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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form

▶ Information about Form 990 and its instructions is at www.IRS.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 01-01-2013 , 2013, and ending 12-31-2013

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

C Name of organization
Children's Health Care

Doing Business As
Children's Hospitals and Clinics of Minnesota

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2525 Chicago Avenue South

City or town, state or province, country, and ZIP or foreign postal code
Minneapolis, MN 554041844

D Employer identification number
41-1754276

E Telephone number
(612) 813-6000

G Gross receipts $ 704,599,196

F Name and address of principal officer
Alec Mahmood
2525 Chicago Avenue South
Minneapolis, MN 554041844

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

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

H(c) Group exemption number ▶

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

J **Website:** ▶ www childrensmn org

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

L Year of formation 1995

M State of legal domicile MN

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
Children's Hospitals and Clinics of Minnesota champions the special needs of children

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

3	Number of voting members of the governing body (Part VI, line 1a)	3	29
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	26
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	4,846
6	Total number of volunteers (estimate if necessary)	6	1,711
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	235,988
b	Net unrelated business taxable income from Form 990-T, line 34	7b	-219,397

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	32,929,958	33,959,313
	9	Program service revenue (Part VIII, line 2g)	591,438,384	638,126,835
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	23,039,145	27,770,432
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,823,951	2,528,574
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	650,231,438	702,385,154
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	422,439	549,669
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	358,520,203	380,037,228
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	249,698,486	267,611,754
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	608,641,128	648,198,651
	19	Revenue less expenses Subtract line 18 from line 12	41,590,310	54,186,503
Net Assets or Fund Balances			Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	989,666,159	1,063,789,712
	21	Total liabilities (Part X, line 26)	416,015,398	406,887,812
	22	Net assets or fund balances Subtract line 21 from line 20	573,650,761	656,901,900

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge

Sign Here

****** | 2014-11-12
Signature of officer | Date

ALEC MAHMOOD CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Kristina Rasmussen				P00143920

Firm's name ▶ Deloitte Tax LLP — Firm's EIN ▶ 86-1065772

Firm's address ▶ 50 South Sixth Street, Minneapolis, MN 55402 — Phone no (612) 397-4000

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

Part III **Statement of Program Service Accomplishments**

Check if Schedule O contains a response or note to any line in this Part III . . . . ☑

1 Briefly describe the organization’s mission

Children's Hospitals and Clinics of Minnesota champions the special health needs of children and their families We are committed to improving children's health by providing family centered pediatric services We advance these efforts through 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 $ 552,295,351 including grants of $ 549,669) (Revenue $ 637,262,671)

