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Form 990

## Return of Organization Exempt From Income Tax

2011

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

► The organization may have to use a copy of this return to satisfy state reporting requirements

## A For the 2011 calendar year, or tax year beginning 10-01-2011 and ending 09-30-2012

B Check if applicable	C Name of organization EL PASO CHILDREN'S HOSPITAL CORPORATION	D Employer identification number 26-3075429
<input type="checkbox"/> Address change	Doing Business As	E Telephone number (915) 242-8602
<input type="checkbox"/> Name change	Number and street (or P O box if mail is not delivered to street address) 4845 ALAMEDA	F Gross receipts \$ 47,218,110
<input type="checkbox"/> Initial return	Room/suite	
<input type="checkbox"/> Terminated		
<input type="checkbox"/> Amended return		
<input type="checkbox"/> Application pending	City or town, state or country, and ZIP + 4 EL PASO, TX 79905	
	F Name and address of principal officer LAWRENCE G DUNCAN 4845 ALAMEDA EL PASO, TX 79905	H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)
		H(c) Group exemption number ►

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

J Website: ► ELPASOCHILDRENS.ORG

K Form of organization  Corporation  Trust  Association  Other ► L Year of formation 2007 M State of legal domicile TX

## Part I Summary

1 Briefly describe the organization's mission or most significant activities TO PROVIDE MEDICAL AND HOSPITAL CARE TO CHILDREN	
2 Check this box ► if the organization discontinued its operations or disposed of more than 25% of its net assets	
3 Number of voting members of the governing body (Part VI, line 1a) . . . . .	3 11
4 Number of independent voting members of the governing body (Part VI, line 1b) . . . . .	4 11
5 Total number of individuals employed in calendar year 2011 (Part V, line 2a) . . . . .	5 1
6 Total number of volunteers (estimate if necessary) . . . . .	6 55
7a Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .	7a 0
b Net unrelated business taxable income from Form 990-T, line 34 . . . . .	7b 0

8 Contributions and grants (Part VIII, line 1h) . . . . .	Prior Year 585,678	Current Year 2,448,077
9 Program service revenue (Part VIII, line 2g) . . . . .	0	44,766,803
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) . . . . .	0	3,230
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	0
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	585,678	47,218,110

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)	411,457	21,008,102
16a Professional fundraising fees (Part IX, column (A), line 11e) . . . . .	0	0
b Total fundraising expenses (Part IX, column (D), line 25) ► 0		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) . . . . .	35,851	49,342,624
18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	447,308	70,350,726
19 Revenue less expenses Subtract line 18 from line 12 . . . . .	138,370	-23,132,616

20 Total assets (Part X, line 16) . . . . .	Beginning of Current Year 227,608	End of Year 32,057,358
21 Total liabilities (Part X, line 26) . . . . .	38,306	55,000,672
22 Net assets or fund balances Subtract line 21 from line 20 . . . . .	189,302	-22,943,314

## 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 LAWRENCE G DUNCAN CEO Type or print name and title	2014-04-02 Date
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Paid Preparer's Use Only	Preparer's signature ► CINDY F LYONS CPA	Date 2014-03-27	Check if self-employed ► <input type="checkbox"/>	Preparer's taxpayer identification number (see instructions) P00061457
	Firm's name (or yours if self-employed), address, and ZIP + 4 LAUTERBACH BORSCHOW & COMPANY PC 4130 RIO BRAVO DRIVE EL PASO, TX 79902			EIN ► 74-2014723
				Phone no ► (915) 544-6950

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 II

**1 Briefly describe the organization's mission**

TO PROVIDE COMPASSIONATE, COORDINATED, FAMILY-CENTERED CARE FOR CHILDREN WITH A DEDICATED COMMITMENT TO EXCELLENT PATIENT OUTCOMES, INCLUSIVE LEADERSHIP AND INNOVATIVE PEDIATRIC RESEARCH AND EDUCATION

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 C

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 \$ 61,162,728 including grants of \$ ) (Revenue \$ 44,766,803 )

EL PASO CHILDREN'S HOSPITAL IS THE ONLY SEPARATELY LICENSED, NON-TAXING, INDEPENDENT, 501(C)(3) NOT-FOR-PROFIT CHILDREN'S HOSPITAL IN THE EL PASO, TEXAS REGION AND THE ONLY DEDICATED PEDIATRIC HOSPITAL WITHIN A 200-MILE RADIUS. THE HOSPITAL PROVIDES PEDIATRIC INPATIENT, OUTPATIENT AND EMERGENCY CARE SERVICES TO CHILDREN FROM BIRTH THROUGH ADOLESCENCE. IT RECEIVED THE JOINT COMMISSION ACCREDITATION ON MARCH 9, 2012, ITS MEDICAID PROVIDER NUMBER IN JUNE, 2012, AND OPENED FEBRUARY 14, 2012. THROUGH THE HOSPITAL'S AFFILIATION WITH TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER, THE HOSPITAL CONDUCTS PEDIATRIC RESEARCH AND EDUCATION, AND SERVES AS A TEACHING HOSPITAL FOR THE TEXAS TECH RESIDENCY PROGRAM.

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

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

**4d** Other program services (Describe in Schedule O)

(Expenses \$ **including grants of \$** ) (Revenue \$ **)**

**4e Total program service expenses** **►\$** **61,162,728**

**Part IV Checklist of Required Schedules**

1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A

2 Is the organization required to complete Schedule B, *Schedule of Contributors* (see instructions)?

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

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

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

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

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

8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III

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

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

11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable

a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI

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

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

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

e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X

f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X

12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII

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

13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

14a Did the organization maintain an office, employees, or agents outside of the United States?

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

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

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

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

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

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

20a Did the organization operate one or more hospitals? If "Yes," complete Schedule H

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

	Yes	No
1	Yes	
2	Yes	
3		No
4		No
5		No
6		No
7		No
8		No
9		No
10		No
11a	Yes	
11b		No
11c		No
11d		No
11e		No
11f	Yes	
12a		No
12b	Yes	
13		No
14a		No
14b		No
15		No
16		No
17		No
18		No
19		No
20a	Yes	
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		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
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		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? If "Yes," complete Schedule L, Part III	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)	28a		No
a	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28b		No
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28c		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	29		No
30	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M	30		No
31	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M	31		No
32	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I	32		No
33	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II	33		No
34	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	34	Yes	
35a	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1	35a		No
b	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35b		No
36	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	36		No
37	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	37		No
38	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	38	Yes	
<b>Note.</b> All Form 990 filers are required to complete Schedule O				

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

**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	11
b Enter the number of voting members included in line 1a, above, who are independent	1b	11
2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5 Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6 Did the organization have members or stockholders?	6	No
7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a The governing body?	8a	Yes
b Each committee with authority to act on behalf of the governing body?	8b	Yes
9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

### Section C. Disclosure

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

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply  
 Own website  Another's website  Upon request

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

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization   
 LAWRENCE G DUNCAN  
 4845 ALAMEDA  
 EL PASO, TX 79905  
 (915) 242-8602

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

 Check if Schedule O contains a response to any question in this Part VII 
**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

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

• List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees. Enter -0- in columns (D), (E), and (F) if no compensation was paid

• List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."

