RCHSD contributes from $0.25 to $0.65, based upon years of service, for each $1.00 contributed by employees to their 403(b) accounts, up to 8% of each participant's salary. For the years ended June 30, 2012 and 2011, RCHSD recorded expenses related to the match of $4,452 and $4,247, respectively, that are included in employee benefits within the consolidated statements of operations and changes in net assets.

(12) Pledges Receivable

Pledges, which represent unconditional promises from donors to give cash and other assets to RCHHC, are recorded at fair value as of the date the promise is received. RCHHC discounts pledges with expected payment terms of greater than one year, using interest rates ranging from 1.5% to 7.0%, as applicable at the time of the contribution.

Pledges receivable, net are included in other receivables ($7,297 and $6,307, respectively), and in other assets ($24,346 and $26,156, respectively), as of June 30, 2012 and 2011.

Total unconditional pledges included in other receivables and other assets as of June 30, 2012 are as follows:

2013	$	7,297
2014		4,048
2015		3,923
2016		3,513
2017		184
Thereafter		31,813
Less present value discount		(19,135)
	$	31,643

(13) Functional Expenses

RCHHC categorizes unrestricted operating expenses into two categories: health care services and general and administrative. Health care services include all expenses in departments that generate patient revenue. All other costs are referred to as general and administrative. For the years ended June 30, 2012 and 2011, the functional grouping of expenses is as follows:

		2012	2011
Health care services	$	497,178	496,383
General and administrative		192,730	192,422
Total	$	689,908	688,805

(14) Commitments and Contingencies

(a) *General, Employment Practices, Professional Liability Coverage and Workers' Compensation*

RCHHC retained the first $1,500 liability per claim for hospital professional liability, the first $1,000 for general liability and the first $250 for employment practices liability in 2012 and 2011 (retention). RCHHC's retention for 2012 and 2011 was limited by an annual policy-year combined aggregate of $6,000 for general and hospital professional liability. RCHHC purchases reinsurance for losses in excess of the RCHHC retention, on a per-claim and aggregate basis, for hospital and professional liability. Reinsurance contracts do not relieve RCHHC from its obligations to claimants. Failure of reinsurers to honor their obligations could result in losses to RCHHC; consequently, allowances are established for amounts deemed uncollectible. RCHHC evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. The reserve for estimated general, employment practices, and professional claims of $12,648 and $8,833 recorded in other long-term liabilities as of June 30, 2012 and 2011, respectively, includes estimates of the ultimate costs for both reported claims and for claims incurred but not reported, in accordance with actuarial projections or paid claims lag models based on past experience.

RCHHC adopted ASU 2010-24 for the year ended June 30, 2012. This resulted in the reclassification of $3,844 in anticipated insurance recoveries from excess professional liability insurers, which were previously netted against liabilities for self-insurance programs, to a receivable from the insurance carrier for claims made in excess of retained limits recorded within other assets.

RCHHC has a high dollar deductible workers' compensation program. Annual workers' compensation expense under this program is based on historical claims experience and projected losses. The actuarial estimates of incurred losses, including claims incurred but not reported, are recorded in other long-term liabilities of $10,642 and $8,808 as of June 30, 2012 and 2011, respectively.

As a result of adopting ASU 2010-24, RCHHC reclassified $2,068 in anticipated insurance recoveries from excess workers' compensation insurers, which were previously netted against liabilities for self-insurance programs, to a receivable from the insurance carrier for claims made in excess of retained limits recorded within other assets.

