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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)	OMB No 1545-0047 2012 Open to Public Inspection
	▶ The organization may have to use a copy of this return to satisfy state reporting requirements	

A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013

B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization Children's Hospital of the King's Daughters		D Employer identification number 54-0506321
	Doing Business As		E Telephone number (757) 668-7000
	Number and street (or P O box if mail is not delivered to street address) 601 Childrens Lane Suite	Room/suite	
	City or town, state or country, and ZIP + 4 Norfolk, VA 23507		G Gross receipts \$ 358,853,735
	F Name and address of principal officer JAMES D DAHLING 601 CHILDRENS LANE NORFOLK, VA 23507		
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ☐ (Insert no) ☐ 4947(a)(1) or ☐ 527		H(a) Is this a group return for affiliates? ☐ Yes ☒ No H(b) Are all affiliates included? ☐ Yes ☐ No If "No," attach a list (see instructions)	
J Website: WWW.CHKD.ORG		H(c) Group exemption number	

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities DEDICATED TO THE MISSION OF PROVIDING THE BEST POSSIBLE CARE AND SERVICES FOR ALL CHILDREN WHO COME TO US BECAUSE OF SICKNESS AND INJURY		
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	22
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	18
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	2,910
6 Total number of volunteers (estimate if necessary)	6	654	
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	382,369	
7b Net unrelated business taxable income from Form 990-T, line 34	7b	281,821	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year 10,789,543	Current Year 13,432,828
	9 Program service revenue (Part VIII, line 2g)	290,532,031	309,665,226
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	4,061,610	4,214,084
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	7,593,481	9,981,332
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	312,976,665	337,293,470
	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	71,725
Expenses	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)	137,839,953	144,924,518
	16a Professional fundraising fees (Part IX, column (A), line 11e)	1,350,818	1,388,191
	16b Total fundraising expenses (Part IX, column (D), line 25)	1,388,191	
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	132,255,364	140,271,445
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	271,446,135	286,655,879
	19 Revenue less expenses Subtract line 18 from line 12	41,530,530	50,637,591
	Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year 348,681,210
21 Total liabilities (Part X, line 26)		123,280,779	114,002,227
22 Net assets or fund balances Subtract line 21 from line 20		225,400,431	267,753,838

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				2014-05-13 Date	
	DENNIS RYAN CHIEF FINANCIAL OFFICER Type or print name and title					
Paid Preparer Use Only	Print/Type preparer's name SCOTT SHERMAN KPMG LLP		Preparer's signature		Date	Check ☐ if self-employed PTIN
	Firm's name  KPMG LLP				Firm's EIN 	
	Firm's address  1676 International Drive McLean, VA 22102				Phone no (703) 286-8000	

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

Part III

Statement of Program Service Accomplishments

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

☐ Yes ☒ No

1

Briefly describe the organization's mission

SEE SCHEDULE O

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

☐ Yes ☒ No

If "Yes," describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 \$ 231,936,044 including grants of \$) (Revenue \$ 311,482,083)

SEE SCHEDULE O

4b

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

4c

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

4d

Other program services (Describe in Schedule O)

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

4e

Total program service expenses 231,936,044

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	190
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	2,910
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	Yes
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	Yes
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	Yes
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	22	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	18	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	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
10b	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
11b	Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
12c	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?		
15a	The organization's CEO, Executive Director, or top management official	15a	
15b	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	Yes
16b	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	Yes

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	VA
18	Section 6104 requires an organization to make its 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 ☐ Other (explain in Schedule O)	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	DENNIS RYAN 601 CHILDRENS LANE NORFOLK, VA (757) 668-7000

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

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 compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.

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

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

• List all of the organization's **former** officers, key employees, 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 organization compensated any current officer, director, or trustee

[illegible]

Part VII

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,335,171	1,890,749	2,730,621

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 155

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Eastern Virginia Med School , PO Box 1980 Norfolk VA 235011980	Medical	10,414,957
Amersource Bergen , PO Box 642800 Pittsburg PA 15264	Medical Supplies	6,452,462
Owens Minor , PO Box 601157 Charlotte NC 28260	Medical Supplies	3,846,209
Children's Specialty Group , PO BOX 11049 NORFOLK VA 23517	MEDICAL	11,091,740
Cerner Corporation , 2800 ROCKCREEK PARKWAY KANSAS CITY MO 64117	ELECTRONIC RECORDS	4,064,884

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►162

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a			
	b	Membership dues	1b			
	c	Fundraising events	1c	218,792		
	d	Related organizations	1d			
	e	Government grants (contributions)	1e	1,894,550		
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	11,319,486		
	g	Noncash contributions included in lines 1a-1f \$		760,165		
	h	Total. Add lines 1a-1f		13,432,828		
Program Service Revenue	2a	PATIENT SERVICES	Business Code 900099	299,098,301	299,098,301	
	b	OTHER RELATED SVCS	900099	10,184,556	10,184,556	
	c	LAB SERVICES	621500	382,369		382,369
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f		309,665,226		
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		2,504,134	
4		Income from investment of tax-exempt bond proceeds		0		
5		Royalties		0		
6a		Gross rents	(i) Real 3,360,687	(ii) Personal		
b		Less rental expenses	3,148,973			
c		Rental income or (loss)	211,714	0		
d		Net rental income or (loss)		211,714		211,714
7a		Gross amount from sales of assets other than inventory	(i) Securities 12,507,081	(ii) Other 28,670		
b		Less cost or other basis and sales expenses	9,743,998	1,081,803		
c		Gain or (loss)	2,763,083	-1,053,133		
d		Net gain or (loss)		1,709,950		1,709,950
8a		Gross income from fundraising events (not including \$ 218,792 of contributions reported on line 1c) See Part IV, line 18	a 75,115			
b		Less direct expenses	b 70,990			
c		Net income or (loss) from fundraising events		4,125		4,125
9a		Gross income from gaming activities See Part IV, line 19	a			
b		Less direct expenses	b			
c		Net income or (loss) from gaming activities		0		
10a		Gross sales of inventory, less returns and allowances	a 13,043,227			
b		Less cost of goods sold	b 7,514,501			
c		Net income or (loss) from sales of inventory		5,528,726		5,528,726
Miscellaneous Revenue		Business Code				
11a	GRADUATE MEDICAL EDUCATION	900099	2,275,386	2,275,386		
b	EHR MEANINGFUL USE	900099	1,961,381	1,961,381		
c						
d	All other revenue					
e	Total. Add lines 11a-11d		4,236,767			
12	Total revenue. See Instructions		337,293,470	313,519,624	382,369	9,958,649

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).

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	71,725	71,725		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	2,487,386	2,022,245	465,141	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	118,999,371	96,746,489	22,252,882	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	623,678	507,050	116,628	
9	Other employee benefits.	14,218,640	11,559,754	2,658,886	
10	Payroll taxes.	8,595,443	6,988,095	1,607,348	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	1,000	813	187	
c	Accounting.	0			
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	1,388,191			1,388,191
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	23,422,508	19,042,499	4,380,009	
12	Advertising and promotion.	55,758	45,331	10,427	
13	Office expenses.	965,536	784,981	180,555	
14	Information technology.	0			
15	Royalties.	0			
16	Occupancy.	4,307,910	3,502,331	805,579	
17	Travel.	237,903	193,415	44,488	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	932,540	758,155	174,385	
20	Interest.	3,400,391	2,764,518	635,873	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	17,796,038	14,468,179	3,327,859	
23	Insurance.	1,012,764	823,377	189,387	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	SUPPLIES	38,153,237	31,018,582	7,134,655	
b	PURCHASED SERVICES	14,045,456	11,418,956	2,626,500	
c	EQUIP RENTAL AND MAINT	14,207,085	11,550,360	2,656,725	
d	CORPORATE SUPPORT	11,687,454	9,501,900	2,185,554	
e	All other expenses	10,045,865	8,167,289	1,878,576	
25	Total functional expenses. Add lines 1 through 24e.	286,655,879	231,936,044	53,331,644	1,388,191
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		0	1	0
	2	Savings and temporary cash investments		21,987,452	2	34,159,754
	3	Pledges and grants receivable, net		3,448,472	3	2,188,040
	4	Accounts receivable, net		35,213,705	4	45,952,398
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		5,211,423	8	5,782,946
	9	Prepaid expenses and deferred charges		8,659,121	9	2,875,536
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 334,130,828			
	b	Less accumulated depreciation	10b 155,462,858	177,078,722	10c	178,667,970
	11	Investments—publicly traded securities		92,855,531	11	108,225,506
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		4,226,784	15	3,903,915
	16	Total assets. Add lines 1 through 15 (must equal line 34)		348,681,210	16	381,756,065
Liabilities	17	Accounts payable and accrued expenses		25,302,290	17	28,180,550
	18	Grants payable		0	18	0
	19	Deferred revenue		108,370	19	274,543
	20	Tax-exempt bond liabilities		76,400,000	20	70,841,942
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		21,470,119	25	14,705,192
	26	Total liabilities. Add lines 17 through 25		123,280,779	26	114,002,227
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		195,260,704	27	237,742,347
	28	Temporarily restricted net assets		8,782,533	28	8,244,751
	29	Permanently restricted net assets		21,357,194	29	21,766,740
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		225,400,431	33	267,753,838
	34	Total liabilities and net assets/fund balances		348,681,210	34	381,756,065

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	337,293,470
2	Total expenses (must equal Part IX, column (A), line 25)	2	286,655,879
3	Revenue less expenses Subtract line 2 from line 1	3	50,637,591
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	225,400,431
5	Net unrealized gains (losses) on investments	5	-164,266
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-8,119,918
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	267,753,838

Part XII

Financial Statements and Reporting

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

☐

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

Additional Data

Software ID:
Software Version:
EIN: 54-0506321
Name: Children's Hospital of the King's Daughters

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
ELIZABETH M WELLER TREASURER/DIRECTOR	2 0 2 0	X		X				0	0	0
BUFFY BAREFOOT DIRECTOR	1 0 1 0	X						0	0	0
SARAH BISHOP DIRECTOR	1 0 1 0	X						0	0	0
EDWARD A HEIDT JR VICE CHAIR/DIRECTOR	1 0 1 0	X		X				0	0	0
CHRISTINE NEIKIRK DIRECTOR	1 0 1 0	X						0	0	0
KEVIN RACK ESQ DIRECTOR	1 0 1 0	X						0	0	0
PAMELA COMBS M ED DIRECTOR	1 0 1 0	X						0	0	0
ELIZABETH D LANOUE MD DIRECTOR	1 0 1 0	X						0	0	0
J CHRISTOPHER PERRY DIRECTOR	1 0 1 0	X						0	0	0
KAREN PRIEST DIRECTOR	1 0 1 0	X						0	0	0
BRIAN SKINNER DIRECTOR	1 0 1 0	X						0	0	0
BETH JOHNSON DIRECTOR	1 0 1 0	X						0	0	0
CONRAD M HALL SECRETARY/DIRECTOR	2 0 2 0	X		X				0	0	0
MARK R WARDEN DIRECTOR	1 0 1 0	X						0	0	0
ROLF WILLIAMS DIRECTOR	1 0 1 0	X						0	0	0
HAROLD J COBB JR DD DIRECTOR	1 0 1 0	X						0	0	0
CYNTHIA S KELLY MD DIRECTOR	1 0 1 0	X						0	0	0
LLYOD U NOLAND III DIRECTOR	1 0 1 0	X						0	0	0
MICHELLE BRENNER MD DIRECTOR	1 0 41 0	X						0	200,653	18,244
JAMES D DAHLING PRESIDENT/DIRECTOR	1 0 42 0	X		X				0	919,968	844,712
John R Lawson II CHAIRMAN/DIRECTOR	1 0 3 0	X		X				0	0	0
Donald Nuss MB CHB Director	1 0 1 0	X						0	0	0
Kathryn Callahan Director THROUGH 6/26/2013	1 0 1 0	X						0	0	0
DENNIS RYAN CFO/Assist Treas/Assist Sect	1 0 42 0			X				0	466,034	336,189
DAVID BOWERS VP HR AND SUPPORT SERVICES	40 0 0 0				X			320,893	0	397,216

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
JO-ANN BURKE VP PATIENT CARE SERVICES	40 0 0 0				X			360,818	0	154,922
JOANN ROGERS SR VP PHY PRACT, DIAG, THERAPY	40 0 0 0				X			374,151	0	338,613
DEBORAH BARNES VP IS OPERATIONS	0 0 40 0				X			0	304,094	209,781
JOHN HAMILTON VP PHYSICIAN PRACTICE MGMT	40 0 0 0					X		221,403	0	72,745
JAMES DICE DIRECTOR PHARMACY	40 0 0 0					X		184,912	0	13,233
SUZANNE STARLING MEDICAL DIRECTOR	40 0 0 0					X		194,415	0	21,383
THOMAS BERRY DIRECTOR MATERIALS MGMT	40 0 0 0					X		172,784	0	20,861
ARNO ZARITSKY SR VP CLINICAL SERVICES	40 0 0 0					X		505,795	0	302,722

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization Children's Hospital of the King's Daughters	Employer identification number 54-0506321
---	--

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33¹/₃% 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 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- 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 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 monetary support |
|------------------------------------|----------|--|--|----|---|----|--|----|----------------------------------|
| | | | Yes | No | Yes | No | Yes | No | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

Part II

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2011 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions						▶

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage			
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15		
16 Public support percentage from 2011 Schedule A, Part III, line 15	16		

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17		
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶			
b 33 1/3% support tests—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶			
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶			

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

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No	

Part II

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

1

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

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

2

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

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

3

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

4

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

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes ☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

► \$ _____

(ii) Assets included in Form 990, Part X

► \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ _____

b

Assets included in Form 990, Part X

► \$ _____

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

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 XIII and complete the following table

	Amount
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	22,979,768	21,009,069	18,864,330	16,948,282	23,542,928
b Contributions	597,930	697,977	73,133	658,921	1,206,847
c Net investment earnings, gains, and losses	876,135	885,348	2,654,077	1,308,308	-4,687,689
d Grants or scholarships					
e Other expenditures for facilities and programs	649,571	-387,374	582,471	51,181	3,113,804
f Administrative expenses					
g End of year balance	23,804,262	22,979,768	21,009,069	18,864,330	16,948,282

2

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

a

Board designated or quasi-endowment

b

Permanent endowment

91 000 %

c

Temporarily restricted endowment

9 000 %

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

3a

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

(i)

unrelated organizations

3a(i)

☐ Yes

☐ No

(ii)

related organizations

3a(ii)

☐ Yes

☐ No

b

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

3b

☐ Yes

☐ No

4

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

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		20,857,063		20,857,063
b Buildings		178,913,124	72,277,542	106,635,582
c Leasehold improvements				
d Equipment		126,199,400	82,975,753	43,223,647
e Other		8,161,241	209,563	7,951,678
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				178,667,970

Schedule D (Form 990) 2012

Part XI 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 XIII)	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 XIII)	4b			
c	Add lines 4a and 4b		4c		
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)			5	
Part XII 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 XIII)	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 XIII)	4b			
c	Add lines 4a and 4b		4c		
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)			5	

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
ASC 740 Footnote from Consolidated Audit Report		CHS RECOGNIZES ANY BENEFITS FROM AN UNCERTAIN TAX POSITION ONLY IF IT IS MORE LIKELY THAN NOT THAT THE TAX POSITION WILL BE SUSTAINED UPON EXAMINATION BY THE TAXING AUTHORITIES, BASED ON THE TECHNICAL MERITS OF THE POSITION. IF APPLICABLE, THE TAX BENEFITS RECOGNIZED IN THE CONSOLIDATED FINANCIAL STATEMENTS FROM SUCH A POSITION WOULD BE MEASURED BASED ON THE LARGEST BENEFIT THAT HAS A GREATER THAN 50% LIKELIHOOD OF BEING REALIZED UPON ULTIMATE RESOLUTION. CHS DOES NOT BELIEVE ITS CONSOLIDATED FINANCIAL STATEMENTS INCLUDE ANY UNCERTAIN TAX PROVISIONS.
SCHEDULE D, PART V		ENDOWMENT FUNDS ARE USED ACCORDING TO SPECIFIC WRITTEN REQUESTS OF THE DONOR ENDOWMENT AGREEMENT. IF NO DIRECT REQUESTS ARE MADE, FUNDS ARE USED IN ACCORDANCE WITH THE OVERALL MISSION OF THE ORGANIZATION.

SCHEDULE F
(Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

► Complete if the organization answered "Yes" to Form 990,
Part IV, line 14b, 15, or 16.
► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I

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

- 1 For grantmakers. Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☐ Yes ☐ No
- 2 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States.
- 3 Activites per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
Central America and the Caribbean			Investments		7,207,595
3a Sub-total					7,207,595
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)					7,207,595

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1 (a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)

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

Part III

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
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Part IV Foreign Forms

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*

☐ Yes

☒ No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)*

☐ Yes

☒ No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)*

☒ Yes

☐ No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)*

☒ Yes

☐ No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships. (see Instructions for Form 8865)*

☐ Yes

☒ No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713).*

☐ Yes

☒ No

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

[illegible]

SCHEDULE G
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding
Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a. Form 990-EZ filers are not required to complete this part.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I Fundraising Activities.

Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1

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

a

☒

Mail solicitations

e

☒

Solicitation of non-government grants

b

☒

Internet and email solicitations

f

☒

Solicitation of government grants

c

☒

Phone solicitations

g

☒

Special fundraising events

d

☒

In-person solicitations

2a

Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services?

☒ Yes ☐ No

b

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

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
CHILDREN'S MIRACLE NETWORK	TELETHON		No	1,561,134	214,058	1,347,076
Total ▶				1,561,134	214,058	1,347,076

3

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

NC, VA

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

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		DAVID WRIGHT (event type)	MINI GRAND PRIX (event type)	0 (total number)	(add col (a) through col (c))
Revenue	1	Gross receipts	183,375	110,532	293,907
	2	Less Contributions . . .	108,260	110,532	218,792
	3	Gross income (line 1 minus line 2)	75,115		75,115
Direct Expenses	4	Cash prizes	1,686		1,686
	5	Noncash prizes	964	117	1,081
	6	Rent/facility costs . . .	752	600	1,352
	7	Food and beverages .	27,990	2,164	30,154
	8	Entertainment	6,750		6,750
	9	Other direct expenses .	3,512	26,455	29,967
	10	Direct expense summary Add lines 4 through 9 in column (d) ▶			(70,990)
	11	Net income summary Combine line 3, column (d), and line 10 ▶			4,125

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

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col (a) through col (c))
Revenue	1	Gross revenue			
	2	Cash prizes			
	3	Non-cash prizes			
	4	Rent/facility costs			
	5	Other direct expenses . . .			
Direct Expenses	6	Volunteer labor			
	7	Direct expense summary Add lines 2 through 5 in column (d) ▶			
	8	Net gaming income summary Combine lines 1 and 7 in column (d) ▶			

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

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

b If "No," explain _____

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

b If "Yes," explain _____

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

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

13 Indicate the percentage of gaming activity operated in

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

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

Name 

Address 

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

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

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

Name 

Address 

16 Gaming manager information

Name 

Gaming manager compensation  \$

Description of services provided 

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

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

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

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

Identifier	Return Reference	Explanation
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SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☒ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☐ 200% ☒ Other _____ 175 %	3a	Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☒ 400% ☐ Other _____ %	3b	Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b		
Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.				

