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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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
LOS NINOS HOSPITAL INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1402 E SOUTH MOUNTAIN AVENUE

City or town, state or country, and ZIP + 4
PHOENIX, AZ 85040

D Employer identification number
86-0892673

E Telephone number
(602) 243-4231

G Gross receipts $ 27,426,646

F Name and address of principal officer
WILLIAM TIMMONS
1402 E SOUTH MOUNTAIN AVENUE
PHOENIX,AZ 85040

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW HACIENDAHEALTHCARE ORG

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

L Year of formation 1997

M State of legal domicile AZ

Part I Summary

1 Briefly describe the organization's mission or most significant activities
CHILDREN'S HOSPITAL SERVING THE NEEDS OF ACUTE AND CHRONICALLY ILL PATIENTS

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	10
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	10
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	212
6	Total number of volunteers (estimate if necessary)	**6**	11
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	6,897	1,628,014
9	Program service revenue (Part VIII, line 2g)	16,367,112	17,252,217
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	684,594	539,596
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	24,975	32,137
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	17,083,578	19,451,964
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	7,053,921	7,164,353
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	6,939,834	7,270,201
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	13,993,755	14,434,554
19	Revenue less expenses Subtract line 18 from line 12	3,089,823	5,017,410

Revenue

Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	30,353,328	35,657,065
21	Total liabilities (Part X, line 26)	2,641,156	678,235
22	Net assets or fund balances Subtract line 21 from line 20	27,712,172	34,978,830

Net Assets or Fund Balances

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

****** | 2014-05-13
Signature of officer | Date

WILLIAM TIMMONS CHIEF EXECUTIVE OFFICER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
COLETTE KAMPS		2014-05-13		P00367616

Firm's name ▶ HENRY & HORNE LLP | Firm's EIN ▶ 86-0133881

Firm's address ▶ 2055 E WARNER RD STE 101
TEMPE, AZ 85284 | Phone no (480) 839-4900

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

TO PROVIDE ACUTE AND SUBACUTE HOSPITAL CARE TO INFANTS, CHILDREN AND TEENS

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 $ 2,846,116 including grants of $) (Revenue $ 3,089,931)

INPATIENT INPATIENT CARE IS A 15-BED, FAMILY ORIENTED HOSPITAL SPECIALIZING IN HIGH QUALITY ACUTE AND SUB-ACUTE CARE FOR INFANTS, CHILDREN AND TEENS

4b (Code) (Expenses $ 3,041,435 including grants of $) (Revenue $ 3,879,266)

HOME HEALTH CARE HOME HEALTH CARE SPECIALIZES IN THE CARE OF INFANTS, CHILDREN AND ADULTS WITH SPECIAL HEALTH CARE NEEDS REQUIRING HOME HEALTH CARE FROM NURSES AND THERAPISTS WITH SPECIAL TRAINING

4c (Code) (Expenses $ 4,151,837 including grants of $) (Revenue $ 5,702,006)

OUTPATIENT AND SYNAGIS CLINICS THE ORGANIZATION OPERATES SIX OUTPATIENT SYNAGIS CLINICS LOCATED IN ARIZONA AND COLORADO SYNAGIS IS AN INJECTABLE USED TO IMMUNIZE INFANTS AND YOUNG CHILDREN AGAINST RESPIRATORY SYNCYTIAL VIRUS (RSV) THE CLINICS ARE OPEN FROM NOVEMBER TO APRIL EACH YEAR, WHICH IS THE HIGH SEASON FOR RSV

(Code) (Expenses $ 3,552,821 including grants of $) (Revenue $ 4,613,151)

THERAPY SERVICES THERAPY SERVICES PROVIDE PHYSICAL, OCCUPATIONAL AND SPEECH THERAPY TO INFANTS, CHILDREN AND ADULTS SERVICES ARE PROVIDED IN BOTH INPATIENT AND OUTPATIENT SETTINGS, INCLUDING HOME HEALTH CARE THESE SERVICES INCLUDE EVALUATIONS, CONSULTATIONS, INTERVENTION, SKILLED HANDS-ON CARE, ADAPTIVE EQUIPMENT AND FAMILY/CAREGIVER TRAINING REGISTRY SERVICES INNOVATIVE STAFFING, BEGAN IN 2005, PROVIDES STAFFING NEEDS TO FILL VACANT POSITIONS AND OPEN SHIFTS WITH MEDICAL PROFESSIONALS INCLUDING REGISTERED NURSES, LICENSED PRACTICAL NURSES, CERTIFIED NURSING ASSISTANTS, CAREGIVERS AND RESPIRATORY THERAPISTS NURSE CONSULTING THE ORGANIZATION CONTRACTS WITH THE DIVISION OF DEVELOPMENTAL DISABILITIES (DDD), A DIVISION OF THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY, FOR CERTAIN SPECIALIZED CLINICAL CONSULTING SERVICES UNDER THE ARRANGEMENT AND ON BEHALF OF DDD, QUALIFIED NURSING PERSONNEL EMPLOYED BY THE ORGANIZATION ASSESS AND MONITOR NURSING SERVICES RENDERED BY VARIOUS PROVIDERS OF SERVICES TO DEVELOPMENTALLY DISABLED CONSUMERS IN ARIZONA SUCH SERVICES INCLUDE THOSE PROVIDED IN A CONSUMER'S HOME, A GROUP HOME, A DEVELOPMENTAL HOME, A LEVEL II OR LEVEL III BEHAVIORAL HEALTH FACILITY AND ANY DAY CARE PROGRAM VENTILATOR PROGRAM THE VENTILATOR PROGRAM ENABLES VENTILATOR DEPENDENT INDIVIDUALS TO FUNCTION IN SOCIETY AT THE OPTIMAL LEVEL OF THEIR CAPABILITIES AND POTENTIAL BY COMBINING TECHNOLOGY, SERVICES AND MEDICAL SUPPLIES THIS IS ACHIEVED BY PROVIDING PRODUCTS, EDUCATION, TRAINING AND ON-GOING MONITORING OF EQUIPMENT THE VENTILATOR PROGRAM PROVIDES SERVICE ON VENTILATORS AND OTHER MEDICAL EQUIPMENT IN PATIENTS' HOMES, AS WELL AS A HOME ENTERAL FEEDING SERVICE THAT SERVES THE NUTRITIONAL NEEDS OF MEDICALLY FRAGILE PATIENTS BY PROVIDING FORMULA AND SUPPLIES

4d Other program services (Describe in Schedule O)

(Expenses $ 3,552,821 including grants of $) (Revenue $ 4,613,151)

4e **Total program service expenses** ▶ 13,592,209

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		No
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		No
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	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	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	Yes	
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		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the 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		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more 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? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**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)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**		
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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	2		
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			
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	212		
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			No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b			
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			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** 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	**1a** 10		
	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			
b	Enter the number of voting members included in line 1a, above, who are independent	**1b** 10		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**		No
6	Did the organization have members or stockholders?	**6**		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

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

Section C. Disclosure

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

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

☐ 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

▶ THE ORGANIZATION 1402 E SOUTH MOUNTAIN AVENUE PHOENIX, AZ (602) 243-4231

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation 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

