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Part III

Statement of Program Service Accomplishments

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

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1

Briefly describe the organization’s mission

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

2

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

☐ Yes ☒ No

If “Yes,” describe these new services on Schedule 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 \$ 88,424,308 including grants of \$) (Revenue \$ 89,548,157)

EL PASO CHILDREN'S HOSPITAL IS THE ONLY SEPARATELY LICENSED, NON-TAXING, INDEPENDENT, 501(C)(3) NOT-FOR-PROFIT CHILDRENS' HOSPITAL IN THE EL PASO, TEXAS REGION AND THE ONLY DEDICATED PEDIATRIC HOSPITAL WITHIN A 200-MILE RADIUS THE HOSPITAL PROVIDES PEDIATRIC INPATIENT, OUTPATIENT AND EMERGENCY CARE SERVICES TO CHILDREN FROM BIRTH THROUGH ADOLESCENCE IT RECEIVED THE JOINT COMMISSION ACCREDITATION ON MARCH 9, 2012, ITS MEDICAID PROVIDER NUMBER IN JUNE, 2012, AND OPENED FEBRUARY 14, 2012 THROUGH THE HOSPITAL'S AFFILIATION WITH TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER, THE HOSPITAL CONDUCTS PEDIATRIC RESEARCH AND EDUCATION, AND SERVES AS A TEACHING HOSPITAL FOR THE TEXAS TECH RESIDENCY PROGRAM THE HOSPITAL HAS FOUR FULL-TIME TEXAS MEDICAID HEALTHCARE PARTNERSHIP (TMHP) PERSONNEL LOCATED IN THE BUILDING TO ENSURE THAT EVERY ELIGIBLE PATIENT IS ENROLLED CHIP-TEXAS IS SPECIFICALLY LEGISLATED TO PROVIDE MEDICAID-LIKE COVERAGE TO CHILDREN EVEN IF THEIR PARENTS DO NOT QUALIFY AS A RESULT, THE FEDERALLY DEFINED AND REPORTED 1.8% OF TOTAL EXPENSE ON SCHEDULE H ON FORM 990 FOR TEXAS-BASED PEDIATRIC HOSPITALS IS GENERALLY LOW THIS INDICATES THAT THE LARGE MARJORITY OF CHILDREN CAN BE ENROLLED IN SOME TYPE OF GOVERNMENT PROGRAM AS A RESULT, ONLY A VERY FEW CASES REMAIN IN THE TRADITIONAL CATEGORY OF "CHARITY" THOSE PATIENTS REMAINING IN A "CHARITY" CLASSIFICATION ARE PROVIDED FREE OR REDUCED CHARGES PER WRITTEN EL PASO CHILDREN'S HOSPITAL POLICY MORE CHARITY CARE INFORMATION IS AVAILABLE ON PAGE 18 OF THE ORGANIZATION'S AUDITED FINANCIAL STATEMENTS, ATTACHED

4b

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

4c

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

4d

Other program services (Describe in Schedule O)


















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

4e

Total program service expenses 88,424,308

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	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	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e	No
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	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? <i>If "Yes," complete Schedule I, Parts I and II</i>	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? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a		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? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		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? <i>If "Yes," complete Schedule R, Part VI</i> . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

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		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	77	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	650
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	11	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	11	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input checked="" type="checkbox"/> Own website <input checked="" type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input checked="" type="checkbox"/> 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 CHRISTOPHER BARELA 4845 ALAMEDA EL PASO, TX (915) 242-8602	

Part VII

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

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

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

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation 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) LAWRENCE G DUNCAN CHIEF EXECUTIVE OFFICER	60 00	X		X				387,754	0	25,999
(2) SAM LEGATE CHAIRPERSON	1 00	X						0	0	0
(3) JOHN GUGGEDAHL MD VICE-CHAIR	1 00	X						0	0	0
(4) SADHANA CHHEDA MD SECRETARY	1 00	X						0	0	0
(5) CLARENCE ANSLEY BOARD MEMBER	1 00	X						0	0	0
(6) THOMAS A SPIECZNY BOARD MEMBER	1 00	X						0	0	0
(7) MARY LOU CAMARENA BOARD MEMBER	1 00	X						0	0	0
(8) ROSEMARY CASTILLO BOARD MEMBER	1 00	X						0	0	0
(9) KRISTEN COX BOARD MEMBER	1 00	X						0	0	0
(10) HECTOR ALMEIDA BOARD MEMBER	1 00	X						0	0	0
(11) CHRIS KLEBERG BOARD MEMBER	1 00	X						0	0	0
(12) JILL VOGEL CHIEF LEGAL OFFICER	40 00	X						102,858	0	12,013
(13) DEBBIE CHASCO DIRECTOR, NURSING ADMIN	40 00	X						104,167	0	11,583
(14) KRISTA RATLIFF DIRECTOR, CARDIO/RADIO/PT ACCESS	40 00	X						91,775	0	5,121
(15) ELISA GARCIA DIRECTOR, PEDIATRICS/HEMATOLOGY/ONCOLOGY	40 00	X						96,921	0	1,570
(16) CHRISTOPHER BARELA CONTROLLER	40 00	X						78,156	0	7,655
(17) ANA MARIA HERNANDEZ DIRECTOR, FAMILY SUPPORT SERVICES	40 00	X						69,949	0	15,203

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			
(18) JANE SANCHEZ DIRECTOR, LABORATORY	40 00	X						62,225	0	7,788
(19) PAUL OCON CHIEF NURSING OFFICER	40 00					X		181,510	0	14,871
(20) DAVID MIER CHIEF FINANCIAL OFFICER	40 00					X		170,244	0	13,321
(21) ELIAS ARMENDARIZ VICE PRESIDENT OF OPERATIONS	40 00					X		141,016	0	11,079
(22) ANDREW TEN EICK DIRECTOR, PHARMACY	40 00					X		132,007	0	10,189

1b	Sub-Total	▶			
c	Total from continuation sheets to Part VII, Section A	▶			
d	Total (add lines 1b and 1c)	▶	1,618,582	0	136,392

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▶7

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
TEXAS TECH UNIVERSITY HEALTH SCIENCE CEN 4800 ALBERTA EL PASO TX 79905	PHYSICIAN SERVICES	6,628,857
WESTERN RESERVE LIFE INSURANCE COMPANY C 190 US ROUTE ONE PMB 365 FALMOUTH ME 04105	INSURANCE	1,166,417
QUESTCARE MEDICAL SERVICES PA 12221 MERIT DR STE 1610 DALLAS TX TX 75251	CONTRACT LABOR - ED PHYSICIANS	977,675
QUEST DIAGNOSTICS NICHOLS INSTITUTE 12436 COLLECTION CENTER DR CHICAGO IL 60693	LABORATORY SERVICES	743,899
BLOOD SYSTEMS INC PO BOX 53022 PHOENIX AZ 85072	BLOOD SERVICES	627,786