• List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

• List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

• List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)					(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Or Director	Individual Trustee	Institutional Trustee	Officer	Key Employee			
(1) SAM LEGATE CHAIRPERSON	1 00	X					0	0	0
(2) JOHN GUGGEDAHL MD VICE-CHAIR	1 00	X					0	0	0
(3) SADHANA CHHEDA MD SECRETARY	1 00	X					0	0	0
(4) CARLOS GUTIERREZ MD BOARD MEMBER	1 00	X					0	0	0
(5) CLARENCE ANSLEY BOARD MEMBER	1 00	X					0	0	0
(6) ANNE SEMMER-GRIESHOP BOARD MEMBER	1 00	X					0	0	0
(7) THOMAS A SPIECZNY BOARD MEMBER	1 00	X					0	0	0
(8) MARY LOU CAMARENA BOARD MEMBER	1 00	X					0	0	0
(9) ROSEMARY CASTILLO BOARD MEMBER	1 00	X					0	0	0
(10) KRISTEN COX BOARD MEMBER	1 00	X					0	0	0
(11) HECTOR ALMEIDA BOARD MEMBER	1 00	X					0	0	0
(12) CYNTHIA VIZCAINO-VILLA BOARD MEMBER	1 00	X					0	0	0
(13) JAMES N VALENTI BOARD MEMBER	1 00	X					0	0	0
(14) MICHAEL NUNEZ BOARD MEMBER	1 00	X					0	0	0
(15) MANUEL DE LA ROSA MD BOARD MEMBER	1 00	X					0	0	0
(16) LAWRENCE G DUNCAN CHIEF EXECUTIVE OFFICER	60 00		X	X	X	X	381,395	0	0

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

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 **0**

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

**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
<b>Contributions, gifts, grants and other similar amounts</b>	<b>1a</b> Federated campaigns . . . . .	<b>1a</b>				
	<b>b</b> Membership dues . . . . .	<b>1b</b>				
	<b>c</b> Fundraising events . . . . .	<b>1c</b>				
	<b>d</b> Related organizations . . . . .	<b>1d</b>				
	<b>e</b> Government grants (contributions)	<b>1e</b>	65,965			
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b>	2,382,112			
	<b>g</b> Noncash contributions included in lines 1a-1f \$ _____					
	<b>h</b> <b>Total.</b> Add lines 1a-1f . . . . .		2,448,077			
<b>Program Service Revenue</b>	PATIENT CARE		Business Code			
			621500	44,766,803	44,766,803	
	<b>f</b> All other program service revenue					
	<b>g</b> <b>Total.</b> Add lines 2a-2f . . . . .		44,766,803			
<b>3</b> Investment income (including dividends, interest and other similar amounts) . . . . .		3,230			3,230	
<b>4</b> Income from investment of tax-exempt bond proceeds . . . . .						
<b>5</b> Royalties . . . . .						
<b>6a</b> Gross rents	(I) Real	(II) Personal				
<b>b</b> Less rental expenses						
<b>c</b> Rental income or (loss)						
<b>d</b> Net rental income or (loss) . . . . .						
<b>7a</b> Gross amount from sales of assets other than inventory	(I) Securities	(II) Other				
<b>b</b> Less cost or other basis and sales expenses						
<b>c</b> Gain or (loss)						
<b>d</b> Net gain or (loss) . . . . .						
<b>8a</b> Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .						
<b>b</b> Less direct expenses . . . . .	<b>b</b>					
<b>c</b> Net income or (loss) from fundraising events . . . . .						
<b>9a</b> Gross income from gaming activities See Part IV, line 19 . . . . .						
<b>b</b> Less direct expenses . . . . .	<b>b</b>					
<b>c</b> Net income or (loss) from gaming activities . . . . .						
<b>10a</b> Gross sales of inventory, less returns and allowances . . . . .						
<b>b</b> Less cost of goods sold . . . . .	<b>b</b>					
<b>c</b> Net income or (loss) from sales of inventory . . . . .						
<b>Miscellaneous Revenue</b>	Business Code					
<b>11a</b>						
<b>b</b>						
<b>c</b>						
<b>d</b> All other revenue . . . . .						
<b>e</b> <b>Total.</b> Add lines 11a-11d . . . . .						
<b>12</b> <b>Total revenue.</b> See Instructions . . . . .		47,218,110	44,766,803	0	3,230	

**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
<b>1</b> Grants and other assistance to governments and organizations in the United States See Part IV, line 21				
<b>2</b> Grants and other assistance to individuals in the United States See Part IV, line 22				
<b>3</b> Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
<b>4</b> Benefits paid to or for members				
<b>5</b> Compensation of current officers, directors, trustees, and key employees . . . . .	381,395	324,185	57,210	
<b>6</b> Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
<b>7</b> Other salaries and wages	17,202,752	14,622,339	2,580,413	
<b>8</b> Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	645,010	645,010		
<b>9</b> Other employee benefits . . . . .	1,521,186	1,394,945	126,241	
<b>10</b> Payroll taxes . . . . .	1,257,759	978,410	279,349	
<b>11</b> Fees for services (non-employees)				
<b>a</b> Management . . . . .				
<b>b</b> Legal . . . . .	57,910		57,910	
<b>c</b> Accounting . . . . .				
<b>d</b> Lobbying . . . . .				
<b>e</b> Professional fundraising See Part IV, line 17 . . . . .				
<b>f</b> Investment management fees . . . . .				
<b>g</b> Other . . . . .	6,034,818	6,034,818		
<b>12</b> Advertising and promotion . . . . .	66,039		66,039	
<b>13</b> Office expenses . . . . .				
<b>14</b> Information technology . . . . .	3,652,220	2,921,776	730,444	
<b>15</b> Royalties . . . . .				
<b>16</b> Occupancy . . . . .	7,302,700	5,842,160	1,460,540	
<b>17</b> Travel . . . . .				
<b>18</b> Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
<b>19</b> Conferences, conventions, and meetings . . . . .	39,541		39,541	
<b>20</b> Interest . . . . .	1,056,273		1,056,273	
<b>21</b> Payments to affiliates . . . . .				
<b>22</b> Depreciation, depletion, and amortization . . . . .	180,721	150,681	30,040	
<b>23</b> Insurance . . . . .	175,491		175,491	
<b>24</b> 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 )				
<b>a</b> PURCHASED SERVICES	9,731,443	8,271,727	1,459,716	
<b>b</b> BAD DEBT	7,457,786	7,457,786		
<b>c</b> MEDICAL/SURGICAL SUPPLI	6,489,322	6,489,322		
<b>d</b> PROFESSIONAL FEES	5,146,862	5,146,862		
<b>e</b>				
<b>f</b> All other expenses	1,951,498	882,707	1,068,791	
<b>25</b> <b>Total functional expenses.</b> Add lines 1 through 24f	70,350,726	61,162,728	9,187,998	0
<b>26</b> <b>Joint costs.</b> Check here <input type="checkbox"/> <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

**Part X Balance Sheet**

		<b>(A)</b> Beginning of year		<b>(B)</b> End of year
Assets	1 Cash—non-interest-bearing . . . . .	61,930	<b>1</b>	3,235,320
	2 Savings and temporary cash investments . . . . .	2		
	3 Pledges and grants receivable, net . . . . .	3		65,965
	4 Accounts receivable, net . . . . .	4		23,325,120
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .	5		
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L . . . . .	6		
	7 Notes and loans receivable, net . . . . .	7		
	8 Inventories for sale or use . . . . .	8		1,721,795
	9 Prepaid expenses and deferred charges . . . . .	9		128,261
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	3,761,618	
	b Less accumulated depreciation . . . . .	10b	180,721	165,678
			<b>10c</b>	3,580,897
	11 Investments—publicly traded securities . . . . .		<b>11</b>	
	12 Investments—other securities See Part IV, line 11 . . . . .		<b>12</b>	
	13 Investments—program-related See Part IV, line 11 . . . . .		<b>13</b>	
	14 Intangible assets . . . . .		<b>14</b>	
	15 Other assets See Part IV, line 11 . . . . .		<b>15</b>	
	<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	227,608	<b>16</b>	32,057,358
Liabilities	17 Accounts payable and accrued expenses . . . . .	38,306	<b>17</b>	55,000,672
	18 Grants payable . . . . .	18		
	19 Deferred revenue . . . . .	19		
	20 Tax-exempt bond liabilities . . . . .	20		
	21 Escrow or custodial account liability Complete Part IV of Schedule D . . . . .	21		
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .	22		
	23 Secured mortgages and notes payable to unrelated third parties . . . . .	23		
	24 Unsecured notes and loans payable to unrelated third parties . . . . .	24		
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D . . . . .	25		
	<b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .	38,306	<b>26</b>	55,000,672
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>			
	27 Unrestricted net assets . . . . .	27		
	28 Temporarily restricted net assets . . . . .	28		
	29 Permanently restricted net assets . . . . .	29		
	<b>Organizations that do not follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 30 through 34.</b>			
	30 Capital stock or trust principal, or current funds . . . . .	0	<b>30</b>	0
	31 Paid-in or capital surplus, or land, building or equipment fund . . . . .	0	<b>31</b>	0
	32 Retained earnings, endowment, accumulated income, or other funds . . . . .	189,302	<b>32</b>	-22,943,314
	<b>33 Total net assets or fund balances</b> . . . . .	189,302	<b>33</b>	-22,943,314
	<b>34 Total liabilities and net assets/fund balances</b> . . . . .	227,608	<b>34</b>	32,057,358

**Part XI Reconciliation of Net Assets**Check if Schedule O contains a response to any question in this Part XI 

1	Total revenue (must equal Part VIII, column (A), line 12)	1	47,218,110
2	Total expenses (must equal Part IX, column (A), line 25)	2	70,350,726
3	Revenue less expenses Subtract line 2 from line 1	3	-23,132,616
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	189,302
5	Other changes in net assets or fund balances (explain in Schedule O)	5	0
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	-22,943,314

**Part XII Financial Statements and Reporting**Check if Schedule O contains a response to any question in this Part XII 

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? <input type="checkbox"/>	2a	No
2b	Were the organization's financial statements audited by an independent accountant? <input type="checkbox"/>	2b	Yes
2c	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 <input type="checkbox"/>	2c	Yes
2d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? <input type="checkbox"/>	3a	No
3b	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 <input type="checkbox"/>	3b	

2011

Open to Public  
Inspection**SCHEDULE A**  
(Form 990 or 990EZ)**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.