(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			
(1) THOM NIEMIEC BOARD MEMBER	1 00	X						0	0	0
(2) PATRICK WALSH BOARD MEMBER	1 00	X						0	0	0
(3) KEVIN BERGER BOARD MEMBER	1 00	X						0	0	0
(4) MIKE WADE BOARD MEMBER	1 00	X						0	0	0
(5) KATHRYN L DEL REAL BOARD MEMBER	1 00	X						0	0	0
(6) PATRICIA SHAW BOARD MEMBER	1 00	X						0	0	0
(7) DICK KAUPIE PRESIDENT	2 00	X		X				0	0	0
(8) TOM POMEROY EXECUTIVE VICE PRESIDENT/SECRETARY	2 00	X		X				0	0	0
(9) GARY ORMAN VICE PRESIDENT	2 00	X		X				0	0	0
(10) RALPH WALLWORK TREASURER	2 00	X		X				0	0	0
(11) WILLIAM TIMMONS CHIEF EXECUTIVE OFFICER	1 00 40 00			X				0	417,717	21,473
(12) DALE SKURDAHL COO- MEDICAL SERVICES	1 00 40 00			X				0	207,885	31,787
(13) PERRY F PETRILLI VICE PRESIDENT - RESIDENTA	1 00 40 00					X		0	142,984	6,030
(14) DAVENA BALLARD DIRECTOR SYNAGIS	40 00					X		116,105	0	12,699
(15) JOSEPH O'MALLEY CONTROLLER/FINANCIAL ANALY	1 00 40 00					X		0	152,796	15,915
(16) JOHN WIDDER DIRECTOR OF HOME MEDICAL S	40 00					X		119,640	0	11,470
(17) PAULINE ZAUTKE DIRECTOR OF HOME HEALTH SERVICES	40 00					X		104,226	0	3,870

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

(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)** . . . . . ▶								339,971	921,382	103,244

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 ▶ 3

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**3**		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? *If "Yes," complete Schedule J for such individual*	**4**	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	**5**		No

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
HACIENDA INC 1402 E SOUTH MOUNTAIN AVE PHOENIX AZ 85042	MANAGEMENT FEES	636,000

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 ▶ 1

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				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	1,610,491			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	17,523			
	g	Noncash contributions included in lines 1a-1f $		3,772			
	h	**Total.** Add lines 1a-1f			1,628,014		
Program Service Revenue			Business Code				
	2a	NET PATIENT FEES- PRIVATE	623990		12,314,249	12,314,249	
	b	NET PATIENT FEES- GOVERNMENT	623990		3,687,678	3,687,678	
	c	DSH REVENUE	621610		760,204	760,204	
	d	THERAPY INCOME FROM RELATED AFFIL	621610		490,086	490,086	
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f			17,252,217		
	3	Investment income (including dividends, interest, and other similar amounts)			47,243		47,243
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents					
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss)					
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	8,467,035				
	b	Less cost or other basis and sales expenses	7,974,682				
	c	Gain or (loss)	492,353				
	d	Net gain or (loss)			492,353		492,353
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	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					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	MISCELLANEOUS	900099	32,137	32,137		
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		32,137			
	12	**Total revenue.** See Instructions		19,451,964	17,284,354	0	539,596

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				
2 Grants and other assistance to individuals in the United States See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	6,101,590	6,101,590		
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	121,541	121,541		
9 Other employee benefits	552,084	545,381	6,703	
10 Payroll taxes	389,138	389,138		
11 Fees for services (non-employees)				
a Management	636,001		636,001	
b Legal				
c Accounting	17,583		17,583	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	226,557	226,557		
12 Advertising and promotion	17,654	17,654		
13 Office expenses	14,540	14,540		
14 Information technology				
15 Royalties . .				
16 Occupancy	513,682	506,297	7,385	
17 Travel	32,380	32,380		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	248,345	248,345		
23 Insurance	239,252	239,252		
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	4,860,606	4,860,606		
b EQUIPMENT EXPENSE	201,261	130,141	71,120	
c MISCELLANEOUS	151,203	47,705	103,498	
d FLEET EXPENSES	41,551	41,551		
e All other expenses	69,586	69,531	55	
25 **Total functional expenses.** Add lines 1 through 24e	14,434,554	13,592,209	842,345	0
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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		5,721,530	1	8,909,524
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		1,427,742	4	2,930,057
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	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			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		1,599,272	8	850,135
	9	Prepaid expenses and deferred charges		31,590	9	27,828
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 5,862,049			
	b	Less accumulated depreciation	10b 3,594,468	1,967,364	10c	2,267,581
	11	Investments—publicly traded securities		15,327,806	11	14,721,240
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		4,278,024	15	5,950,700
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		30,353,328	16	35,657,065
Liabilities	17	Accounts payable and accrued expenses		659,848	17	610,496
	18	Grants payable			18	
	19	Deferred revenue		1,879,947	19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	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			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		101,361	25	67,739
	26	**Total liabilities.** Add lines 17 through 25		2,641,156	26	678,235
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		27,709,813	27	34,776,471
	28	Temporarily restricted net assets		2,359	28	202,359
	29	Permanently restricted net assets			29	
		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		27,712,172	33	34,978,830
	34	Total liabilities and net assets/fund balances		30,353,328	34	35,657,065

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	19,451,964
2	Total expenses (must equal Part IX, column (A), line 25)	2	14,434,554
3	Revenue less expenses Subtract line 2 from line 1	3	5,017,410
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	27,712,172
5	Net unrealized gains (losses) on investments	5	369,301
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	1,879,947
9	Other changes in net assets or fund balances (explain in Schedule O)	9	0
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	34,978,830

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		No
	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			
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
	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			
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?	2c	Yes	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
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		No
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		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
LOS NINOS HOSPITAL INC

Employer identification number
86-0892673

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 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 ")	160,496	1,957	283,812	1,886,844	1,628,014	3,961,123
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	17,102,257	17,295,035	17,087,890	16,930,212	17,252,217	85,667,611
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	17,262,753	17,296,992	17,371,702	18,817,056	18,880,231	89,628,734
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						0
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						0
c Add lines 7a and 7b						0
8 **Public support** (Subtract line 7c from line 6)						89,628,734

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	17,262,753	17,296,992	17,371,702	18,817,056	18,880,231	89,628,734
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources	91,250	53,657	284,747	387,172	539,596	1,356,422
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b	91,250	53,657	284,747	387,172	539,596	1,356,422
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)			38,196	24,975	32,137	95,308
13 **Total support.** (Add lines 9, 10c, 11, and 12)	17,354,003	17,350,649	17,694,645	19,229,203	19,451,964	91,080,464

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	98 410 %
16	Public support percentage from 2011 Schedule A, Part III, line 15	16	98 890 %

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2012** (line 10c, column (f) divided by line 13, column (f))	17	1 490 %
18	Investment income percentage from **2011** Schedule A, Part III, line 17	18	1 040 %

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

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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
LOS NINOS HOSPITAL INC

Employer identification number
86-0892673

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

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

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

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

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

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

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

9 In Part 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
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

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

b If "Yes," explain the arrangement in Part 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	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Temporarily restricted endowment ▶

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

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

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

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		795,024		795,024
b Buildings				
c Leasehold improvements		290,478	171,131	119,347
d Equipment		4,033,099	3,423,337	609,762
e Other		743,448		743,448
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				2,267,581

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

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

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

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

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

(a) Description	(b) Book value
(1) DUE FROM RELATED AFFILIATES	5,950,700
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	5,950,700

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
CAPITAL LEASE	67,739
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	67,739

2. Fin 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☑

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	19,821,265
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	369,301		
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	369,301
3	Subtract line **2e** from line **1**			3	19,451,964
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	0
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	19,451,964