(b) *Legal*

RCHHC is a party to certain legal actions arising in the ordinary course of business. In the opinion of management, based upon current facts and circumstances known by RCHHC, resolution of these matters should not have a material adverse effect on RCHHC's consolidated financial statements.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity has continued with respect to investigations and allegations concerning possible violations of regulations by health care providers that could result in the imposition of significant fines and penalties, as well as significant repayment of previously billed and collected revenues for patient services. Management believes that RCHHC is in compliance with applicable fraud and abuse regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

(Dollars in thousands)

(c) Leases

RCHHC leases real property and equipment under noncancelable operating leases expiring at various dates through December 2020. Minimum future rental payments required by these leases as of June 30, 2012 are as follows:

Fiscal year ending June 30:		
2013	$	6,379
2014		4,791
2015		2,820
2016		1,823
2017		1,393
Thereafter		1,382
Total	$	18,588

RCHHC's leases generally include annual escalation clauses and renewal options at the end of the lease term. Rental expense was $10,223 and $9,836 for the years ended June 30, 2012 and 2011, respectively, and is included in other expenses within the consolidated statements of operations and changes in net assets.

(d) State Funding for Property and Equipment

In 2008, the State enacted the Children's Hospitals Bond Act of 2008 (the 2008 Bond Act), whereby $980,000 is provided to improve and expand California children's hospitals, as well as to purchase new medical equipment for these hospitals. RCHSD is entitled to approximately $97,000 from the 2008 Bond Act, which is to be recognized and reported as third-party funding for property and equipment in the accompanying consolidated statements of operations and changes in net assets and cash flows when qualifying expenditures are reimbursed. As of June 30, 2011, funds of $23,610 have been paid to RCHSD. Funds paid to RCHSD during the year ended June 30, 2012 were $10,563 and are included within the consolidated statements of operations and changes in net assets. As of June 30, 2012, approximately $62,827 remained available to RCHSD.

(e) Seismic Compliance

California Health and Safety Code Sections 130000 through 130070 require acute care hospitals to meet more stringent seismic standards by 2013, or later with an approved extension All RCHSD acute care hospital buildings currently meet Structural Performance Category requirements for continued service through 2030 RCHSD has completed all construction to meet Non-Structural Performance Category 3 requirements, now due by January 1, 2013, and the report is pending submission to the California Office of Statewide Health Planning and Development for certification

(15) Subsequent Events

RCHHC completed its evaluation for subsequent events through October 22, 2012, the date the consolidated financial statements were issued, and determined that no items required disclosure

RADY CHILDREN’S HOSPITAL AND HEALTH CENTER

Consolidating Supplementary Schedule – Balance Sheet Information

June 30 2012

(Dollars in thousands)

	Rady Children's Hospital and Health Center	Rady Children’s Hospital – San Diego	Obligated Group	Rady Children’s Health Services – San Diego	Rady Children’s Hospital Research Center	Children’s Hospital Integrated Risk Protective Limited	Rady Children’s Hospital Foundation – San Diego	Rady Children’s Physician Management Services	Eliminations	Consolidated
Current assets										
Cash and cash equivalents	$ —	18 364	18 364	—	—	17	—	7	—	18 388
Investments	36 974	363 224	400 198	—	—	17 966	—	—	—	418 164
Patients accounts receivable net	—	85 532	85 532	—	—	—	—	—	—	85 532
Other receivables	266	62 612	62 878	—	—	—	7 312	6 523	(56)	76 657
Assets limited as to use required for current liabilities	—	339	339	—	—	—	—	—	—	339
Receivables (payables) from affiliates	(7 297)	15 812	8 515	2 102	(288)	—	(8 120)	(2 209)	—	—
Inventory	6	6 152	6 158	—	—	—	—	1 330	—	7 488
Other current assets	—	3 800	3 800	—	—	62	—	234	—	4 096
Total current assets	29 949	555 835	585 784	2 102	(288)	18 045	(808)	5 885	(56)	610 664
Assets limited as to use net of current portion	1 310	114 517	115 827	—	—	—	—	—	—	115 827
Property and equipment net	17	495 887	495 904	—	7	—	—	899	—	496 810
Investments noncurrent	—	56 814	56 814	—	—	—	—	—	—	56 814
Other assets	13 019	12 905	25 924	593	—	—	22 977	339	(11 649)	38 184
Total	$ 44 295	1 235 958	1 280 253	2 695	(281)	18 045	22 169	7 123	(11 705)	1 318 299
Current liabilities										
Accounts payable and accrued expenses	$ —	76 712	76 712	—	—	99	—	2 447	(56)	79 202
Accrued salaries and related benefits	—	33 252	33 252	—	—	—	—	1 209	—	34 461
Short-term borrowings	—	37 600	37 600	—	—	—	—	—	—	37 600
Current portion of long-term debt	—	3 591	3 591	—	—	—	—	—	—	3 591
Deferred revenue	264	541	805	—	—	—	33	—	—	838
Total current liabilities	264	151 696	151 960	—	—	99	33	3 656	(56)	155 692
Long-term debt net of current portion	—	410 862	410 862	—	—	—	—	—	—	410 862
Interest rate swaps	—	80 150	80 150	—	—	—	—	—	—	80 150
Other long-term liabilities	—	38 851	38 851	—	—	4 571	—	—	—	43 422
Payable to beneficiaries under deferred giving arrangements	1 740	172	1 912	—	—	—	—	—	—	1 912
Total liabilities	2 004	681 731	683 735	—	—	4 670	33	3 656	(56)	692 038
Net assets										
Unrestricted	41 139	497 845	538 984	2 695	(281)	13 375	22 136	3 467	(11 649)	568 727
Temporarily restricted	678	47 962	48 640	—	—	—	—	—	—	48 640
Permanently restricted	474	8 420	8 894	—	—	—	—	—	—	8 894
Total net assets	42 291	554 227	596 518	2 695	(281)	13 375	22 136	3 467	(11 649)	626 261
Total	$ 44 295	1 235 958	1 280 253	2 695	(281)	18 045	22 169	7 123	(11 705)	1 318 299