Department of the Treasury  
Internal Revenue ServiceName of the organization  
EL PASO CHILDREN'S HOSPITAL CORPORATION

Employer identification number

26-3075429

**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

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

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

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

(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii) a family member of a person described in (i) above?

(iii) a 35% controlled entity of a person described in (i) or (ii) above?

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

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

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

**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 <b>Total.</b> 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 <b>Public Support.</b> 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 <b>Total support</b> (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	
13 <b>First Five Years</b> 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 <b>stop here</b>						►

**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 <b>33 1/3% support test—2011.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization	►
b <b>33 1/3% support test—2010.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization	►
17a <b>10%-facts-and-circumstances test—2011.</b> 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 <b>stop here</b> . Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization	►
b <b>10%-facts-and-circumstances test—2010.</b> 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 <b>stop here</b> . Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization	►
18 <b>Private Foundation</b> 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 <b>Total.</b> 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 <b>Public Support</b> (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 <b>Total support</b> (Add lines 9, 10c, 11 and 12 )						
14 <b>First Five Years</b> 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 <b>stop here</b>						

**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 <b>33 1/3% support tests—2011.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization	
b <b>33 1/3% support tests—2010.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization	
20 <b>Private Foundation</b> If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions	

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

**Facts And Circumstances Test**

**Explanation**

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2011

Open to Public  
Inspection**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.

**Name of the organization**

EL PASO CHILDREN'S HOSPITAL CORPORATION

**Employer identification number**

26-3075429

**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
2a	
2b	
2c	
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      d  Loan or exchange programs  
 b  Scholarly research      e  Other  
 c  Preservation for future generations

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

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

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

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

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

	Amount
1c	
1d	
1e	
1f	

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

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

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance . . . . .					
b Contributions . . . . .					
c Investment earnings or losses . . . . .					
d Grants or scholarships . . . . .					
e Other expenditures for facilities and programs . . . . .					
f Administrative expenses . . . . .					
g End of year balance . . . . .					

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

a Board designated or quasi-endowment ►

b Permanent endowment ►

c Term endowment ►

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

3a(i)	Yes	No
-------	-----	----

3a(ii)	Yes	No
--------	-----	----

3b	Yes	No
----	-----	----

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

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 . . . . .					
b Buildings . . . . .					
c Leasehold improvements . . . . .		466,072	20,714	445,358	
d Equipment . . . . .		3,295,546	160,007	3,135,539	
e Other . . . . .					
<b>Total.</b> Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . .				3,580,897	

**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		
<b>Total.</b> (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
<b>Total.</b> (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
<b>Total.</b> (Column (b) should equal Form 990, Part X, col (B) line 15.) ►	

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

(a) Description of Liability	(b) Amount
Federal Income Taxes	
<b>Total.</b> (Column (b) should equal Form 990, Part X, col (B) line 25.) ►	

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
		FIN 48 DISCLOSURE AS PER ENTITY'S CONSOLIDATED FINANCIAL STATEMENTS THE HOSPITAL RECOGNIZES THE TAX BENEFIT FROM UNCERTAIN TAX POSITIONS ONLY IF IT IS MORE LIKELY THAN NOT THAT THE TAX POSITIONS WILL BE SUSTAINED ON EXAMINATION BY THE TAX AUTHORITIES, BASED ON THE TECHNICAL MERITS OF THE POSITION THE TAX BENEFIT IS MEASURED BASED ON THE LARGEST BENEFIT THAT HAS A GREATER THAN 50% LIKELIHOOD OF BEING REALIZED UPON ULTIMATE SETTLEMENT THE HOSPITAL HAD NO UNRECOGNIZED TAX BENEFITS AT SEPTEMBER 30, 2012

2011

Open to Public  
InspectionSCHEDULE 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.Name of the organization  
EL PASO CHILDREN'S HOSPITAL CORPORATIONEmployer identification number  
26-3075429

## Part I Charity Care and Certain Other Community Benefits at Cost

1a Did the organization have a charity care policy? If "No," skip to question 6a . . . . .

b If "Yes," is it a written policy? . . . . .

1b If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals

Applied uniformly to all hospitals  Applied uniformly to most hospitals

Generally tailored to individual hospitals

3 Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year

a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care

100%  150%  200%  Other \_\_\_\_\_ %

b Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . .

200%  250%  300%  350%  400%  Other \_\_\_\_\_ %

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"? . . . . .

5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .

b If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .

c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .

6a Did the organization prepare a community benefit report during the tax year? . . . . .

6b If "Yes," did the organization make it available to the public? . . . . .

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

	Yes	No
1a	Yes	
1b	Yes	
3a	Yes	
3b	Yes	
4	Yes	
5a	Yes	
5b		No
5c		
6a		No
6b		

## 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) . . . . .			1,041,000		1,041,000	1 480 %
b Medicaid (from Worksheet 3, column a) . . . . .						
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d Total Charity Care and Means-Tested Government Programs . . . . .			1,041,000		1,041,000	1 480 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .						
f Health professions education (from Worksheet 5) . . . . .						
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .						
j Total Other Benefits . . . . .			1,041,000		1,041,000	1 480 %
k Total. Add lines 7d and 7j . . . . .			1,041,000		1,041,000	1 480 %

**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
<b>1</b> Physical improvements and housing						
<b>2</b> Economic development						
<b>3</b> Community support						
<b>4</b> Environmental improvements						
<b>5</b> Leadership development and training for community members						
<b>6</b> Coalition building						
<b>7</b> Community health improvement advocacy						
<b>8</b> Workforce development						
<b>9</b> Other						
<b>10 Total</b>						

**Part III Bad Debt, Medicare, & Collection Practices**
**Section A. Bad Debt Expense**

**1** Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15? **1** Yes **No**

**2** Enter the amount of the organization's bad debt expense **2** **7,457,786**

**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** **97,356**

**6** Enter Medicare allowable costs of care relating to payments on line 5 **6** **97,356**

**7** Subtract line 6 from line 5. This is the surplus or (shortfall) **7**

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

 Cost accounting system

 Cost to charge ratio

 Other

**Section C. Collection Practices**

**9a** Did the organization have a written debt collection policy during the tax year? **9a** Yes

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

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

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

## 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

Other (Describe)

**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)

## EL PASO CHILDREN'S HOSPITAL

Name of Hospital Facility: \_\_\_\_\_

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

	Yes	No
<b>Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)</b>		
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 <input type="checkbox"/> A definition of the community served by the hospital facility		
b <input type="checkbox"/> Demographics of the community		
c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input type="checkbox"/> How data was obtained		
e <input type="checkbox"/> The health needs of the community		
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs		
h <input type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . .	5	
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)		
a <input type="checkbox"/> Hospital facility's website		
b <input type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility		
d <input type="checkbox"/> Participation in community-wide community benefit plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input type="checkbox"/> Prioritization of health needs in the community		
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
<b>Financial Assistance Policy</b>		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . .	9	Yes
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%		
If "No," explain in Part VI the criteria the hospital facility used		