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

1	Total expenses and losses per audited financial statements			1	14,434,554
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	0
3	Subtract line **2e** from line **1**			3	14,434,554
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	0
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	14,434,554

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
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	THE ORGANIZATION RECOGNIZES UNCERTAIN TAX POSITIONS IN THE FINANCIAL STATEMENTS WHEN IT IS MORE LIKELY THAN NOT THE POSITIONS WILL NOT BE SUSTAINED UPON EXAMINATION BY THE TAX AUTHORITIES AS OF JUNE 30, 2013, THE ORGANIZATION HAD NO UNCERTAIN TAX POSITIONS THAT QUALIFY FOR EITHER RECOGNITION OR DISCLOSURE IN THE FINANCIAL STATEMENTS

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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
LOS NINOS HOSPITAL INC

Employer identification number
86-0892673

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 *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care ☑ 100% ☐ 150% ☐ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☑ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 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		No
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a		No
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)			0			
b Medicaid (from Worksheet 3, column a)			13,246,343		13,246,343	91 770 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			13,246,343		13,246,343	91 770 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j **Total.** Other Benefits						
k **Total.** Add lines 7d and 7j			13,246,343		13,246,343	91 770 %

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

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

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

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
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	17,548		
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			
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	262,305		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	134,090		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	128,215		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV **Management Companies and Joint Ventures** (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?
1

	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	LOS NINOS HOSPITAL 2303 E THOMAS RD PHOENIX,AZ 85016	X		X							

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 LOS NINOS HOSPITAL INC

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 1

			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	1		No
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 ___			
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		
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		
5	Did the hospital facility make its CHNA report widely available to the public?	5		
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted 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		
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		
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 *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 100.000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 200.000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
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?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
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?	**19**		No
If "No," indicate why			
a ☑ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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?	**21**		No
If "Yes," explain in Part VI			
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?	**22**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

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

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

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, 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 III, LINE 4 THE CARRYING AMOUNT OF ACCOUNTS RECEIVABLE MAY BE REDUCED BY A VALUATION ALLOWANCE THAT REFLECTS MANAGEMENT'S BEST ESTIMATE OF UNCOLLECTIBLE AMOUNTS MANAGEMENT REVIEWS ALL ACCOUNTS RECEIVABLE BALANCES PERIODICALLY, AND BASED ON AN ASSESSMENT OF CREDITWORTHINESS AND AN ANALYSIS OF THE AGING OF INVOICES, ESTIMATES THE PORTION, IF ANY, OF THE BALANCES THAT WILL NOT BE COLLECTED BECAUSE OF THE INHERENT UNCERTAINTIES IN ESTIMATING THE ALLOWANCE FOR DOUBTFUL ACCOUNTS, IT IS AT LEAST REASONABLY POSSIBLE THAT THE ESTIMATES USED WILL CHANGE WITHIN THE NEAR TERM
		PART III, LINE 9B ALL GUARANTORS WITH SELF-PAY BALANCES ARE PROVIDED WITH A CHARITY CARE FINANCIAL ASSISTANCE APPLICATION TO DETERMINE IF THEY QUALIFY FOR ASSISTANCE HOSPITAL BILLING STAFF REVIEWS EACH RETURNED APPLICATION, FOLLOWS UP WITH THE GUARANTOR FOR ANY QUESTIONS AND MISSING INFORMATION, AND COMMUNICATES ELIGIBILITY STATUS TO THE GUARANTOR

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 AS DESCRIBED IN FORM 990, PART III, SUPPLEMENTED IN SCHEDULE O, LOS NINOS HOSPITAL PROVIDES A VARIETY OF CLINICAL PROGRAMS THAT ARE CRITICAL TO THE HEALTH OF INFANTS, CHILDREN AND YOUNG ADULTS WHO ARE CHRONICALLY ILL AND MEDICALLY FRAGILE NEARLY ALL PATIENTS ARE COVERED BY GOVERNMENTAL HEALTH PROGRAMS, SUCH AS THE STATE OF ARIZONA'S DIVISION OF DEVELOPMENTAL DISABILITIES, THE ARIZONA MEDICAID PROGRAM (KNOWN AS AHCCCS), OR MEDICAID MANAGED CARE PLANS AS A RESULT, FEW PATIENTS HAVE A NEED FOR CHARITY DISCOUNTS THE LOS NINOS HOSPITAL INPATIENT UNIT PROVIDES ACUTE AND SUBACUTE HOSPITAL CARE TO INFANTS AND CHILDREN LESS EXPENSIVELY THAN LARGER ACCUTE CARE HOSPITALS MEDICAL SERVICES PAYORS OFTEN REQUIRE THE TRANSFER OF PATIENTS TO LOS NINOS FROM MORE EXPENSIVE SETTINGS WHEN THEY'RE CLINICALLY APPROPRIATE, THEREBY SAVING SCARCE GOVERNMENT FUNDS LOS NINOS HOSPITAL'S SIX SYNAGIS CLINICS PROTECT HIGH RISK INFANTS FROM CONTRACTING RESPRITORY SYNCYTIAL VIRUS, THEREBY SAVING LIVES AND MINIMIZING THE POTENTIAL FOR EXPENSIVE LIFE-LONG RESPIRATORY TREATMENT LOS NINOS HOSPITAL'S HOME VENTILATOR PROGRAM AND HOME HEALTH SEVICES PROVIDE PATIENTS WITH EFFECTIVE HEALTH CARE IN THEIR HOMES, A FAR LESS EXPENSIVE SETTING THAN HOSPITALS, THEREBY FURTHER SAVING INCREASINGLY SCARCE GOVERNMENT FUNDS

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
LOS NINOS HOSPITAL INC

Employer identification number
86-0892673

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the 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 ☐ Written employment contract ☐ Independent compensation consultant ☐ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**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**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in 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				
(1)WILLIAM TIMMONS CHIEF EXECUTIVE OFFICER	(i)	0	0	0	0	0	0	0
	(ii)	382,717	35,000	0	14,303	7,170	439,190	0
(2)DALE SKURDAHL COO- MEDICAL SERVICES	(i)	0	0	0	0	0	0	0
	(ii)	199,885	8,000	0	8,971	22,816	239,672	0
(3)JOSEPH O'MALLEY CONTROLLER/FINANCIAL ANALY	(i)	0	0	0	0	0	0	0
	(ii)	139,910	12,886	0	0	15,915	168,711	0

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
SUPPLEMENTAL INFORMATION	PART III	CERTAIN EMPLOYEES PARTICIPATE IN A 457B PLAN AMOUNTS CONTRIBUTED BY EMPLOYEES DURING CALENDAR YEAR 2012 ARE AS FOLLOWS WILLIAM TIMMONS - $22,500 DALE SKURDAHL - $20,075

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
LOS NINOS HOSPITAL INC

Employer identification number
86-0892673

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? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? 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) SOUTH MOUNTAIN HEALTH SUPPLY INC(SMHS)	OFFICERS OF SMHS ARE BOARD MEMBERS OF FILING ORGANIZATION	989,098	LOS NINOS HOSPITAL PURCHASES HEALTH CARE SUPPLIES FROM SMHS		No
(2) SOUTH MOUNTAIN HEALTH SUPPLY INC (SMHS)	OFFICERS OF SMHS ARE BOARD MEMBERS OF FILING ORGANIZATION	33,622	LOS NINOS HOSPITAL LEASES EQUIPMENT FROM SMHS		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
LOS NINOS HOSPITAL INC