See accompanying independent auditors report

Schedule 2

RADY CHILDREN'S HOSPITAL AND HEALTH CENTER

Consolidating Supplementary Schedule – Operating Information

Year ended June 30, 2012

(Dollars in thousands)

		Rady Children's Hospital and Health Center	Rady Children's Hospital – San Diego	Obligated Group	Rady Children's Health Services – San Diego	Rady Children's Hospital Research Center	Children's Hospital Integrated Risk Protective Limited	Rady Children's Hospital Foundation – San Diego	Rady Children's Physician Management Services	Eliminations	Consolidated
Operating revenues:											
Net patient service revenue before provision for bad debts	$	—	511 957	511 957	—	—	—	—	—	—	511 957
Provision for bad debts		—	(9 448)	(9 448)	—	—	—	—	—	—	(9 448)
Net patient service revenue		—	502 509	502 509	—	—	—	—	—	—	502 509
Provider fee program		—	72 025	72 025	—	—	—	—	—	—	72 025
Premium revenue		—	62 043	62 043	—	—	—	—	—	—	62 043
Grants and contracts		1 029	26 521	27 550	—	2 548	—	—	—	—	30 098
Other government revenue		—	35 319	35 319	—	—	—	—	—	—	35 319
Physician management services revenue		—	—	—	—	—	—	—	33 849	—	33 849
Other revenue		60	29 647	29 707	849	1 225	1 961	—	359	(2 955)	31 146
Net assets released from restrictions used for operations		159	8 106	8 265	—	32	—	—	—	—	8 297
Total		1 248	736 170	737 418	849	3 805	1 961	—	34 208	(2 955)	775 286
Operating expenses:											
Salaries and wages		1 613	214 471	216 084	—	1 096	—	—	12 300	—	229 480
Employee benefits		620	83 982	84 602	—	416	—	—	3 911	—	88 929
Supplies		55	78 241	78 296	—	39	—	—	10 569	—	88 904
Professional fees		163	101 037	101 200	—	189	32	—	142	—	101 563
Purchased services		574	66 748	67 322	—	985	221	—	2 010	(658)	69 880
Provider fee program		—	22 612	22 612	—	—	—	—	—	—	22 612
Insurance		2	4 690	4 692	—	—	2 114	—	35	(1 960)	4 881
Depreciation and amortization		2	37 634	37 636	—	4	—	—	299	—	37 939
Interest		—	17 594	17 594	—	—	—	—	—	—	17 594
Other		(103)	22 948	22 845	—	939	—	—	4 679	(337)	28 126
Total		2 926	649 957	652 883	—	3 668	2 367	—	33 945	(2 955)	689 908
Operating income (loss)		(1 678)	86 213	84 535	849	137	(406)	—	263	—	85 378
Nonoperating income (expenses):											
Contributions		232	893	1 125	—	—	—	6 831	—	—	7 956
Fundraising expenses		—	—	—	—	—	—	(5 249)	—	—	(5 249)
Change in fair value of interest rate swaps		—	(51 416)	(51 416)	—	—	—	—	—	—	(51 416)
Investment income, net		732	(5 405)	(4 673)	—	—	1 126	—	25	(1 008)	(4 530)
Excess (deficiency) of revenue over expense	$	(714)	30 285	29 571	849	137	720	1 582	288	(1 008)	32 139