Hospital program services Families look to Children's Hospitals and Clinics of Minnesota for the finest in pediatric care With two pediatric hospital facilities and 383 staffed beds, we champion the special health needs of children and their families and are committed to providing high-quality, family centered pediatric services The Leapfrog Group's annual list of top hospitals named Children's Hospitals and Clinics of Minnesota's Minneapolis and St Paul hospitals as two of the top ten pediatric hospitals in the country for quality and efficiency See Schedule O This is the fifth year in a row Children's has been recognized by the Leapfrog Group For the eigth year in a row, Children's Hospitals and Clinics of Minnesota has been named one of the top pediatric hospitals in the nation according to the 2014-2015 U S News Media Group's Best Children's Hospitals rankings This year Children's ranked in three categories - cardiology and heart surgery, neonatology and pulmonology This is the fourth time that we have been ranked among the leaders in cardiology and heart surgery With one of the largest cardiovascular programs in the region, it is no surprise that we have been recognized for our impressive outcomes, expertise and comprehensive care This is also the fourth time that our pulmonology program has been recognized for our care for children with cystic fibrosis, asthma, bronchitis, pneumonia, croup and other respiratory conditions We are Minnesota's largest provider of care to children with complex surgical conditions, heart disease, cancer, diabetes, and extreme pre-maturity In 2013, Children's cared for 13,051 inpatient admissions representing 95,859 patient days, performed 19,024 surgical cases, treated 88,840 emergency room visits and cared for 345,184 outpatient clinic visits, many of which provided to inner city Minneapolis and St Paul residents Children's continues to serve a diverse population with 72,191 family encounters for language interpretation in 64 different languages Children's considers certain major programs as destination programs, which are sought out due to their high quality outcomes These programs meet rigorous criteria for excellence, including outstanding use of evidence-based practices, clinical research, and advanced technologies - Cardiovascular - Children's pediatric cardiovascular program is one of the largest in the region with some of the most impressive outcomes in the U S Team members care for thousands of the region's sickest children with heart conditions, including fetuses, newborns, infants, children, adolescents, and adult, long-term patients with pediatric cardiovascular conditions - Neonatal Intensive Care - Children's specializes in caring for multiples, babies with congenital anomalies, very premature and very low birth weight babies, and infants born with other complex diagnoses We offer exceptional tertiary and quaternary care for babies, with survival outcomes among the best in the world Children's neonatal program is one of the nation's largest programs with 138 staffed beds and more than 35,000 patient days Our neonatal team includes highly-trained and experienced professionals from a full spectrum of medical specialties - Hematology/Oncology - The hematology/oncology program at Children's is the largest in the upper Midwest with treatment outcomes that consistently rank Children's as one of the top ten programs in the U S In our nationally unique model, your child's or teen's care is spearheaded and coordinated by a board-certified hematologist/oncologist, who leads a highly experienced team of multidisciplinary professionals - Cystic Fibrosis - The Cystic Fibrosis (CF) Center at Children's of Minnesota diagnoses and treats children in all stages of CF Our dedication to family-centered care and education helps children and their families learn to live with CF Care at Children's for patients with CF ranks among the top 10 programs nationally in key outcomes measured by the National Cystic Fibrosis Registry Children's provides a continuum of care through coordinated inpatient and outpatient services, from diagnosis through long-term follow-up The Cystic Fibrosis Center of Children's provides state-of-the art comprehensive care for children with CF - Diabetes/Endocrinology - The McNeely Pediatric Diabetes Center is the only diabetes center in the region to specialize in working solely with children and teens The staff provides expert health care to help maintain a child's targeted blood sugar ranges Most children seen in the diabetes center have Type 1 diabetes A small but growing number have Type 2 In addition to diabetes, the clinic provides diagnostic services and treatment for children with disorders of growth, advanced or delayed sexual development, pituitary disorders, thyroid abnormalities, disorders of calcium balance, adrenal disorders, and hypoglycemia The McNeely Pediatric Diabetes Center has received recognition for its diabetes education program from the American Diabetes Association, by meeting the association's high educational standards - Children's provides other high quality programs such as Surgery Children's surgery teams deliver next-generation care in an award-winning environment that is exclusively dedicated to pediatrics Health professionals of many disciplines work together to provide children with the best possible surgery experience Children's bodies are different than adult's For example, they often require specially-sized surgical equipment They react differently to anesthesia and to pain Their bodies respond differently to illness and treatment, in part because they are still growing That's why children benefit from our highly accomplished, pediatric-specific surgery teams At Children's, over 20,000 surgeries are performed each year on fetuses, newborns, children, adolescents, and young adults from throughout the Upper Midwest Surgical treatment results rank Children's among the top hospitals in the U S in pediatric surgical care Children's has some of the lowest rates in the U S of post-surgery complications and some of the highest rates of patient and family satisfaction Additional destination programs include Neurosciences, ENT and facial plastic surgery, and Trauma care As a charitable organization, Children's Hospitals & Clinics of Minnesota also provides a broad spectrum of benefits to the communities we serve These services and donations account for a measureable portion of the hospitals' costs and help to promote healthy lifestyles, community development, health education, and affordable access to care Please see IRS Form 990, Schedule H for a summary of these community benefits

4b (Code) (Expenses $ 4,544,801 including grants of $) (Revenue $ 474)

Research Children's has 404 open research studies, of which 258 are actively recruiting clinical trials In 2013 Children's received more than $15 million from industry contacts and federal state and foundation sponsors Types of studies and trials conducted at Children's are investigator-initiated studies, external multi-center trials, observational studies, and registries Children's had ongoing research in Emergency/trauma, Cystic fibrosis, Diabetes and endocrinology, Cardiovascular and critical care, Pain and palliative care, Integrative medicine, Genetics, Cancer and blood disorders, and Neonatology See Schedule O We continue to participate in multiple prestigious national collaborations and clinical trials We are also generating landmark investigator-initiated research, aimed at novel ways to deliver life-saving treatments, manage pain and symptoms and develop new methods for preventing or treating childhood diseases Every day, Children's researchers express their commitment to building better outcomes for our children These outcomes will have both immediate and lasting impact for children receiving state of the science care at our specialty centers Children with cardiac disease, cancer, genetic and blood disorders, diabetes, cystic fibrosis, and other life-impacting conditions all have benefited from research at Children's The vision and strategic innovation of our research leaders have brought us to impressive milestones in the past year We continue to take steps toward advancing our research and committed to thriving into the future with our children and families