**Part V Facility Information (continued)**

	<b>Yes</b>	<b>No</b>
<b>10</b> Used FPG to determine eligibility for providing discounted care? . . . . .	<b>10</b> Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used		
<b>11</b> Explained the basis for calculating amounts charged to patients? . . . . .	<b>11</b> Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)		
a <input checked="" type="checkbox"/> Income level		
b <input type="checkbox"/> Asset level		
c <input checked="" type="checkbox"/> Medical indigency		
d <input checked="" type="checkbox"/> Insurance status		
e <input type="checkbox"/> Uninsured discount		
f <input checked="" type="checkbox"/> Medicaid/Medicare		
g <input type="checkbox"/> State regulation		
h <input type="checkbox"/> Other (describe in Part VI)		
<b>12</b> Explained the method for applying for financial assistance? . . . . .	<b>12</b> Yes	
<b>13</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . .	<b>13</b> Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		
a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site		
b <input type="checkbox"/> The policy was attached to all billing invoices		
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility		
f <input checked="" type="checkbox"/> The policy was available upon request		
g <input type="checkbox"/> Other (describe in Part VI)		
<b>Billing and Collections</b>		
<b>14</b> 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? . . . . .	<b>14</b> Yes	
<b>15</b> Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP		
a <input type="checkbox"/> Reporting to credit agency		
b <input type="checkbox"/> Lawsuits		
c <input type="checkbox"/> Liens on residences		
d <input type="checkbox"/> Body attachments or arrests		
e <input type="checkbox"/> Other similar actions (describe in Part VI)		
<b>16</b> 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? . . . . .	<b>16</b> No	
If "Yes," check all actions in which the hospital facility or a third party engaged		
a <input type="checkbox"/> Reporting to credit agency		
b <input type="checkbox"/> Lawsuits		
c <input type="checkbox"/> Liens on residences		
d <input type="checkbox"/> Body attachments		
e <input type="checkbox"/> Other similar actions (describe in Part VI)		
<b>17</b> Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)		
a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission		
b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge		
c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills		
d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy		
e <input type="checkbox"/> Other (describe in Part VI)		

**Part V Facility Information (continued)****Policy Relating to Emergency Medical Care**

**18** Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . .

If "No," indicate why

- a**  The hospital facility did not provide care for any emergency medical conditions
- b**  The hospital facility's policy was not in writing
- c**  The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d**  Other (describe in Part VI)

	Yes	No
<b>18</b>	Yes	

**Individuals Eligible for Financial Assistance**

**19** Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a**  The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b**  The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c**  The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d**  Other (describe in Part VI)

<b>20</b>		No
<b>21</b>		No

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

If "Yes," explain in Part VI

**21** Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? . . . . .

If "Yes," explain in Part VI

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

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

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

**Part VI Supplemental Information**

Complete this part to provide the following information

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.)
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE HOSPITAL'S ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR SELF-PAY PATIENTS WAS 86% OF SELF-PAY ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2012 DURING THE YEAR ENDED SEPTEMBER 30, 2012, THE HOSPITAL WROTE OFF NO SELF-PAY RECEIVABLES, NOR DID THE HOSPITAL CHARGE ITS CHARITY CARE OR UNINSURED DISCOUNT POLICIES THE HOSPITAL DOES NOT MAINTAIN A MATERIAL ALLOWANCE FOR DOUBTFUL ACCOUNTS FROM THIRD-PARTY PAYORS, NOR DID IT HAVE SIGNIFICANT WRITE-OFFS FROM THIRD-PARTY PAYORS

Identifier	ReturnReference	Explanation
		PART III, LINE 9B THE HOSPITAL OUTSOURCES BILLING AND COLLECTION FUNCTIONS TO A THIRD-PARTY SERVICE PROVIDER IT DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY AS CHARITY CARE

**Schedule H (Form 990) 2011**

**Schedule J**  
(Form 990)**Compensation Information**

OMB No 1545-0047

**2011****Open to Public  
Inspection**Department of the Treasury  
Internal Revenue Service

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.**

**Name of the organization**

EL PASO CHILDREN'S HOSPITAL CORPORATION

**Employer identification number**

26-3075429

**Part I Questions Regarding Compensation**

Yes No

**1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items

<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence
<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)

**b** If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain

**2** Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

**3** Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply

<input checked="" type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract
<input type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study
<input type="checkbox"/> Form 990 of other organizations	<input type="checkbox"/> Approval by the board or compensation committee

**4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization

**a** Receive a severance payment or change-of-control payment?  
**b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?  
**c** Participate in, or receive payment from, an equity-based compensation arrangement?  
 If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

**Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.**

**5** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of

**a** The organization?

**b** Any related organization?

If "Yes," to line 5a or 5b, describe in Part III

**6** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of

**a** The organization?

**b** Any related organization?

If "Yes," to line 6a or 6b, describe in Part III

**7** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

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

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

<b>1b</b>		
<b>2</b>		
<b>4a</b>		No
<b>4b</b>		No
<b>4c</b>		No
<b>5a</b>		No
<b>5b</b>		No
<b>6a</b>		No
<b>6b</b>		No
<b>7</b>		No
<b>8</b>		No
<b>9</b>		

**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.

**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
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2011

Open to Public  
Inspection**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.