Employer identification number
86-0892673

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	
	FORM 990, PART VI, SECTION B, LINE 12C	THE ORGANIZATION HAS A CONFLICT OF INTEREST POLICY THAT ADDRESSES THE CONSIDERATION OF POT ENTIAL CONFLICTS OF INTEREST BY THE BOARD OF DIRECTORS, COMMITTEE MEMBERS, KEY EMPLOYEES, AND THEIR RELATIVES AS PER THE POLICY, SUCH PERSONS MUST MAKE DISCLOSURE OF ANY POTENTIAL CONFLICTS OF INTEREST AND MUST ABSTAIN FROM VOTING ON ANY ACTION IN WHICH THEY MAY HAVE A N INTEREST ON AN ANNUAL BASIS, ALL BOARD MEMBERS ARE REQUIRED TO SIGN OFF ON AN ANNUAL CO NFLICT OF INTEREST FORM, EITHER STATING ANY KNOWN CONFLICTS, OR STATING THAT THERE ARE NON E
	FORM 990, PART VI, SECTION B, LINE 15	THE BOARD OF DIRECTORS DETERMINES REASONABLE AND APPROPRIATE SALARIES FOR KEY EMPLOYEES OF THE ORGANIZATION
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION GENERALLY MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST
COMPENSATION FROM RELATED ORGANIZATION	FORM 990, PART VII, LINE 1A	LOS NINOS HOSPITAL, INC IS RELATED TO TWO TAX EXEMPT AFFILIATES, HACIENDA, INC AND HACIE NDA SKILLED NURSING FACILITY, INC THESE THREE ORGANIZATIONS SHARE A COMMON MANAGEMENT TEA M THE INDIVIDUALS ON THE MANAGEMENT TEAM ARE COMPENSATED AS EMPLOYEES THROUGH HACIENDA, I NC HACIENDA, INC CHARGES A MANAGEMENT FEE FOR THESE SERVICES TO BOTH LOS NINOS HOSPITAL, INC AND TO HACIENDA SKILLED NURSING FACILITY, INC THE COMPENSATION AMOUNTS LISTED IN PA RT VII ARE THE TOTAL GROSS WAGES AND OTHER COMPENSATION PAID TO THESE INDIVIDUALS FOR THEI R SERVICES TO ALL THREE ORGANIZATIONS

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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
LOS NINOS HOSPITAL INC

Employer identification number
86-0892673

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) HACIENDA HEALTHCARE 1402 E SOUTH MOUNTAIN AVE PHOENIX, AZ 85042 27-2988610	BRAND NAME FOR RELATED ORGANIZATIONS	AZ	501(C)(3)	LINE 9	N/A		No
(2) HACIENDA SKILLED NURSING FACILITY INC 1402 E SOUTH MOUNTAIN AVE PHOENIX, AZ 85042 14-1906233	NURSING CARE & RESPIRATORY INTERVENTION	AZ	501(C)(3)	LINE 9	N/A		No
(3) HACIENDA INC 1402 E SOUTH MOUNTAIN AVE PHOENIX, AZ 85042 86-0253158	PROVIDE SERVICES FOR HANDICAPPED & CHRONICALLY ILL CHILDREN	AZ	501(C)(3)	LINE 9	N/A		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) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" 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	(i) No
(1) SOUTH MOUNTAIN HEALTH SUPPLY 1402 E SOUTH MOUNTAIN AVE PHOENIX, AZ 85042 86-0858893	MEDICAL SUPPLY COMPANY	AZ	HACIENDA HEALTHCARE	C					No
(2) INNOVATIVE HOME HEALTH INC 1402 E SOUTH MOUNTAIN AVE PHOENIX, AZ 85042 26-2398755	HOME HEALTH NURSING SERVICES	AZ	HACIENDA HEALTHCARE	C					No

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

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

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved

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

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

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

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 86-0892673
Name: LOS NINOS HOSPITAL INC

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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HENRY & HORNE, LLP

Los Niños Hospital

Phoenix, Arizona

FINANCIAL STATEMENTS

Years Ended June 30, 2013 and 2012 (Restated)

HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Los Niños Hospital, Inc

We have audited the accompanying financial statements of Los Niños Hospital, Inc (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 the entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Los Niños Hospital, Inc as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Correction of Error

As discussed in Note 16 to the financial statements, during the year ended June 30, 2013 management discovered certain errors resulting in overstatement of amounts previously reported as deferred revenue as of June 30, 2012 and an understatement of revenues for the year ended June 30, 2012 Accordingly, amounts reported as deferred revenue and revenue have been restated in the 2012 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2012, to correct the error Our opinion is not modified with respect to that matter

Henry + Horne, LLP

Tempe, Arizona
April 3, 2014

LOS NINOS HOSPITAL, INC
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012 (Restated)

	2013	2012 (Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 8,909,524	$ 5,721,530
Accounts receivable, net of allowance for doubtful accounts of $23,000 for the years ended June 30, 2013 and 2012	1,520,097	1,427,742
EHR receivable	1,409,960	-
Prepaid expenses	27,828	31,590
Inventory	850,135	1,599,272
Due from related affiliates	5,950,700	4,278,024
TOTAL CURRENT ASSETS	18,668,244	13,058,158
INVESTMENTS	14,721,240	15,327,806
PROPERTY AND EQUIPMENT, net	2,267,581	1,967,364
TOTAL ASSETS	$ 35,657,065	$ 30,353,328
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of capital lease	$ 33,662	$ 33,662
Accounts payable	352,905	420,338
Accrued expenses	257,591	239,510
TOTAL CURRENT LIABILITIES	644,158	693,510
CAPITAL LEASE, net of current portion	34,077	67,699
TOTAL LIABILITIES	678,235	761,209
NET ASSETS		
Unrestricted	34,776,471	29,589,760
Temporarily restricted	202,359	2,359
TOTAL NET ASSETS	34,978,830	29,592,119
TOTAL LIABILITIES AND NET ASSETS	$ 35,657,065	$ 30,353,328

LOS NINOS HOSPITAL, INC
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2013 and 2012 (Restated)

	2013		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Patient service revenues			
Private sector revenues	$ 12,183,437	$ -	$ 12,183,437
Government fees for services	3,687,678	-	3,687,678
Net patient service revenues	15,871,115	-	15,871,115
Community contributions	17,523	200,000	217,523
EHR incentive payments	1,410,491	-	1,410,491
Therapy income from related affiliates	490,086	-	490,086
Investment return	908,897	-	908,897
Overpayments from payer sources	130,812		130,812
Disproportionate Share			
Hospital revenue (payment)	760,204	-	760,204
Miscellaneous income	32,137	-	32,137
Net assets released			
from restrictions	-	-	-
TOTAL SUPPORT AND REVENUE	19,621,265	200,000	19,821,265
EXPENDITURES			
Program services			
Inpatient Care	2,846,116	-	2,846,116
Ventilator Program	1,816,574	-	1,816,574
Synagis Clinics	4,151,837	-	4,151,837
Therapy Services	499,203	-	499,203
Home Health Care	3,041,435	-	3,041,435
Registry Services	560,438	-	560,438
Nurse Consulting	676,606	-	676,606
	13,592,209	-	13,592,209
Supporting services			
Management and general	842,345	-	842,345
	14,434,554	-	14,434,554
CHANGE IN NET ASSETS	5,186,711	200,000	5,386,711
NET ASSETS AT BEGINNING OF YEAR (RESTATED)	29,589,760	2,359	29,592,119
NET ASSETS AT END OF YEAR	$ 34,776,471	$ 202,359	$ 34,978,830