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			2,675,383		2,675,383	0 950 %
b Medicaid (from Worksheet 3, column a)			134,441,613	108,902,988	25,538,625	9 060 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			137,116,996	108,902,988	28,214,008	10 010 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			15,137,464	932,819	14,204,645	5 040 %
f Health professions education (from Worksheet 5)			11,480,484	5,409,608	6,070,876	2 150 %
g Subsidized health services (from Worksheet 6)			63,168,083	20,293,164	42,874,919	15 220 %
h Research (from Worksheet 7)			107,567		107,567	0 040 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total Other Benefits			89,893,598	26,635,591	63,258,007	22 450 %
k Total. Add lines 7d and 7j			227,010,594	135,538,579	91,472,015	32 460 %

Part II

Community Building Activities

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

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

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

No

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

4,905,976

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

2,763,146

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

1,249,451

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

3,406,355

7

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

7

-2,156,904

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

9b

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

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

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

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
3

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	CHILDREN'S HOSPITAL OF THE KING'S DAU 601 CHILDRENS LANE NORFOLK, VA 23507	X	X	X	X		X	X		MEDICAID DSH	A
2	CHKD HEALTH AND SURGERY CENTER 11783 ROCK LANDING DRIVE NEWPORT NEWS, VA 23608	X								OUTPATIENT SURGICAL HOSPITAL	A
3	CHKD HEALTH AND SURGERY CENTER 2021 CONCERT DRIVE VIRGINIA BEACH, VA 23456	X								OUTPATIENT SURGICAL HOSPITAL	A

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a ☒ A definition of the community served by the hospital facility		
b ☒ Demographics of the community		
c ☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d ☒ How data was obtained		
e ☒ The health needs of the community		
f ☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g ☒ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h ☒ The process for consulting with persons representing the community's interests		
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j ☐ Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a ☒ Hospital facility's website		
b ☒ Available upon request from the hospital facility		
c ☐ Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a ☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b ☒ Execution of the implementation strategy		
c ☐ Participation in the development of a community-wide plan		
d ☐ Participation in the execution of a community-wide plan		
e ☒ Inclusion of a community benefit section in operational plans		
f ☒ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g ☒ Prioritization of health needs in its community		
h ☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes		
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>175</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes		
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes		
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes		
a ☒ Income level					
b ☒ Asset level					
c ☒ Medical indigency					
d ☒ Insurance status					
e ☒ Uninsured discount					
f ☒ Medicaid/Medicare					
g ☐ State regulation					
h ☐ Other (describe in Part VI)					
13 Explained the method for applying for financial assistance?		13	Yes		
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes		
a ☒ The policy was posted on the hospital facility's website					
b ☒ The policy was attached to billing invoices					
c ☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d ☒ The policy was posted in the hospital facility's admissions offices					
e ☒ The policy was provided, in writing, to patients on admission to the hospital facility					
f ☒ The policy was available upon request					
g ☐ Other (describe in Part VI)					
Billing and Collections					
15 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?		15	Yes		
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP					
a ☐ Reporting to credit agency					
b ☐ Lawsuits					
c ☐ Liens on residences					
d ☐ Body attachments					
e ☐ Other similar actions (describe in Part VI)					
17 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?				17	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
a ☐ Reporting to credit agency					
b ☐ Lawsuits					
c ☐ Liens on residences					
d ☐ Body attachments					
e ☐ Other similar actions (describe in Part VI)					

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☐

Notified individuals of the financial assistance policy on admission
- b

☐

Notified individuals of the financial assistance policy prior to discharge
- c

☐

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☐

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	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	Yes	
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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, from largest to smallest)

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

9

Name and address	Type of Facility (describe)
1CHKD HEALTH CENTER AT OAKBROOKE 500 DISCOVERY DRIVE CHESAPEAKE, VA 23320	OUTPATIENT SERVICES
2CHKD HEALTH CENTER AT KEMPSVILLE 171 KEMPSVILLE ROAD NORFOLK, VA 23507	OUTPATIENT SERVICES
3CHKD HEALTH CENTER AT HARBOUR VIEW 5835 HARBOUR VIEW BLVD SUFFOLK, VA 23435	OUTPATIENT SERVICES
4HEALTH CENTER AT BURNETT'S WAY 152 BURNETTS WAY SUFFOLK, VA 23434	OUTPATIENT SERVICES
5SATELLITE AT MEDICAL TOWER 400 GRESHAM DRIVE NORFOLK, VA 23507	OUTPATIENT SERVICES
6CHKD HEALTH CENTER AT STRAWBRIDGE 2117 MCCOMAS WAY SUITE 105 VIRGINIA BEACH, VA 23456	OUTPATIENT SERVICES
7CHKD CAP 935 REDGATE AVENUE NORFOLK, VA 23507	Outpatient services
8HEALTH CETNER AT LIGHTFOOT 119 BULFANTS BLVD WILLIAMSBURG, VA 23188	Outpatient Services
9HEALTH CENTER AT MEDICAL CENTER CAMPUS 850 SOUTHHAMPTON AVENUE NORFOLK, VA 23510	Outpatient Services
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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's 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
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
PART 1, LINE 3C		N/A
PART 1, LINE 6A		N/A

Identifier	ReturnReference	Explanation
PART 1, LINE 7(G)		THE AMOUNT REPORTED ON PART I, LINE 7(G) INCLUDES \$30,928,393 OF COSTS ATTRIBUTABLE TO PHYSICIAN CLINICS PART I, LINE 7(F) THE AMOUNT OF BAD DEBT INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A) THAT WAS SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENT OF TOTAL EXPENSE IN PART I, LINE 7, COLUMN (F) IS \$4,905,976
PART 1, LINE 7		A HYBRID APPROACH WAS USED FOR DETERMINING COSTS RELATED TO COMMUNITY BENEFIT ACTUAL COSTS FROM ALL PATIENT SEGMENTS ARE IDENTIFIED BY DEPARTMENT IN THE GENERAL LEDGER AND THEN WERE GROUPED INTO LIKE COMMUNITY BENEFIT PROGRAMS INDIRECT COSTS WERE ADJUSTED FOR COSTS ATTRIBUTABLE TO UNREIMBURSED MEDICAID COSTS REPORTED ELSEWHERE, MARKETING AND GRANT WRITING EXPENSES THE MEDICAID COSTS ADJUSTMENT WAS CALCULATED USING A COST TO CHARGE RATIO OF APPLICABLE EXPENSES DIVIDED BY TOTAL APPLICABLE CHARGES APPLIED TO MEDICAID REVENUE THE REMAINING INDIRECT COSTS WERE ALLOCATED PROPORTIONATELY TO THE DIRECT COSTS REPORTED BY DEPARTMENT IN ADDITION, EXPENSES WERE CALCULATED AT COST AND THEN COSTS RELATED TO CHARITY CARE, BAD DEBT AND MEDICAID WERE REMOVED BEFORE ARRIVING AT THE AMOUNTS FOR COMMUNITY BENEFIT AT COST PART II N/A PART III, LINE 2 BAD DEBT REPORTED IN PART III LINE 2 IS BASED ON THE AMOUNT REPORTED AS BAD DEBT IN THE ORGANIZATION'S AUDITED FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES THE AMOUNT DOES NOT INCLUDE DISCOUNTS OR OTHER ADMINISTRATIVE WRITE OFFS IF A PATIENT ACCOUNT HAS BEEN WRITTEN OFF TO BAD DEBT AND IS SUBSEQUENTLY COLLECTED, BAD DEBT EXPENSE IS REDUCED IN THAT PERIOD BY THE PAYMENT PART III, LINE 3 THE ESTIMATED AMOUNT OF THE ORGANIZATION'S BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY IS CALCULATED BASED OF THE PERCENTAGE OF CHARITY CARE EXPENSES AS A PERCENTAGE OF SELF-PAY REVENUE CHKD DOES NOT MAINTAIN RECORDS THAT TRACK PATIENTS WHO COULD HAVE QUALIFIED FOR CHARITY CARE THIS AMOUNT IS AN ESTIMATE OF PATIENTS WHO LIKELY WOULD HAVE QUALIFIED FOR FINANCIAL ASSISTANCE UNDER THE CHARITY CARE POLICY IF SUFFICIENT INFORMATION HAD BEEN AVAILABLE TO DETERMINE THEIR ELIGIBILITY THIS AMOUNT IS NOT INCLUDED AS COMMUNITY BENEFIT

Identifier	ReturnReference	Explanation
PART III, LINE 4		THE AUDITED FINANCIAL STATEMENTS AND RELATED FOOTNOTES FOR CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS DO NOT CONTAIN FOOTNOTES RELATED TO BAD DEBT EXPENSE THE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES IS MANAGEMENT'S BEST ESTIMATE OF THE AMOUNT OF PROBABLE CREDIT LOSSES IN THE HOSPITAL'S EXISTING RECEIVABLES THE HOSPITAL DETERMINES THE ALLOWANCE BASED ON HISTORICAL WRITE-OFF EXPERIENCE ACCOUNT BALANCES ARE CHARGED OFF AGAINST THE ALLOWANCE, NET OF PAYMENTS AND DISCOUNTS, AFTER ALL MEANS OF COLLECTION HAVE BEEN EXHAUSTED AND THE POTENTIAL FOR THE RECOVERY IS CONSIDERED REMOTE
PART III, LINE 8		AS A CHILDREN'S HOSPITAL, THE HOSPITAL HAS A SMALL POPULATION OF MEDICARE PATIENTS AND IS PAID LESS THAN COST DUE TO THE REIMBURSEMENT METHODOLOGY USED BY MEDICARE THE SHORTFALL WAS CALCULATED USING THE HOSPITAL'S OVERALL COST TO CHARGE RATIO APPLIED TO MEDICARE GROSS CHARGES THIS SHORTFALL IS NOT SEPARATELY INCLUDED AS A COMMUNITY BENEFIT AS 100% OF IT HAS ALREADY BEEN CAPTURED IN THE APPROPRIATE CATEGORY ON PART I, LINE 7

Identifier	ReturnReference	Explanation
PART III, LINE 9B		ACCOUNTS WITH AN UNPAID BALANCE OR WITHOUT AN ESTABLISHED PAYMENT PLAN ARE REFERRED TO A COLLECTION AGENCY OR ATTORNEY FOR CONTINUED COLLECTION EFFORTS CHKD MAKES REASONABLE EFFORTS TO DETERMINE ELIGIBILITY FOR FINANCIAL ASSISTANCE/CHARITY CARE BEFORE REFERRING TO A COLLECTION AGENCY OR AN ATTORNEY REASONABLE EFFORT INCLUDES AND IS NOT LIMITED TO NOTIFICATION ABOUT THE FINANCIAL ASSISTANCE - CHARITY CARE/COLLECTION POLICY POSTED IN ADMISSIONS, EMERGENCY DEPARTMENT OR OTHER DESIGNATED AREAS THE INFORMATION REGARDING THE POLICY IS INCLUDED IN THE ADMISSION PACKAGE AND ON THE PATIENT BILL THE HEALTH BENEFITS ANALYST AND CUSTOMER SERVICE REPRESENTATIVE WHO MAY SPEAK WITH THE GUARANTOR BY PHONE PROVIDE THEM WITH FINANCIAL ASSISTANCE INCLUDING CHARITY CARE INFORMATION THE FINANCIAL ASSISTANCE-CHARITY CARE/COLLECTION POLICY IS AVAILABLE UPON REQUEST AND VIA WWW CHKD ORG CHKD ENSURES ALL COLLECTION PROTOCOLS ARE MET PRIOR TO REFERRAL TO COLLECTIONS AGENCY OR ATTORNEY APPROVED CHARITY CARE AMOUNT WILL NOT BE SUBJECT TO COLLECTION ACTIVITIES THE REMAINING BALANCE WILL BE SUBJECT TO CHKD'S STANDARD COLLECTION PROTOCOLS PART V SECTION B LINE 1J N/A PART V SECTION B LINE 3 IN CONDUCTING THE MOST RECENT COMMUNITY HEALTH NEEDS ASSESSMENT, INPUT WAS RECEIVED FROM REPRESENTATIVES OF THE COMMUNITY SERVED A COMMUNITY INSIGHT SURVEY WAS CONDUCTED WITH A GROUP OF COMMUNITY STAKEHOLDERS WHERE SURVEY PARTICIPANTS WERE ASKED TO PROVIDE THEIR VIEWPOINTS ON IMPORTANT HEALTH CONCERNS IN THE COMMUNITY, SIGNIFICANT SERVICES GAPS IN THE COMMUNITY AND ADDITIONAL IDEAS OR SUGGESTIONS FOR IMPROVING COMMUNITY HEALTH THE SURVEY WAS SENT TO 441 COMMUNITY STAKEHOLDERS WITH A TOTAL OF 95 (22%) RESPONSES RESPONSES WERE RECEIVED FROM VARIOUS LOCAL SOCIAL SERVICES DEPARTMENTS, POLICE OR OTHER PUBLIC SAFETY OFFICES, PUBLIC SCHOOL DIVISIONS, HOSPITALS, COMMUNITY SERVICES BOARD, FOUNDATIONS, HEALTH ASSOCIATIONS, CITIES & COUNTIES IN THE REGION, UNIVERSITY NURSING PROGRAM, HEALTH DEPARTMENTS, VARIOUS CORPORATE CITIZENS AND OTHER NON-PROFIT ORGANIZATIONS PART V SECTION B LINE 4 A JOINT COMMUNITY HEALTH NEEDS ASSESSMENT WAS CONDUCTED FOR CHKD'S THREE LICENSED FACILITIES LIST IN PART V, SECTION A PART V SECTION B LINE 5C N/A PART V SECTION B LINE 6I N/A Part V Section B line 7 The following needs were identified in our community health needs assessment but were not addressed in our implementation plan as the services were provided by other community resources dental health/oral health, substance abuse - illegal and/or prescription drugs, teen pregnancy, crime/violence, tobacco use/exposure, high risk pregnancies and birth outcomes, early intervention services, family planning services, housing services, maternal, infant and child health services, food safety net, respite care services, home health services, public health services, durable medical equipment and assistive devices, long term care services, pharmacy services, hospice services, injury prevention services, mental health services PART V SECTION B LINE 10 N/A PART V SECTION B LINE 11 N/A PART V SECTION B LINE 12H N/A PART V SECTION B LINE 14G N/A PART V SECTION B LINE 16E N/A PART V SECTION B LINE 17E N/A PART V SECTION B LINE 18E N/A PART V SECTION B LINE 19C N/A PART V SECTION B LINE 19D N/A PART V SECTION B LINE 20D N/A PART V SECTION B LINE 21 N/A PART V SECTION B LINE 22 N/A PART V SECTION B LINE 22 N/A
NEEDS ASSESSMENT		CHKD USES A VARIETY OF METHODS TO ASSESS THE HEALTH CARE NEEDS OF THE COMMUNITY IT SERVES NEEDS ARE IDENTIFIED THROUGH A FORMAL COMMUNITY HEALTH NEEDS ASSESSMENT, PARTNERSHIPS AND COLLABORATIONS WITH OTHER MEDICAL, NON-PROFIT AND PUBLIC HEALTH AGENCIES AND ORGANIZATIONS AND THROUGH REGIONAL, STATE AND NATIONAL DATA AS THE ONLY HEALTHCARE PROVIDER IN VIRGINIA DEVOTED EXCLUSIVELY TO THE NEEDS OF CHILDREN, CHKD ASSUMES THE RESPONSIBILITY OF LEADING THE REGION IN THE PROVISION OF PEDIATRIC CARE AND THE PROMOTION OF CHILDREN'S HEALTH AND IS TRUSTED THROUGHOUT ITS COMMUNITY AS A RESOURCE READY AND WILLING TO ADDRESS ESTABLISHED AND EMERGENT PEDIATRIC NEEDS WHEREVER AND HOWEVER THEY ARE IDENTIFIED CHKD'S CURRENT COMMUNITY HEALTH NEEDS ASSESSMENT AND IMPLEMENTATION STRATEGY CAN BE FOUND AT HTTP //WWW CHKD ORG/ABOUT/COMMUNITYBENEFIT/DEFAULT ASPX

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE		CHKDs Charity Care eligibility criteria and procedures for applying are provided to all patients. Patients who are admitted are provided the information by the use of the admission packet, patients who receive outpatient services are provided the information during the registration process. An application for Charity Care, along with a letter explaining the process, shall be sent to any patient or guarantor who requests information on any programs or provisions the hospital may have to help assist patients or guarantors in paying their hospital bill. The Charity Care policy and application is available on the internet at www.chkd.org and at each registration workstation. All billing statements mailed to guarantors include a notice of the availability of charity and how to obtain the information/application. Assistance with the application process is available through the Health Benefits Analyst (HBA). The HBA sends out applications via mail and refers families to the Hospitals website. The unit social worker is available to provide information or referral to the HBA during an inpatient stay.
COMMUNITY INFORMATION		CHKD IS THE REGIONAL PEDIATRIC REFERRAL CENTER FOR SOUTHEASTERN VIRGINIA, THE EASTERN SHORE OF VIRGINIA AND NORTHEASTERN NORTH CAROLINA. CHKD SERVES THE FOLLOWING REGIONS IN VIRGINIA: ACCOMACK COUNTY, CHESAPEAKE CITY, FRANKLIN CITY, GLOUCESTER COUNTY, HAMPTON CITY, ISLE OF WIGHT COUNTY, JAMES CITY COUNTY, MATHEWS COUNTY, NEWPORT NEWS CITY, NORFOLK CITY, NORTHAMPTON COUNTY, POQUOSON CITY, PORTSMOUTH CITY, SOUTHAMPTON COUNTY, SUFFOLK CITY, SURRY COUNTY, SUSSEX COUNTY, VIRGINIA BEACH CITY, WILLIAMSBURG CITY AND YORK COUNTY. WITHIN NORTH CAROLINA, CHKD SERVES THE FOLLOWING REGIONS: BERTIE COUNTY, CAMDEN COUNTY, CHOWAN COUNTY, CURRITUCK COUNTY, DARE COUNTY, GATES COUNTY, HERTFORD COUNTY, PASQUOTANK COUNTY AND PERQUIMANS COUNTY. IN 2012, THIS SERVICE REGION INCLUDED 568,367 PERSONS AGE 0-21. COMPARED TO THE COMMONWEALTH OF VIRGINIA AS A WHOLE, THE STUDY REGION IS MORE DENSELY POPULATED, AND PROPORTIONALLY MORE BLACK/AFRICAN AMERICAN. THE REGION ALSO HAS LOWER INCOME LEVELS THAN VIRGINIA AS A WHOLE. MEDICALLY UNDERSERVED AREAS (MUAS) AND MEDICALLY UNDERSERVED POPULATIONS (MUPS) ARE DESIGNATED BY THE U.S. HEALTH RESOURCES AND SERVICES ADMINISTRATION AS BEING AT RISK FOR HEALTH CARE ACCESS PROBLEMS. THE DESIGNATIONS ARE BASED ON SEVERAL FACTORS INCLUDING PRIMARY CARE PROVIDER SUPPLY, INFANT MORTALITY, PREVALENCE OF POVERTY, AND THE PREVALENCE OF SENIORS AGE 65+. TWENTY-SIX OF THE 29 LOCALITIES THAT ENCOMPASS THE STUDY REGION HAVE BEEN FULLY OR PARTIALLY DESIGNATED AS MUAS/MUPS. CHKD'S SERVICE AREA COMPRISES A DIVERSE MIX OF URBAN, SUBURBAN AND RURAL COMMUNITIES, AS WELL AS 10 MILITARY INSTALLATIONS. CHKD IS WELL VERSED IN THE SPECIAL NEEDS OF MILITARY FAMILIES AND HAS ONE OF THE HIGHEST TRICARE PAYOR PERCENTAGES AMONG THE CHILDREN'S HOSPITALS IN THE NATION.