Name of the organization  
EL PASO CHILDREN'S HOSPITAL CORPORATION

Employer identification number

26-3075429

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	
	FORM 990, PART VI, SECTION B, LINE 12C	<p>FORM 990, PART VI, SECTION B, LINE 12C EPCH LEADERS AND MEMBERS OF THE MEDICAL STAFF SIGN A CONFLICT OF INTEREST CERTIFICATION AND ACKNOWLEDGEMENT OF CONFLICT OF INTEREST POLICY ( ATTACHMENT 1) ANNUALLY, CERTIFYING THAT THEY RECEIVED, READ, AND UNDERSTOOD THIS CONFLICT OF INTEREST POLICY AND AGREE TO COMPLY WITH IT EPCH LEADERS OBTAIN THE CERTIFICATION FORM FROM THE COMPLIANCE OFFICE ANNUALLY, THE COMPLIANCE OFFICER PROVIDES NOTIFICATION TO EPCH LEADERS TO COMPLETE THE FORM IT IS THE EPCH LEADERS RESPONSIBILITY TO RETURN THE SIGNED FORM TO THE COMPLIANCE OFFICE NO LATER THAN THE SEVENTH (7TH) BUSINESS DAY UPON NOTIFICATION FROM THE COMPLIANCE OFFICER AS STATED ABOVE FAILURE TO RETURN THE FORM TO THE COMPLIANCE OFFICE SHALL CAUSE THE EPCH LEADER TO BE IN VIOLATION OF THIS POLICY MEMBERS OF THE MEDICAL STAFF OBTAIN THE CERTIFICATION FORM FROM MEDICAL STAFF SERVICES AT THE TIME OF INITIATION CREDENTIALLING AND RECREENING IT IS THE MEDICAL STAFF MEMBERS RESPONSIBILITY TO RETURN THE SIGNED FORM TO MEDICAL STAFF SERVICES IN A TIMELY MANNER MEDICAL STAFF MEMBERS WILL NOT BE (RE)CREDENTIALED IN THE ABSENCE OF A SIGNED CONFLICT OF INTEREST CERTIFICATION AND ACKNOWLEDGEMENT OF CONFLICT OF INTEREST POLICY EACH TIME A PROCUREMENT PROCESS IS INITIATED AND A COMMITTEE IS INVOLVED IN MAKING A DECISION OR RECOMMENDATION ON A BUSINESS RELATIONSHIP, A CONFLICT OF INTEREST CERTIFICATION STATEMENT MUST BE COMPLETED BY THOSE COMMITTEE MEMBERS WHO HAVE NOT PREVIOUSLY COMPLETED THE ANNUAL CERTIFICATION THE COMPLIANCE OFFICE MAINTAINS THE FILE OF THE ANNUAL CERTIFICATION FORMS IN CONNECTION WITH ANY ACTUAL OR POSSIBLE CONFLICTS OF INTEREST, AN INTERESTED PERSON MUST DISCLOSE THE EXISTENCE OF, AND ALL MATERIAL FACTS CONCERNING HIS OR HER FINANCIAL/PERSONAL INTEREST TO THE COMPLIANCE OFFICER WITHIN SEVEN (7) BUSINESS DAYS OF IDENTIFYING THE ACTUAL OR POTENTIAL CONFLICT SUCH DISCLOSURE WILL BE MADE IN WRITING BY SUBMITTING A HOSPITAL CONFLICT OF INTEREST CERTIFICATION AND ACKNOWLEDGEMENT OF CONFLICT OF INTEREST POLICY FORM OUTSIDE INTERESTS SHALL BE DISCLOSED AS A POTENTIAL CONFLICT OF INTEREST WHEN EPCH LEADERS RECEIVE MONIES FOR DUTIES PERFORMED AT ENTITIES WITH THE SAME OR SIMILAR SERVICE OFFERED AND IN A GEOGRAPHIC LOCATION SERVING THE SAME COMMUNITY THE COMPLIANCE OFFICER REVIEWS WITH THE CEO AND GENERAL COUNSEL ANY CONFLICT OF INTEREST CERTIFICATION FORMS THAT IDENTIFY POTENTIAL CONFLICTS THE COMPLIANCE OFFICER MAY ASK THE INTERESTED PERSON TO DISCUSS THE PROPOSED TRANSACTION IN ORDER TO OBTAIN FURTHER DETAILS THE COMPLIANCE OFFICER MAY, IF APPROPRIATE, APPOINT A DISINTERESTED PERSON OR COMMITTEE TO INVESTIGATE ALTERNATIVES TO ANY PROPOSED TRANSACTION OR ARRANGEMENT AND DETERMINES WHETHER THE HOSPITAL CAN OBTAIN A MORE ADVANTAGEOUS TRANSACTION OR ARRANGEMENT WITH REASONABLE EFFORTS FROM A PERSON OR ENTITY THAT WOULD NOT GIVE RISE TO A CONFLICT OF INTEREST THE COMPLIANCE OFFICER PROVIDES QUARTERLY REPORTS TO THE BOARD OF DIRECTORS DETAILING CONFLICTS OF INTEREST AND HOW THEY WERE ADDRESSED WITH RESPECT TO RESEARCH CONFLICTS OF INTEREST, EPCH REQUIRES THAT A RESEARCH INVESTIGATOR DISCLOSE TO EPCH OUTSIDE FINANCIAL INTERESTS ABOVE SPECIFIED THRESHOLDS WHEN RESEARCH WOULD LIKELY BE AFFECTED BY THOSE INTERESTS EPCH THEN REVIEWS THE DISCLOSURES, DETERMINES WHETHER THERE IS A CONFLICT AND, IF SO, MANAGES, REDUCES, OR ELIMINATES IT, BEFORE ALLOWING PARTICIPATION IN THE PROPOSED RESEARCH PROJECT UPON DISCOVERY OF A POTENTIAL CONFLICT OF INTEREST THAT HAS NOT BEEN DISCLOSED, THE EPCH LEADER/MEDICAL STAFF MEMBER IS NOTIFIED BY THE COMPLIANCE OFFICER AND AFFORDED THE OPPORTUNITY TO EXPLAIN THE ALLEGED FAILURE TO DISCLOSE IF, AFTER REVIEWING THE RESPONSE AND MAKING SUCH FURTHER INVESTIGATION AS APPROPRIATE, THE COMPLIANCE OFFICER SHALL INFORM THE CEO OF THE DETERMINATION WHETHER THE EPCH LEADER/MEDICAL STAFF MEMBER FAILED TO DISCLOSE AN ACTUAL OR POTENTIAL CONFLICT OF INTEREST ANY VIOLATIONS OF THIS POLICY MAY BE GROUNDS FOR DISCIPLINARY ACTION INCLUDING TERMINATION OF EMPLOYMENT OR HOSPITAL CREDENTIALS, AND FOR CIVIL OR CRIMINAL PROSECUTION</p>
	FORM 990, PART VI, SECTION B, LINE 15	EL PASO CHILDREN'S HOSPITAL DETERMINES COMPENSATION FOR ITS CEO AND OTHER OFFICERS AND KEY EMPLOYEES BY CONSIDERING SALARY RANGES, SALARY SURVEYS, AND MARKET ANALYSES FOR EACH POSITION SPECIFICALLY, THE BOARD OF DIRECTORS' COMPENSATION COMMITTEE REVIEWS AND RECOMMENDS SALARIES FOR THE CEO, OTHER OFFICERS, AND KEY EMPLOYEES THE BOARD OF DIRECTORS APPROVES SALARIES FOR THE CEO AND OTHER OFFICERS THE CEO APPROVES SALARIES FOR KEY EMPLOYEES (DIRECTOR LEVEL AND BELOW)
	FORM 990, PART VI, SECTION C, LINE 19	PART VI, SECTION C, LINE 19 THE ORGANIZATION FURNISHES COPIES OF ITS GOVERNING DOCUMENTS, CONFLICTS OF INTEREST POLICY, AND/OR FINANCIAL STATEMENTS TO THE PUBLIC UPON REQUEST, AS OF THE FILING DATE OF THIS RETURN, THE BOARD IS IN THE PROCESS OF REVIEWING AND APPROVING A PUBLIC DISCLOSURE POLICY WHEREBY THE INFORMATION LISTED ABOVE WILL BE MADE AVAILABLE FOR PUBLIC INSPECTION

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**SCHEDULE R**  
**(Form 990)**

## Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2011

## Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

**Name of the organization**

## EL PASO CHILDREN'S HOSPITAL CORPORATION

**Employer identification number**

26-3075429

**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.)

**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.)

**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.)

**Part V Transactions With Related Organizations** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)**Note.** Complete line 1 if any entity is listed in Parts II, III or IV**1** During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

- a** Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)
- f** Sale of assets to related organization(s)
- g** Purchase of assets from related organization(s)
- h** Exchange of assets with related organization(s)
- i** Lease of facilities, equipment, or other assets to related organization(s)
- j** Lease of facilities, equipment, or other assets from related organization(s)
- k** Performance of services or membership or fundraising solicitations for related organization(s)
- l** Performance of services or membership or fundraising solicitations by related organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- n** Sharing of paid employees with related organization(s)
- o** Reimbursement paid to related organization(s) for expenses
- p** Reimbursement paid by related organization(s) for expenses
- q** Other transfer of cash or property to related organization(s)
- r** Other transfer of cash or property from related organization(s)

	Yes	No
1a		No
1b		No
1c		No
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j		No
1k		No
1l	Yes	
1m		No
1n		No
1o		No
1p		No
1q	Yes	
1r		No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) EL PASO CHILDREN'S PHYSICIAN GROUP	L	211,979	COST
(2) EL PASO CHILDREN'S PHYSICIAN GROUP	Q	183,992	COST
(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.

**Part VII Supplemental Information**

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

Identifier	Return Reference	Explanation
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Report of Independent Auditors  
and Consolidated Financial Statements for

**El Paso Children's Hospital  
and Affiliate**

September 30, 2012

**MOSS-ADAMS LLP**

## **CONTENTS**

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Consolidated statement of operations	3
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Notes to consolidated financial statements	5-15



## REPORT OF INDEPENDENT AUDITORS

Board of Directors of  
El Paso Children's Hospital and Affiliate

We have audited the accompanying consolidated balance sheet of El Paso Children's Hospital and Affiliate (the "Hospital"), Texas non-profit corporations, as of September 30, 2012, and the related consolidated statements of operations and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital'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 audit provides 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 the Hospital as of September 30, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Hospital will continue as a going concern. As shown in the consolidated financial statements, the Hospital incurred a net operating loss of \$23,135,844 during the year ended September 30, 2012, and as of that date, current liabilities exceeded current assets by \$20,877,273, and total liabilities exceeded total assets resulting in a net deficit of \$22,943,313. These factors, as well as the uncertain conditions that the Hospital faces regarding its loans and borrowings with UMC (as discussed in Notes 6 and 7) raise substantial doubt about the Hospital's ability to continue as a going concern. Management's plans regarding those matters also are described in Note 3. The financial statements do not include any adjustments that might result from the outcomes of this uncertainty.