See accompanying notes

2012 (Restated)		
Unrestricted	Temporarily Restricted	Total
$ 11,026,952	$ -	$ 11,026,952
4,703,744	-	4,703,744
15,730,696	-	15,730,696
6,897	-	6,897
1,879,947	-	1,879,947
421,219	-	421,219
48,590	-	48,590
778,297	-	778,297
(563,100)	-	(563,100)
24,975	-	24,975
8,202	(8,202)	-
18,335,723	(8,202)	18,327,521
2,397,004	-	2,397,004
1,802,654	-	1,802,654
3,953,364	-	3,953,364
439,020	-	439,020
3,371,475	-	3,371,475
625,453	-	625,453
671,271	-	671,271
13,260,241	-	13,260,241
733,514	-	733,514
13,993,755	-	13,993,755
4,341,968	(8,202)	4,333,766
25,247,792	10,561	25,258,353
$ 29,589,760	$ 2,359	$ 29,592,119

LOS NINOS HOSPITAL, INC
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	Inpatient Care	Ventilator Program	Synagis Clinics	Therapy Services	Home Health Care
Advertising and marketing	$ 4,203	$ 1,996	$ 476	$ 220	$ 10,046
Bad debt expense	17,548	6,940	15,407	-	-
Bank and investment fees	-	-	-	-	-
Client expenses	(124)	-	-	-	3,564
Depreciation	50,435	184,269	1,788	5,189	6,499
Dues, licenses and permits	8,550	7,418	131	-	490
Employee costs	262,512	93,031	72,041	41,457	456,889
Equipment expense	27,826	61,243	22,411	5,172	13,489
Fleet expenses	1,010	40,541	-	-	-
Food	9,676	-	-	-	-
Insurance	75,925	37,858	23,013	18,465	60,769
Management fees	-	-	-	-	-
Medical professionals	50,563	5,157	2,646	122,125	13,440
Medical services	4,002	-	-	-	988
Medical staff registry	14,644	-	-	-	-
Miscellaneous	5,160	2,191	8,189	6,626	21,595
Other professional fees	756	-	-	-	-
Postage	505	3,770	208	-	890
Printing and publications	2,524	1,336	665	-	4,642
Property tax	12,513	-	-	-	-
Rental expense	124,591	44,752	148,054	11,423	33,272
Repairs and maintenance	31,963	32	1,129	-	-
Salaries and wages	1,561,799	496,470	348,843	277,082	2,374,970
Staff training	504	395	523	470	1,099
Subcontract labor	6,828	-	-	-	-
Supplies	516,128	818,164	3,487,436	10,974	27,965
Temporary staffing	4,815	-	-	-	-
Travel expenses	-	-	-	-	823
Utilities	51,260	11,011	18,877	-	10,005
Total	$ 2,846,116	$ 1,816,574	$ 4,151,837	$ 499,203	$ 3,041,435

See accompanying notes

Registry Services	Nurse Consulting	Total Program Services	Management and General	Total
$ 713	$ -	$ 17,654	$ -	$ 17,654
-	-	39,895	-	39,895
-	-	-	122,154	122,154
-	-	3,440	-	3,440
165	-	248,345	-	248,345
-	380	16,969	55	17,024
47,540	82,590	1,056,060	6,703	1,062,763
-	-	130,141	71,120	201,261
-	-	41,551	-	41,551
-	-	9,676	-	9,676
19,551	3,671	239,252	-	239,252
-	-	-	636,001	636,001
-	-	193,931	-	193,931
-	-	4,990	-	4,990
-	-	14,644	-	14,644
504	-	44,265	(18,656)	25,609
-	-	756	17,583	18,339
-	-	5,373	-	5,373
-	-	9,167	-	9,167
-	-	12,513	7,385	19,898
-	-	362,092	-	362,092
-	-	33,124	-	33,124
491,433	550,993	6,101,590	-	6,101,590
-	-	2,991	-	2,991
-	-	6,828	-	6,828
(61)	-	4,860,606	-	4,860,606
593	-	5,408	-	5,408
-	31,557	32,380	-	32,380
-	7,415	98,568	-	98,568
$ 560,438	$ 676,606	$ 13,592,209	$ 842,345	$ 14,434,554

LOS NINOS HOSPITAL, INC
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	Inpatient Care	Ventilator Program	Synagis Clinics	Therapy Services	Home Health Care
Advertising and marketing	$ 4,875	$ 2,347	$ 1,245	$ 200	$ 14,649
Bad debt expense	14,138	1,083	22,727	99	(4,535)
Bank and investment fees	-	-	-	-	-
Client expenses	(465)	-	-	-	3,905
Depreciation	63,455	191,638	4,386	6,111	7,088
Dues, licenses and permits	8,098	7,328	159	-	1,142
Employee costs	213,026	104,803	77,276	53,778	422,943
Equipment expense	32,543	77,218	24,633	5,172	12,644
Fleet expenses	1,285	37,805	-	-	-
Food	6,301	-	-	-	-
Insurance	61,104	32,551	19,533	15,719	48,953
Interest	-	4,068	-	-	-
Management fees	-	-	-	-	-
Medical professionals	39,280	1,980	3,393	17,897	13,940
Medical services	8,045	-	-	-	1,419
Medical staff registry	-	-	-	-	-
Miscellaneous	15,145	8,277	17,157	7,540	34,250
Other professional fees	1,292	-	-	-	-
Postage	578	3,163	62	-	1,293
Printing and publications	1,271	1,393	1,099	-	3,378
Property tax	-	-	1,355	-	-
Rental expense	141,620	70,987	163,233	11,423	48,748
Repairs and maintenance	30,695	119	980	-	-
Salaries and wages	1,300,563	488,057	353,038	315,539	2,477,549
Staff training	3,575	287	1,156	3,421	5,458
Subcontract labor	3,847	-	-	-	-
Supplies	402,296	752,208	3,235,895	1,816	264,455
Temporary staffing	-	-	842	-	-
Travel expenses	993	-	-	-	1,347
Utilities	43,444	17,342	25,195	305	12,849
Total	$ 2,397,004	$ 1,802,654	$ 3,953,364	$ 439,020	$ 3,371,475

See accompanying notes

Registry Services	Nurse Consulting	Total Program Services	Management and General	Total
$ 5,715	$ 1,772	$ 30,803	$ -	$ 30,803
-	-	33,512	-	33,512
-	-	-	99,758	99,758
-	-	3,440	-	3,440
248	-	272,926	-	272,926
-	-	16,727	205	16,932
57,302	88,354	1,017,482	15,729	1,033,211
-	-	152,210	-	152,210
-	-	39,090	-	39,090
-	-	6,301	-	6,301
15,316	2,901	196,077	-	196,077
-	-	4,068	-	4,068
-	-	-	636,000	636,000
-	-	76,490	-	76,490
1,690	-	11,154	-	11,154
-	8,320	8,320	-	8,320
-	66	82,435	(31,640)	50,795
-	-	1,292	13,462	14,754
-	-	5,096	-	5,096
-	-	7,141	-	7,141
-	-	1,355	-	1,355
-	-	436,011	-	436,011
-	-	31,794	-	31,794
544,483	541,481	6,020,710	-	6,020,710
137	-	14,034	-	14,034
-	-	3,847	-	3,847
33	-	4,656,703	-	4,656,703
529	-	1,371	-	1,371
-	23,082	25,422	-	25,422
-	5,295	104,430	-	104,430
$ 625,453	$ 671,271	$ 13,260,241	$ 733,514	$ 13,993,755