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 ▶12

Part VIII

Statement of Revenue

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

				(A)	(B)	(C)	(D)	
				Total revenue	Related or exempt function revenue	Unrelated business revenue	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	235,683				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	746,246				
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f			981,929			
Program Service Revenue	2a	PATIENT CARE	Business Code					
			621500	89,548,157	89,548,157			
	b							
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f			89,548,157			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		4,862			4,862	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				
	b	Less rental expenses						
	c	Rental income or (loss)						
	d	Net rental income or (loss)						
	7a	(i) Securities		(ii) Other				
	b	Less cost or other basis and sales expenses						
	c	Gain or (loss)						
	d	Net gain or (loss)						
	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								
b								
c								
d	All other revenue							
e	Total. Add lines 11a-11d							
12	Total revenue. See Instructions			90,534,948	89,548,157	0	4,862	

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.	28,311,233	24,244,200	4,067,033	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	1,281,636	1,049,328	232,308	
9	Other employee benefits.	2,681,827	2,681,827		
10	Payroll taxes.	2,072,031	1,774,375	297,656	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	112,441		112,441	
c	Accounting.				
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).	12,072,265	12,072,265		
12	Advertising and promotion.	97,927		97,927	
13	Office expenses.	1,663		1,663	
14	Information technology.				
15	Royalties.				
16	Occupancy.	15,137,162	11,632,620	3,504,542	
17	Travel.				
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	35,974		35,974	
20	Interest.	2,119,243		2,119,243	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	607,403		607,403	
23	Insurance.	389,662		389,662	
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	PURCHASED SERVICES	21,437,808	19,792,137	1,645,671	
b	MEDICAL/SURGICAL SUPPLI	8,974,600	8,974,600		
c	BAD DEBTS	4,734,345	4,734,345		
d	UTILITIES	987,244		987,244	
e	All other expenses	2,769,003	1,468,611	1,300,392	
25	Total functional expenses. Add lines 1 through 24e.	103,823,467	88,424,308	15,399,159	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 <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			3,235,320	1	1,895,353
	2	Savings and temporary cash investments				2	
	3	Pledges and grants receivable, net			65,965	3	38,520
	4	Accounts receivable, net			23,325,120	4	21,179,168
	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			1,721,795	8	1,650,880
	9	Prepaid expenses and deferred charges			128,261	9	202,518
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	4,482,119	3,580,897	10c	3,693,995
	b	Less accumulated depreciation	10b	788,124			
	11	Investments—publicly traded securities				11	
	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				15	
	16	Total assets. Add lines 1 through 15 (must equal line 34)			32,057,358	16	28,660,434
Liabilities	17	Accounts payable and accrued expenses			55,000,672	17	64,044,147
	18	Grants payable				18	
	19	Deferred revenue				19	848,120
	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				25	
	26	Total liabilities. Add lines 17 through 25			55,000,672	26	64,892,267
	Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
27		Unrestricted net assets				27	
28		Temporarily restricted net assets				28	
29		Permanently restricted net assets				29	
Organizations that do not follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 30 through 34.							
30		Capital stock or trust principal, or current funds			0	30	0
31		Paid-in or capital surplus, or land, building or equipment fund			0	31	0
32		Retained earnings, endowment, accumulated income, or other funds			-22,943,314	32	-36,231,833
33		Total net assets or fund balances			-22,943,314	33	-36,231,833
34		Total liabilities and net assets/fund balances			32,057,358	34	28,660,434

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	90,534,948
2	Total expenses (must equal Part IX, column (A), line 25)	2	103,823,467
3	Revenue less expenses Subtract line 2 from line 1	3	-13,288,519
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	-22,943,314
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	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	-36,231,833

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

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

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

Department of the Treasury
Internal Revenue Service

Name of the organization
EL PASO CHILDREN'S HOSPITAL CORPORATION

Employer identification number
26-3075429

Part I

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

An organization that normally receives (1) more than 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

Part IIISupport Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

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

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

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
EL PASO CHILDREN'S HOSPITAL CORPORATION

Employer identification number
26-3075429

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ Yes☐ No

6

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

7

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

8

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

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2012

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

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

☐

Part V

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance				
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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings				
c Leasehold improvements		466,072	51,786	414,286
d Equipment		4,016,047	736,338	3,279,709
e Other				
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				3,693,995

Schedule D (Form 990) 2012

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

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

Part XIII Supplemental Information
--

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	FIN 48 DISCLOSURE REFLECTED IN ENTITY'S CONSOLIDATED FINANCIAL STATEMENTS. THE HOSPITAL RECOGNIZES THE TAX BENEFIT FROM UNCERTAIN TAX POSITIONS ONLY IF IT IS MORE LIKELY THAN NOT THAT THE TAX POSITIONS WILL BE SUSTAINED ON EXAMINATION BY THE TAX AUTHORITIES, BASED ON THE TECHNICAL MERITS OF THE POSITION. THE TAX BENEFIT IS MEASURED BASED ON THE LARGEST BENEFIT THAT HAS A GREATER THAN 50% LIKELIHOOD OF BEING REALIZED UPON ULTIMATE SETTLEMENT. THE HOSPITAL HAD NO UNRECOGNIZED TAX BENEFITS AT SEPTEMBER 30, 2013 AND 2012. THE HOSPITAL FILES EXEMPT ORGANIZATION RETURNS AND APPLICABLE UNRELATED BUSINESS INCOME TAX RETURNS IN THE U.S. FEDERAL JURISDICTION AND TEXAS DEPARTMENT OF REVENUE. THE HOSPITAL IS NO LONGER SUBJECT TO INCOME TAX EXAMINATIONS BY TAXING AUTHORITIES FOR YEARS BEFORE FISCAL YEAR 2008 FOR ITS FEDERAL AND STATE FILINGS.