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH		CHKD plays a unique role in its community by providing pediatric healthcare services available nowhere else in the region and, at the same time, serving as the safety net provider to the region's indigent children In FY2013, CHKD had 5,177 admissions resulting in 48,816 discharged patient days Approximately 54 percent of these days, were covered by Medicaid, which is the highest percentage by far of any acute-care hospital in Virginia CHKD leads the region in efforts to address public health concerns like child abuse and childhood obesity It is the sole provider of pediatric subspecialty care for children with chronic illnesses like cancer and diabetes and employs the region's only pediatric surgeons The hospital's vibrant community outreach program coordinates parent, professional and student programs that bring important health, safety and wellness information to thousands of participants CHKD also takes an active role in the education of pediatricians Comprehensive information on CHKD's efforts to improve the health of children is available at www.chkd.org/About/CommunityBenefit
AFFILIATED HEALTH CARE SYSTEM		CHKD IS PART OF CHILDREN'S HEALTH SYSTEM, A 501 (C) (3) ORGANIZATION GOVERNED BY A BOARD OF DIRECTORS COMPRISED OF COMMUNITY MEMBERS A MAJORITY OF THE ORGANIZATION'S GOVERNING BODY ARE NOT EMPLOYEES OR CONTRACTORS OF THE ORGANIZATION, NOR FAMILY MEMBERS THEREOF CHKD EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY FOR SOME OR ALL OF ITS DEPARTMENTS SURPLUS FUNDS ARE USED TO MEET THE NEEDS OF THE ORGANIZATION AS DETERMINED BY CHKD SENIOR MANAGEMENT AND THE CHS BOARD OF DIRECTORS HISTORICALLY, SURPLUS FUNDS HAVE BEEN USED FOR A VARIETY OF PURPOSES INCLUDING PATIENT CARE PROGRAMS, CAPITAL IMPROVEMENT NEEDS, RESERVES, ETC ROLES OF ORGANIZATION AND ITS AFFILIATES IN PROMOTING THE HEALTH OF THE COMMUNITIES SERVED THE CHILDREN'S HEALTH SYSTEM IS COMPRISED OF SEVERAL ORGANIZATIONS CHKD PROVIDES INPATIENT AND AMBULATORY CARE SERVICES ACROSS MANY PEDIATRIC SPECIALTIES, INCLUDING A HIGH PERCENTAGE OF NEONATAL AND PEDIATRIC INTENSIVE CARE SERVICES OTHER ENTITIES UNDER THE CHILDREN'S HEALTH SYSTEM UMBRELLA INCLUDE * CHILDREN'S HEALTH FOUNDATION, WHICH RAISES FUNDS, MANAGES INVESTMENTS AND FUNDS EDUCATION, RESEARCH AND OTHER PROGRAMS FOR CHILDREN'S HEALTH SYSTEM * CHILDREN'S MEDICAL GROUP, INC , A VIRGINIA STOCK CORPORATION, WHICH OWNS AND OPERATES PEDIATRIC PHYSICIAN PRACTICES * CMG OF NORTH CAROLINA, INC , A NORTH CAROLINA STOCK CORPORATION, WHICH OWNS AND OPERATES A PEDIATRIC PHYSICIAN PRACTICE IN NORTHEASTERN NORTH CAROLINA * CHILDREN'S SURGICAL SPECIALTY GROUP, INC , A VIRGINIA STOCK CORPORATION, WHICH OWNS AND OPERATES PEDIATRIC SURGICAL SUBSPECIALTY PRACTICES, INCLUDING PEDIATRIC GENERAL SURGERY, PEDIATRIC UROLOGY, PEDIATRIC CARDIAC SURGERY, PEDIATRIC ORTHOPEDIC SURGERY AND SPORTS AND ADOLESCENT MEDICINE, PEDIATRIC NEUROSURGERY AND PEDIATRIC PLASTIC SURGERY * CHSIL, A CAPTIVE INSURANCE COMPANY INCORPORATED IN BERMUDA, WHICH PROVIDES COMMERCIAL GENERAL LIABILITY COVERAGE FOR CHS AND ITS SUBSIDIARIES AND MEDICAL PROFESSIONAL LIABILITY COVERAGE FOR NON-PHYSICIAN PRACTITIONERS EMPLOYED BY CHS AND ITS SUBSIDIARIES

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT		CHKD FILES A COMMUNITY BENEFIT REPORT IN VIRGINIA FACILITY REPORTING GROUP(S) FACILITY REPORTING GROUP A INCLUDES CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, CHKD HEALTH AND SURGERY CENTER IN NEWPORT NEWS AND CHKD HEALTH AND SURGERY CENTER IN VIRGINIA BEACH
STATE FILING OF COMMUNITY BENEFIT REPORT	990 SCHEDULE H, PART VI	VA,

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

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number

54-0506321

Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II **Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

[illegible]

- | | | | |
|----------|---|---|----------|
| 2 | Enter total number of section 501(c)(3) and government organizations listed in the line 1 table | ▶ | <u>1</u> |
| 3 | Enter total number of other organizations listed in the line 1 table | ▶ | |

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

Part IV

Supplemental Information.

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
PROCESS FOR AWARDS		AWARDS ARE MADE TO INVESTIGATORS/PHYSICIANS BY CHKD (CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS) FOR SPECIFIC PROJECT OR RESEARCH ENDEAVORS. FUNDING REQUESTS ARE COMPLETED AND SUBMITTED WHERE THEY ARE REVIEWED BY THE FINANCE DEPARTMENT, THE CEO AND THE APPLICABLE BOARD. AFTER AN AWARD IS MADE, THE AWARDEE MUST FILE QUARTERLY FINANCIAL SUMMARIES AND A FINAL REPORT TO BE SUBMITTED TO THE CEO AT THE END OF THE FUNDING PERIOD.

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2012

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization Children's Hospital of the King's Daughters	Employer identification number 54-0506321
---	--

Part I

Questions Regarding Compensation

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

Part II

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

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

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

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

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
SCHEDULE J, LINE 1		IN CONNECTION WITH A RETIREMENT PROGRAM, TAX GROSS-UP PAYMENTS ARE PROVIDED TO CERTAIN DIRECTORS WHOSE EMPLOYER FUNDED CONTRIBUTIONS ARE IMMEDIATELY TAXABLE, IN ORDER TO PROVIDE THEM WITH BENEFITS THAT ARE TAX-EQUIVALENT TO BENEFITS OF PARTICIPANTS WHOSE CONTRIBUTIONS ARE NOT IMMEDIATELY TAXABLE
SCHEDULE J, LINE 4B		CHILDREN'S HEALTH SYSTEM SPONSORS A SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("THE PLAN") THE PLAN IS DESIGNED TO RETAIN EXECUTIVES IN POSITIONS ESSENTIAL TO THE SUCCESS OF CHILDREN'S HEALTH SYSTEM JAMES DAHLING, DENNIS RYAN, ARNO ZARITSKY, JOANN ROGERS, DAVID BOWERS, DEBORAH BARNES, JOHN HAMILTON AND JO-ANN BURKE PARTICIPATE IN THE PLAN
SCHEDULE J, LINE 7		OFFICERS AND VICE PRESIDENTS MAY RECEIVE ADDITIONAL COMPENSATION BASED ON CRITERIA SET UP BY THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS DEPARTMENT DIRECTORS MAY RECEIVE ADDITIONAL COMPENSATION BASED ON CRITERIA SET BY MANAGEMENT AND APPROVED BY THE BOARD OF DIRECTORS

Software ID:
Software Version:
EIN: 54-0506321
Name: Children's Hospital of the King's Daughters

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
MICHELLE BRENNER MD	(i)	0	0	0	0	0	0	0
	(ii)	200,506	0	147	8,164	10,080	218,897	0
JAMES D DAHLING	(i)	0	0	0	0	0	0	0
	(ii)	814,035	0	105,933	805,578	39,134	1,764,680	55,424
DENNIS RYAN	(i)	0	0	0	0	0	0	0
	(ii)	422,160	0	43,874	293,445	42,744	802,223	12,753
JOHN HAMILTON	(i)	211,447	0	9,956	46,505	26,240	294,148	0
	(ii)	0	0	0	0	0	0	0
JAMES DICE	(i)	142,006	12,289	30,617	6,180	7,053	198,145	0
	(ii)	0	0	0	0	0	0	0
SUZANNE STARLING	(i)	193,404	0	1,011	7,934	13,449	215,798	0
	(ii)	0	0	0	0	0	0	0
THOMAS BERRY	(i)	106,433	9,819	56,532	4,973	15,888	193,645	0
	(ii)	0	0	0	0	0	0	0
ARNO ZARITSKY	(i)	435,326	0	70,469	278,436	24,286	808,517	36,243
	(ii)	0	0	0	0	0	0	0
DAVID BOWERS	(i)	294,182	0	26,711	368,885	28,331	718,109	9,502
	(ii)	0	0	0	0	0	0	0
JO-ANN BURKE	(i)	316,487	0	44,331	127,706	27,216	515,740	24,000
	(ii)	0	0	0	0	0	0	0
JOANN ROGERS	(i)	324,810	0	49,341	317,106	21,507	712,764	16,842
	(ii)	0	0	0	0	0	0	0
DEBORAH BARNES	(i)	0	0	0	0	0	0	0
	(ii)	285,988	0	18,106	174,031	35,750	513,875	5,958

Schedule K (Form 990)	Supplemental Information on Tax Exempt Bonds ▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI. ▶ Attach to Form 990. ▶ See separate instructions.	OMB No 1545-0047
		2012
		Open to Public Inspection

Department of the Treasury Internal Revenue Service	Name of the organization Children's Hospital of the King's Daughters	Employer identification number 54-0506321
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Part I

Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A VA Small Business Financing Authority	54-1300845	000000000	09-09-2012	76,400,000	REFUNDING OF 1/31/2006 ISSUE		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	5,558,057							
2	Amount of bonds legally defeased	0							
3	Total proceeds of issue	76,400,000							
4	Gross proceeds in reserve funds	0							
5	Capitalized interest from proceeds	0							
6	Proceeds in refunding escrows	0							
7	Issuance costs from proceeds	0							
8	Credit enhancement from proceeds	0							
9	Working capital expenditures from proceeds	0							
10	Capital expenditures from proceeds	0							
11	Other spent proceeds	76,400,000							
12	Other unspent proceeds	0							
13	Year of substantial completion	2007							
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
		X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III

Private Business Use

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

Part III Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X							
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
c	Are there any research agreements that may result in private business use of bond-financed property?	X							
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X							
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 00000 %							
6	Total of lines 4 and 5	0 %							
7	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?		X						
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X							

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?								
b	Exception to rebate?	X							
c	No rebate due?								
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed									
3	Is the bond issue a variable rate issue?	X							
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b	Name of provider	0							
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
b	Name of provider	0							
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X						
7	Has the organization established written procedures to monitor the requirements of section 148?	X							

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?	X							

Part VI

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

Identifier	Return Reference	Explanation
Schedule K, Part II, Line 11	0	ALL PROCEEDS OF THE BOND WERE USED TO CURRENTLY REFUND A PRIOR ISSUE
SCHEDULE K, PART III, LINE 4	0	BOND COUNSEL DUE DILIGENCE SHOWED ONLY \$50,000 OF PRIVATE USE THAT WAS NOT EQUITY FINANCED OR DID NOT QUALIFY FOR A REGULATORY SAFE HARBOR
SCHEDULE K, PART IV, LINE 2B	0	6-MONTH SPENDING EXCEPTION APPLIES

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number

54-0506321

Part I

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

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

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2

Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 ▶ \$

3

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

Part II

Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?	(i) Written agreement?	
			To	From			Yes	No		Yes	No
Total ▶ \$											

Part III

Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) CHILDREN'S SPECIALTY GROUP	FAMILY MEMBER IS DIRECTOR	11,557,552	PHYSICIAN SERVICES		No
(2) CHILDREN'S MEDICAL GROUP	MEMBERS SERVE CHKD & CMG	2,254,817	CORPORATE SUPPORT & RENTAL		No
(3) CHILDREN'S SURGICAL SPECIALTY GROUP	MEMBERS SERVE CHKD & CSSG	1,581,211	CORPORATE SUPPORT & RENTAL		No
(4) WM JORDAN CO INC	MEMBER OWNER	327,837	CONSTRUCTION SERVICES		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
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SCHEDULE M
(Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles	X	22	11,980	CASH ON SALE
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded	X	33	339,697	AVG FMV ON DATE REC
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
VARIOUS IN-KIND				
25 Other ► (ITEMS)	X	15	49,283	AVG FMV ON DATE REC
AMBULANCE				
26 Other ► (PURCHASE)	X	1	359,205	VALUE OF PAYMENT
27 Other ► ()				
28 Other ► ()				

29

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

30a

During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?

30a

Yes

No

b

If "Yes," describe the arrangement in Part II

31

Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?

31

Yes

32a

Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?

32a

Yes

b

If "Yes," describe in Part II

33

If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 51227J

Schedule M (Form 990) (2012)

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
Schedule M, Line 32A		CHKD PAYS SYR, INC MANAGEMENT FEES TO MANAGE THRIFT STORES FOR THE BENEFIT OF THE ORGANIZATION CHKD ALSO PAYS TIDEWATER AUTO AUCTION TO AUCTION CARS FOR THE BENEFIT OF THE ORGANIZATION