*Moss Adams LLP*

Albuquerque, New Mexico  
September 18, 2013

**EL PASO CHILDREN'S HOSPITAL AND AFFILIATE  
CONSOLIDATED BALANCE SHEET**

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**ASSETS**

	<u>September 30, 2012</u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 3,246,688
Patient accounts receivable, net of allowance for doubtful accounts of \$7,457,786 in 2012	16,333,912
Other receivables	7,285,940
Inventories	1,721,795
Prepaid contracts	128,261
Total current assets	<u>28,716,596</u>
 <b>PROPERTY AND EQUIPMENT, net</b>	
	<u>3,580,897</u>
 <b>Total assets</b>	<u><u>\$ 32,297,493</u></u>

**LIABILITIES AND DEFICIENCY IN NET ASSETS**

<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 6,337,604
Accrued salaries and benefits	2,950,763
Other accrued liabilities	362,116
Estimated third-party payor settlements	1,383,920
Due to UMC	21,884,813
Notes payable to UMC, current portion	16,674,653
Total current liabilities	<u>49,593,869</u>
 <b>NOTES PAYABLE TO UMC, less current portion</b>	<u>5,646,937</u>
 <b>Total liabilities</b>	<u><u>55,240,806</u></u>
 <b>COMMITMENTS AND CONTINGENCIES (Note 13)</b>	
 <b>DEFICIENCY IN NET ASSETS</b>	
Unrestricted	<u>(22,943,313)</u>
Total deficiency in net assets	<u><u>(22,943,313)</u></u>
 <b>Total liabilities and deficiency in net assets</b>	<u><u>\$ 32,297,493</u></u>

**EL PASO CHILDREN'S HOSPITAL AND AFFILIATE  
CONSOLIDATED STATEMENT OF OPERATIONS**

---

	Year Ended September 30, 2012
<b>UNRESTRICTED OPERATING REVENUES</b>	
Net patient service revenue	\$ 44,992,726
Provision for uncollectible accounts	<u>(7,457,786)</u>
Net patient service revenue less provision for uncollectible accounts	37,534,940
Contributions in-kind	1,254,411
Other revenues	<u>1,196,510</u>
Total unrestricted operating revenues	<u>39,985,861</u>
<b>UNRESTRICTED OPERATING EXPENSES</b>	
Salaries and benefits	20,854,820
Purchased services	12,363,758
Lease and rents	9,454,047
Supplies and pharmaceuticals	7,008,059
Start-up costs	6,034,818
Professional fees	5,146,862
Interest expense	1,056,273
Other operating expenses	1,022,347
Depreciation and amortization	<u>180,721</u>
Total unrestricted operating expenses	<u>63,121,705</u>
Net operating loss	<u>(23,135,844)</u>
<b>NONOPERATING INCOME</b>	
Investment income	<u>3,230</u>
Total nonoperating income	<u>3,230</u>
<b>CHANGE IN NET ASSETS - UNRESTRICTED</b>	<u>(23,132,614)</u>
<b>NET ASSETS - UNRESTRICTED, September 30, 2011</b>	<u>189,301</u>
<b>DEFICIENCY IN NET ASSETS - UNRESTRICTED, September 30, 2012</b>	<u><u>\$ (22,943,313)</u></u>

**EL PASO CHILDREN'S HOSPITAL AND AFFILIATE  
CONSOLIDATED STATEMENT OF CASH FLOWS**

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	Year Ended September 30, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets - unrestricted	\$ (23,132,614)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	180,721
Provisions for uncollectible accounts	7,457,786
Contributions in-kind	(1,194,611)
Changes in operating activities	
Patient accounts receivable	(23,791,698)
Other receivables	(7,285,940)
Inventories	(1,721,795)
Prepaid contracts	(128,261)
Accounts payable	6,337,148
Accrued salaries and benefits	2,950,649
Other accrued liabilities	324,571
Estimated third-party payor settlements	1,383,920
Due to UMC	21,884,621
Net cash used in operating activities	<u>(16,735,503)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	<u>(2,401,329)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on notes payable to UMC	(4,950,000)
Borrowings on notes payable from UMC	<u>27,271,590</u>
Net cash provided by financing activities	<u>22,321,590</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,184,758
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<u>61,930</u>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<u>\$ 3,246,688</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING</b>	
Property and equipment acquired through contributions in-kind	<u>\$ 1,194,611</u>

# **EL PASO CHILDREN'S HOSPITAL AND AFFILIATE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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## **Note 1 – Description of Organization**

**Organization** – El Paso Children's Hospital and affiliate (the "Hospital") provides pediatric inpatient, outpatient, and emergency care services to the residents of El Paso and the surrounding areas. The Hospital is governed by its Board of Directors, which have the authority and responsibility for management, control, and administration of the Hospital.

El Paso Children's Hospital was formed on August 8, 2007 as a non-profit corporation located in El Paso, Texas, and is located within the University Medical Center of El Paso (UMC) facility. The Hospital consists of approximately 225,000 square feet of the UMC facility with 122 private pediatric rooms, a pediatric emergency room, a pediatric inpatient and outpatient infusion center, pediatric operating rooms, and a pediatric rehabilitation center. The Hospital was in the development stage as of September 30, 2011. El Paso Children's Hospital received the Joint Commission accreditation on March 8, 2012 and received their Medicaid provider number in June 2012. The Hospital is the only separately licensed, non-taxing, independent 501(c)(3) non-profit hospital in the El Paso region and the only dedicated pediatric hospital within a 200-mile radius of El Paso, Texas. Through the hospital's partnership with Texas Tech University Health Sciences Center, the Hospital conducts pediatric research and education and serves as a teaching hospital for the Texas Tech residency program.

## **Note 2 – Summary of Significant Accounting Policies**

**Basis of consolidation** – These consolidated financial statements include the accounts of El Paso Children's Hospital as well as El Paso Children's Physician Group (Physician Group), a non-profit affiliate organized under the laws of the State of Texas and recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Service Code. The Physician Group was formed on March 3, 2012 and is governed by its Board of Directors. The purpose of the Physician Group is to employ and manage the pediatric specialty physicians. The Hospital has been deemed to have control over the Physician Group as all members of the board of directors of the Physician Group are also members of the board of the Hospital, and both organizations share the same management. The intercompany balances and transactions have been eliminated in consolidation.

**Basis of presentation** – Financial statement presentation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities—Presentation of Financial Statements*. Under this guidance, the Hospital is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates contained in the Hospital's financial statements include the allowance for doubtful accounts, contractual allowances which are netted within patient accounts receivable, estimated third-party payor settlements, and depreciation and amortization. Actual results could differ from those estimates.

# EL PASO CHILDREN'S HOSPITAL AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Note 2 – Summary of Significant Accounting Policies (continued)

**Recent accounting pronouncements** – During the year ended September 30, 2012, the Hospital adopted FASB ASU 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*, and FASB ASU 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*. In accordance with FASB ASU 2010-23, charity care has been disclosed in Note 11 at the cost of providing the related services for the year ended September 30, 2012. FASB ASU 2010-24 requires the estimated liability on insurance claims, such as medical malpractice claims and workers compensation claims, to be separately recorded from the insurance recoveries. The Hospital had no such claims as all such claims are the responsibility of UMC and are a component of the services agreements described in Note 7. Thus, this recent pronouncement has no impact on the consolidated balance sheet as of September 30, 2012. Further, the adoptions of FASB ASU 2010-23 and 2010-24 had no impact to the amounts reported in the statements of operations and cash flows.

During the year ended September 30, 2012, the Hospital early adopted FASB ASU 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The amendments in the guidance require that health care entities that have a policy of providing services to patients and recording significant patient service revenue regardless of their ability to pay to present bad debt expense separately as a deduction from patient service revenue. This presentation applies only to bad debts on patient service revenue; bad debt expense related to other sources of revenue will continue to be reported as operating expense. In addition, upon adoption, such health care entities are required to include expanded disclosures related to patient service revenue and patient accounts receivable. The Hospital's financial statements include these expanded disclosures.

**Cash and cash equivalents** – The Hospital maintains cash and cash equivalent accounts at financial institutions which, at times, may exceed federally insured limits. The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. The Hospital has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk held at these financial institutions. The carrying amount reported in the consolidated balance sheet for cash and cash equivalents approximates fair value.

**Patient accounts receivable and allowances** – The Hospital reports patient accounts receivable for services rendered at net realizable amounts due from third-party payers, patients, and others. Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its collection information and existing economic conditions, identifies trends for each of its major payor sources of revenue, and percentages of accounts receivable aging categories to estimate the appropriate allowance for doubtful accounts. The Hospital outsources the billings and collections functions to a third-party service provider. The service provider bills third-party payors directly and bills the patient when the patient's liability is determined. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts, if necessary. For receivables associated with self-pay patients, the Hospital records a

## **EL PASO CHILDREN'S HOSPITAL AND AFFILIATE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

significant allowance for doubtful accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

Contractual allowances represent the amounts which reduce patient accounts receivable to amounts that are considered to be due from third-party payors based on existing contracts or negotiated settlements with these payors. The contractual allowance percentages are updated several times per year by payor class and line of business. Contractual allowances are deducted from gross patient accounts receivable on the consolidated balance sheet.