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
EL PASO CHILDREN'S HOSPITAL CORPORATION

Employer identification number
26-3075429

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 <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ % b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care <input checked="" type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ % 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	3a	Yes	
		3b	Yes	
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a		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)			1,357,000		1,357,000	1 370 %
b Medicaid (from Worksheet 3, column a)			20,881,615	20,455,097	426,518	0 430 %
c Costs of other means-tested government programs (from Worksheet 3, column b) .						
d Total Financial Assistance and Means-Tested Government Programs .			22,238,615	20,455,097	1,783,518	1 800 %
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 .			22,238,615	20,455,097	1,783,518	1 800 %

Part II

Community Building Activities

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

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

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

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

4,734,345

3

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

3

2,811,013

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

119,998

6

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

6

119,998

7

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

7

8

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

Section C. Collection Practices

9a

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

9a

Yes

9b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

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

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

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
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	EL PASO CHILDREN'S HOSPITAL 4845 ALAMEDA AVE EL PASO, TX 79905	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)

EL PASO CHILDREN'S HOSPITAL

Name of hospital facility or facility reporting group

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

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 If "Yes," indicate what the CHNA report describes (check all that apply)	1	No
a	<input type="checkbox"/> A definition of the community served by the hospital facility		
b	<input type="checkbox"/> Demographics of the community		
c	<input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input type="checkbox"/> How data was obtained		
e	<input type="checkbox"/> The health needs of the community		
f	<input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a 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? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
a	<input type="checkbox"/> Hospital facility's website		
b	<input type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input type="checkbox"/> Prioritization of health needs in its community		
h	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted 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 <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a <input checked="" type="checkbox"/> Income level			
b <input type="checkbox"/> Asset level			
c <input checked="" type="checkbox"/> Medical indigency			
d <input checked="" type="checkbox"/> Insurance status			
e <input type="checkbox"/> Uninsured discount			
f <input checked="" type="checkbox"/> Medicaid/Medicare			
g <input type="checkbox"/> State regulation			
h <input type="checkbox"/> Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13	Yes
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
a <input type="checkbox"/> The policy was posted on the hospital facility's website			
b <input type="checkbox"/> The policy was attached to billing invoices			
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
f <input checked="" type="checkbox"/> The policy was available upon request			
g <input type="checkbox"/> Other (describe in Part VI)			
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 <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			
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? If "Yes," check all actions in which the hospital facility or a third party engaged		17	No
a <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

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

☐

Notified individuals of the financial assistance policy on admission
- b

☐

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

☐

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

☐

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> 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	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input checked="" type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

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

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

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 I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 4734345
		PART III, LINE 4 THE HOSPITALS ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR SELF-PAY PATIENTS WAS 93% AND 99% OF SELF-PAY ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2013 AND 2012, RESPECTIVELY DURING THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012, THE HOSPITAL WROTE OFF \$4,054,000 AND \$960,000 SELF-PAY RECEIVABLES, AND DID NOT CHANGE ITS CHARITY CARE OR UNINSURED DISCOUNT POLICIES THE HOSPITAL DOES NOT MAINTAIN A MATERIAL ALLOWANCE FOR DOUBTFUL ACCOUNTS FROM THIRD-PARTY PAYORS, NOR DID IT HAVE SIGNIFICANT WRITEOFFS FROM THIRD-PARTY PAYORS

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

Schedule 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
EL PASO CHILDREN'S HOSPITAL CORPORATION