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization Children's Hospital of the King's Daughters	Employer identification number 54-0506321
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Identifier	Return Reference	Explanation
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PART III	FOR MORE THAN 50 YEARS, CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS (CHKD) HAS BEEN THE ONLY FACILITY OF ITS KIND IN VIRGINIA, SERVING THE MEDICAL AND SURGICAL NEEDS OF CHILDREN THROUGHOUT THE STATE. ITS PRIMARY SERVICE AREA ENCOMPASSES GREATER HAMPTON ROADS, THE EASTERN SHORE OF VIRGINIA AND NORTHEASTERN NORTH CAROLINA, A REGION THAT IS HOME TO APPROXIMATELY 500,000 CHILDREN UNDER THE AGE OF 21. CHKD WAS ESTABLISHED AS AN 88-BED, NOT-FOR-PROFIT HOSPITAL IN 1961 BY THE KING'S DAUGHTERS, A WOMEN'S SERVICE ORGANIZATION DEDICATED TO THE HEALTH AND WELL BEING OF THE COMMUNITY'S INDIGENT CHILDREN. THE HOSPITAL HAS ALWAYS UPHOLD THE CHARITABLE MISSION OF ITS FOUNDERS, AND IN FY 2013, 54 PERCENT OF ITS INPATIENT DAYS WERE COVERED BY MEDICAID. OVER THE PAST 50 YEARS, CHKD HAS GROWN INTO A 206-BED TEACHING HOSPITAL THAT IS THE HEART OF AN EXTENSIVE PEDIATRIC HEALTH CARE SYSTEM. TODAY, THAT SYSTEM PROVIDES COMPREHENSIVE MEDICAL CARE TO CHILDREN AT THE HOSPITAL AND MULTI-SERVICE HEALTH CENTERS IN VIRGINIA BEACH, NEWPORT NEWS AND CHESAPEAKE. ITS SERVICES INCLUDE EVERYTHING FROM WELLNESS AND PREVENTION INITIATIVES TO PRIMARY CARE, SURGERY AND REHABILITATION. MANY OF ITS UNIQUE SERVICES AND PROGRAMS ADDRESS PRESSING PUBLIC HEALTH NEEDS THAT WOULD OTHERWISE GO UNMET. AS THE PREMIER PROVIDER OF HEALTHCARE SERVICES TO THE REGION'S CHILDREN, CHKD HAS SECURED A PLACE IN THE HEART OF THE COMMUNITY. THE HOSPITAL IS AN EAGER COLLABORATOR WITH OTHER COMMUNITY ORGANIZATIONS AND INSTITUTIONS THAT SHARE ITS CONCERN FOR THE WELL BEING OF YOUNG PEOPLE AND OFFERS A VARIETY OF EDUCATION, RESEARCH AND HEALTH INITIATIVES TO IMPROVE THE HEALTH AND WELL BEING OF CHILDREN IN THIS COMMUNITY AND BEYOND. THE HEALTH SYSTEM'S PRIMARY SERVICES CENTER ON INPATIENT AND OUTPATIENT CARE, COMMUNITY OUTREACH PROGRAMS AND MEDICAL EDUCATION/RESEARCH. SECTION ONE. INPATIENT CARE. CHILDREN WITH A VAST RANGE OF MEDICAL PROBLEMS, INCLUDING LIFE-THREATENING ILLNESSES AND INJURIES, TURN TO CHKD FOR INPATIENT CARE. IN FY 2013, CHKD HAD 5,177 ADMISSIONS RESULTING IN 48,816 DISCHARGED PATIENT DAYS. APPROXIMATELY 54 PERCENT OF THESE DAYS, WERE COVERED BY MEDICAID, WHICH IS THE HIGHEST PERCENTAGE BY FAR OF ANY ACUTE-CARE HOSPITAL IN VIRGINIA. CHKD HAS 206 INPATIENT BEDS, AND ALMOST HALF OF THOSE ARE FOR PEDIATRIC INTENSIVE CARE. THE HOSPITAL IS HOME TO THE REGION'S HIGHEST LEVEL NEONATAL INTENSIVE CARE UNIT (NICU), WHERE EACH YEAR CRITICALLY ILL NEWBORNS, SOME AS YOUNG AS 23 WEEKS GESTATION, BENEFIT FROM A UNIQUE COMBINATION OF ADVANCED MEDICAL TECHNOLOGY, DEVELOPMENTAL CARE AND FAMILY SUPPORT. THERE WERE 500 ADMISSIONS TO THE NICU IN FY 2013. THE HOSPITAL ALSO OPERATES A NEONATAL STEP-DOWN UNIT FOR BABIES FROM OUR NICU WHO REQUIRE A TRANSITIONAL PERIOD BEFORE BEING DISCHARGED HOME. THE REGION'S LARGEST AND MOST EXPERIENCED PEDIATRIC INTENSIVE CARE UNIT (PICU) IS AT CHKD. IN THIS UNIT, A FULL-TIME STAFF OF BOARD CERTIFIED PEDIATRIC INTENSIVE CARE PHYSICIANS, CRITICAL CARE NURSES AND RESPIRATORY THERAPISTS PROVIDE EXTREMELY SOPHISTICATED, TECHNOLOGICALLY ADVANCED CARE TO CHILDREN WITH LIFE THREATENING INJURIES AND ILLNESSES. MEDICAL CARE IS SUPPLEMENTED WITH SUPPORT FROM CHILD LIFE SPECIALISTS, SOCIAL WORKERS AND CHAPLAINS WHO HAVE EXTENSIVE EXPERIENCE HELPING FAMILIES THROUGH THE TRAUMA AND STRESS OF A SEVERE ILLNESS OR INJURY IN A CHILD. THERE WERE 1,131 ADMISSIONS TO OUR PICU IN FY 2013. MANY PATIENTS ARE BROUGHT FROM OTHER AREA HOSPITALS TO CHKD BY THE HOSPITAL'S NEONATAL/PEDIATRIC TRANSPORT PROGRAM, WHICH OPERATES OUT OF FOUR FULLY EQUIPPED MOBILE INTENSIVE CARE UNITS. TWO TRANSPORT TEAMS ARE AVAILABLE 24 HOURS A DAY, SEVEN DAYS A WEEK TO ALL AREA MEDICAL FACILITIES THAT NEED TO SEND SICK OR INJURED CHILDREN TO CHKD. EACH TRANSPORT CALL IS ANSWERED BY A NEONATAL/PEDIATRIC CRITICAL CARE NURSE, A REGISTERED RESPIRATORY THERAPIST AND A CERTIFIED EMT/PARAMEDIC TRAINED IN NEONATAL/PEDIATRIC CARE. IN FY 2013, THE TEAM TRANSPORTED 1,058 PATIENTS. OF THOSE, 300 WERE NEWBORNS COMING TO OUR NEONATAL INTENSIVE CARE UNIT. CHKD'S TRANSPORT SERVICE IS ALSO UNDER CONTRACT TO THE NAVAL MEDICAL CENTER, PORTSMOUTH, TO PROVIDE ALL NEONATAL AND PEDIATRIC MILITARY TRANSPORTS IN THE REGION. BESIDES GROUND TRANSPORT, THE TEAM ALERTS FIXED-WING AIR AND HELICOPTER TRANSPORTS WHEN MEDICALLY NECESSARY. CHKD OPERATES THE REGION'S ONLY ACUTE INPATIENT REHABILITATION UNIT EXCLUSIVELY FOR CHILDREN, WHERE YOUNG PATIENTS RECEIVE COMPREHENSIVE REHABILITATION SERVICES NEEDED TO REGAIN SKILLS LOST AFTER ACCIDENTS OR ILLNESSES. PRIOR TO THE OPENING OF THIS UNIT, FAMILIES HAD TO TRAVEL LONG DISTANCES OUTSIDE OF THE AREA TO RECEIVE THIS KIND OF CARE, WHICH USUALLY REQUIRES A HOSPITALIZATION OF SEVERAL WEEKS DURATION. ADMISSIONS TO THE INPATIENT REHABILITATION UNIT RESULTED IN 2,164 PATIENT DAYS IN FY 2013.

Identifier	Return Reference	Explanation
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS		CHKD'S TRANSITIONAL CARE UNIT, WHERE TECHNOLOGY DEPENDENT CHILDREN BEGIN THE PROCESS OF MOVING FROM THE HOSPITAL TO THEIR HOMES, PROVIDES DEVELOPMENTAL, EDUCATIONAL AND EMOTIONAL SUPPORT AS WELL AS HIGH ACUITY MEDICAL CARE AND PARENT/CAREGIVER SUPPORT AND EDUCATION. ADMISSIONS TO THIS UNIQUE UNIT RESULTED IN 3,986 PATIENT DAYS IN FY 2013. CHKD OPERATES THE REGION'S ONLY PEDIATRIC SURGERY PROGRAM, OFFERING YOUNG PEOPLE STATE-OF-THE-ART TREATMENT IN A SUPPORTIVE, NON-THREATENING ENVIRONMENT CREATED EXCLUSIVELY TO MEET THEIR NEEDS. IN FY 2013, SURGEONS PERFORMED 13,109 SURGERIES AT CHKD FACILITIES FOR A VAST RANGE OF PROBLEMS, FROM THE SIMPLEST OUTPATIENT PROCEDURES TO COMPLEX ORTHOPEDIC AND GENITOURINARY SURGERIES (SEE OUTPATIENT SERVICES AND PROGRAMS FOR MORE INFORMATION OF CHKD'S SURGERY PROGRAM). CHKD EMPLOYS DOZENS OF PROFESSIONALS WHO PROVIDE EMOTIONAL, RECREATIONAL, SPIRITUAL AND PRACTICAL SUPPORT TO CHILDREN AND FAMILIES DURING HOSPITALIZATIONS. THE WORK OF THESE PROFESSIONALS COMPLEMENTS OUR EXPERT MEDICAL CARE TO CREATE A UNIQUE TREATMENT AND HEALING ENVIRONMENT FOR CHILDREN AND THEIR FAMILIES. OUR CHAPLAINCY SERVICES PROVIDE EMOTIONAL SUPPORT, PASTORAL CARE, ETHICAL REFLECTION, BEREAVEMENT RESOURCES FOLLOW-UP AND SPIRITUAL GUIDANCE TO PATIENTS, FAMILIES AND STAFF WITH IN-HOSPITAL PRESENCE SEVEN DAYS A WEEK, WITH 24-HOUR ON-CALL AVAILABILITY. THE HOSPITAL EMPLOYS THREE FULL-TIME CHAPLAINS, ONE PART-TIME AND EIGHT PER-DIEM CHAPLAINS WHO REFLECT THE DIVERSITY OF THE COMMUNITY AND ARE PROFESSIONALLY TRAINED TO MEET THE VARIED SPIRITUAL NEEDS OF FAMILIES WITH RESPECT AND COMPASSION. THE CHAPLAINS ALSO FACILITATE EDUCATIONAL PROGRAMS FOR HOSPITAL STAFF AND PHYSICIANS, AS WELL AS PLANNING AND PARTICIPATING IN OUTREACH TO THE COMMUNITY. IN 2013, THE DEPARTMENT COORDINATED ITS ANNUAL BIOETHICS DAY PROGRAM WITH DISTINGUISHED PHYSICIAN AND PRIZE-WINNING AUTHOR SHERRI FINK AS GUEST SPEAKER. THE HOSPITAL EMPLOYS 14 CHILD LIFE STAFF MEMBERS WHO HELP CHILDREN ADJUST AND COPE DURING HOSPITALIZATION. THEIR GOAL IS TO MAKE THE CHILD'S HOSPITAL EXPERIENCE AS NORMAL AS POSSIBLE BY DEVELOPING SUPPORTIVE RELATIONSHIPS WITH PATIENTS AND FAMILIES, PROVIDING AGE-APPROPRIATE PREPARATION FOR MEDICAL PROCEDURES, COPING STRATEGIES AND PLAY OPPORTUNITIES FOR CHILDREN TO RELIEVE STRESS. CHILD LIFE STAFF MEMBERS ALSO SCHEDULE AND FACILITATE COMMUNITY GROUP VISITS TO THE HOSPITAL AND MANAGE APPROXIMATELY 100 VOLUNTEERS WEEKLY. THERE ARE THREE POPULAR ACTIVITY AREAS THROUGHOUT THE HOSPITAL, PROVIDING HOSPITALIZED CHILDREN OPPORTUNITIES FOR SOCIALIZATION AND CREATIVE PLAY. CHILD LIFE SPECIALISTS WORK WITH CHKD'S VOLUNTEER SERVICES DIVISION TO MANAGE THE HOSPITAL'S POPULAR PET THERAPY PROGRAM, THE BUDDY BRIGADE, WHICH BRINGS VISITS OF DOG/HANDLER TEAMS TO THE HOSPITAL SEVERAL TIMES EACH WEEK. CHILD LIFE STAFFERS COLLABORATE WITH OTHER HOSPITAL STAFF TO PROVIDE A PEDIATRIC INTENSIVE CARE UNIT SUPPORT GROUP FOR PARENTS AND SIBLINGS, AN ANNUAL TEDDY BEAR CLINIC, INPATIENT DEVELOPMENTAL SCREENINGS AND A POPULAR TEEN NIGHT ACTIVITY. CHKD'S DEPARTMENT OF SOCIAL WORK HELPS MEET SOCIAL, EMOTIONAL AND PSYCHOLOGICAL NEEDS THAT MAY ARISE WHEN A CHILD IS HOSPITALIZED OR WHEN AN EMERGENCY ARISES. OUR STAFF INCLUDES 15 LICENSED CLINICAL SOCIAL WORKERS AND 11 MEDICAL SOCIAL WORKERS. SOCIAL WORKERS ALSO WORK WITH CHILDREN IN OUR OUTPATIENT SPECIALTY CLINICS, ESPECIALLY THOSE CATERING TO CHILDREN WITH CHRONIC ILLNESSES. AMONG THE SERVICES OUR SOCIAL WORKERS PROVIDE ARE THE FOLLOWING: * COORDINATE REFERRALS AND ONGOING COMMUNICATIONS TO OTHER COMMUNITY RESOURCES * FACILITATE SUPPORT GROUPS FOR CHKD FAMILIES DEALING WITH CHRONIC ILLNESS AND LOSS * CONDUCT PSYCHOSOCIAL HISTORY AND MENTAL HEALTH ASSESSMENTS OF PATIENTS TO AID CAREGIVERS IN DEVELOPING TREATMENT PLANS * HELP PATIENTS AND FAMILIES DEAL WITH SITUATIONAL CRISES * WORK WITH FAMILIES AND CHKD'S ELIGIBILITY WORKERS TO COMPLETE APPLICATIONS FOR INSURANCE COVERAGE FOR MEDICAL CARE * 24-HOUR PER-DIEM COVERAGE FOR NIGHTS, WEEKENDS, HOLIDAYS. SOCIAL WORKERS ALSO FACILITATE A VARIETY OF SUPPORT GROUPS THAT HELP PATIENTS AND FAMILIES CONNECT WITH OTHERS IN THE COMMUNITY WHO SHARE THEIR CHALLENGES. CHKD SPONSORS SUPPORT GROUPS FOR PATIENTS AND THEIR FAMILIES WITH HEART CONDITIONS, DIABETES, TURNER'S SYNDROME, PRADER-WILLI SYNDROME, CANCER AND SICKLE CELL. FAMILIES OF NICU PATIENTS MEET PERIODICALLY TO SHARE INFORMATION, AND OUR RECREATION-BASED GROUP FOR BROTHERS AND SISTERS OF CHILDREN WITH SPECIAL NEEDS, CALLED SIBSHOPS, MEETS REGULARLY TO SUPPORT SIBLINGS. THE DEPARTMENT OF SOCIAL WORK MANAGES THE HALO FUND OF DONATED MONIES TO ASSIST PARENTS AND PATIENTS WITH THE COST OF TRANSPORTATION, MEALS, MEDICATIONS AND SPECIFIC NEEDS AT DISCHARGE. THESE DONATED FUNDS MAY ALSO BE USED IN EMERGENCY SITUATIONS TO ASSIST WITH SPECIAL NEEDS, WHICH HAVE CONSISTED OF PARTIAL OR ONE-TIME PAYMENTS FOR UTILITY SERVICES NEEDED TO ENSURE THAT PATIENTS ARE DISCHARGED TO A HOME WITH A WAY TO SUPPORT THEIR MEDICAL NEEDS.

Identifier	Return Reference	Explanation
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS		EDS ON DISCHARGE. SOME OTHER EXAMPLES OF USAGES FOR THE FUNDS INCLUDE COPAYMENTS FOR PRESCRIPTIONS, CORRECTIVE SHOES, HEARING AIDS OR OTHER ITEMS FOR FAMILIES WHO COULD NOT AFFORD THEM. THIS FUND HELPED MORE THAN 750 FAMILIES IN FY 2013. CHKD's Cultural / Language Services Department employs a full-time manager and a part-time cultural liaison to work with patients who have limited English proficiency and to coordinate the assessment and training of bilingual staff for medical interpretation. Twenty-two dual-role staff members are employed throughout the organization in various positions and voluntarily assist with medical interpretation. Several departments have hired professional staff members who are also able to provide Spanish medical interpretation for their patients and families. CHKD has a contractual relationship with seven American Sign Language interpreters who serve the needs of the deaf/hard of hearing patients and families. These services have improved customer service and consistency of care. When an interpreter is not available onsite, the entire CHKD Health System has access to medical interpretation by phone 24 hours a day. In FY 13, CHKD provided over 1,000 hours of face-to-face interpretation for our limited English population through 2,724 documented encounters with Hispanic patients and families and continues the process of adapting to meet The Joint Commission Standards for Patient Centered Communication. AS THE REGIONAL PROVIDER OF PEDIATRIC CARE, CHKD IS AN INTEGRAL PART OF THE COMMUNITY'S NATURAL OR MAN-MADE DISASTER PLANNING EFFORTS. THE HEALTH SYSTEM RECOGNIZES THE IMPORTANCE OF A NATIONAL INCIDENT MANAGEMENT SYSTEM (NIMS) COMMUNITY INTEGRATED, ALL-HAZARD EMERGENCY OPERATIONS PLAN. THIS PLAN IS PREPARED, EXERCISED AND SHARED INTERNALLY AND EXTERNALLY WITH COMMUNITY EMERGENCY RESPONSE AGENTS. IN FY 2013, THE HOSPITAL PARTICIPATED IN AN EXTENSIVE, CAMPUS WIDE EMERGENCY TRAINING DRILL WITH SENTARA, EASTERN VIRGINIA MEDICAL SCHOOL, AND CITY AND STATE FIRST RESPONDERS.