The Hospital's allowance for doubtful accounts for self-pay patients was 86% of self-pay accounts receivable at September 30, 2012. During the year ended September 30, 2012, the Hospital wrote off no self-pay receivables, nor did the Hospital change its charity care or uninsured discount policies. The Hospital does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Management believes that the allowances for doubtful accounts and contractual allowances are adequate. Because of the uncertainty regarding the ultimate collectability of patient accounts receivable, there is a possibility that recorded estimates of the allowance for doubtful accounts and contractual allowances will change by a material amount in the near term.

**Inventories** – Inventories are stated at lower of cost or market (the first-in, first-out method) and consist primarily of medical, surgical, and maintenance supplies and pharmaceuticals.

**Property and equipment** – Property and equipment are recorded at cost. Property and equipment donated for Hospital operations are recorded at fair value at the date of donation as additions to unrestricted net assets when the assets are placed in service. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset and are greater than \$2,500 are capitalized. Costs incurred for repair and maintenance are expensed as incurred.

Depreciation is computed using the straight-line method over the assets' estimated useful lives ranging from 5 to 15 years. Leasehold improvements are amortized over their useful lives not to exceed the term of the related lease agreement.

The Hospital determines that an impairment write-down is necessary whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There were no impairment charges for the year ended September 30, 2012.

# EL PASO CHILDREN'S HOSPITAL AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Note 2 – Summary of Significant Accounting Policies (continued)

**Net assets and changes therein** – Net assets, income, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets represent resources that are not subject to donor-imposed restrictions and are available to support the Hospital activities.

**Net patient service revenue** – The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed cost, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive revenue adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized during the year ended September 30, 2012, is as follows:

	Third-party Payors	Self-pay	Total
Net patient service revenue	\$ 30,760,197	\$ 14,232,529	\$ 44,992,726

**Charity care** – The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

**Contributions** – Contributions, including unconditional promises to give, are recorded in the period made. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

**Donated services** – A substantial number of volunteers donate significant amounts of their time for the Hospital's program activities. These donated hours are a necessary part of the Hospital's activities. No dollar amounts have been reflected in the consolidated financial statements for these services, since the services do not require specialized skills, and would typically not be purchased if not provided by donation.

**Income taxes** – The El Paso Children's Hospital and Physician Group are non-profit corporations, exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes in the financial statements.

## **EL PASO CHILDREN'S HOSPITAL AND AFFILIATE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

The Hospital recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Hospital had no unrecognized tax benefits at September 30, 2012. The Hospital files exempt organization returns and applicable unrelated business income tax returns in the U.S. Federal jurisdiction and Texas Department of Revenue. The Hospital is no longer subject to income tax examinations by taxing authorities for years before fiscal year 2008 for its federal and state filings.

**Advertising costs** – Advertising costs are expensed as incurred.

**Self-insurance programs** – The Hospital sponsors a self-insured health plan for its employees and their departments. The Hospital purchases excess liability coverage to cover losses that exceed its self-insurance program. It is the Hospital's policy to record the expense and related liabilities for employee health claims based on actuarial determined estimates. Liabilities are based on an estimate of claims that have been incurred but not reported and invoices received but not yet paid. There are known claims and incidents that may result in assertion of additional claims, as well as claims from unknown incidents arising from services provided to patients that may be asserted. However, management does not believe that the asserted or unasserted claims will exceed the total amount of insurance coverage.

**Subsequent events** – Subsequent events are events or transactions that occur after the balance sheet date, but before financial statements are available to be issued. The Hospital recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Hospital's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The Hospital has evaluated subsequent events through September 18, 2013, which is the date the financial statements became available to be issued.

### **Note 3 – Going Concern**

As shown in the accompanying financial statements, the Hospital incurred a net operating loss during the year ended September 30, 2012 of \$23,135,844, and as of that date, current liabilities exceeded current assets by \$20,877,273, and total liabilities exceeded total assets resulting in a net deficit of \$22,943,313. These factors, as well as the uncertain conditions that the Hospital faces regarding its loans and borrowings with UMC (as discussed in Notes 6 and 7), create an uncertainty about the Hospital's ability to continue as a going concern. Management of the Hospital is in negotiations with UMC to extend or modify the repayment terms of the Hospital's obligations to UMC such that the Hospital achieves sufficient liquidity to continue operations into the foreseeable future. Management believes the Hospital will reach a mutually acceptable agreement with UMC such that the Hospital can continue operations into the foreseeable future. The ability of the Hospital to continue as a going concern is dependent on a mutually acceptable solution to its liquidity needs. The financial statements do not include any adjustments that might be necessary if the Hospital is unable to continue as a going concern.

# EL PASO CHILDREN'S HOSPITAL AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Note 4 – Net Patient Service Revenue

A summary of payment arrangements with major third-party payors follows:

**Medicaid – Non-Managed.** Inpatient services rendered to Medicaid program beneficiaries that are not part of a managed care plan are paid at prospectively determined rates per discharge similar to those of the Medicare inpatient program. Medicaid outpatient beneficiaries are reimbursed using a mixture of cost-based and a fee schedule methodologies. For outpatients, the Hospital is reimbursed for cost-based services at a preliminary rate, with the final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital cost report will be filed in February 2013. The Hospital has accrued an estimated payable of \$1,383,920 in the accompanying balance sheet based on interim payments and expected costs.

**Medicaid – Managed.** Inpatient and outpatient services rendered to Medicaid managed care program beneficiaries are primarily paid based on prospective rates and fee schedule amounts, with no retroactive settlement for the difference in the cost of services and the payments received.

**Other third-party payors** – The Hospital has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Revenue from the Medicaid programs accounted for approximately 38% of the Hospital's net patient service revenue for the year ended September 30, 2012.

Management believes that these estimates are adequate. Laws and regulations governing the Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimates are continually monitored and reviewed, and as settlements are made or more information is available to improve estimates, differences are reflected in current operations.

### Note 5 – Property, Plant and Equipment

A summary of property, plant and equipment at September 30, 2012 follows:

Equipment	\$ 3,295,546
Leasehold improvements	466,072
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	3,761,618
Accumulated depreciation and amortization	(180,721)
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Property and equipment, net	\$ 3,580,897

## **EL PASO CHILDREN'S HOSPITAL AND AFFILIATE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 6 – Related Party Notes Payable to UMC**

Long-term notes payable consisted of the following components as of September 30:

Phase I Funding Loan	\$ 6,332,603
Phase II Working Capital Loan	<u>15,988,987</u>
	22,321,590
Less current portion	<u>(16,674,653)</u>
Long-term debt, excluding current portion	<u><u>\$ 5,646,937</u></u>

Aggregate annual maturities of long-term notes payable for fiscal years ending September 30 are as follows:

Year ending September 30,	
2013	\$ 16,674,653
2014	1,176,005
2015	1,233,712
2016	1,294,250
2017	1,357,758
Thereafter	<u>585,212</u>
	<u><u>\$ 22,321,590</u></u>

Under the Development Service Agreement, UMC provided certain funding prior to the commencement of operations of the Hospital and funding during the initial six months of operation of the Hospital.

**Phase I Funding Loan** – Effective February 14, 2012, the Hospital entered into an agreement with UMC in the amount of \$6,332,603 to repay a portion of funds expended by UMC for the development of the Hospital. The note matures on February 16, 2018 and bears interest at 4.8% per annum beginning February 14, 2012. The Hospital was not required to make payments within the first twelve months. Monthly installment payments of principal and interest began March 14, 2013 in the amount of \$124,633. The principal balance outstanding as of September 30, 2012 was \$6,332,603, which excludes interest of \$177,062 included in Due to UMC in the accompanying consolidated balance sheet.