Employer identification number
26-3075429

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. <div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>			
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. <div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div>			
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		No
c	Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.	4c		No
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:			
a	The organization?	5a		No
b	Any related organization? If "Yes," to line 5a or 5b, describe in Part III	5b		No
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:			
a	The organization?	6a		No
b	Any related organization? If "Yes," to line 6a or 6b, describe in Part III	6b		No
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1)LAWRENCE G DUNCAN CHIEF EXECUTIVE OFFICER	(i)	312,280	58,365	17,109	20,500	5,499	413,753	0
	(ii)	0	0	0	0	0	0	0
(2)PAUL OCON CHIEF NURSING OFFICER	(i)	154,860	15,182	11,468	11,811	3,060	196,381	0
	(ii)	0	0	0	0	0	0	0
(3)DAVID MIER CHIEF FINANCIAL OFFICER	(i)	150,547	8,404	11,293	8,357	4,964	183,565	0
	(ii)	0	0	0	0	0	0	0
(4)ELIAS ARMENDARIZ VICE PRESIDENT OF OPERATIONS	(i)	120,665	9,946	10,405	8,154	2,925	152,095	0
	(ii)	0	0	0	0	0	0	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
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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 EL PASO CHILDREN'S HOSPITAL CORPORATION	Employer identification number 26-3075429
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Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	
	FORM 990, PART VI, SECTION B, LINE 12C	EPCH LEADERS AND MEMBERS OF THE MEDICAL STAFF SIGN A CONFLICT OF INTEREST CERTIFICATION AND ACKNOWLEDGEMENT OF CONFLICT OF INTEREST POLICY (ATTACHMENT 1) ANNUALLY, CERTIFYING THAT THEY RECEIVED, READ, AND UNDERSTOOD THIS CONFLICT OF INTEREST POLICY AND AGREE TO COMPLY WITH IT. EPCH LEADERS OBTAIN THE CERTIFICATION FORM FROM THE COMPLIANCE OFFICE ANNUALLY, AND THE COMPLIANCE OFFICER PROVIDES NOTIFICATION TO EPCH LEADERS TO COMPLETE THE FORM. IT IS THE RESPONSIBILITY OF EPCH LEADERS TO RETURN THE SIGNED FORM TO THE COMPLIANCE OFFICE NO LATER THAN THE SEVENTH (7TH) BUSINESS DAY UPON NOTIFICATION FROM THE COMPLIANCE OFFICER AS STATED ABOVE. FAILURE TO RETURN THE FORM TO THE COMPLIANCE OFFICE SHALL CAUSE THE EPCH LEADER TO BE IN VIOLATION OF THIS POLICY. MEMBERS OF THE MEDICAL STAFF OBTAIN THE CERTIFICATION FORM FROM MEDICAL STAFF SERVICES AT THE TIME OF INITIAL CREDENTIALING AND RE-CREDENTIALING. IT IS THE MEDICAL STAFF MEMBERS' RESPONSIBILITY TO RETURN THE SIGNED FORM TO MEDICAL STAFF SERVICES IN A TIMELY MANNER. MEDICAL STAFF MEMBERS WILL NOT BE (RE) CREDENTIALLED IN THE ABSENCE OF A SIGNED CONFLICT OF INTEREST CERTIFICATION AND ACKNOWLEDGEMENT OF CONFLICT OF INTEREST POLICY. EACH TIME A PROCUREMENT PROCESS IS INITIATED AND A COMMITTEE IS INVOLVED IN MAKING A DECISION OR RECOMMENDATION ON A BUSINESS RELATIONSHIP, A CONFLICT OF INTEREST CERTIFICATION STATEMENT MUST BE COMPLETED BY THOSE COMMITTEE MEMBERS WHO HAVE NOT PREVIOUSLY COMPLETED THE ANNUAL CERTIFICATION. THE COMPLIANCE OFFICE MAINTAINS THE FILE OF THE ANNUAL CERTIFICATION FORMS. IN CONNECTION WITH ANY ACTUAL OR POSSIBLE CONFLICTS OF INTEREST, AN INTERESTED PERSON MUST DISCLOSE THE EXISTENCE OF, AND ALL MATERIAL FACTS CONCERNING HIS OR HER FINANCIAL/PERSONAL INTEREST TO THE COMPLIANCE OFFICER WITHIN SEVEN (7) BUSINESS DAYS OF IDENTIFYING THE ACTUAL OR POTENTIAL CONFLICT. SUCH DISCLOSURE WILL BE MADE IN WRITING BY SUBMITTING A HOSPITAL CONFLICT OF INTEREST CERTIFICATION AND ACKNOWLEDGEMENT OF CONFLICT OF INTEREST POLICY FORM. OUTSIDE INTERESTS SHALL BE DISCLOSED AS A POTENTIAL CONFLICT OF INTEREST WHEN EPCH LEADERS RECEIVE MONIES FOR DUTIES PERFORMED AT ENTITIES WITH THE SAME OR SIMILAR SERVICE OFFERED AND IN A GEOGRAPHIC LOCATION SERVING THE SAME COMMUNITY. THE COMPLIANCE OFFICER REVIEWS WITH THE CEO AND GENERAL COUNSEL ANY CONFLICT OF INTEREST CERTIFICATION FORMS THAT IDENTIFY POTENTIAL CONFLICTS. THE COMPLIANCE OFFICER MAY ASK THE INTERESTED PERSON TO DISCUSS THE PROPOSED TRANSACTION IN ORDER TO OBTAIN FURTHER DETAILS. THE COMPLIANCE OFFICER MAY, IF APPROPRIATE, APPOINT A DISINTERESTED PERSON OR COMMITTEE TO INVESTIGATE ALTERNATIVES TO ANY PROPOSED TRANSACTION OR ARRANGEMENT AND DETERMINE WHETHER THE HOSPITAL CAN OBTAIN A MORE ADVANTAGEOUS TRANSACTION OR ARRANGEMENT WITH REASONABLE EFFORTS FROM A PERSON OR ENTITY THAT WOULD NOT GIVE RISE TO A CONFLICT OF INTEREST. THE COMPLIANCE OFFICER PROVIDES QUARTERLY REPORTS TO THE BOARD OF DIRECTORS DETAILING CONFLICTS OF INTEREST AND HOW THEY WERE ADDRESSED. WITH RESPECT TO RESEARCH CONFLICTS OF INTEREST, EPCH REQUIRES THAT A RESEARCH INVESTIGATOR DISCLOSE TO EPCH OUTSIDE FINANCIAL INTERESTS ABOVE SPECIFIED THRESHOLDS WHEN RESEARCH WOULD LIKELY BE AFFECTED BY THOSE INTERESTS. EPCH THEN REVIEWS THE DISCLOSURES, DETERMINES WHETHER THERE IS A CONFLICT AND, IF SO, MANAGES, REDUCES, OR ELIMINATES IT, BEFORE ALLOWING PARTICIPATION IN THE PROPOSED RESEARCH PROJECT. UPON DISCOVERY OF A POTENTIAL CONFLICT OF INTEREST THAT HAS NOT BEEN DISCLOSED, THE EPCH LEADER/MEDICAL STAFF MEMBER IS NOTIFIED BY THE COMPLIANCE OFFICER AND AFFORDED THE OPPORTUNITY TO EXPLAIN THE ALLEGED FAILURE TO DISCLOSE. IF, AFTER REVIEWING THE RESPONSE AND MAKING SUCH FURTHER INVESTIGATION AS APPROPRIATE, THE COMPLIANCE OFFICER SHALL INFORM THE CEO OF THE DETERMINATION WHETHER THE EPCH LEADER/MEDICAL STAFF MEMBER FAILED TO DISCLOSE AN ACTUAL OR POTENTIAL CONFLICT OF INTEREST. ANY VIOLATIONS OF THIS POLICY MAY BE GROUNDS FOR DISCIPLINARY ACTION INCLUDING TERMINATION OF EMPLOYMENT OR HOSPITAL CREDENTIALS, AND FOR CIVIL OR CRIMINAL PROSECUTION.
	FORM 990, PART VI, SECTION B, LINE 15	EL PASO CHILDREN'S HOSPITAL DETERMINES COMPENSATION FOR ITS CEO AND OTHER OFFICERS AND KEY EMPLOYEES BY CONSIDERING SALARY RANGES, SALARY SURVEYS, AND MARKET ANALYSES FOR EACH POSITION. SPECIFICALLY, THE BOARD OF DIRECTORS' COMPENSATION COMMITTEE REVIEWS AND RECOMMENDS SALARIES FOR THE CEO, OTHER OFFICERS, AND KEY EMPLOYEES. THE BOARD OF DIRECTORS APPROVES SALARIES FOR THE CEO AND OTHER OFFICERS. THE CEO APPROVES SALARIES FOR KEY EMPLOYEES (DIRECTOR LEVEL AND BELOW).
	FORM 990, PART VI, SECTION C, LINE 19	PART VI, SECTION C, LINE 19 THE ORGANIZATION FURNISHES COPIES OF ITS GOVERNING DOCUMENTS, CONFLICTS OF INTEREST POLICY, FORM 990, AND/OR FINANCIAL STATEMENTS TO THE PUBLIC UPON REQUEST. ADDITIONALLY, FORMS 990 WILL BE PUBLISHED ON THE ORGANIZATION'S WEBSITE AND CAN BE FOUND ON ANOTHER'S WEBSITE, GUIDESTAR.COM.
OTHER FEES	FORM 990, PART IX, LINE 11G	PROFESSIONAL FEES 0 PROGRAM SERVICE EXPENSES 12,072,265 MANAGEMENT AND GENERAL EXPENSES 0 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 12,072,265

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
EL PASO CHILDREN'S HOSPITAL CORPORATION

Employer identification number
26-3075429

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	No
(1) EL PASO CHILDREN'S PHYSICIAN GROUP 4845 ALAMEDA EL PASO, TX 79905 45-5465061	PHYSICIAN SERVICE	TX	501(C)(3)	LINE 3	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) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