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STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS		SECTION TWO OUTPATIENT SERVICES AND PROGRAMS CHKD ALSO OFFERS THE COMMUNITY MANY IMPORTANT PEDIATRIC SERVICES ON AN OUTPATIENT BASIS. IN 2013, CHILDREN MADE APPROXIMATELY 628,000 OUTPATIENT VISITS TO CHKD, ITS COMMUNITY-BASED HEALTH CENTERS AND AFFILIATED PHYSICIAN PRACTICES. THEY MADE 378,068 VISITS TO THE PRIMARY CARE PEDIATRICIANS OF CHKD'S MEDICAL GROUP, WHICH OFFERS CARE IN 16 PRACTICES WHO HAVE 27 OFFICES THROUGHOUT OUR SERVICE AREA. CHKD'S SURGICAL SPECIALTY GROUP MAKES THE SERVICES OF THE REGION'S ONLY PEDIATRIC GENERAL, UROLOGICAL, CARDIAC, NEUROSURGICAL, PLASTIC AND ORTHOPEDIC SURGEONS AVAILABLE TO THOUSANDS OF CHILDREN WHO MIGHT OTHERWISE HAVE TO TRAVEL OUTSIDE OF THE AREA FOR SURGERY. CHILDREN MADE 42,895 VISITS TO THE SURGICAL GROUP PRACTICES IN FY 2013. THE SURGEONS PERFORMED 5,703 SURGICAL CASES. THE HOSPITAL ALSO PROVIDES CARE TO CHILDREN FACING HEALTH CONDITIONS SUCH AS CANCER, GENETIC DISORDERS, OBESITY, HEART PROBLEMS, DEVELOPMENTAL DISABILITIES, ASTHMA/ALLERGIES AND DIABETES THROUGH MORE THAN 50 OUTPATIENT SPECIALTY CLINICS OFFERING SPECIALIZED PEDIATRIC CARE. IN FY 2013, CHILDREN MADE 144,023 VISITS TO OUR OUTPATIENT CLINICS. CHILDREN'S HOSPITAL WAS FOUNDED ON THE PREMISE THAT ALL CHILDREN DESERVE EQUAL ACCESS TO QUALITY PEDIATRIC CARE. AS OUR POPULATION GREW AND SETTLED INTO THE FAR CORNERS OF OUR BRIDGE AND TUNNEL LACED REGION, TRAVEL TO CHKD'S MAIN FACILITY IN NORFOLK BECAME MORE OF A HARDSHIP FOR FAMILIES. TO EASE THAT BURDEN AND IMPROVE CHILDREN'S ACCESS TO CARE IN EVERY CORNER OF OUR SERVICE AREA, CHKD HAS ESTABLISHED THREE MULTI-SERVICE HEALTH CENTERS AND NINE SATELLITE SITES IN STRATEGIC LOCATIONS. * THE CHKD HEALTH AND SURGERY CENTER AT OYSTER POINT OFFERS FAMILIES WHO LIVE NORTH OF THE HAMPTON ROADS BRIDGE TUNNEL A WEALTH OF IMPORTANT SERVICES IN A CONVENIENT LOCATION. THE CENTER IS HOME TO THE REGION'S FIRST PEDIATRIC AMBULATORY SURGERY CENTER. OTHER SERVICES OFFERED AT THE SITE INCLUDE PRIMARY, SURGICAL AND SUBSPECIALTY PEDIATRICS, LAB AND RADIOLOGY (INCLUDING ULTRASOUND AND MRI), AUDIOLOGY TESTING AND OCCUPATIONAL, SPEECH AND PHYSICAL THERAPY. SPORTS MEDICINE PHYSICAL THERAPY, AQUATIC THERAPY AND CHILD ABUSE PROGRAM SERVICES ARE ALSO AVAILABLE THERE. * THE CHKD HEALTH CENTER AT OAKBROOKE SERVES FAMILIES IN CHESAPEAKE AND NORTHEASTERN NORTH CAROLINA. IT IS HOME TO A PRIMARY CARE PEDIATRIC PRACTICE, PHYSICAL, OCCUPATIONAL AND SPEECH THERAPY, X-RAY AND LAB SERVICES, A SPORTS MEDICINE GYM, SLEEP STUDIES UNIT AND THERAPY POOL, AS WELL AS CLINIC SPACE FOR A VARIETY OF PEDIATRIC SPECIALISTS AND SURGEONS PROVIDING EVALUATION, TREATMENT AND FOLLOW-UP. * THE CHKD HEALTH AND SURGERY CENTER AT PRINCESS ANNE SERVES THE GROWING MEDICAL NEEDS OF FAMILIES IN VIRGINIA BEACH. THE CENTER IS HOME TO VIRGINIA BEACH'S FIRST AMBULATORY SURGERY CENTER EXCLUSIVELY FOR CHILDREN. BEACH FAMILIES CAN ALSO FIND PRIMARY CARE PEDIATRICIANS AND IN-HOUSE LAB AND RADIOLOGY SERVICES, INCLUDING MRI, AT THE CENTER. OTHER SERVICES INCLUDE SPECIALTY CARE PEDIATRICS FOR HELP WITH CHRONIC PROBLEMS SUCH AS ASTHMA AND DIABETES, CHKD'S CHILD ABUSE PROGRAM AND PHYSICAL, SPEECH, OCCUPATIONAL AND SPORTS MEDICINE THERAPY. CHKD'S CHILD ABUSE PROGRAM COORDINATES THE REGION'S EFFORTS TO ACCURATELY IDENTIFY, TREAT AND PROTECT CHILDREN WHO HAVE BEEN ABUSED OR NEGLECTED. THE PROGRAM PROVIDES COMPREHENSIVE ASSESSMENT, EVALUATION AND TREATMENT SERVICES TO SUSPECTED VICTIMS OF ABUSE AND NEGLECT. THESE SERVICES INCLUDE FORENSIC INTERVIEWING, MEDICAL EXAMINATIONS AND CONSULTATIONS, WHICH INCLUDE 24/7 COVERAGE OF ACUTE SEXUAL ASSAULTS OF CHILDREN, AND AN ARRAY OF EVIDENCE-BASED MENTAL HEALTH SERVICES. THE PROGRAM ALSO HELPS COORDINATE THE EFFORTS OF INVESTIGATIVE AGENCIES INVOLVED IN THE INVESTIGATION AND PROSECUTION OF ABUSE. CHILDREN MADE 3,151 VISITS TO THE PROGRAM IN FY 2013. SERVICES ARE ALSO AVAILABLE AT CHKD'S OUTPATIENT CENTERS IN VIRGINIA BEACH AND NEWPORT NEWS. THE PROBLEM OF CHILDHOOD OBESITY POSES A SIGNIFICANT THREAT TO THE CURRENT AND FUTURE HEALTH OF OUR CHILDREN. IN RESPONSE TO THIS ALARMING PUBLIC HEALTH CRISIS, THE HOSPITAL PROVIDES A MULTIDISCIPLINARY PEDIATRIC WEIGHT MANAGEMENT PROGRAM FOR CHILDREN BETWEEN 3 AND 16 YEARS OF AGE CALLED "HEALTHY YOU FOR LIFE." THE PROGRAM OFFERS CLINICAL AND PSYCHOSOCIAL EVALUATION AND PLANNING, ONGOING CLASSES TO HELP OVERWEIGHT YOUTH AND THEIR PARENTS MAKE LIFESTYLE CHANGES AND FOLLOW UP CLINICS FOR UP TO A YEAR. THE EXERCISE COMPONENT OF THE PROGRAM IS STRENGTHENED BY THE ADDITION THIS YEAR OF AN EXERCISE SPECIALIST WHO CONDUCTS PERSONAL TRAINING SESSIONS AS WELL AS GROUP FITNESS CLASSES FOR THE WHOLE FAMILY. EXERCISE OPPORTUNITIES LISTED ON OUR FITNESS CALENDAR ARE AVAILABLE WEEKDAYS AND WEEKENDS AROUND THE HAMPTON ROADS REGION TO ENHANCE A PATIENT'S ABILITY TO EMBRACE A HEALTHIER LIFESTYLE. WE ALSO HAVE A REGIONAL PARTNERSHIP WITH THE YMCA WHICH OFFERS FAMILIES A SIX-WEEK TRIAL MEMBERSHIP ONCE THEY HAVE COMPLETED THE EIGHT-WEEK LIFESTYLE CLASS. THE HEALTHY YOU FOR LIFE PROGRAM

Identifier	Return Reference	Explanation
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS		AM OFFERS INDIVIDUAL COUNSELING SESSIONS, USE OF MULTI-MEDIA COMMUNICATION SUCH AS E-MAILS , TEXT MESSAGES AND A FACEBOOK PAGE AS A WAY TO KEEP CONNECTED WITH OUR PATIENTS AND ENCOURAGE POSITIVE LIFESTYLE CHANGES. IN FY 2013, 401 PATIENTS GENERATED 925 CLINIC VISITS. CHKD'S DIABETES EDUCATION PROGRAM HELPS APPROXIMATELY 1,300 LOCAL CHILDREN WHO LIVE WITH THE CHRONIC DISEASE. TWO CERTIFIED DIABETES EDUCATORS, A SOCIAL WORKER, NURSE AND DEPARTMENT COORDINATOR HELP PATIENTS AND FAMILIES AT THE ONSET OF THE DISEASE AND UNTIL ADULTHOOD. THE DIABETES CENTER PROVIDES INPATIENT AND OUTPATIENT CLINICAL MANAGEMENT, DIABETES EDUCATION , SUPPORT GROUPS, AND PROFESSIONAL AND COMMUNITY EDUCATION PROGRAMS. A TRANSITION PROGRAM HELPS THE OLDER TEENS AND YOUNG ADULTS BEGIN TRANSFERRING CARE TO ADULT PROVIDERS IN THE COMMUNITY. CHILDREN MADE 552 VISITS TO THE DIABETES CENTER IN FY 2013. THE CHILDREN'S CANCER AND BLOOD DISORDERS CENTER IS ONE OF THE HOSPITAL'S BUSIEST OUTPATIENT SPECIALTY CLINICS WITH 11,185 PATIENT VISITS IN FY 2013. THE PROGRAM PROVIDES CARE TO YOUNG PEOPLE WITH CANCER, SICKLE CELL DISEASE, BLEEDING AND OTHER BLOOD DISORDERS THROUGH TREATMENT PROGRAMS THAT ENCOMPASS CHILDREN'S PHYSICAL, EMOTIONAL AND EDUCATIONAL NEEDS AND INCORPORATES THE WHOLE FAMILY. THE REGION'S ONLY PEDIATRIC EMERGENCY CENTER IS LOCATED AT CHKD. IN 2013, CHILDREN MADE 49,651 VISITS TO OUR EMERGENCY CENTER. CHILDREN'S HOSPITAL OFFERS THE ONLY PEDIATRIC RENAL DIALYSIS SERVICE IN THE AREA. DIALYSIS IS A TIME-CONSUMING PROCESS AND CHILDREN APPRECIATE THE CHANCE TO HAVE THE SERVICE IN A SETTING WHERE THEY CAN MEET WITH FRIENDS THEIR OWN AGES AS WELL AS HOSPITAL SUPPORT STAFF AND SCHOOLTEACHERS. CHILDREN MADE 3,047 RENAL AND DIALYSIS VISITS IN FY 2013. ONE MARK OF CHKD'S DISTINCTIVE PEDIATRIC CARE HAS ALWAYS BEEN CHILD-CENTERED DIAGNOSTIC SERVICES, SUCH AS RADIOLOGY AND LABORATORY. OVER THE PAST SEVERAL YEARS, CHKD HAS WORKED HARD TO MAKE THESE UNIQUE SERVICES MORE ACCESSIBLE TO FAMILIES THROUGHOUT OUR SERVICE REGION. THE HOSPITAL NOW HAS LABORATORIES IN ITS OYSTER POINT, PRINCESS ANNE AND OAKBROOKE HEALTH CENTERS AS WELL AS DRAW SITES AT PEDIATRIC PRACTICES IN NORFOLK AND WILLIAMSBURG. THE LABORATORY ALSO OPERATES A COURIER SERVICE THAT FACILITATES QUICK TURNAROUND OF SPECIMENS. OF THE 720,566 TESTS PERFORMED IN FY 2013, MORE THAN 60 PERCENT WERE FOR OUTPATIENTS. CHKD RADIOLOGY SERVICES ARE ALSO AVAILABLE TO FAMILIES AT OUR CHKD FACILITIES IN NEWPORT NEWS, CHESAPEAKE, SUFFOLK, NORFOLK AND VIRGINIA BEACH. THE RADIOLOGY DEPARTMENT IS A FULLY-INTEGRATED DIGITAL IMAGING CENTER THAT ALLOWS DIAGNOSTIC IMAGES AND REPORTS TO BE TRANSMITTED AND VIEWED ELECTRONICALLY. IN 2013, 88,877 DIAGNOSTIC EXAMS WERE PERFORMED, INCLUDING X-RAYS, FLUOROSCOPIC TESTS, URODYNAMICS AND BONE DENSITY TESTS, CT AND MRI SCANS, ULTRASOUND AND NUCLEAR MEDICINE STUDIES.

Identifier	Return Reference	Explanation
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS		CHKD'S REHABILITATIVE THERAPY SERVICES ARE OFFERED IN LOCATIONS THROUGHOUT THE COMMUNITY, INCLUDING NORFOLK, CHESAPEAKE, VIRGINIA BEACH, SUFFOLK AND NEWPORT NEWS. IN ADDITION TO ITS HIGHLY SPECIALIZED PEDIATRIC PHYSICAL, OCCUPATIONAL AND SPEECH THERAPY, THE DEPARTMENT ALSO OFFERS: * AQUATIC THERAPY - PHYSICAL AND OCCUPATIONAL THERAPISTS WORK WITH CHILDREN IN THE WATER TO HELP RELAX TIGHT MUSCULATURE, INCREASE RANGE OF MOTION AND IMPROVE STRENGTH, BALANCE AND ENDURANCE. * ASSISTIVE TECHNOLOGY/AUGMENTATIVE PROGRAM - SERVICES PROVIDED FOR CHILDREN WHO ARE UNABLE TO COMMUNICATE VERBALLY OR THROUGH GESTURES DUE TO VARIOUS MEDICAL CONDITIONS. IN FY 2013, WE DID 193 AUGMENTATIVE COMMUNICATION EVALUATIONS. * CAR SEAT PROGRAM - SPECIALLY TRAINED THERAPISTS OFFER CAR SEAT SAFETY RESTRAINT EVALUATIONS FOR PATIENTS WITH SPECIAL NEEDS. IN FY 2013, WE DID 202 CAR SEAT EVALUATIONS, DISTRIBUTED 291 SPECIAL NEEDS CAR SEATS AND PARTICIPATED IN EIGHT COMMUNITY-BASED CAR SEAT SAFETY CHECKS THROUGH THIS PROGRAM. * WHEELCHAIR CLINIC - CERTIFIED THERAPISTS COMPLETE A COMPREHENSIVE EVALUATION TO DETERMINE AND PRESCRIBE THE APPROPRIATE WHEELCHAIR AND SEATING SYSTEM. CHILDREN MADE ALMOST 542 VISITS TO THIS CLINIC IN FY 2013 FOR EVALUATION AND TECHNICAL ADJUSTMENTS. SECTION THREE: COMMUNITY OUTREACH CHKD REACHED FAMILIES IN THEIR HOMES, DOCTORS' OFFICES, NEIGHBORHOODS AND COMMUNITY CENTERS WITH A WIDE VARIETY OF PROGRAMS AND PUBLICATIONS THAT PROMOTE WELLNESS, PREVENT INJURIES AND STRENGTHEN FAMILIES. OUR COMMUNITY OUTREACH EXPERTS COORDINATED A TOTAL OF 412 PARENT, PROFESSIONAL, AND STUDENT PROGRAMS THAT BROUGHT IMPORTANT HEALTH, SAFETY AND WELLNESS INFORMATION TO MORE THAN 43,021 PARTICIPANTS. 23,696 OF THESE PARTICIPANTS WERE PART OF THE KOHL'S CARES FAMILY PROGRAM WHICH PROVIDED 62 SCHOOL-BASED PROGRAMS AND 149 COMMUNITY PROGRAMS. IN ADDITION, WE LAUNCHED A PILOT KOHL'S STEPS TO FITNESS ASSEMBLY PROGRAM WITH GREAT SUCCESS. CHKD IS A SITE OF THE NATIONAL "REACH OUT AND READ" LITERACY PROGRAM, WHICH ENCOURAGES READING BY DISTRIBUTING FREE BOOKS TO CHILDREN AT THEIR WELL CHILD VISITS TO THEIR PEDIATRICIANS. THROUGH THE DONOR FUNDED PROGRAM, CHKD'S PRIMARY CARE PEDIATRICIANS GAVE MORE THAN 69,300 BOOKS TO CHILDREN IN FY 2013. CHKD'S WEBSITE, WWW.CHKD.ORG, CONTINUES TO BE A POPULAR AND EFFECTIVE METHOD OF COMMUNICATION, AVERAGING OVER 100,000 UNIQUE VISITORS A MONTH FOR FY 2013. CHKD UTILIZED SOCIAL MEDIA OUTLETS SUCH AS FACEBOOK AND TWITTER TO INCREASE DIRECT INTERACTION WITH OUR PATIENTS AND THEIR FAMILIES. THE WEBSITE CONTINUES TO BE A RESOURCE FOR OUR SERVICES AND HEALTH INFORMATION. CHKD IS ONE OF SIX LOCATIONS IN THE STATE FOR THE CARE CONNECTION FOR CHILDREN (CCC), THE STATE FUNDED TITLE V PROGRAM THAT PROVIDES COMPREHENSIVE CARE COORDINATION, INFORMATION AND REFERRAL FOR CHILDREN AND YOUTH WITH SPECIAL HEALTHCARE NEEDS. THERE ARE APPROXIMATELY 12,000 CHILDREN WITH SPECIAL HEALTHCARE NEEDS IN THE REGION'S PUBLIC HEALTH DISTRICTS. IN FY 2013, CARE CONNECTION ASSISTED WITH 500 INFORMATION AND REFERRAL CALLS AND PROVIDED CASE MANAGEMENT SERVICES TO APPROXIMATELY 524 FAMILIES. FINANCIAL ASSISTANCE WAS PROVIDED FOR 70 CHILDREN WHO WERE UNINSURED OR UNDERINSURED, AND 209 FAMILIES WERE ASSISTED IN APPLYING FOR STATE HEALTH PROGRAMS. THE STAFF AT CCC ALSO PROVIDED SEVERAL TRAINING SESSIONS FOR FAMILIES AND PROVIDERS ON MEDICAID WAIVER SERVICES AND THE EARLY AND PERIODIC SCREENING, DIAGNOSTIC AND TREATMENT (EPSDT) BENEFITS AND EDUCATION FOR PEDIATRIC RESIDENTS WITH THE UNIQUE "FAMILIES AS EDUCATORS" PROGRAM. CHKD'S PHYSICIANS, ADMINISTRATORS AND STAFF MEMBERS LEND THEIR KNOWLEDGE AND TIME AS VOLUNTEERS TO MANY NATIONAL, STATE AND LOCAL ORGANIZATIONS THAT SHARE OUR CONCERN FOR CHILDREN. THESE INCLUDE THE NATIONAL ASSOCIATION OF CHILDREN'S HOSPITALS AND RELATED INSTITUTIONS, THE AMERICAN ACADEMY OF PEDIATRICS, THE CHILDREN'S MIRACLE NETWORK, THE NATIONAL SAFE KIDS CAMPAIGN, THE UNITED WAY, THE VIRGINIA HOSPITAL ASSOCIATION AS WELL AS LOCAL ORGANIZATIONS SUCH AS VOLUNTEER HAMPTON ROADS AND THE AMERICAN RED CROSS. SECTION FOUR: MEDICAL EDUCATION AND RESEARCH CHKD INVESTS IN THE PRESENT AND FUTURE HEALTH OF OUR CHILDREN THROUGH A VARIETY OF RESEARCH PROGRAMS AND EDUCATIONAL ACTIVITIES. CHILDREN'S HOSPITAL IS HOME TO EASTERN VIRGINIA MEDICAL SCHOOL'S (EVMS) PEDIATRIC RESIDENCY PROGRAM, WHERE NEW PHYSICIANS BECOME SPECIALISTS IN THE FIELD OF PEDIATRICS. MANY OF THEM STAY IN THIS COMMUNITY OR IN THE STATE TO PRACTICE PEDIATRICS AFTER THEY COMPLETE THEIR RESIDENCIES. CHKD ALSO SERVES AS THE EXCLUSIVE PEDIATRIC TEACHING SITE FOR RESIDENTS IN FAMILY MEDICINE PRACTICE, EMERGENCY PRACTICE, ENT AND PHYSICIAN ASSISTANTS, AS WELL AS THE EXCLUSIVE SITE FOR SOME 120 THIRD-YEAR MEDICAL SCHOOL STUDENTS FOR THEIR EIGHT WEEK PEDIATRIC ROTATION. CHKD PROVIDES A SETTING FOR MANY CLINICAL RESEARCH TRIALS. HIGHLIGHTS OF THE BASIC SCIENCE RESEARCH INCLUDE PROTECTION OF THE NEWBORN BRAIN FROM THE EFFECTS OF HYPOXIC INJURY, NEW INNOVATIONS TO COMBAT SERIOUS INVASI

Identifier	Return Reference	Explanation
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS		VE INFECTION, MANAGEMENT OF AUTISM, AND EMERGENCY INTERVENTIONS FOR ASTHMA. IN ADDITION, RESEARCH INCLUDES NEW MEDICATIONS AND OTHER THERAPIES, CLINICAL OUTCOMES ANALYSES AND EPIDEMIOLOGICAL STUDIES SANCTIONED BY THE EASTERN VIRGINIA MEDICAL SCHOOL INSTITUTIONAL REVIEW BOARD (IRB). THERE WERE 159 IRB-APPROVED ACTIVE FUNDED STUDIES IN FY 2013. TOPICS OF STUDY INCLUDED HEMATOLOGY/ONCOLOGY, ALLERGY/ASTHMA, INFECTIOUS DISEASE, NEUROLOGY, PEDIATRIC SURGERY, CARDIOLOGY, OTOLARYNGOLOGY, PULMONOLOGY, GASTROENTEROLOGY, CHILD ABUSE, ENDOCRINOLOGY, DERMATOLOGY, NEONATOLOGY AND MENTAL HEALTH. MANY OF THESE STUDIES ARE STAGE THREE CLINICAL TRIALS THAT BRING CUTTING-EDGE TREATMENTS TO CHILD PATIENTS YEARS BEFORE THEY ARE AVAILABLE TO THE PUBLIC. IN ADDITION, THERE IS AN INCREASED FOCUS ON REGISTRY STUDIES ACROSS ALL DISCIPLINES. DATA COLLECTED IN THESE REGISTRIES IS INTENDED TO STANDARDIZE OPTIMAL LEVELS OF CARE AND LEAD TO IMPROVED PATIENT OUTCOMES.