LOS NINOS HOSPITAL, INC
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012 (restated)

	2013	2012 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 5,386,711	$ 4,333,766
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	248,345	272,926
Bad debt expense	39,895	33,512
Unrealized/realized (gain) loss on investments	(861,654)	341,951
Overpayments from payer sources	(130,812)	(778,297)
(Increase) decrease in		
Accounts receivable	(132,250)	184,335
EHR receivable	(1,409,960)	-
Prepaid expenses	3,762	5,153
Inventory	749,137	(1,058,706)
Due from related affiliates	123,583	229,194
Increase (decrease) in		
Accounts payable and accrued expenses	81,460	26,493
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,098,217	3,590,327
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(548,562)	(437,454)
Purchases of investments	(7,136,075)	(14,418,741)
Proceeds from sales of investments	8,467,035	13,355,354
Net advances to and payments from employees	-	6,266
Net advances to affiliates	(1,658,999)	1,068,641
NET CASH USED BY INVESTING ACTIVITIES	(876,601)	(425,934)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(33,622)	(32,608)
INCREASE IN CASH AND CASH EQUIVALENTS	3,187,994	3,131,785
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,721,530	2,589,745
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 8,909,524	$ 5,721,530

See accompanying notes

	2013	2012 (restated)
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Non cash transactions		
Transfer of investments to related affiliate	$ (137,260)	$ -
Increase in due from related affiliate for transfer of investments	$ 137,260	$ -

Los Niños Hospital

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Los Niños Hospital, Inc (the Organization) was formed as an Arizona not-for-profit charitable hospital to serve the needs of acute and chronically ill patients The Organization is part of a group of entities which are all affiliated under the name of Hacienda HealthCare This group includes Hacienda, Inc (Hacienda), Hacienda Skilled Nursing Facility, Inc (SNF), Children's Angel Foundation (CAF) and South Mountain Health Supply (SMHS) Hacienda and SNF are related to the Organization by common board members and common management

The Organization was formed in 1997 and its programs focus on the medical and therapeutic needs of each patient The major programs are

Inpatient care Inpatient care is a 15-bed, family oriented hospital specializing in high quality acute and sub-acute care for infants, children and teens

Ventilator program The ventilator program enables ventilator dependent individuals to function in society at the optimal level of their capabilities and potential by combining technology, services and medical supplies This is achieved by providing products, education, training and on-going monitoring of equipment The ventilator program provides service on ventilators and other medical equipment in patients' homes, as well as a home enteral feeding service that serves the nutritional needs of medically fragile patients by providing formula and supplies

Synagis clinics The Organization operates six outpatient synagis clinics located in Arizona and Colorado Synagis is an injectable used to immunize infants and young children against Respiratory Syncytial Virus (RSV) The clinics are open from November to April each year, which is the high season for RSV

Therapy services Therapy services provide physical, occupational and speech therapy to infants, children and adults Services are provided in both inpatient and outpatient settings, including home health care These services include evaluations, consultations, intervention, skilled hands-on care, adaptive equipment and family/caregiver training

Home health care Home health care specializes in the care of infants, children and adults with special health care needs requiring home health care from nurses and therapists with special training

Registry services Innovative Staffing, began in 2005, provides staffing needs to fill vacant positions and open shifts with medical professionals including registered nurses, licensed practical nurses, certified nursing assistants, caregivers and respiratory therapists

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nurse consulting The Organization contracts with the Division of Developmental Disabilities (DDD), a division of the Arizona Department of Economic Security, for certain specialized clinical consulting services Under the arrangement and on behalf of DDD, qualified nursing personnel employed by the Organization assess and monitor nursing services rendered by various providers of services to developmentally disabled consumers in Arizona Such services include those provided in a consumer's home, a group home, a developmental home, a Level II or Level III behavioral health facility and any day care program

The funding and revenue sources to support these programs come from various federal and state programs as well as payments from private sector health insurance companies The majority of services are provided in the Phoenix metropolitan area

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand or held by financial institutions as well as certificates of deposit and time deposits with original maturities of three months or less at date of acquisition

Accounts Receivable

Accounts receivable are uncollateralized obligations arising from health services provided, due under normal trade terms, requiring payment within thirty days from the invoice date Unpaid accounts receivable with invoice dates over thirty days old may bear interest Due to the uncertainty regarding collections, interest on accounts receivable is recognized as income when received Accounts receivable are stated at the amount billed to the customer, and then netted down to expected payment where a contractual arrangement exists Payments of receivables are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

The carrying amount of accounts receivable may be reduced by a valuation allowance that reflects management's best estimate of uncollectible amounts Management reviews all accounts receivable balances periodically, and based on an assessment of creditworthiness and an analysis of the aging of invoices, estimates the portion, if any, of the balances that will not be collected Because of the inherent uncertainties in estimating the allowance for doubtful accounts, it is at least reasonably possible that the estimates used will change within the near term

Payments received from payer sources in excess of the amounts billed are recorded as overpayments from payer sources and are reported as a liability on the accompanying statements of financial position

Inventory

Inventories are recorded at cost using the first-in, first-out (FIFO) method and consist of the following at June 30

	2013	2012
Medical supplies	$ 54,806	$ 51,856
Synagis injectable material	795,329	462,666
Synagis injectable material - advance purchase based on favorable pricing	-	1,084,750
	$ 850,135	$ 1,599,272

Impairment of Long-Lived Assets

The Organization reviews long-lived assets 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 future net cash flows expected to be generated by the asset If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell Management does not believe impairment indicators are present

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

A framework for measuring fair value has been established by the Accounting Standards Codification and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements)

The three levels of the fair value hierarchy are as follows

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access

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 inactive markets,
- Inputs other than quoted prices that are observable for the asset or liability,
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified term (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Organization's own assumptions about the assumptions that market participants would use in pricing the assets (i e real estate valuations, broker quotes)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are reported in the statement of financial position at fair market value as determined by quoted market prices, with any realized or unrealized gains and losses reported in the statements of activities Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur

Risks and Uncertainties

The Organization may invest in various types of investments that are exposed to various risks, such as interest rate, market and credit risks Due to the levels of risk associated with investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amount reported in the statement of activities

Property and Equipment

Acquisitions of property and equipment in excess of $1,000 are capitalized Property and equipment are recorded at cost, or if donated, at the estimated fair value at the date of donation Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the respective assets

Major additions and improvements are capitalized Maintenance and repairs which do not extend the useful lives are charged to expenses as incurred When the assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any related gain or loss is included in operations

Revenue Recognition

Revenues are recognized when services are provided at standard charges adjusted to amounts estimated to be received under governmental programs and other third-party contractual arrangements based on contractual terms and historical experience These revenues and receivables are reported at their estimated net realizable amounts and are subject to audit and retroactive adjustment

Retroactive adjustments are estimated in the recording of revenues in the period the related services are rendered These amounts are adjusted in the future periods as adjustments become known or as cost reporting years are no longer subject to audits, reviews or investigations

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation Compliance with laws and regulations governing the Medicare and Medicaid programs are subject to government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs In addition, under the Medicare program, if the federal government makes a formal demand for reimbursement, even related to contested items, payment must be made for those items before the provider is given an opportunity to appeal and resolve the issue