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

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

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

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

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

No

No

No

Yes

No

No

No

No

No

Yes

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) EL PASO CHILDREN'S PHYSICIAN GROUP	S	560,855	COST
(2) EL PASO CHILDREN'S PHYSICIAN GROUP	M	2,860,428	COST

Schedule R (Form 990) 2012

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

[illegible]

Software ID:
Software Version:
EIN: 26-3075429
Name: EL PASO CHILDREN'S HOSPITAL CORPORATION

Part VII Supplemental Information

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

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

El Paso Children's Hospital
and Affiliate

September 30, 2013 and 2012

MOSS ADAMS LLP

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REPORT OF INDEPENDENT AUDITORS

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

Report on Financial Statements

We have audited the accompanying consolidated financial statements of El Paso Children's Hospital and Affiliate (the "Hospital"), which comprise of the consolidated balance sheets, as of September 30, 2013 and 2012, and the related consolidated statements of operations and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of El Paso Children's Hospital and Affiliate as of September 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MOSS-ADAMS_{LLP}

Emphasis of Matter

The accompanying consolidated financial statements have been prepared assuming that the Hospital will continue as a going concern. As shown in the consolidated financial statements, the Hospital incurred a net operating loss of \$13,019,000 during the year ended September 30, 2013. As of that date, current liabilities exceeded current assets by \$39,651,000 and total liabilities exceeded total assets resulting in a net deficit of \$35,957,000. These factors, as well as the uncertain conditions that the Hospital faces regarding its loans and borrowings with UMC (as discussed in Notes 7 and 8), raise substantial doubt about the Hospital's ability to continue as a going concern. Management's plans regarding those matters are described in Note 3. The financial statements do not include any adjustments that might result from this uncertainty.

Moss Adams LLP

Albuquerque, New Mexico
February 20, 2014

EL PASO CHILDREN'S HOSPITAL AND AFFILIATE CONSOLIDATED BALANCE SHEETS

ASSETS		
	SEPTEMBER 30,	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,943,021	\$ 3,246,688
Patient accounts receivable, net of allowance for doubtful accounts of \$4,345,355 and \$7,457,786 in 2013 and 2012 , respectively	10,124,370	16,333,912
Other receivables	8,261,945	7,285,940
Inventories	1,650,880	1,721,795
Prepaid expenses	202,518	128,261
Total current assets	<u>22,182,734</u>	<u>28,716,596</u>
PROPERTY AND EQUIPMENT, net	3,693,995	3,580,897
Total assets	<u>\$ 25,876,729</u>	<u>\$ 32,297,493</u>
LIABILITIES AND DEFICIENCY IN NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,681,736	\$ 6,337,604
Accrued salaries and benefits	3,590,892	2,950,763
Other accrued liabilities	386,345	362,116
Estimated third-party payor settlements	848,120	1,383,920
Due to University Medical Center of El Paso ("UMC")	53,327,020	21,884,813
Notes payable to UMC, current portion	-	16,674,653
Total current liabilities	<u>61,834,113</u>	<u>49,593,869</u>
NOTES PAYABLE TO UMC, less current portion	-	5,646,937
Total liabilities	<u>61,834,113</u>	<u>55,240,806</u>
COMMITMENTS AND CONTINGENCIES (Note 13)		
DEFICIENCY IN NET ASSETS		
Unrestricted	(35,957,384)	(22,943,313)
Total deficiency in net assets	<u>(35,957,384)</u>	<u>(22,943,313)</u>
Total liabilities and deficiency in net assets	<u>\$ 25,876,729</u>	<u>\$ 32,297,493</u>

EL PASO CHILDREN'S HOSPITAL AND AFFILIATE

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED SEPTEMBER 30,	
	2013	2012
UNRESTRICTED OPERATING REVENUES		
Net patient service revenue, net of contractual allowances and discounts	\$ 89,547,525	\$ 44,992,726
Provision for doubtful accounts	(4,734,345)	(7,457,786)
Net patient service revenue, net of provision for doubtful accounts	84,813,180	37,534,940
Contributions in-kind	116,591	1,254,411
Other revenues	1,268,390	1,196,510
Total unrestricted operating revenues	86,198,161	39,985,861
UNRESTRICTED OPERATING EXPENSES		
Salaries and benefits	34,347,655	20,854,820
Purchased services	22,604,970	12,363,758
Lease and rent	15,137,162	9,454,047
Professional fees	12,072,265	5,146,862
Supplies and pharmaceuticals	10,792,960	7,008,059
Interest	2,119,243	1,056,273
Other operating expenses	1,535,436	1,022,347
Depreciation	607,403	180,721
Start-up costs	-	6,034,818
Total unrestricted operating expenses	99,217,094	63,121,705
Net operating loss	(13,018,933)	(23,135,844)
NONOPERATING INCOME		
Investment income	4,862	3,230
CHANGE IN NET ASSETS - UNRESTRICTED	(13,014,071)	(23,132,614)
NET ASSETS - UNRESTRICTED, beginning of period	(22,943,313)	189,301
DEFICIENCY IN NET ASSETS - UNRESTRICTED, end of period	\$ (35,957,384)	\$ (22,943,313)

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

	YEARS ENDED SEPTEMBER 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets - unrestricted	\$ (13,014,071)	\$ (23,132,614)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	607,403	180,721
Provisions for doubtful accounts	4,734,345	7,457,786
In-kind contributions	(624,900)	(2,322,313)
Changes in operating activities		
Patient accounts receivable	1,475,197	(23,791,698)
Other receivables	(976,005)	(7,285,940)
Inventories	70,915	(1,721,795)
Prepaid expenses	(74,257)	(128,261)
Accounts payable	(2,655,868)	6,337,148
Accrued salaries and benefits	640,129	2,950,649
Other accrued liabilities	24,229	324,571
Estimated third-party payor settlements	(535,800)	1,383,920
Due to University Medical Center of El Paso	31,442,207	21,884,621
Net cash provided by (used in) operating activities	<u>21,113,524</u>	<u>(17,863,205)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(95,601)</u>	<u>(1,273,627)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable to UMC	(22,321,590)	(4,950,000)
Borrowings on notes payable to UMC	-	27,271,590
Net cash (used in) provided by financing activities	<u>(22,321,590)</u>	<u>22,321,590</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,303,667)	3,184,758
CASH AND CASH EQUIVALENTS, beginning of period	<u>3,246,688</u>	<u>61,930</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 1,943,021</u>	<u>\$ 3,246,688</u>