Identifier	Return Reference	Explanation
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS		THE NUSS PROCEDURE FOR THE CORRECTION OF PECTUS EXCAVATUM, DEVELOPED AT CHKD MORE THAN 20 YEARS AGO, CONTINUES TO DRAW NATIONAL ATTENTION FROM BOTH PATIENTS AND SURGEONS. IN FY 2013, CHKD'S SURGEONS HOSTED THE 11TH ANNUAL WORKSHOP ON THE SURGICAL PROCEDURE, TEACHING A KINDER, GENTLER CORRECTION FOR THIS COMMON BIRTH DEFECT TO MORE THAN 30 SURGEONS FROM ALL OVER THE UNITED STATES, EUROPE, ASIA AND THE MIDDLE EAST. A NEW FOCUS FOR CORRECTING CHEST WALL DEFORMITY WAS INITIATED AT CHKD WITH A FIRST-IN-THE-U.S. BRACING TREATMENT PERFORMED TO HELP CHILDREN WITH PECTUS CARINATUM, A DEFECT THAT IS THE OPPOSITE OF PECTUS EXCAVATUM. THE HOSPITAL CONTINUED ITS MULTI-SITE RESEARCH STUDY ON THE GENETIC MARKERS OF PECTUS EXCAVATUM. TO DATE, MORE THAN 1,500 SURGICAL PATIENTS HAVE UNDERGONE THE NUSS PROCEDURE AT CHKD. CHKD IS A MEMBER OF CHILDREN'S ONCOLOGY GROUP (COG), AN INTERNATIONAL RESEARCH GROUP THAT CONDUCTS CLINICAL TRIALS FOR CHILDREN WITH CANCER. AS A MEMBER, CHKD HAS ACCESS TO THE LATEST PROTOCOLS FOR TREATMENT OF CHILDHOOD CANCER, PROVIDING THE COMMUNITY AND REGION WITH THE BEST PRACTICES AND TREATMENT RESULTS FROM MORE THAN 240 COG-MEMBER HOSPITALS IN NORTH AMERICA, AUSTRALIA, NEW ZEALAND AND EUROPE. IN FY 2013, CHKD HAD 91 COG STUDIES OPEN TO ENROLLMENT OR UNDERGOING DATA ANALYSIS. SEVERAL OF THESE STUDIES WERE INCLUDED IN COG'S LONG-TERM FOLLOW-UP STUDY, WHICH COLLECTS DATA ON PATIENTS WHO HAVE PARTICIPATED IN STUDIES THAT ARE NO LONGER OPEN TO ENROLLMENT. IN FY 2013, CHKD HOSTED 80 INDIVIDUAL CONTINUING MEDICAL EDUCATION EVENTS IN VARIOUS LOCATIONS THROUGHOUT THE REGION, HELPING CHILD HEALTH EXPERTS IN OUR REGION KEEP UP WITH THEIR SKILLS AND THEIR ACCREDITATION.

Identifier	Return Reference	Explanation
PART VI, SECTION A LINES 6, 7A, 7B & 11		LINE 6 CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED IS A VIRGINIA NON-STOCK CORPORATION WITH A SOLE MEMBER THE SOLE MEMBER OF CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED IS CHILDREN'S HEALTH SYSTEM, INC , A VIRGINIA NON-STOCK NOT-FOR-PROFIT CORPORATION PURSUANT TO SECTION 13 1-852 1 OF THE CODE OF VIRGINIA, CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED IS MANAGED BY ITS SOLE MEMBER, CHILDREN'S HEALTH SYSTEM, INC LINE 7A CHILDREN'S HEALTH SYSTEM, INC , THE SOLE MEMBER OF CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED, IS A VIRGINIA NON-STOCK NOT-FOR-PROFIT CORPORATION PURSUANT TO SECTION 13 1-852 1 OF THE CODE OF VIRGINIA, CHILDREN'S HEALTH SYSTEM, INC , THE SOLE MEMBER OF CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED, MANAGES CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS ACCORDINGLY, THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC IS THE GOVERNING BODY FOR CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED AS A VIRGINIA NON-STOCK CORPORATION, CHILDREN'S HEALTH SYSTEM, INC HAS MEMBERS THAT ELECT THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC THE MEMBERS OF CHILDREN'S HEALTH SYSTEM, INC THAT ELECT THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC ARE THE CLASS A MEMBERS OF CHILDREN'S HEALTH SYSTEM, INC (I E, THE THEN CURRENT MEMBERS IN GOOD STANDING OF THE NORFOLK CITY UNION OF THE KING'S DAUGHTERS, INC , A VIRGINIA NON-STOCK NOT-FOR-PROFIT CORPORATION) AND THE CLASS B MEMBERS OF CHILDREN'S HEALTH SYSTEM INC (I E, THE THEN CURRENT DIRECTORS ON THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC) LINE 7B THE FOLLOWING DECISIONS OF THE BOARD OF DIRECTORS OF CHILDREN'S HEALTH SYSTEM, INC , WHICH IS THE GOVERNING BODY FOR CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS, INCORPORATED, ARE SUBJECT TO APPROVAL BY THE CLASS A AND CLASS B MEMBERS OF CHILDREN'S HEALTH SYSTEM, INC 1) ANY AMENDMENTS TO THE ARTICLES OF INCORPORATION OF THE CORPORATION, AND 2) ANY PROPOSED MERGER OR CONSOLIDATION OF THE CORPORATION, OR ANY SALE, LEASE, EXCHANGE, MORTGAGE, PLEDGE OR OTHER DISPOSITION OF ALL, OR SUBSTANTIALLY ALL, OF THE PROPERTY AND ASSETS OF THE CORPORATION LINE 11 THE 990 IS PREPARED USING THE ANNUAL FINANCIAL STATEMENTS THAT ARE REVIEWED BY THE BOARD AND AUDITED ANNUALLY AS A PART OF THE CONSOLIDATED FINANCIAL STATEMENTS OF CHILDREN'S HEALTH SYSTEM, INC UPON COMPLETION OF THE DRAFT OF THE RETURN A DETAIL REVIEW IS PERFORMED BY SEVERAL MEMBERS OF STAFF AND MANAGEMENT PRIOR TO FILING WITH THE IRS, THE BOARD IS PROVIDED A COPY TO REVIEW

Identifier	Return Reference	Explanation
POLICIES & DISCLOSURE ITEMS	990 PART VI SECTIONS B & C	CONFLICT POLICY CONSIDERATIONS CHKD CONFLICT OF INTEREST POLICY INCLUDES OFFICERS, MEMBERS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES, KEY EMPLOYEES, ALL OTHER EMPLOYEES, PROFESSIONAL STAFF AND SUBSTANTIAL DONORS ANNUALLY, A QUESTIONNAIRE IS DISTRIBUTED AND COLLECTED FROM OFFICERS, MEMBERS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES AND KEY EMPLOYEES THE QUESTIONNAIRES ARE REVIEWED BY THE LEGAL DEPARTMENT FOR KNOWN CONFLICTS, THE PERSON INVOLVED RECUSES HIMSELF OR HERSELF FROM DELIBERATIONS REGARDING THE TRANSACTION VIOLATIONS OF THE CONFLICTS OF INTEREST POLICY ARE REPORTED TO THE CHKD BOARD CHAIR OR THE CHKD COMPLIANCE OFFICER, AS APPLICABLE, AND MAY REQUIRE CORRECTIVE ACTION UP TO AND INCLUDING TERMINATION OF EMPLOYMENT COMPENSATION PROCESS CONSIDERATIONS CHILDREN'S HEALTH SYSTEM ESTABLISHES THE COMPENSATION OF THE CEO JAMES DAHLING CHILDREN'S HEALTH SYSTEM AND CHILDREN'S HOSPITAL OF THE KING'S DAUGHTERS USE THE FOLLOWING PROCESS TO ESTABLISH COMPENSATION FOR OFFICERS AND KEY EMPLOYEES AN INDEPENDENT COMPENSATION CONSULTANT APPROVED AND RETAINED BY THE COMPENSATION COMMITTEE OF THE BOARD ANNUALLY, USUALLY IN APRIL, PROVIDES EDUCATION AND PRESENTS TO THE FULL BOARD COMPARATIVE SALARIES AND SALARY RANGES FROM A DATABASE COMPRISED OF CHILDREN'S HOSPITALS AND OTHER APPLICABLE HOSPITALS FOR OFFICERS & EXECUTIVES FOR THE BOARD TO REVIEW THE COMPENSATION COMMITTEE WITH THE AID OF THE CONSULTANT REVIEWS AND MAKES DECISIONS AS TO EXECUTIVE SALARIES OF CHKD AND ITS SUBSIDIARIES THOSE SALARY CHANGES AND APPROVALS ARE DOCUMENTED BY MINUTES MAINTAINED BY THE COMPENSATION COMMITTEE AND SIGNED BY THE CHAIRMAN OF THE BOARD PART VI, C, LINE 19 FINANCIAL STATEMENTS (PART OF THE CONSOLIDATED FINANCIAL STATEMENTS OF CHILDREN'S HEALTH SYSTEM, INC) ALONG WITH GOVERNING DOCUMENTS OF THE ORGANIZATION INCLUDING THE CONFLICT OF INTEREST POLICY ARE AVAILABLE TO THE PUBLIC THROUGH DIRECT INQUIRY AND REQUEST

Identifier	Return Reference	Explanation
FORM 990, PART XI, LINE 9		OTHER CHANGES IN NET ASSETS IS MADE UP OF TRANSFERS OUT (\$14,946,477), UNREALIZED GAIN ON DERIVATIVE \$6,798,942 AND OTHER CHANGES OF \$27,617

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Children's Hospital of the King's Daughters

Employer identification number
54-0506321

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) CHILDREN'S MEDICAL TOWER LLC 601 CHILDRENS LANE NORFOLK, VA 23507 45-2907147	LESSOR	VA	1,832,779	22,149,732	CHILDREN'S H

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) CHILDREN'S HEALTH SYSTEM INC 601 CHILDRENS LANE NORFOLK, VA 23507 54-1278830	HEALTHCARE	VA	501(C)(3)	11C	NA		No
(2) CHILDREN'S HEALTH FOUNDATION INC 601 CHILDRENS LANE NORFOLK, VA 23507 54-1278865	FUNDRAISING	VA	501(C)(3)	11C	NA		No
(3) NORFOLK CITY UNION OF THE KING'S DAUGHTER 601 CHILDRENS LANE Norfolk, VA 23507 54-1283946	CHARITY PROMO	VA	501(C)(3)	7	NA		No

Part III

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

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

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) CHILDREN'S SURGICAL SPECIALTY GROUP INC 601 CHILDRENS LANE NORFOLK, VA 23507 31-1610834	HEALTHCARE	VA	NA	C CORP					
(2) CHILDREN'S MEDICAL GROUP INC 601 CHILDRENS LANE NORFOLK, VA 23507 54-1778786	HEALTHCARE	VA	NA	C CORP					
(3) CMG OF NORTH CAROLINA INC 601 CHILDRENS LANE NORFOLK, VA 23507 56-1960102	HEALTHCARE	NC	NA	C CORP					
(4) CHILDREN'S HEALTH SYSTEM INSURANCE LTD 4TH FLOOR 41 CEDAR AVENUE HAMILTON HM12 BD	INSURANCE	BD	NA	C CORP					

Part V

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

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule

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

a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity

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 Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

j Lease of facilities, equipment, or other assets to related organization(s)

k Lease of facilities, equipment, or other assets from related organization(s)

l Performance of services or membership or fundraising solicitations for related organization(s)

m Performance of services or membership or fundraising solicitations by related organization(s)

n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

r Other transfer of cash or property to related organization(s)

s Other transfer of cash or property from related organization(s)

Yes

No

1a Yes

1b Yes

1c Yes

1d Yes

1e Yes

1f

1g

1h

1i

1j Yes

1k Yes

1l

1m

1n

1o Yes

1p Yes

1q Yes

1r Yes

1s

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-s)	(c) Amount involved	(d) Method of determining amount involved
See Additional Data Table			

Schedule R (Form 990) 2012

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.

[illegible]

Software ID:
Software Version:
EIN: 54-0506321
Name: Children's Hospital of the King's Daughters

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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--> Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
CHILDREN'S SPECIALTY SURGICAL GROUP INC	a, j	748,581	BOOK VALUE
CHILDREN'S MEDICAL GROUP INC	a, j	676,137	BOOK VALUE
CHILDREN'S HEALTH SYSTEM INC	p	11,687,454	BOOK VALUE
CHILDREN'S HEALTH SYSTEM INC	e	648,413	BOOK VALUE
NORFOLK CITY UNION OF THE KING'S DAUGHTERS	c	700,000	BOOK VALUE
NORFOLK CITY UNION OF THE KING'S DAUGHTERS	o, j	223,495	BOOK VALUE
CMG OF NORTH CAROLINA INC	q	137,147	BOOK VALUE
CHILDREN'S MEDICAL GROUP INC	q	2,793,807	BOOK VALUE
CHILDREN'S SURGICAL SPECIALTY GROUP INC	b	2,907,308	BOOK VALUE
CHILDREN'S HEALTH FOUNDATION INC	B, r	6,939,170	BOOK VALUE
CHILDREN'S SURGICAL SPECIALTY GROUP INC	B, r	5,100,000	BOOK VALUE
CHILDREN'S MEDICAL GROUP INC	d	571,837	BOOK VALUE



CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Financial Statements and
Supplemental Schedules

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Table of Contents

	Page(s)
Independent Auditors' Report	1 2
Consolidated Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 – 32
Supplemental Schedules	
1 Consolidating Balance Sheet Information	33 – 34
2 Consolidating Statement of Operations and Changes in Net Assets Information	35



KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Children's Health System, Inc. and subsidiaries, which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Children's Health System, Inc.'s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Children's Health System, Inc.'s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children's Health System, Inc. and subsidiaries as of June 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matters

As discussed in note 2(q) to the consolidated financial statements, Children's Health System, Inc. changed its presentation of provision for bad debts as a result of the adoption of Accounting Standards Update No. 2011-07, *Health Care Entities: Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts for Certain Health Care Entities*.

Supplementary Information

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

KPMG LLP

Norfolk, Virginia
October 18, 2013

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2013 and 2012

(Dollars in thousands)

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 52,110	37,185
Receivables, net	46,898	38,564
Pledges receivable, net	1,560	2,330
Supplies inventory	5,783	5,211
Prepaid expenses and other current assets	6,487	11,278
Total current assets	112,838	94,568
Pledges receivable, net	628	1,118
Investments and assets whose use is limited	256,909	221,867
Property, plant and equipment, net	181,124	179,613
Other assets, net	6,194	6,352
Total assets	\$ 557,693	503,518
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 15,900	13,904
Accrued expenses	21,926	20,484
Current installment of long-term debt	1,800	1,700
Total current liabilities	39,626	36,088
Long-term debt	69,042	74,700
Other long-term liabilities	34,244	40,674
Total liabilities	142,912	151,462
Net assets:		
Unrestricted	384,769	321,916
Temporarily restricted	8,245	8,783
Permanently restricted	21,767	21,357
Total net assets	414,781	352,056
Total liabilities and net assets	\$ 557,693	503,518

See accompanying notes to consolidated financial statements.

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2013 and 2012

(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
Unrestricted operating revenues, gains, and other support:		
Net patient service revenue	\$ 373,898	357,347
Provision for bad debts	(5,653)	(7,736)
Net patient service revenue less provision for bad debts	<u>368,245</u>	<u>349,611</u>
Other operating revenue	16,252	14,779
Net assets released from restrictions for operations	<u>1,528</u>	<u>1,244</u>
Total operating revenues, gains, and other support	<u>386,025</u>	<u>365,634</u>
Operating expenses:		
Salaries and employee benefits	215,125	207,897
Supplies	50,264	49,203
Purchased services	35,189	33,826
Professional fees	23,794	19,835
Other	13,355	11,211
Depreciation and amortization	20,370	18,459
Interest expense	3,418	3,705
Research and development expense	<u>1,297</u>	<u>775</u>
Total operating expenses	<u>362,812</u>	<u>344,911</u>
Operating income	<u>23,213</u>	<u>20,723</u>
Nonoperating income		
Contributions	12,937	8,845
Investment income (loss), net	12,825	(4,090)
Net realized gains on sale of investments	<u>9,892</u>	<u>5,411</u>
Total nonoperating income	<u>35,654</u>	<u>10,166</u>
Excess of revenues over expenses	<u>58,867</u>	<u>30,889</u>
Net unrealized gains (losses) on investments	967	(5,093)
Other changes in pension liability	2,740	(2,638)
Net assets released from restrictions for capital acquisitions	252	740
Other changes	<u>27</u>	<u>(585)</u>
Increase in unrestricted net assets	<u>62,853</u>	<u>23,313</u>
Temporarily restricted net assets:		
Contributions	164	1,679
Endowment appreciation	1,057	461
Change in value of trusts	41	(711)
Net assets released from restrictions	(1,780)	(1,984)
Other	(20)	
Transfers	<u>—</u>	<u>472</u>
Decrease in temporarily restricted net assets	<u>(538)</u>	<u>(83)</u>
Permanently restricted net assets:		
Contributions	598	698
Change in value of trusts	(181)	424
Other	(7)	—
Transfers	<u>—</u>	<u>113</u>
Increase in permanently restricted net assets	<u>410</u>	<u>1,235</u>
Increase in net assets	<u>62,725</u>	<u>24,465</u>
Net assets at beginning of year	<u>352,056</u>	<u>327,591</u>
Net assets at end of year	\$ <u>414,781</u>	<u>352,056</u>

See accompanying notes to consolidated financial statements

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2012

(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 62,725	24,465
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for bad debts	5,653	7,736
Depreciation and amortization	20,370	18,459
Net realized and unrealized gains on investments	(10,859)	(318)
Change in fair value of derivative instrument	(6,799)	9,816
Loss on refunding of long-term debt	430	—
Loss on disposal of property, plant and equipment	1,087	10
Other changes in pension liability	(2,740)	2,638
Restricted contributions	(762)	(2,377)
Changes in:		
Receivables	(13,987)	(11,845)
Pledges receivable, net	1,260	(41)
Supplies inventory	(572)	(560)
Prepaid expenses and other current assets	4,791	(5,388)
Accounts payable	1,996	4,109
Accrued expenses	1,442	(2,377)
Other noncurrent assets	(334)	197
Other long-term liabilities	3,109	1,523
Net cash provided by operating activities	<u>66,810</u>	<u>46,047</u>
Cash flows from investing activities:		
Proceeds from sales of investments and assets whose use is limited	39,899	58,358
Purchases of investments and assets whose use is limited	(64,082)	(66,250)
Proceeds from disposal of property, plant and equipment	29	11
Purchases of property, plant and equipment	<u>(22,935)</u>	<u>(36,238)</u>
Net cash used in investing activities	<u>(47,089)</u>	<u>(44,119)</u>
Cash flows from financing activities:		
Proceeds from borrowing on line of credit	—	10,000
Payment on bank line of credit	—	(10,000)
Payment on long-term debt	(5,558)	(1,600)
Restricted contributions received	762	2,377
Net cash (used in) provided by financing activities	<u>(4,796)</u>	<u>777</u>
Increase in cash and cash equivalents	14,925	2,705
Cash and cash equivalents at beginning of year	37,185	34,480
Cash and cash equivalents at end of year	\$ <u>52,110</u>	<u>37,185</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 3,492	3,437
Supplemental disclosure of noncash financing activity:		
Refunding and issuance of long-term debt by financial institutions	\$ 76,400	—

See accompanying notes to consolidated financial statements.