The State of Arizona enacted Arizona Revised Statutes 20-3102 which prohibits non-governmental third party payers to request adjustment of a payment more than one year after payment has been made The Organization has thus implemented a policy to recognize as revenue any overpayments received from payer sources that have not been recouped within thirteen months from when the overpayment was received

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions

Contributions of donated non-monetary assets (in-kind donations) are recorded at their fair values in the period received Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donated services, are recorded at their fair market values in the period received For the years ended June 30, 2013 and 2012, the Organization received the benefit of approximately 1,000 and 1,040 hours of service from volunteers, respectively This support has not been recorded in the accompanying financial statements as it does not meet recognition criteria

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EHR Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH) These provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology Eligibility for annual Medicaid incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period Initial Medicaid payments are available to providers that adopt, implement, or upgrade certified EHR technology Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments The Organization records EHR incentive revenue when it has met the meaningful use objectives for the required reporting period The EHR reporting period for the Organization is based on the federal fiscal year, which runs October 1 through September 30

Advertising

Advertising costs are expensed as incurred For the years ended June 30, 2013 and 2012, advertising costs were approximately $18,000 and $31,000, respectively

Functional Allocation of Expenses

The costs of providing the Organization's programs have been summarized in the statements of functional expenses Costs paid directly for management services and certain professional fees have been allocated to the management and general functional category

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2)

The Organization recognizes uncertain tax positions in the financial statements when it is more likely-than-not the positions will not be sustained upon examination by the tax authorities As of June 30, 2013 and 2012, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

The Organization's federal and state exempt returns are no longer subject to examination by the Internal Revenue Service and the State of Arizona for fiscal years prior to June 30, 2010 and 2009, respectively, generally three to four years after they were filed

The Organization recognizes interest and penalties associated with income taxes in operating expenses During the years ended June 30, 2013 and 2012, the Organization did not have any income tax related interest and penalty expense

Management's Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures Accordingly, actual results could differ from those estimates Total revenue is a material estimate that is particularly susceptible to significant change due to the possibility of retroactive adjustments, as is common in the healthcare industry

Date of Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 3, 2014, the date the financial statements were available to be issued

Reclassification

Certain reclassifications have been made to the 2012 financial statement presentation to correspond to the current year's format Net assets and changes in net assets are unchanged due to these reclassifications

NOTE 2 CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Organization to potential concentrations of credit risk consist principally of cash and receivables

The Organization maintains its cash in bank accounts, which at times may exceed federally insured limits The Organization's main operating account is swept daily and the available balance is invested in overnight deposits in commercial paper This is a pooled account that consists of funds from the Organization, Hacienda, Inc , and Hacienda Skilled Nursing Facility, Inc (see Note 3) The bank balances of all three of these related affiliates are swept into this pooled account Amounts in this account are not insured by the Federal Deposit Insurance Corporation or any other governmental or regulatory entity The total balance in this sweep account as of June 30, 2013 and 2012 was $7,285,117 and $6,008,063, respectively

The Organization also maintains cash in accounts with stock brokerage firms The accounts contain cash and securities Balances are insured up to $500,000 (with a limit of $100,000 for cash) by the Securities Investor Protection Corporation (SIPC) Balances over $500,000 are insured by the brokerage firms

The accounts receivable balance at June 30, 2013 includes approximately $591,000 from three payer sources, which represents 39% of the net accounts receivable balance The accounts receivable balance at June 30, 2012 includes approximately $825,000 from three payer sources, which represents 58% of the net accounts receivable balance Concentrations of credit risk with respect to receivables are limited due to the nature of the receivables and the collection history of these types of accounts and payer sources The Organization requires no collateral on its receivables

NOTE 3 SHARED CASH ACCOUNTS

The Organization, Hacienda and SNF deposit their funds into a pooled cash sweep account All excess cash from these entities is consolidated into the sweep account on a daily basis Any shortages in cash in these entities are also covered by daily transfers from the sweep account As of the year ended June 30, 2013, as well as in years prior, the balance of the account has been allocated to the Organization Any transfers from these shared accounts to Hacienda and SNF are included as advances due from affiliates on the accompanying statements of financial position

NOTE 4 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following is a summary of the fair value of investments at June 30

	2013			
	Level 1	Level 2	Level 3	Total
Equity securities	$ 8,790,704	$ -	$ -	$ 8,790,704
Mutual funds	2,017,439	-	-	2,017,439
Bonds	1,761,466	-	-	1,761,466
Bond funds	1,706,959	-	-	1,706,959
Precious metal funds	444,672	-	-	444,672
	$ 14,721,240	$ -	$ -	$14,721,240

	2012			
	Level 1	Level 2	Level 3	Total
Equity securities	$ 5,252,994	$ -	$ -	$ 5,252,994
Bond funds	7,463,595	-	-	7,463,595
Government and agency securities	1,106,747	-	-	1,106,747
Precious metal fund	755,755	-	-	755,755
Exchange traded funds (ETF)	532,114	-	-	532,114
Foreign currencies	80,194	-	-	80,194
ACF	-	136,407	-	136,407
	$ 15,191,399	$ 136,407	$ -	$15,327,806

Investments with readily determinable fair values are measured at fair value in the statements of financial position as determined by quoted market prices in active markets The Organization also held investments with the Arizona Community Foundation (ACF) These investments were valued based on observable inputs, which include the fair value of the underlying assets held by ACF and the Organization's percentage interest in ACF's investments (Level 2)

NOTE 4 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Investment return consists of the following at June 30

	2013	2012
Interest and dividends	$ 47,243	$ 387,172
Net unrealized gain (loss) on investments	369,301	(636,004)
Net realized gain on investments	492,353	297,422
	$ 908,897	$ 48,590

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30

	2013	2012
Land	$ 795,024	$ 795,024
Building improvements	290,478	267,630
Medical record software	743,448	313,148
Furniture and fixtures	80,029	80,029
Vehicles	201,526	201,526
Equipment	3,751,544	3,712,700
	5,862,049	5,370,057
Accumulated depreciation	(3,594,468)	(3,402,693)
	$ 2,267,581	$ 1,967,364

Depreciation expense amounted to $248,345 and $272,926 for the years ended June 30, 2013 and 2012, respectively

NOTE 6 CAPITAL LEASE

The Organization leases equipment under two capital lease obligations with SMHS, a related affiliate, which expire through July 2015 The monthly payments on these leases total approximately $11,370 The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum future lease payments or the fair value of the assets Amortization expense under these capital leases is included in depreciation expense

The following is a summary of property held under capital leases at June 30

	2013	2012
Equipment	$ 183,398	$ 183,398
Accumulated depreciation	(76,968)	(53,065)
	$ 106,430	$ 130,333

Future minimum annual lease payments under these leases having remaining terms in excess of one year are as follows

Year Ending June 30,	
2014	$ 36,678
2015	31,644
2016	2,091
	70,413
Amount representing interest	(2,674)
	67,739
Less current portion	(33,662)
	$ 34,077

NOTE 7 OVERPAYMENTS FROM PAYER SOURCES

Included in accounts payable on the accompanying statements of financial position at June 30, 2013 and 2012, is $122,565 and $127,881, respectively, in overpayments from various payer sources These amounts are a result of overpayments made to the Organization from these payer sources for patient services provided The majority of these amounts are expected be recouped by the respective payer sources from future patient services provided

In accordance with the Organization's revenue recognition policy, during the years ended June 30, 2013 and 2012 the Organization recognized $130,812 and $778,297, respectively, in revenue as a result of overpayments received from payer sources more than one year from the dates of the overpayments and is included on the accompanying statements of activities