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES

Property and equipment acquired through in-kind contributions	<u>\$ 624,900</u>	<u>\$ 2,322,313</u>
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EL PASO CHILDREN'S HOSPITAL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Description of Organization

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

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

Note 2 - Basis of Consolidated and Presentation

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

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

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

Note 3 - Going Concern

As reflected in the accompanying consolidated statements of operations, the Hospital incurred net operating losses during the years ended September 30, 2013 and 2012 of approximately \$13,019,000 and \$23,136,000, respectively. As of September 30, 2013 and 2012, current liabilities exceeded current assets by approximately \$39,651,000 and \$20,877,000, respectively. Total liabilities exceeded total assets resulting in a net deficit of approximately \$35,957,000 and \$22,943,000, respectively. During 2013, the Hospital fully repaid amounts due under the financing agreements with UMC as disclosed in Note 7 but was unable to repay all amounts due under the operating agreements as disclosed in Note 8.

These factors create uncertainty about the Hospital's ability to continue as a going concern. Management of the Hospital is in negotiations with UMC to extend or modify the repayment terms of the Hospital's obligations to UMC. In addition, management's plan for 2014 is to focus on increasing inpatient volumes and reducing costs, such that the hospital can generate operating profit in the near term. The ability of the Hospital to continue as a going concern is dependent on a mutually acceptable agreement with UMC, and improved operating results. The financial statements do not include any adjustments that might be necessary, if the Hospital is unable to continue as a going concern.

Note 4 - Summary of Significant Accounting Policies

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

Fiscal year - The Hospital has adopted a fiscal year ending September 30. All references to years herein refer to the respective fiscal year.

Fair value of financial instruments - The Hospital's consolidated balance sheets include the following financial instruments: cash and cash equivalents, accounts payable, accrued liabilities, and long-term obligations. The Hospital considers the carrying amounts of current assets and liabilities to approximate the fair value of these financial instruments and their expected realization. The carrying amount of long-term debt reflects approximate fair value, based on the current market rates of instruments with similar risks and maturities.

EL PASO CHILDREN'S HOSPITAL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 - Summary of Significant Accounting Policies (continued)

Cash and cash equivalents - The Hospital maintains cash and cash equivalent accounts at financial institutions which, at times, may exceed federally insured limits. The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. The Hospital has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk held at these financial institutions.

Patient accounts receivable and allowances - The Hospital reports patient accounts receivable for services rendered at net realizable amounts due from third-party payors, patients, and others. Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its collection information and existing economic conditions, identifies trends for each of its major payor sources of revenue, and percentages of accounts receivable aging categories to estimate the appropriate allowance for doubtful accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts, if necessary. For receivables associated with self-pay patients, the Hospital records a significant allowance for doubtful accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

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

The Hospital's allowance for doubtful accounts for self-pay patients was 93% and 99% of self-pay accounts receivable at September 30, 2013 and 2012, respectively. During the years ended September 30, 2013 and 2012, the Hospital wrote off \$4,054,000 and \$960,000 self-pay receivables, and did not change its charity care or uninsured discount policies. The Hospital does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

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

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

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

Note 4 - Summary of Significant Accounting Policies (continued)

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

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

The Hospital determines that an impairment write-down is necessary whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There were no impairment charges for the year ended September 30, 2013 and 2012.

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

Reclassifications - Certain prior-year amounts have been reclassified to conform to the current-year presentation.

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

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized during the years ended September 30, 2013 and 2012, is as follows:

	2013	2012
Medicaid	\$ 33,369,009	\$ 24,021,566
Third-party payors	48,176,626	6,726,935
Self pay	8,001,890	14,244,225
	<u>\$ 89,547,525</u>	<u>\$ 44,992,726</u>

EL PASO CHILDREN'S HOSPITAL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 - Summary of Significant Accounting Policies (continued)

Charity care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care provided. These records include the amount of direct and indirect costs for services and supplies furnished under its charity care policy. Direct and indirect costs for providing charity care are estimated by calculating a ratio of cost to gross charges and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients.

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

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

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

The Hospital recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Hospital had no unrecognized tax benefits at September 30, 2013 and 2012. The Hospital files exempt organization returns and applicable unrelated business income tax returns in the U.S. Federal jurisdiction and Texas Department of Revenue. The Hospital is no longer subject to income tax examinations by taxing authorities for years before fiscal year 2008 for its federal and state filings.

Advertising costs - Advertising costs are expensed as incurred.

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

Note 4 - Summary of Significant Accounting Policies (continued)

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

Subsequent events - Subsequent events are events or transactions that occur after the balance sheet date, but before financial statements are available to be issued. The Hospital recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Hospital's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date and before financial statements are available to be issued. The Hospital has evaluated subsequent events through February 20, 2014, which is the date the financial statements became available to be issued.

Recent accounting pronouncements - During 2012, the Hospital adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*, and FASB ASU 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*. In accordance with FASB ASU 2010-23, charity care has been disclosed in Note 11 at the cost of providing the related services for the years ended September 30, 2013 and 2012. FASB ASU 2010-24 requires the estimated liability on insurance claims, such as medical malpractice claims and workers compensation claims, to be separately recorded from the insurance recoveries. The Hospital had no such claims as all such claims are the responsibility of UMC and are a component of the services agreements described in Note 7. Thus, this recent pronouncement has no impact on the consolidated balance sheets as of September 30, 2013 and 2012. Further, the adoptions of FASB ASU 2010-23 and 2010-24 had no impact to the amounts reported in the consolidated statements of operations and cash flows.

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

EL PASO CHILDREN'S HOSPITAL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 - Net Patient Service Revenue

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

Medicaid - Non-Managed. Inpatient services rendered to Medicaid program beneficiaries that are not part of a managed care plan are paid at prospectively determined rates per discharge similar to those of the Medicare inpatient program. Medicaid outpatient beneficiaries are reimbursed using a mixture of cost-based and fee schedule methodologies. For outpatients, the Hospital is reimbursed for cost-based services at a preliminary rate, with the final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. Differences between estimated settlements, or final settlements, and amounts accrued in previous years are reported as adjustments to net patient service revenue in the year examination is substantially completed. For the years ended September 30, 2013 and 2012, there were no material differences recorded to the net patient service revenue in the consolidated statements of operations.

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

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

Revenue from the Medicaid programs accounted for approximately 37% and 38% of the Hospital's net patient service revenue for the years ended September 30, 2013 and 2012.