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(1) Corporate Organization and Principles of Consolidation

(a) Corporate Organization

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

(b) Principles of Consolidation

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

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

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

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

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

(2) Summary of Significant Accounting Policies

(a) *Healthcare Industry Reporting Practices*

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

(b) *Net Patient Service Revenue*

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

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

Medicaid. Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates based on a blend of per patient day and per discharge payments. Inpatient nonacute services and certain outpatient services rendered to Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlements determined after submission of annual cost reports by the Hospital and audits thereof by Medicaid. The reports for all years through June 30, 2012 for Virginia Medicaid and June 30, 2006 for North Carolina Medicaid have been substantially resolved with the respective fiscal intermediary.

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

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

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

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

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

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

(c) Basis of Presentation

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

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

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

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

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

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

(d) Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become substantially unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that are to be received after one year are discounted at a risk-free interest rate commensurate with the year the contribution was received. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

and nature of fund-raising activity. Similarly, unconditional promises to make contributions are recognized as expenses in the period the promise is made.

(e) *Excess of Revenues over Expenses*

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

(f) *Cash and Cash Equivalents*

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

(g) *Receivables*

Receivables are primarily comprised of patient receivables and are presented net of allowances for contractual adjustments and uncollectible receivables. The allowances for uncollectible receivables are \$9,393 and \$9,597 at June 30, 2013 and 2012, respectively. In evaluating the collectability of accounts receivable, CHS analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. For receivables associated with services provided to patients who have third-party coverage, CHS analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third party coverage exists for part of the bill), CHS records a significant provision for bad debts 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. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The Hospital's allowance for doubtful accounts decreased from 8.1% of gross receivables at June 30, 2013 to 6.4% of gross receivables at June 30, 2012. The decrease is due to the results of the trend of more accounts qualifying for charity care. The Hospital has not changed its charity care policy during fiscal year 2013 or 2012 but charity care expenses have increased by \$1,967 from 2012 to 2013 and \$1,574 from 2011 to 2012. The Hospital does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant writeoffs from third party payors during fiscal year 2013 or 2012.

(h) *Supplies Inventory*

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

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(i) *Derivative Financial Instrument*

CHS recognizes the fair value of its derivative financial instrument, an interest rate swap agreement, as an asset or liability in the accompanying consolidated balance sheets. Management has elected not to treat the agreement as a hedge, and as such, the change in the fair value of this instrument is included in investment income, net. Net cash settlement amounts are included in interest expense in the accompanying consolidated statements of operations and changes in net assets.

(j) *Investments*

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

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

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

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

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(k) Property, Plant, and Equipment

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

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

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

(l) Estimated Malpractice Costs

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

(m) Research and Development Costs

CHS expenses its research and development costs as incurred.

(n) Income Taxes

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

CHS' for-profit subsidiaries have cumulative net operating loss carryforwards of approximately \$88,000 through June 30, 2013 for income tax purposes, which expire in various years from 2019 through 2033. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. Due to historical losses of the for-profit subsidiaries, CHS has recorded a full valuation allowance against its net operating loss carryforwards in the accompanying consolidated financial statements.

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

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

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

(o) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant items subject to such estimates and assumptions include valuation allowances for receivables, self-insurance liabilities, third-party settlement liabilities, retirement obligations, tax asset valuation allowances, and the carrying amount of property, plant and equipment and investments.

(p) Electronic Medical Health Records Incentive Payments

In an effort to improve the quality, safety, and efficiency of care, the Health Information Technology for Economic and Clinical Health (HITECH) Act established programs under Medicare and Medicaid to provide incentive payments for the meaningful use of certified Electronic Health Record (EHR) technology. The Health System's registration in the HITECH program began in late fiscal year 2013 and will continue in phases through fiscal year 2014.

The Health System will account for these EHR incentive payments using the grant accounting model of cliff recognition. Under this method, the Health System will recognize income after it has complied with the meaningful use requirements. The revenue will be reported as a component of "Other operating revenues" on the consolidated statements of operations and changes in net assets. In fiscal year 2013, the Health System recognized \$1,961 in EHR incentive revenue.

The amounts recognized are subject to change and such changes are recorded in the period in which they occur. Additionally, the amounts recorded are subject to audit by the federal government or its designee.

(q) New or Recent Accounting Pronouncements

On July 1, 2012, the Health System adopted Accounting Standards Update (ASU) 2011-07, *Health Care Entities: Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. This ASU changes the Health System's presentation of provision for bad debts in the consolidated statements of operations and

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

changes in net assets from operating expenses to a deduction from net patient service revenue. It also expands disclosures regarding policies for recognizing revenue, assessing contra revenue line items, and activity in the allowance for bad debts.

In October 2012, Financial Accounting Standards Board (FASB) issued ASU 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The guidance requires the Not for Profit (NFP) to classify in the statement of cash flows cash receipts from the sale of donated financial assets consistently with cash donations received if those cash receipts were from the sale of donated financial assets that, upon receipt, were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the NFP. The Health System will adopt this ASU in fiscal year 2014.

(3) Charity Care and Other Mission-Related Costs

CHS is committed to providing quality healthcare to all, regardless of their ability to pay. Patients who meet the criteria of its charity care policy receive services without charge or at amounts less than its established rates. The criterion for charity care considers the family income as defined by the Internal Revenue Service in relation to the federal poverty guidelines. CHS provides services without charge for patients with family income equal to or less than 175% of the federal poverty limit. A sliding scale discount may be allowed if the family income is more than 175% but less than 400% of the federal poverty limit.

Due to the complexity of the eligibility process, CHS provides eligibility services to patients free of charge to assist in the qualification process. These eligibility services include, but are not limited to, the following:

- Financial assistance brochures and other information are posted at each point of service. When patients have questions or concerns, they are encouraged to call customer service representatives during the business day. Financial assistance programs are also published on the CHS website and included on the statements provided to patients.
- CHS employs financial counselors who are available to help patients complete applications for Medicaid or other government payment assistance programs, or apply for care under CHS charity care policy, if applicable. CHS also employs benefits analysts to assist in the eligibility process.
- Any patient whether covered by insurance or not, may meet with a CHS representative and receive financial counseling from CHS dedicated financial assistance unit.

CHS maintains detailed records to identify and monitor the level of charity care it provides to its patients. These records include the amount of charges foregone and estimated direct and indirect costs incurred for services furnished under its charity care policy. Costs incurred are estimated based on the ratio of certain operating expenses to gross charges applied to charity care charges. CHS received temporarily restricted

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

gifts of \$9 during 2013 to subsidize charity care services provided. No such amounts were received during 2012. The following information measures the level of charity care provided during the years ended June 30:

	<u>2013</u>	<u>2012</u>
Charges foregone, based on established rates	\$ 7,469	5,368
Estimated costs incurred	2,739	2,024

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

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

(4) Concentration of Credit Risk

CHS financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and assets whose use is limited and patient accounts receivable.

CHS cash and cash equivalents and restricted cash are held by large financial institutions, and CHS investment policy limits its exposure to concentrations of credit risk. In the normal course of business, CHS maintains cash balances in excess of the Federal Deposit Insurance Corporation's insurance limit. CHS routinely reviews the credit ratings of the financial institutions in which it hold funds; management believes that this related credit risk is minimal.

Patient receivables and net patient service revenue consist of amounts earned for patient care whereby payments are made either directly or indirectly by patients or by third-party payors, including state (Medicaid) governments, Tricare and private insurance carriers. Services are generally provided without requiring collateral from patients or third-party payors. A breakdown of net patient accounts receivable of the Hospital by significant type of payor follows for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Medicaid	28%	31%
Tricare	10	11
Anthem (Blue Cross)	23	28
Optima Health Plan	11	9
All others (none more than 10%)	28	21
	<u>100%</u>	<u>100%</u>

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(5) Pledges Receivable

As of June 30, 2013 and 2012, CHS contributors have made written and oral unconditional promises to give of \$2,623 and \$4,007, respectively, to CHS. These amounts are recorded at net present value using discount rates of approximately 2.5% and 2.6% as of June 30, 2013 and 2012, respectively. CHS projects that contributors will remit these contributions as follows:

	<u>2013</u>	<u>2012</u>
Due within one year	\$ 1,560	2,330
Due within two to five years	1,050	1,648
Due after five years	<u>13</u>	<u>29</u>
Total pledges receivable	2,623	4,007
Less allowance for uncollectible pledges and discount	<u>(435)</u>	<u>(559)</u>
Pledges receivable, net	<u>\$ 2,188</u>	<u>3,448</u>

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(6) Investments and Assets Whose Use Is Limited

The composition of investments and assets whose use is limited at June 30, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Investments		
Fixed income mutual funds	\$ 74,171	74,636
Equity mutual funds	75,872	60,419
Real asset funds	8,052	2,639
Hedge fund	12,458	9,163
Other	19,028	13,536
	<u>189,581</u>	<u>160,393</u>
Assets Whose Use Is Limited		
Investments related to restricted net assets:		
Fixed income mutual funds	9,179	10,309
Equity mutual funds	9,565	5,678
Real asset funds	1,103	842
Hedge fund	1,653	2,901
Other	2,475	2,304
	<u>23,975</u>	<u>22,034</u>
Investments related to unrestricted charitable gift annuities:		
Fixed income mutual funds	\$ 842	353
Equity mutual funds	920	1,790
Real asset funds	105	—
Hedge fund	155	—
Other	222	—
	<u>2,244</u>	<u>2,143</u>
Investments related to debt service:		
Cash	<u>—</u>	<u>3,985</u>
Investments related to board designation:		
Fixed income mutual funds	11,974	13,641
Equity mutual funds	22,641	14,821
Real asset funds	1,413	619
Hedge fund	1,985	2,414
Other	3,096	1,817
	<u>41,109</u>	<u>33,312</u>
Total investments	\$ <u>256,909</u>	<u>221,867</u>

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

Management continually reviews its investment portfolio and evaluates whether declines in the fair value of securities should be considered other than temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of advisors and the length of time and extent to which the fair value was less than cost. No losses were recognized for other-than-temporary declines in the fair market value of investments during the year ended June 30, 2013 or 2012.

The following table shows the gross unrealized losses and fair value of the investments with unrealized losses that are deemed to be not other-than-temporarily impaired, aggregated by length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2013:

	Less than 12 months		12 months or greater	
	Fair value	Unrealized losses	Fair value	Unrealized losses
Fixed income mutual funds	\$ 33,243	(917)	37,130	(1,535)
Equity mutual funds	17,489	(898)	1,875	(190)
Real asset funds	6,104	(246)	—	—
Other	13,779	(436)	10,957	(464)
Total	<u>\$ 70,615</u>	<u>(2,497)</u>	<u>49,962</u>	<u>(2,189)</u>

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

Investment return is comprised of the following for the years ended June 30, 2013 and 2012:

	2013	2012
Nonoperating income:		
Investment income, net of related fees	\$ 6,026	5,726
Change in fair value of derivative instruments	6,799	(9,816)
Equity in gains of alternative investments	2,200	177
Net realized gains on investment sales	7,692	5,234
	<u>22,717</u>	<u>1,321</u>
Other changes in unrestricted net assets:		
Net unrealized (losses) gains on investments	967	(5,093)
Changes in temporarily restricted net assets:		
Endowment appreciation	1,057	461
Total investment return	<u>\$ 24,741</u>	<u>(3,311)</u>

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(7) Fair Value Measurements

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

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

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

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

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

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

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

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

ASC 820 establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

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

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

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

The following table presents the balances of assets and liabilities measured at fair value in the consolidated balance sheet on a recurring basis as of June 30, 2013, by level within the fair value hierarchy:

		Fair value measurements at June 30, 2013 using		
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds:				
Index funds	\$ 63,824	63,824	—	—
Balanced funds	10,197	10,197	—	—
Growth funds	50,101	50,101	—	—
Fixed income funds	81,043	72,571	8,472	—
Other funds	30,925	30,925	—	—
Total	<u>\$ 236,090</u>	<u>227,618</u>	<u>8,472</u>	<u>—</u>
Liabilities:				
Interest rate swap agreement	\$ 12,679	—	—	12,679

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

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

		Fair value measurements at June 30, 2012 using		
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds:				
Index funds	\$ 47,348	47,348	—	—
Balanced funds	7,461	7,461	—	—
Growth funds	42,269	42,269	—	—
Fixed income funds	84,568	77,059	7,509	—
Other funds	17,657	17,657	—	—
Total	<u>\$ 199,303</u>	<u>191,794</u>	<u>7,509</u>	<u>—</u>
Liabilities:				
Interest rate swap agreement	\$ 19,478	—	—	19,478

The following table summarizes changes in Level 3 liabilities:

		Interest rate swap agreement	
		2013	2012
Liabilities:			
Beginning balance as of July 1	\$	19,478	9,662
Total (gains) losses included in change in net assets		<u>(6,799)</u>	<u>9,816</u>
Ending balance as of June 30	\$	<u>12,679</u>	<u>19,478</u>
Net unrealized gains (losses) included in change			
in net assets for the period relating to			
assets held at June 30	\$	6,799	(9,816)

The Health System's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, 2 and 3 during the years ended June 30, 2013 and 2012.

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

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

	<u>Ownership percentage</u>	<u>2013</u>	<u>2012</u>
Mercer Hedge Fund Investors Segregated Portfolio I	2.9%	\$ 16,251	14,479
Blackrock Diamond Property Fund	0.4	1,744	1,597
ING Clarion Partners Lion Value Fund	0.7	2,824	2,503
Total hedge and real asset funds		<u>\$ 20,819</u>	<u>18,579</u>

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

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

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

(8) Derivative Instruments

CHS has only limited involvement with derivative financial instruments and does not use them for trading purposes. In October 2005, CHS entered into an interest rate swap agreement having a notional amount of \$78,000 to reduce interest rate risk on the variable rate Revenue and Refunding Bonds. Under terms of the swap agreement, CHS receives amounts based upon 64% of the one-month LIBOR (approximately 0.12% and 0.15% at June 30, 2013 and 2012, respectively) and makes payments at 3.39% and settles with the counterparty on a monthly basis. The swap agreement carries a 30-year term, and the agreement provides that the notional amount will be reduced in the same amount, and at the same time, the principal of the bonds is scheduled to be paid upon redemption or at maturity. The net cash settlement amounts incurred on the swap agreement totaled approximately \$2,458 and \$2,498 for the years ended June 30, 2013 and 2012, respectively, and are included in interest expense in the accompanying consolidated statements of operations and changes in net assets.

The fair value of the interest rate swap agreement is the estimated amount that CHS would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparty. The fair value of the interest rate swap agreement at June 30, 2013 and 2012 was a liability of \$12,679 and \$19,478, respectively, and is included in other

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

liabilities in the accompanying consolidated balance sheets. The changes in the fair market value of the interest rate swap agreement for the years ended June 30, 2013 and 2012 was an increase (decrease) of \$6,799 and \$(9,816), respectively, and are included in investment income (loss), net in the accompanying consolidated statements of operations and changes in net assets. CHS is exposed to credit loss in the event of nonperformance by the swap counterparty. CHS monitors the credit standing of its counterparty

(9) Property, Plant and Equipment

Property, plant and equipment as of June 30, 2013 and 2012 are summarized as follows:

	2013	2012
Land	\$ 20,863	20,863
Land improvements	248	248
Buildings and leasehold improvements	182,204	174,063
Fixed equipment	17,560	16,622
Movable equipment	112,611	123,366
	<u>333,486</u>	<u>335,162</u>
Less accumulated depreciation and amortization	<u>160,370</u>	<u>163,628</u>
	173,116	171,534
Construction in progress	<u>8,008</u>	<u>8,079</u>
	<u>\$ 181,124</u>	<u>179,613</u>

Depreciation expense for the years ended June 30, 2013 and 2012 totaled \$20,308 and \$18,398, respectively. At June 30, 2013 and 2012, accumulated amortization for assets acquired under capital lease was \$1,448 and \$1,043, respectively.

At June 30, 2013, the estimated cost to complete projects under construction approximated \$26,011 and relate primarily to renovations and upgrades to the Hospital. There is no capitalized interest included in construction in progress for the years ended June 30, 2013 and 2012.

In fiscal year 2013, CHS performed a complete physical fixed asset inventory including tagging all assets. The inventory resulted in retirement of assets with \$20,874 of acquisition costs and \$19,910 in accumulated depreciation. The resulting \$964 loss is included in other operating expenses in the accompanying consolidated financial statements.

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(10) Long-Term Debt

Long-term debt as of June 30, 2013 and 2012 is summarized as follows:

	<u>2013</u>	<u>2012</u>
Bonds payable:		
Hospital Revenue and Refunding Bonds Series 2012	\$ 70,842	—
Hospital Revenue and Refunding Bonds Series 2006	<u>—</u>	<u>76,400</u>
	<u>\$ 70,842</u>	<u>76,400</u>

The fair value of all bonds at June 30, 2013 and 2012 was approximately \$70,842 and \$76,400, respectively.