4c (Code) (Expenses $ 4,406,810 including grants of $) (Revenue $ 863,690)

Education Many efforts to improve the health and well-being of children and youth require long-term investment in their future Children's provides education and training programs for providers, health care students, and other health professionals in the following areas 1) Community medical education for community physicians During the 2013 calendar year, Children's provided training to 398 affiliated residents and fellows, and hosted 312 medical student rotations at Children's Minneapolis, Children's St Paul, or both locations See Schedule O The rotations were performed in Children's Emergency Department, inpatient medical/surgical, PICU and neonatal inpatient care units, surgery and anesthesia, ENT surgery, urology, and subspecialty clinics In addition, Children's offered 44 continuing medical education courses, and produced 60 peer reviewed publications Cultivating medical leaders ensures that we continue our mission - championing the special health needs of children and their families 2) Education and training of health care and other providers of services to children i) The Midwest Regional Children's Advocacy Center at Children's is a leader in improving the care of abused and neglected children whose goal is to improve services for abused children in local communities throughout the region The Center offers information, consultation, technical assistance, and training to physicians, nurses, and non-medical members of community child abuse teams, including law enforcement personnel, attorneys and child protection workers ii) Recognized, as the nation's leader in palliative care education, Children's Institute for Palliative Care (CIPC) developed a model for a regional training and consultation center CIPC develops and leads training seminars using recognized curriculum for pediatric palliative care, provides hospital-based consultation to children who are in need of hospice or palliative care while they are hospitalized, offers a regional 24/7 telephone consultation program providing education, support, and guidance to families and professional providers, and serves as a resource center for pediatric palliative care iii) The Minnesota Sudden Infant Death Syndrome (SID) Center is a statewide program that provides information, counseling, and support to anyone experiencing a sudden and unexpected infant death from any cause The SID Center is the state's resource for information on Sudden Infant Death Syndrome (SIDS) and SIDS risk reduction The Center conducts training and educational programs for health care providers, child-care workers, and other professional and community groups The Center also tracks and reports infant mortality trends in Minnesota and participates in local, state, and national initiatives to reduce the risk of sudden, unexpected infant death The Minnesota SID Center collaborates with the Minnesota Department of Health, county public health nurses, and medical examiners in every county throughout Minnesota iv) The Emergency Medical Services for Children (EMSC) Resource Center housed at Children's creates awareness regarding the special needs of children in emergency medical situations EMSC educational programs are designed to train pre-hospital personnel, first responders, physicians, nurses, and school nurses in the unique needs of infants and children in emergency situations The EMSC Resource Center also provides technical assistance, participates in statewide pediatric emergency/disaster preparedness planning, develops and disseminates pediatric emergency are guidelines, and conducts mortality reviews and research Education and employment - Because disparities in child health are so closely associated with low educational attainment and poor job skills, Children's is engaged in several key community partnerships to improve educational success and earning potential among youth and adults Examples include the Roosevelt High School and Cristo Rey Jesuit High School Health Careers Program that provides students interested in health care careers the opportunity to receive health care specific education and obtain internships with health care organizations, the Achieve Minneapolis/Step-up Summer Jobs Program that places youth in supervised summer internships at participating companies and organizations, and a partnership with Project for Pride in Living that recognizes that a healthy, sustainable community requires residents with well-paying jobs

4d Other program services (Describe in Schedule O)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ 561,246,962

Part IV **Checklist of Required Schedules**

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b	Yes	
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or other assistance to or for any foreign organization? *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 other assistance to or for foreign individuals? *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 or other assistance to any domestic organization or government on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21	Yes	
22	Did the organization report more than $5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a*	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? *If so, complete Schedule L, Part II*	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	33		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35b	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V . . . . ☐

					Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	456			
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	4,846			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)			2b	Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a	Yes	
b	If "Yes," enter the name of the foreign country ▶CJ 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	0			
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 or note to any line in this Part VI . . . ☑

Section A. Governing Body and Management

					Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . .	1a	29			
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O					
b	Enter the number of voting members included in line 1a, above, who are independent . . .	1b	26			
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	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .			3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . .			4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .			5		No
6	Did the organization have members or stockholders? . . .			6		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . .			7a		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . .			7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following					
a	The governing body? . . .			8a	Yes	
b	Each committee with authority to act on behalf of the governing body? . . .			8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O* . . .			9		No

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

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

Section C. Disclosure

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

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

☐ Own website ☐ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

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

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization
▶Alec Mahmood CFO 2525 Chicago Avenue S
Minneapolis, MN 55404 (612) 813-6113

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

Check if Schedule O contains a response or note to any line 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			

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) Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
1b Sub-Total ▶										
c Total from continuation sheets to Part VII, Section A ▶										
d Total (add lines 1b and 1c) ▶								13,675,430	369,614	3,295,829

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 ▶641

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Cerner Corporation PO Box 412702 Kansas City MO 64141	Hardware & Software Maintenance	6,162,084
Children's Respiratory & Critical Care S 2530 Chicago Ave S Ste 400 Minneapolis MN 55404	Physician Services	4,214,801
Conifer Health Solutions LLC 1500 South Douglass Road Anaheim CA 92806	Patient Billing	3,828,014
Children's Heart Clinic 2530 Chicago Avenue S Ste 500 Minneapolis MN 55404	Physician Services	3,664,804
Pediatric Surgical Associates 2530 Chicago Ave S Ste 550 Minneapolis MN 55404	Physician Services	2,998,870

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 ▶93

Part VIII **Statement of Revenue**

Check if Schedule O contains a response or note to any line in this Part VIII . . . . ☐

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	**1a**	Federated campaigns . . **1a**					
	b	Membership dues **1b**					
	c	Fundraising events **1c**					
	d	Related organizations . . . **1d**	21,385,318				
	e	Government grants (contributions) **1e**	12,573,995				
	f	All other contributions, gifts, grants, and similar amounts not included above **1f**					
	g	Noncash contributions included in lines 1a-1f $	1,516,350				
	h	**Total.** Add lines 1a-1f . . . . ▶		33,959,313			
Program Service Revenue			Business Code				
	2a	Patient Service Rev	621400	397,327,765	397,327,765		
	b	Medicare/Medicaid	621400	183,319,899	183,319,899		
	c	Lab Revenue	621500	53,314,103	53,118,005	196,098	
	d	Parking	812930	2,743,817		39,890	2,703,927
	e	Pharmacy Revenue	621400	924,255			924,255
	f	All other program service revenue		496,996	496,996		
	g	**Total.** Add lines 2a–2f . . . . ▶		638,126,835			
Other Revenue	**3**	Investment income (including dividends, interest, and other similar amounts) . . . . ▶		14,528,481			14,528,481
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . ▶					
			(i) Real / (ii) Personal				
	6a	Gross rents	(i) 1,280,752 / (ii)				
	b	Less rental expenses	(i) 1,018,706 / (ii)				
	c	Rental income or (loss)	(i) 262,046 / (ii)				
	d	Net rental income or (loss) . . . . ▶		262,046			262,046
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	(i) 14,223,787 / (ii) 213,500				
	b	Less cost or other basis and sales expenses	(i) 0 / (ii) 1,195,336				
	c	Gain or (loss)	(i) 14,223,787 / (ii) -981,836				
	d	Net gain or (loss) . . . . ▶		13,241,951			13,241,951
	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	Cafeteria	722210	1,910,308			1,910,308
	b	Marketplace	453220	308,265			308,265
	c	Vending Machines	722210	23,886			23,886
	d	All other revenue		24,069			24,069
	e	**Total.** Add lines 11a–11d . . . . ▶		2,266,528			
	12	**Total revenue.** See Instructions . . . . . ▶		702,385,154	634,262,665	235,988	33,927,188