See accompanying independent auditors' report.

Additional Data

Software ID:
Software Version:
EIN: 95-1691313
Name: RADY CHILDREN'S HOSPITAL - SAN DIEGO

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Lisa A Barkett Board Member	35	X						0	0	0
Penny Dokmo Board Member	0 0	X						0	0	0
John M Gilchrist Jr Board Member	63	X						0	0	0
David F Hale CHAIR	1 2	X		X				0	0	0
Jeffrey Jacobs Board Member	28	X						0	0	0
Catherine J Mackey PhD Board Member	35	X						0	0	0
G Diego Miralles MD Board Member	34	X						0	0	0
Michael P Peckham Board Member	56	X						0	0	0
Harry M Rady Board Member	1 48	X						0	0	0
Theodore D Roth vice chair	5	X		X				0	0	0
Scott N Wolfe Esq Board Member	81	X						0	0	0
David A Brenner MD Board Member	14	X						0	0	0
Marye Anne Fox PhD Board Member	05	X						0	0	0
Mary Hilfilker MD Board Member	42	X						0	0	0
Anthony E Magit MD Board Member	29	X						0	0	0
Santiago Munoz Board Member	0 0	X						0	0	0
Cathy C Polk Chair	22	X		X				0	0	0
Gail R Knight MD Board Member	46	X						0	0	0
Tina Nova Board Member	09	X						0	0	0
William Sailer Board Member	4	X						0	0	0
James Harley Board Member	16	X						0	0	0
kathleen dooley sellick Pres/CEO	14 0			X				996,948	0	272,091
Margareta E Norton SVP/COO/secretary	16 0			X				624,480	0	246,168
David B Gillig SVP/Exec Dir, RCHFSD	14 0			X				395,153	0	214,178
Irvin A Kaufman MD SVP/CMO	16 0			X				806,982	0	190,231

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply) Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
Roger G Roux SVP/CFO/treasurer	16 0			X				587,853	0	197,816
Belinda Santos Asst Secty	20 0			X				84,753	0	22,226
Mary J Fagan VP/cno	20 0				X			275,571	0	110,721
Barbara Ryan VP, Government Affairs	20 0				X			287,851	0	186,249
Albert Oriol VP/CIO	40 0				X			340,541	0	103,961
Timothy Jacoby VP	40 0				X			320,720	0	137,154
Angela Vieira VP	40 0				X			290,676	0	145,009
Mohammed syed VP	40 0				X			257,801	0	67,648
SCOTT CAMPBELL VP	40 0				X			254,649	0	78,849
Charles Wilson Sr Managing Director	40 0					X		290,575	0	158,400
Glenn Billman Chief Medical Safety Officer	40 0					X		254,729	0	91,609
Chris Abe Sr Director Safety and Support	40 0					X		241,997	0	180,824
Glenn W Chong Sr Managing Director	40 0					X		252,444	0	45,000
Hoenemeyer Elizabeth S smd	40 0					X		216,007	0	76,644
Blair sadler Former President & CEO	0 0						X	275,367	0	0