**Phase II Working Capital Loan** – Effective February 10, 2012, the Hospital entered into an agreement with UMC to repay an additional portion of funds expended by UMC for the development of the Hospital and to borrow funds for use as working capital in an amount not to exceed \$25,000,000. The note matured on July 1, 2013 and bears interest at 4.8% per annum. The Hospital was required to make two partial payments of \$6,000,000 on August 1, 2012 and September 1, 2012 with payments first applied to accrued interest and then to the principal balance. The remaining balance of principal and interest are payable in four monthly installments beginning March 2013 through June 2013. During 2012, The Hospital made partial payments totaling \$4,950,000. At September 30, 2012, the Hospital was in default of the agreement for failure to pay the full amounts due at August 1, 2012 and September 1, 2012. Under the terms of the agreement, UMC may require the Hospital to immediately pay the remaining unpaid

# EL PASO CHILDREN'S HOSPITAL AND AFFILIATE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## Note 6 – Related Party Notes Payable to UMC (continued)

principal and accrued interest balances. The principal amount outstanding as of September 30, 2012 was \$15,988,987, which excludes interest of \$399,118 included in Due to UMC in the accompanying consolidated balance sheet. As of September 18, 2013, UMC has not waived the breach and accordingly the entire amount of the note, \$15,988,987, has been included in current liabilities.

## Note 7 – Related Party Due to UMC

In 2012, UMC agreed to various cancelable and non-cancelable agreements with the Hospital including but not limited to the following: a) Master Agreement; b) Facility Lease Agreement; c) Development Services Agreement; d) Administrative Services Agreement; e) Information Technology lease; f) Interim Equipment Agreement; g) Contract Services Agreement for Diagnostic Imaging and Laboratory; and h) Repayment Phase Agreements (Phase I and Phase II) (see Note 6).

The *Due to UMC* on the accompanying balance sheet includes leases payable, administrative service fees, and accrued interest on notes payable. The balance consisted of the following at September 30, 2012:

Facility lease agreement	\$ 5,680,154
Administrative services agreement	10,839,923
Information technology agreement	1,395,854
Interim equipment agreement	2,532,939
Other	<u>1,435,943</u>
Current portion due to UMC	<u>\$ 21,884,813</u>

**Facility lease agreement** – UMC has leased building space to the Hospital to provide general and pediatric care. The lease matures in February 2042 and includes a monthly payment of \$860,509 for first 36 months with a 1% increase per year thereafter. The lease also has two renewal options of 10 years. The total rent escalation over the base lease term is recognized as rent expense on a straight line basis over the life of the base lease term and amounts to \$108,876 per month at the end of September 30, 2012.

**Administrative services agreement** – UMC and the Hospital entered into an Administrative Services Agreement under which UMC will provide specified administrative and support services to the Hospital. These services shall include but not be limited to the following: 1) Fiscal and revenue cycle; 2) Information technology; 3) Human resources; 4) Ancillary support; 5) Nursing support; 6) Medical staff support; and 7) Diagnostic imaging and laboratory services. These services are due once billed to the Hospital.

**Information technology agreement** – The Hospital has leased from UMC certain information technology capital equipment, software and licenses under a cancelable operating lease. The agreement matures on March 2018 and is to be paid over 5 years starting March 2013. The Hospital straight lines the lease over the life of the contract at \$151,839 per month plus interest of 4.8% per annum.

## **EL PASO CHILDREN'S HOSPITAL AND AFFILIATE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 7 – Related Party Due to UMC (continued)**

**Interim equipment agreement** – The Hospital has certain leased equipment from UMC under a cancelable operating lease. The agreement matures on March 1, 2017 and will be paid over 5 years at a monthly payment of \$330,812 per month plus interest of 4.8% per annum on the lease amount \$1,457,947.

**Other** – This balance includes miscellaneous services provided by both UMC and the Hospital under the Master Agreement. Additionally, this balance includes all accrued interest on the notes payable in the amount of \$576,180.

### **Note 8 – Operating Leases**

The Hospital leases the hospital building (see Note 7) and certain medical equipment under non-cancelable operating leases that expire in various years through 2041. The Hospital also leases certain medical equipment on a month-to-month basis. Total rental expense under operating leases was approximately \$7,420,187 for the year ended September 30, 2012.

Future minimum lease payments under non-cancelable leases are as follows:

	<b>Operating Leases</b>
Year ending September 30,	
2013	\$ 10,944,585
2014	10,454,277
2015	10,557,538
2016	10,661,832
2017	10,687,773
Thereafter	<u>289,840,299</u>
 Total minimum lease payments	 <u>\$ 343,146,304</u>

### **Note 9 – Employee Benefits**

The Hospital has established a Section 401(k) pension plan (the “plan”). There is no minimum period of service in order to be eligible to participate. The Hospital will match based on years of service, however, no participant’s matching contribution will exceed 4% of their annual compensation. The Hospital will also make a discretionary profit-sharing contribution. The amount of profit-sharing contribution shall be equal to 2% of the participant’s annual compensation. Employees vest in their allocated portion of employer contributions at 20% after each year of service. At September 30, 2012, accrued employer contributions of \$425,422 are included in accrued salaries and benefits in the accompanying consolidated balance sheet. Total annual contribution expense for the plan, which is included in salaries and benefits in the accompanying consolidated statement of operations, approximated \$645,000.

## **EL PASO CHILDREN'S HOSPITAL AND AFFILIATE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 10 – Employee Health Insurance Benefit Program**

The Hospital purchases stop loss insurance from an unrelated insurance company. The Hospital is self-insured up to \$30,000 per covered member. Benefits in excess of this retention limit are insured through the stop loss policy. Health care benefit expense for the years ended September 30, 2012 was approximately \$1,387,000. Accruals for unpaid claims incurred but not reported amounted to approximately \$271,000 at September 30, 2012 and are included in the consolidated balance sheet in accrued salaries and benefits. Estimates for incurred but not reported claims are based on historical trends, expected lag time in reporting of claims, and other factors.

### **Note 11 – Charity Care**

The Hospital provides charity care to patients who are financially unable to pay for the health care services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. The Hospital maintains records to identify and monitor the level of charity care it provides. The costs of providing health care services for patients qualifying for charity care was approximately \$1,041,000.

### **Note 12 – Concentrations of Risk**

The Hospital provides credit, in the normal course of business. The Hospital does not require collateral with the extension of credit. The Hospital maintains an allowance for doubtful accounts based on management's assessment of collectability, current economic conditions, and prior experience. Because of the uncertainty regarding the ultimate collectability of patient accounts receivable, there is at least a reasonable possibility that recorded estimates of the allowance for doubtful accounts and contractual allowances will change by a material amount in the near term.

The mix of gross accounts receivable from patients and third-party payors was as follows at September 30, 2012:

Medicaid	30%
Managed care Medicaid	26%
Other third-party payors	31%
Self pay	13%
	<hr/>
	100%

## **EL PASO CHILDREN'S HOSPITAL AND AFFILIATE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 13 – Commitments and Contingencies**

**Healthcare regulatory environment** – The healthcare industry is subject to laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, the imposition of significant fines and penalties and significant repayments for patient services previously billed.

Management believes that the Hospital is in compliance with 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.

**Malpractice insurance** – The majority of physician services during fiscal year 2012 were contracted with either UMC or the Texas Tech Health Sciences Center. Late in fiscal year 2012, the Hospital, through the Physician Group, began employing a number of physicians who were previously contracted with UMC, although the majority of physician services continued through contracts with the Texas Tech Health Sciences Center. Thus, as of September 30, 2012, the Hospital had no material exposure to medical malpractice liabilities.

**Litigation** – The Hospital is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of litigation. In management's opinion, upon consultation with legal counsel, malpractice coverage is adequate to cover adverse judgments, if any, made against the Hospital.

**Workers' compensation insurance** – The Hospital is insured under the Texas Mutual Insurance Company for the purpose of providing insurance for workers' compensation coverage. The policy is retrospectively rated; premiums accrue based on the ultimate cost of the experience of the Hospital. At September 30, 2012, the Hospital cannot estimate the additional premiums or refunds, if any. Additional premiums, if any, are not expected to be significant.

### **Note 14 – Functional Expense Classification**

In recording the activities of the Hospital, expenses are specifically tracked or allocated on the basis of periodic time and expense studies, and recorded in the following functional categories:

	September 30, 2012
Health care services	\$ 59,907,416
Management general	<u>3,214,289</u>
<b>Total expenses</b>	<b>\$ 63,121,705</b>