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

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

Note 6 - Property, Plant and Equipment

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

	2013	2012
Equipment	\$ 4,016,047	\$ 3,295,546
Leasehold improvements	466,072	466,072
	4,482,119	3,761,618
Accumulated depreciation and amortization	(788,124)	(180,721)
Property and equipment, net	<u>\$ 3,693,995</u>	<u>\$ 3,580,897</u>

Note 7 - Related Party Notes Payable to UMC

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

	2013	2012
Phase I Funding Loan	\$ -	\$ 6,332,603
Phase II Working Capital Loan	-	15,988,987
	-	22,321,590
Less current portion	-	(16,674,653)
Long-term debt, excluding current portion	<u>\$ -</u>	<u>\$ 5,646,937</u>

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

Phase I Funding Loan - Effective February 14, 2012, the Hospital entered into an agreement with UMC in the amount of \$6,332,603 to repay a portion of funds expended by UMC for the development of the Hospital. The note had an original maturity date of February 16, 2018 and bore interest at 4.8% per annum beginning February 14, 2012. The Hospital was not required to make payments within the first twelve months. Monthly installment payments of principal and interest began March 14, 2013 in the amount of \$124,633. The principal balance outstanding as of September 30, 2012 was approximately \$6,333,000, which excludes interest of approximately \$177,000, which is included in the Due to UMC liability in the accompanying consolidated balance sheet. The loan was paid in full during 2013.

EL PASO CHILDREN'S HOSPITAL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 - Related Party Notes Payable to UMC (continued)

Phase II Working Capital Loan - Effective February 10, 2012, the Hospital entered into an agreement with UMC to repay an additional portion of funds expended by UMC for the development of the Hospital. The terms of this agreement also allowed the Hospital to borrow funds for use as working capital in an amount not to exceed \$25,000,000. The note matured on July 1, 2013 and bore interest at 4.8% per annum. The Hospital was required to make two partial payments of \$6,000,000 on August 1, 2012 and September 1, 2012, with payments first applied to accrued interest and then to the principal balance. The remaining balance of principal and interest were payable in four monthly installments, beginning March 2013 through June 2013. During 2012, the Hospital made partial payments totaling \$4,950,000. At September 30, 2012, the Hospital was in default of the agreement for failure to pay the full amounts due at August 1, 2012 and September 1, 2012. The principal amount outstanding as of September 30, 2012 was approximately \$15,989,000, which excludes interest of approximately \$399,000 included in the Due to UMC liability in the accompanying consolidated balance sheet. The loan was paid in full during 2013.

Note 8 - Related Party Due to UMC

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

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

	2013	2012
Facility lease agreement	\$ 18,519,043	\$ 5,680,154
Administrative services agreement	28,642,379	10,839,923
Information technology lease agreement	3,496,830	1,395,854
Interim equipment agreement	2,173,910	2,532,939
Other	494,858	1,435,943
Current portion Due to UMC	<u>\$ 53,327,020</u>	<u>\$ 21,884,813</u>

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

Note 8 - Related Party Due to UMC (continued)

Facility lease agreement - UMC has leased building space to the Hospital to provide general and pediatric care. The lease matures in February 2042 and includes a monthly payment of approximately \$861,000 for the first 36 months with a 1% increase per year thereafter. The lease also has two renewal options of 10 years.

Total lease payments, inclusive of the 1% escalations, are recognized on a straight-line basis over the term of the lease, resulting in monthly rent expense of approximately \$969,000. As of September 30, 2013, the Hospital was in arrears on scheduled payments, under terms of the agreement, in the amount of approximately \$17,579,000. Late lease payments are subject to a monthly late payment charge of 5% of the overdue amount and interest of 4.8% per annum. Under the terms of the agreement, during the first lease year, late payment charges were waived provided that monthly rental payments are received within six months of the date on which it is due and all monthly rental payments are current as of February 1, 2013. Further, interest accrues only on payments which remain unpaid after six months. Interest and penalties totaling approximately \$940,000 have been accrued as of September 30, 2013 and are included in the Due to UMC liability in the accompanying consolidated balance sheet.

Administrative services agreement - UMC and the Hospital entered into an Administrative Services Agreement under which UMC will provide specified administrative and support services to the Hospital. These services shall include but are not limited to the following: 1) fiscal and revenue cycle; 2) information technology; 3) human resources; 4) ancillary support; 5) nursing support; 6) medical staff support; and 7) diagnostic imaging and laboratory services. These services are due once billed to the Hospital.

During the years ended September 30, 2013 and 2012, the Hospital was billed approximately \$17,072,000 and \$10,722,000 under the agreement. The Hospital was in arrears on scheduled payments under terms of the agreement, in the amount of approximately \$27,546,000, as of September 30, 2013. Payments are due (in full) within 30 days of receipt of the monthly invoice. Payments not made when due are subject to a monthly late payment charge of 1.5% of the overdue amount. Late liabilities penalties totaling approximately \$978,000 have been accrued as of September 30, 2013 and are included in the Due to UMC liability in the accompanying consolidated balance sheet.

EL PASO CHILDREN'S HOSPITAL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Related Party Due to UMC (continued)

Information technology lease agreement - The Hospital has leased certain information technology capital equipment, software and licenses from UMC under a cancelable operating lease. The agreement matures in March 2018 and is to be paid over 5 years starting March 2013. The Hospital straight lines the lease over the life of the contract at approximately \$146,000 per month.

Interim equipment lease agreement - The Hospital has lease certain equipment from UMC under a cancelable operating lease. The initial agreement was set to mature on March 1, 2017 and required monthly payments of approximately \$331,000 per month.

In April 2013, the parties executed a revised equipment lease agreement which was made effective on February 1, 2012. The revised agreement requires monthly payments of approximately \$167,000 effective October 1, 2014 for a term of 60 months, with an option to purchase the leased equipment for approximately \$8,877,000 at the end of the payment term in September 2019, at which time the agreement expires. The total monthly payments are recognized on a straight-line basis over the term of the lease, resulting in monthly rent expense of approximately \$109,000 over the term of the lease.

Other - This balance includes miscellaneous services provided by both UMC and the Hospital under the Master Agreement. Additionally, this balance includes all accrued interest on the notes payable in the amount of \$0 and \$576,180 as of September 30, 2013 and 2012, respectively.