NOTE 8 EHR INCENTIVE PAYMENTS

During the year ended June 30, 2013, the Organization attested to the Year 2 requirement of 90 consecutive days of meaningful use and therefore has recognized $1,409,960 in EHR incentive payments as income This amount is included in EHR receivable on the accompanying statements of financial position as of June 30, 2013 During the year ended June 30, 2012, the Organization adopted and began implementation of the EHR technology which under the Medicaid incentive payment program is the Year 1 requirement to receive payment As a result, during the year ended June 30, 2012 the Organization recognized $1,879,947 in EHR incentive payment income

NOTE 9 DISPROPORTIONATE SHARE HOSPITAL PAYMENT

Disproportionate Share Hospital (DSH) income is calculated by the Arizona Health Care Cost Containment System (AHCCCS) to compensate Arizona hospitals for costs relating to Medicaid shortfalls DSH payments to the Organization are calculated using data from two years prior During the year ended June 30, 2013 the Organization received $760,204 in DSH income During the year ended June 30, 2012, the Organization was required to return a DSH payment that had originally been received during the year ended June 30, 2008 The DSH payment received during the year ended June 30, 2008 was based on a calculation using data from the Medicaid cost reports for the year ended June 30, 2006 During 2012, the State audited DSH payments distributed in 2008 and, based on actual data from the June 30, 2008 Medicaid cost reports, determined that the Organization had not qualified for the 2008 DSH payment The total DSH payment returned back to the State of Arizona during the year ended June 30, 2012 amounted to $563,100

NOTE 10 CONCENTRATIONS

During the years ended June 30, 2013 and 2012, approximately 19% and 29%, respectively, of total revenue was derived from several contracts with the managed care division of the Division of Developmental Disabilities (DDD) for providing durable medical equipment services (home ventilator and enteral feeding) and for services provided by the Organization's programs The contract is in effect until September 30, 2014 The Organization expects the renewal of contract terms into the foreseeable future

Revenue from Mercy Care was approximately 30% and 22% of total revenue during the years ended June 30, 2013 and 2012, respectively The Organization expects continued renewals of their contract with Mercy Care into the foreseeable future

NOTE 11 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30

	2013	2012
Equipment - cribs	$ 2,359	$ 2,359
East Valley hospital	200,000	-
	$ 202,359	$ 2,359

NOTE 12 OPERATING LEASE COMMITMENTS

The Organization leases its facilities and certain equipment under various non-cancelable leases, which expire at various times through August 2015 with monthly lease payments totaling approximately $29,000

Future minimum annual lease payments under these leases are as follows

Year Ending June 30,	
2014	$ 278,000
2015	153,000
2016	2,000
	$ 433,000

NOTE 12 OPERATING LEASE COMMITMENTS (Continued)

Rental expense on these leases totaled approximately $198,000 and $558,000 for the years ended June 30, 2013 and 2012, respectively, which is included in equipment expense and rental expense on the accompanying statements of functional expenses

NOTE 13 RETIREMENT PLAN

The Organization has a qualified 403(b) plan covering substantially all full-time eligible employees Participating employees' contributions to the Plan are fully vested Employer matching contributions are at the discretion of management of at least 1% and not more than 4% of the employee's contribution Employer matching contributions are vested by a percentage each year and are fully vested after six years of service Plan expense for the years ended June 30, 2013 and 2012 was $121,500 and $114,200, respectively

NOTE 14 RELATED PARTY TRANSACTIONS

The Organization is related by common board members and common management to Hacienda and SNF and by common management to CAF and SMHS During the years ended June 30, 2013 and 2012, the Organization had the following transactions with these affiliates

The Organization receives management services from Hacienda The management agreement provides for defined monthly fees Management fees of approximately $636,000 were either paid or accrued by the Organization to Hacienda during each of the years ended June 30, 2013 and 2012

The Organization provides nursing registry services and therapy services to Hacienda and SNF Total services provided to Hacienda amounted to approximately $15,800 and $20,100 during the years ended June 30, 2013 and 2012, respectively Total services provided to SNF amounted to approximately $496,600 and $389,000 during the years ended June 30, 2013 and 2012, respectively

The transactions noted above between the Organization, Hacienda and SNF are included in the due from affiliates account on the accompanying statements of financial position Also included in the due from affiliates balance are any transfers to and from the pooled cash account (Note 3) The balance in the due from affiliates account is unsecured, no interest is accrued and there are no specific repayment terms

NOTE 14 RELATED PARTY TRANSACTIONS (Continued)

Net amounts advanced to and from related affiliates are as follows for the years ended June 30

	2013	2012
Balance, beginning of year	$ 4,278,024	$ 5,575,859
Management fees accrued	(636,000)	(636,000)
Registry and therapy fees charged to affiliates	512,417	409,432
Net other affiliate transactions	1,796,259	(1,071,267)
	$ 5,950,700	$ 4,278,024

The Organization guarantees a $2,000,000 line of credit held by Hacienda, along with SNF and Hacienda HealthCare There was no outstanding balance on this line of credit as of June 30, 2013 There was a balance of $1,100,000 outstanding on this line of credit as of June 30, 2012

The Organization guarantees a $6,000,000 loan, held by SNF, along with Hacienda and Hacienda Healthcare The loan is collateralized by the SNF facility and was due in full September 2013 The Organization would be obligated to perform under this guarantee if SNF failed to pay principal and interest payments to the lender when due This loan is cross-collateralized by the assets owned by the Organization Subsequent to year end, SNF has paid this loan in full

During the years ended June 30, 2013 and 2012, the Organization purchased supplies from SMHS totaling approximately $989,000 and $1,039,000, respectively

The Organization had a payable balance as of June 30, 2013 and 2012 due to SMHS for supplies purchased in the amount of approximately $150,000 and $183,000, respectively These balances are included in accounts payable on the accompanying statements of financial position and represent approximately 42% and 26% of accounts payable at June 30, 2013 and 2012, respectively

During each of the years ended June 30, 2013 and 2012, the Organization had outstanding agreements to lease equipment from SMHS (See Note 6) The Organization paid $33,622 and $36,679 to SMHS for lease payments during the years ended June 30, 2013 and 2012, respectively

NOTE 15 CONTINGENCIES

In the ordinary course of conducting its business, the Organization has the potential to be subject to claims, legal actions, contractual and government reviews or other proceedings In the opinion of management, neither the financial position nor results of operations of the Organization would be materially affected by the outcome of any of these potential matters

NOTE 16 RESTATEMENT

During the year ended June 30, 2013 management discovered that the EHR incentive payment received in the year ended June 30, 2012 was incorrectly recorded as deferred revenue Management determined that they had met the Year 1 Medicaid requirement of adopting an EHR technology system and they should have recognized the EHR payment received as income during the year ended June 30, 2012 As a result of this discovery, the Organization restated the June 30, 2012 financial statements to properly reflect the EHR incentive payment in the amount of $1,879,947 as income in the proper period

The effects of this restatement on the accompanying financial statements for the year ended June 30, 2012 are as follows

	As previously reported	Restated	Difference
Deferred revenue	$ 1,879,947	$ -	$ (1,879,947)
EHR incentive payments	$ -	$ 1,879,947	$ 1,879,947
Change in net assets	$ 2,453,819	$ 4,333,766	$ 1,879,947
Net assets at June 30, 2012	$ 27,712,172	$ 29,592,119	$ 1,879,947