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

	<u>Bonds payable</u>
2014	\$ 1,800
2015	1,900
2016	2,000
2017	2,100
2018	2,200
Thereafter	<u>60,842</u>
	<u>\$ 70,842</u>

On September 19, 2012, the Health System issued a Revenue and Refunding Bond (Series 2012) in the amount of \$76,400. The bond was issued through the Virginia Small Business Financing Authority with PNC Bank, N.A. as the sole bond holder. The issuance of the Series 2012 bond refunded and replaced the Series 2006 bonds and removed the letter of credit backing those bonds. The Series 2012 bond matures in 10 years and bears interest at a variable rate of 70% of one-month LIBOR, plus 1.10%. The interest rate at June 30, 2013 was 1.186%. The Series 2012 bonds are repayable in varying annual installments ranging from \$1,800 due January 1, 2014 to \$50,842 due September 1, 2022. There is no required collateral. The \$430 loss on refunding is included in other operating expenses on the accompanying consolidated financial statements.

Pursuant to the Master Trust Indenture and the 2012 Bond Purchase and Refinancing Agreement, PNC (as the sole bond holder) shall have the benefit of a valid and perfected, first priority security interest held by the Master Trustee in the total revenues pledged under the Master Trust Indenture and in any other security interest granted by the Master Trust Indenture. The Master Trust Indenture and the 2012 Bond Purchase and Refinancing Agreement places certain restrictions relative to operating ratios, incurrence of additional indebtedness, maintenance of tax-exempt status and financial reporting requirements.

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(11) Bank Line of Credit

At June 30, 2013 and 2012, CHS had an unsecured bank line of credit with no amount outstanding and could borrow a total of \$12,000 and \$20,000 respectively on the line of credit with Bank of America, N.A., which expires on January 31, 2014. Interest on outstanding amounts accrues at the BBA LIBOR plus 0.70%.

(12) Pension Plan

CHS maintains an unfunded supplemental executive retirement plan (the retirement plan) for certain executives. The benefits of the retirement plan are based on years of service and the executive's compensation during the last five years of employment. In 2013 and 2012, pension expense of \$2,580 and \$1,961, respectively, was recorded as operating expense. CHS does not expect to contribute any amount to this plan in fiscal year 2014 to cover benefit payments.

No pension benefits are expected to be paid in 2014. Pension benefits expected to be paid in each year from 2015 to 2018 are \$11, \$699, \$1,509 and \$2,988, respectively. The aggregate benefits expected to be paid in the five years from 2019 to 2023 are \$9,360. The expected benefits to be paid include estimated future employee service. CHS pays all benefits on a current basis.

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

	<u>2013</u>	<u>2012</u>
Reconciliation of benefit obligation:		
Benefit obligation at July 1	\$ 15,533	10,934
Service cost	1,306	1,013
Interest cost	582	574
Actuarial (gain) loss	<u>(2,049)</u>	<u>3,012</u>
Benefit obligation at June 30	\$ <u>15,372</u>	<u>15,533</u>

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

	<u>2013</u>	<u>2012</u>
Service cost	\$ 1,306	1,013
Interest cost	582	574
Prior service cost recognized	257	257
Recognized losses	<u>435</u>	<u>117</u>
Net periodic pension cost	\$ <u>2,580</u>	<u>1,961</u>

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

The amounts included in unrestricted net assets that have yet to be recognized in net periodic benefit expense as of June 30, 2013 are as follows:

Prior service cost	\$	642
Net accumulated actuarial loss		<u>2,548</u>
	\$	<u><u>3,190</u></u>

The net actuarial loss and prior service credit for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$126 and \$257, respectively.

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

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

	<u>2013</u>	<u>2012</u>
Discount rate	4.50%	3.75%
Rate of compensation increase	4.00	5.00

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

	<u>2013</u>	<u>2012</u>
Discount rate	3.75%	5.25%
Rate of compensation increase	5.00	5.00

CHS maintains one tax-exempt, 403(b) Defined Contribution Plan, which covers all employees of the Hospital and CHS. Employees are eligible to make deferrals immediately upon hire, subject to Internal Revenue Service (IRS) limitations and they become eligible for matching contributions after completing one year of service. CHS matches 50% of the employee's contribution; however, the matching contribution cannot exceed 3% of the employee's income. CHS maintains a Profit Sharing Plan for employees of the same entities where it makes annual discretionary contributions to eligible employees. CHS' total expenses under these plans were \$2,905 and \$2,773 for the years ended June 30, 2013 and 2012, respectively.

CMG maintains a 401(k) Defined Contribution Plan, which covers all employees in CSSG, CMG-NC and CMG. Employees are eligible to make deferrals immediately upon hire, subject to Internal Revenue Service (IRS) limitations and they become eligible for matching contributions after completing one year of service. CMG matches 100% of eligible employee's contribution up to 3% of the employee's income and

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

matches an additional 50% of their next 2% contribution; the matching contribution cannot exceed 4% of the employee's income. CHS' total expenses under these plans were \$1,516 and \$1,349 for the years ended June 30, 2013 and 2012, respectively.

CHS also maintains a 457(b) and a Director's Nonqualified Deferred Annuity Plan. These plans are available for employer contributions attributable to the Director's Retirement Plan. Eligible participants must complete three years of service as a director. CHS' expenses under the Directors Retirement Plan were \$656 and \$795 for the years ended June 30, 2013 and 2012, respectively. Directors and senior management are also eligible to defer their own salary dollars subject to IRS limitations, to the 457(b) Plan. All contributions are forwarded to a Trustee. None of the funds were being held by CHS at year-end and thus no liabilities were recorded as of June 30, 2013 and 2012 related to these plans.

(13) Endowment Net Assets

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

Interpretation of Relevant Law

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

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

1. The duration and preservation of the fund
2. The purposes of the Health System and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation or depreciation of investments
6. Other resources of the Health System

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

7. The investment policies of the Health System

Endowment net assets consist of the following at June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	2,038	21,767	23,805

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

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	1,623	21,357	22,980

Changes in endowment net assets for the year ended June 30, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2012	\$ —	1,623	21,357	22,980
Contributions	—	—	598	598
Investment gain and net appreciation (depreciation)		1,057	(181)	876
Appropriation of endowment assets for expenditure	—	(569)	—	(569)
Other	—	(73)	(7)	(80)
Endowment net assets, June 30, 2013	<u>\$ —</u>	<u>2,038</u>	<u>21,767</u>	<u>23,805</u>

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

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

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires CHS to retain as a fund of perpetual duration. There were no deficiencies reported in unrestricted net assets as of June 30, 2013 and 2012.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

CHS has a policy of appropriating for distribution each year a target of 5.0% or less of the endowment funds. In establishing this policy, CHS considered the expected return on its endowment. Accordingly, the Health System expects the current spending policy to allow the endowment to maintain its purchasing

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

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

(14) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Charitable remainder trusts	\$ 2,780	2,739
Community outreach	723	720
Research	165	447
Nursing education	167	328
Cancer program	91	197
Child abuse program	141	137
Satellite health centers	63	—
Various other specific purpose projects	4,115	4,215
	<u>\$ 8,245</u>	<u>8,783</u>

Permanently restricted net assets at June 30, 2013 and 2012 are restricted to:

	<u>2013</u>	<u>2012</u>
Investments to be held in perpetuity, the income from which is expendable to support:		
Healthcare services for the child abuse program	\$ 7,486	7,217
Healthcare services for cancer programs	1,615	1,583
Healthcare services for the neonatal intensive care unit	2,654	2,637
Healthcare services for pediatric research	2,000	2,000
Various other healthcare services	8,012	7,920
	<u>\$ 21,767</u>	<u>21,357</u>

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(15) Net Patient Service Revenue

Net patient service revenue, before provision for bad debts, is summarized as follows for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Gross patient service revenue	\$ 911,080	836,113
Deductions from gross patient service revenue:		
Contractual adjustments	(550,872)	(494,263)
Policy discounts	<u>(13,417)</u>	<u>(10,923)</u>
Total deductions from patient service revenue	(564,289)	(505,186)
Disproportionate share payments	<u>27,107</u>	<u>26,420</u>
Net patient service revenue before provision for bad debts	\$ <u><u>373,898</u></u>	<u><u>357,347</u></u>

Net patient service revenue was increased by approximately \$1,464 and \$696 for the years ended June 30, 2013 and 2012, respectively, as a result of changes in estimates associated with settlements and other revisions to prior years for third-party settlement amounts. The estimated amounts due from third-party payors at June 30, 2013 and 2012 were approximately \$1,452 and \$3,936, respectively, and are included in prepaid expenses and other current assets in the accompanying consolidated balance sheets. The estimated amounts due to third-party payors at June 30, 2013 and 2012 were approximately \$2,242 and \$2,690, respectively, and are included in accrued expenses in the accompanying consolidated balance sheets.

Net patient service revenue for the Hospital includes payments for services provided to beneficiaries of various plans before provision for bad debts, for the years ended June 30, 2013 and 2012, as follows:

	<u>2013</u>	<u>2012</u>
Virginia and North Carolina Medical Assistance		
Programs and Medicaid managed care plans (Medicaid)	\$ 111,635	106,191
Anthem Services, Inc. (Anthem)	62,454	65,755
Optima Health Plan	31,481	30,740
Tricare	34,630	33,870
All others	<u>59,281</u>	<u>47,770</u>
Net patient service revenue before provision for bad debts	\$ <u><u>299,481</u></u>	<u><u>284,326</u></u>

Revenues from the Medicaid and Anthem programs accounted for approximately 37% and 21%, respectively, of the Hospital's net patient service revenue for the year ended June 30, 2013 (37% and 23%, respectively, for the year ended June 30, 2012).

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(16) Functional Expenses

CHS provides pediatric healthcare services to residents of the Hampton Roads area of Virginia and the surrounding areas. Expenses related to providing these services are classified as follows for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Healthcare services	\$ 310,900	299,270
General and administrative	50,453	44,217
Fund raising	1,459	1,424
	<u>\$ 362,812</u>	<u>344,911</u>

(17) Reclassifications

Certain reclassifications have been made to the 2012 consolidated financial statements to conform to the 2013 consolidated financial statement presentation. The reclassifications had no effect on net assets or excess of revenues for the year ended June 30, 2012.

(18) Commitments and Contingencies

(a) *Malpractice Insurance*

The Hospital's malpractice insurance is obtained through CHS' wholly owned captive insurance company, CHSIL. CHSIL is in compliance with minimum statutory capital requirements pursuant to its license as of June 30, 2013 and 2012. Under the terms of the Hospital's malpractice policy, coverage is subject to annual limits of \$250 per occurrence and \$1,000 in the aggregate.

CHS maintains a separate malpractice insurance policy for its physicians. The policy is on a claims-made basis. CHS is insured for losses up to \$2,050 per claim and \$6,150 in the aggregate for Virginia physicians and \$2,000 per claim and \$4,000 in the aggregate for North Carolina physicians. Should CHS not renew its policy or replace it with equivalent insurance, occurrences during its term but asserted after its term will be uninsured unless CHS obtains tail coverage. CHS management believes that the accompanying consolidated financial statements will not be materially affected by retrospective adjustments or the ultimate cost related to unasserted claims, if any, at June 30, 2013.

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

(b) *Litigation*

The Company is involved in litigation arising during the normal course of business. There are known claims and incidents that may result in assertion of additional claims, as well as claims from unknown incidents arising from services provided to patients that may be asserted. However,

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

management does not believe that the asserted or unasserted claims will exceed the total amount of insurance coverage.

(c) *Industry and Regulatory Environment*

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

(d) *Minimum Lease Payments*

Several of the subsidiaries of CHS have entered into operating leases for office space and equipment. Rental expense for the years ended June 30, 2013 and 2012 was \$7,601 and \$7,749, respectively, and is included in other operating expenses and purchased services in the accompanying consolidated statements of operations and changes in net assets.

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

2014	\$	8,584
2015		6,775
2016		4,987
2017		4,302
2018		3,476
Thereafter		5,335
	\$	<u>33,459</u>

(e) *Employee Health Benefits*

The Health System is self-insured for employee health benefits. Generally, payments under the plan are limited to \$200 per participant per year. The total liability associated with these claims totaled \$1,438 and \$892 at June 30, 2013 and 2012, respectively.

(19) Subsequent Events

CHS has evaluated subsequent events for potential recognition and/or disclosure through October 18, 2013, the date of issuance of these consolidated financial statements.

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2013

(Dollars in thousands)

Assets	Children's Hospital of The King's Daughters, Inc.	Children's Health Foundation, Inc.	Children's Surgical Specialty Group, Inc.	Children's Medical Group, Inc.	Children's Health System, Inc.	Children's Health System Insurance Limited	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	\$ 34,159	4,867	365	5,531	3,427	3,761		52,110
Receivables, net	42,974	—	1,384	2,540	—	—	—	46,898
Pledges receivable, net	1,560	—	—	—	—	—	—	1,560
Supplies inventory	5,783	—	—	—	—	—	—	5,783
Intercompany receivable	—	—	—	—	691	—	(691)	—
Prepaid expenses and other current assets	5,854	—	112	219	297	5	—	6,487
Total current assets	90,330	4,867	1,861	8,290	4,415	3,766	(691)	112,838
Pledges receivable, net	628	—	—	—	—	—	—	628
Investments and assets whose use is limited	108,225	138,322	—	—	10,362	—	—	256,909
Property, plant and equipment, net	178,669	—	680	1,539	236	—	—	181,124
Other assets, net	3,904	—	66	2,041	183	—	—	6,194
Investments in subsidiaries	—	—	—	—	41,147	—	(41,147)	—
Total assets	\$ 381,756	143,189	2,607	11,870	56,343	3,766	(41,838)	557,693

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2013

(Dollars in thousands)

Liabilities and Net Assets	Children's Hospital of The King's Daughters, Inc.	Children's Health Foundation, Inc.	Children's Surgical Specialty Group, Inc.	Children's Medical Group, Inc.	Children's Health System, Inc.	Children's Health System Insurance Limited	Eliminations	Consolidated
Current liabilities:								
Accounts payable	\$ 12,645	178	62	2,217	732	66	—	15,900
Accrued expenses	15,535	—	734	4,170	520	967	—	21,926
Intercompany liability	30	5	39	617	—	—	(691)	—
Current installment of long-term debt	1,800	—	—	—	—	—	—	1,800
Total current liabilities	30,010	183	835	7,004	1,252	1,033	(691)	39,626
Long-term debt	69,042	—	—	—	—	—	—	69,042
Other long-term liabilities	14,950	—	733	1,548	17,013	—	—	34,244
Total liabilities	114,002	183	1,568	8,552	18,265	1,033	(691)	142,912
Net assets:								
Common stock	—	—	13,850	27,047	—	250	(41,147)	—
Unrestricted net assets and retained deficit	237,742	143,006	(12,811)	(23,729)	38,078	2,483	—	384,769
Temporarily restricted	8,245	—	—	—	—	—	—	8,245
Permanently restricted	21,767	—	—	—	—	—	—	21,767
Total net assets	267,754	143,006	1,039	3,318	38,078	2,733	(41,147)	414,781
Total liabilities and net assets	\$ 381,756	143,189	2,607	11,870	56,343	3,766	(41,838)	557,693

See accompanying independent auditors' report

CHILDREN'S HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Statement of Operations and Changes in Net Assets Information
Year ended June 30, 2013
(Dollars in thousands)

	Children's Hospital of The King's Daughters, Inc.	Children's Health Foundation, Inc.	Children's Surgical Specialty Group, Inc.	Children's Medical Group, Inc.	Children's Health System, Inc.	Children's Health System Insurance Limited	Eliminations	Consolidated
Unrestricted operating revenues, gains, and other support								
Net patient service revenue	\$ 299,481		12,575	61,842		—	—	373,898
Provision for bad debts	(4,906)	—	(405)	(342)	—	—	—	(5,653)
Net patient service revenue less provision for bad debts	294,575		12,170	61,500		—	—	368,245
Other operating revenue	19,480	—	1,201	2,459	12,521	628	(20,037)	16,252
Net assets released from restrictions	1,528	—	—	—	—	—	—	1,528
Total operating revenues, gains, and other support	315,583		13,371	63,959	12,521	628	(20,037)	386,025
Operating expenses								
Salaries and employee benefits	145,836	—	17,429	43,580	8,280	—	—	215,125
Supplies	39,142	—	410	10,657	55	—	—	50,264
Purchased services	32,254	—	579	1,925	788	—	(357)	35,189
Professional fees	23,677	218	218	472	1,449	141	(2,331)	23,794
Other	7,598	—	1,350	4,395	1,932	209	(2,129)	13,355
Depreciation and amortization	19,679	—	156	518	17	—	—	20,370
Interest expense	3,400	—	—	18	—	—	—	3,418
Research and development expense	—	1,297	—	—	—	—	—	1,297
Corporate support allocation	11,687	—	552	2,931	—	—	(15,170)	—
Total operating expenses	283,273	1,515	20,694	64,496	12,521	350	(20,037)	362,812
Operating income (loss)	32,310	(1,515)	(7,323)	(537)	—	278	—	23,213
Contributions	12,937	—	—	—	—	—	—	12,937
Investment income, net	9,303	3,325	—	—	197	—	—	12,825
Net realized gains on sales of investments	2,763	7,129	—	—	—	—	—	9,892
Excess (deficiency) of revenues over expenses	57,313	8,939	(7,323)	(537)	197	278	—	58,867
Transfers								
Net unrealized gains (losses) on investments	(14,946)	6,939	8,007	—	—	—	—	—
Other changes in pension liability	(165)	17	—	—	1,115	—	—	967
Net assets released from restrictions for capital acquisitions	252	—	—	—	2,740	—	—	2,740
Other changes	27	—	—	—	—	—	—	27
Increase (decrease) in unrestricted net assets	42,481	15,895	684	(537)	4,052	278	—	62,853
Temporarily restricted net assets								
Contributions	164	—	—	—	—	—	—	164
Endowment appreciation	1,057	—	—	—	—	—	—	1,057
Change in value of trusts	41	—	—	—	—	—	—	41
Net assets released from restrictions	(1,780)	—	—	—	—	—	—	(1,780)
Other	(20)	—	—	—	—	—	—	(20)
Decrease in temporarily restricted net assets	(538)	—	—	—	—	—	—	(538)
Permanently restricted net assets								
Contributions	598	—	—	—	—	—	—	598
Change in value of trusts	(181)	—	—	—	—	—	—	(181)
Other	(7)	—	—	—	—	—	—	(7)
Increase in permanently restricted net assets	410	—	—	—	—	—	—	410
Increase (decrease) in net assets	\$ 42,353	15,895	684	(537)	4,052	278	—	62,725

See accompanying independent auditors' report