In April 2013, the Hospital and UMC entered into a Forbearance Agreement on obligations past due to UMC by the Hospital, which amounted to \$17,987,146 as of December 31, 2012. The past due amounts constituted an event of default under the terms of the Master Agreement. Under the terms of the Forbearance Agreement, UMC agreed to forbear demanding payments due in exchange for revised payment terms on amounts outstanding as of December 31, 2012 under the covered agreements, including the Facility Lease Agreement, Phase II Working Capital Loan, Administrative Services Agreement, Diagnostic Imaging Services Agreement and the Laboratory Services Agreement. The agreement was made effective February 1, 2012 and continued until March 1, 2015 or until an occurrence of default under the agreement. The revised payment terms required the Hospital to pay \$17,000,000 before September 30, 2013, and for the period from October 1, 2013 through March 1, 2015, to make all current payments due under the covered agreements. The Hospital made the required \$17,000,000 in payments by September 30, 2013 but was unable to make all current payments due under the covered agreements. This constitutes an event of default and all amounts owed to UMC are immediately due and payable. Accordingly, all obligations to UMC are classified as current in the accompanying consolidated balance sheets.

EL PASO CHILDREN'S HOSPITAL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 - Operating Leases

The Hospital leases the hospital building (see Note 7) and certain medical equipment under non-cancelable operating leases that expire in various years through 2041. The Hospital also leases certain medical equipment on a month-to-month basis. Total rental expense under the operating leases was approximately \$15,137,000 and \$9,454,000 for the years ended September 30, 2013 and 2012.

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

	<u>Operating Leases</u>
2014	\$ 14,074,716
2015	14,177,974
2016	14,282,268
2017	14,387,604
2018	12,744,844
Thereafter	282,843,521
Total minimum lease payments	<u>\$ 352,510,927</u>

Note 10 - Employee Benefits

The Hospital has established a Section 401(k) pension plan (the "plan"). There is no minimum period of service in order to be eligible to participate. The Hospital will match based on years of service, however, no participant's matching contribution will exceed 4% of their annual compensation. The Hospital will also make a discretionary profit-sharing contribution. The amount of profit-sharing contribution shall be equal to 2% of the participant's annual compensation. Employees vest in their allocated portion of employer contributions at 20% for each year of service.

At September 30, 2013 and 2012, accrued employer contributions of approximately \$566,000 and \$446,000, respectively, are included in accrued salaries and benefits in the accompanying consolidated balance sheets. For the years ended September 30, 2013 and 2012, total annual contribution expense for the plan was approximately \$1,049,000 and \$645,000, respectively, which is included in salaries and benefits in the accompanying consolidated statement of operations.

EL PASO CHILDREN'S HOSPITAL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 - Employee Health Insurance Benefit Program

The Hospital purchases stop loss insurance from an unrelated insurance company. The Hospital is self-insured up to \$40,000 per covered member. Benefits in excess of this retention limit are insured through the stop loss policy. As of September 30, 2013 and 2012, accruals for unpaid claims incurred but not reported amounted to approximately \$259,000 and \$271,000, respectively, and are included in other accrued liabilities in the consolidated balance sheets. For the years ended September 30, 2013 and 2012, health care benefit expense was approximately \$2,654,000 and \$1,387,000, respectively. Estimates for incurred but not reported claims are based on historical trends, expected lag time in reporting of claims, and other factors.

Note 12 - Charity Care

The Hospital provides charity care to patients who are financially unable to pay for the health care services they receive. The Hospital's policy is to not pursue collection of amounts determined to qualify as charity care. The Hospital maintains records to identify and monitor the level of charity care it provides. The costs of providing health care services for patients qualifying for charity care were approximately \$1,357,000 and \$1,041,000, respectively, for the years ended September 30, 2013, and 2012.

Note 13 - Concentrations of Risk

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

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

	2013	2012
Medicaid	31 %	30 %
Managed care Medicaid	19	26
Other third-party payors	31	31
Self pay	19	13
	<u>100 %</u>	<u>100 %</u>

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

Note 14 - Commitments and Contingencies

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

Management believes that the Hospital is in compliance with applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Malpractice insurance - The Hospital is insured for medical malpractice liabilities under a claims-made policy that expired on January 15, 2014, and was renewed through January 15, 2015. The policy is subject to a \$50,000 per incident deductible and a limit of \$1 million per incident and an aggregate limit of \$3 million, and also has an attached excess policy of up to \$10 million per incident and an aggregate limit of \$10 million.

The majority of physician services during fiscal year 2012 were contracted with either UMC or the Texas Tech Health Sciences Center. Late in fiscal year 2012, the Hospital, through the Physician Group, began employing a number of physicians who were previously contracted with UMC, although the majority of physician services continued through contracts with the Texas Tech Health Sciences Center. As of September 30, 2013, the Hospital had no reported claims for medical malpractice liabilities.

Litigation - The Hospital is involved in litigation arising in the ordinary course of business. In management's opinion, upon consultation with legal counsel, malpractice coverage is adequate to cover adverse judgments, if any, made against the Hospital.

Workers' compensation insurance - The Hospital is insured under the Texas Mutual Insurance Company for the purpose of providing insurance for workers' compensation coverage. The policy is retrospectively rated; premiums accrue based on the ultimate cost of the experience of the Hospital. At September 30, 2013, the Hospital cannot estimate the additional premiums or refunds, if any. Additional premiums, if any, are not expected to be significant.

EL PASO CHILDREN'S HOSPITAL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 - Functional Expense Classification

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

	2013	2012
Health care services	\$ 83,997,903	\$ 54,980,976
Management general	15,219,191	8,140,729
Total expenses	<u>\$ 99,217,094</u>	<u>\$ 63,121,705</u>

Note 16 - Governmental Programs

The Texas Health and Human Services Commission ("THHSC") filed an application for a waiver of certain federal Medicaid requirements under Section 1115 of the Social Security Act on July 13, 2011. The Centers for Medicare & Medicaid Services approved THHSC's application on Dec. 12, 2011.

The waiver primarily does two things: (1) it expands Medicaid managed care to the entire state; and (2) it replaces the upper payment limit program with two new pools of funding, the uncompensated care ("UC") pool, and the delivery system reform incentive payment ("DSRIP") pool. The UC pool will reimburse hospitals for the cost of care for Medicaid and uninsured patients for which the hospital does not receive payment. The DSRIP pool will provide payments to hospitals and other providers upon their achieving certain goals that are intended to improve the quality and lower the cost of care.

The Hospital recognized revenue from the UC pool of approximately \$13,573,000 and \$6,787,000 for the years ended September 30, 2013 and 2012, respectively, which amounts are included in net patient service revenue in the accompanying consolidated statements of operations.