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 or note to any line 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	549,669	549,669		
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	12,248,499	3,315,349	8,933,150	
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	287,199,051	259,347,603	27,851,448	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	20,555,705	19,819,349	736,356	
9 Other employee benefits	39,302,616	34,070,980	5,231,636	
10 Payroll taxes	20,731,357	18,194,365	2,536,992	
11 Fees for services (non-employees)				
a Management	1,719,203	1,315,179	404,024	
b Legal	858,979	8,790	850,189	
c Accounting	392,453		392,453	
d Lobbying	151,052		151,052	
e Professional fundraising services See Part IV, line 17				
f Investment management fees	1,701,358	1,701,358		
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	69,337,511	61,792,886	7,544,625	
12 Advertising and promotion	3,966,190	436,385	3,529,805	
13 Office expenses	8,644,461	6,181,519	2,462,942	
14 Information technology	12,817,727		12,817,727	
15 Royalties . .				
16 Occupancy	14,236,740	12,792,585	1,444,155	
17 Travel	1,754,021	1,391,415	362,606	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	1,498,089	1,255,112	242,977	
20 Interest	11,252,949	11,252,949		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	36,917,878	28,382,056	8,535,822	
23 Insurance	2,755,778	2,755,778		
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 Medical Supplies	58,775,286	58,775,286		
b MNCare Tax	12,029,824	12,029,824		
c Medicaid Surcharge	7,589,302	7,589,302		
d Temp Labor	6,728,130	5,731,615	996,515	
e All other expenses	14,484,823	12,557,608	1,927,215	
25 **Total functional expenses.** Add lines 1 through 24e	648,198,651	561,246,962	86,951,689	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X . . . . ☐

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing		18,543,844	1	15,325,284
	2	Savings and temporary cash investments		62,569,754	2	62,750,150
	3	Pledges and grants receivable, net		1,330,455	3	1,019,851
	4	Accounts receivable, net		90,289,056	4	91,793,660
	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		4,659,862	8	5,423,138
	9	Prepaid expenses and deferred charges		5,984,147	9	9,720,092
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 683,743,742			
	b	Less accumulated depreciation	10b 302,701,576	372,392,539	10c	381,042,166
	11	Investments—publicly traded securities		260,408,346	11	299,974,580
	12	Investments—other securities See Part IV, line 11		60,564,539	12	78,760,800
	13	Investments—program-related See Part IV, line 11		17,647,059	13	18,566,602
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		95,276,558	15	99,413,389
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		989,666,159	16	1,063,789,712
Liabilities	17	Accounts payable and accrued expenses		56,125,962	17	85,196,461
	18	Grants payable			18	
	19	Deferred revenue		6,450,304	19	4,116,259
	20	Tax-exempt bond liabilities		289,288,363	20	264,011,181
	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		337,174	23	303,675
	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		63,813,595	25	53,260,236
	26	**Total liabilities.** Add lines 17 through 25		416,015,398	26	406,887,812
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		504,289,894	27	588,331,725
	28	Temporarily restricted net assets		41,687,204	28	39,461,754
	29	Permanently restricted net assets		27,673,663	29	29,108,421
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		573,650,761	33	656,901,900
	34	Total liabilities and net assets/fund balances		989,666,159	34	1,063,789,712

Part XI **Reconcilliation of Net Assets**

Check if Schedule O contains a response or note to any line in this Part XI . . . . ☑

1	Total revenue (must equal Part VIII, column (A), line 12)	1	702,385,154
2	Total expenses (must equal Part IX, column (A), line 25)	2	648,198,651
3	Revenue less expenses Subtract line 2 from line 1	3	54,186,503
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	573,650,761
5	Net unrealized gains (losses) on investments	5	1,878,989
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	27,185,647
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	656,901,900

Part XII **Financial Statements and Reporting**

Check if Schedule O contains a response or note to any line in this Part XII . . . . ☐

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ Information about Schedule A (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Name of supported organization	**(ii)** EIN	**(iii)** Type of organization (described on lines 1- 9 above or IRC section **(see instructions)**)	**(iv)** Is the organization in col **(i)** listed in your governing document? Yes	No	**(v)** Did you notify the organization in col **(i)** of your support? Yes	No	**(vi)** Is the organization in col **(i)** organized in the U S ? Yes	No	**(vii)** Amount of monetary support
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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f)) | 14 |

15 Public support percentage for 2012 Schedule A, Part II, line 14 | 15 |

16a **33 1/3% support test—2013.** 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—2012.** 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—2013.** 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—2012.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2013** (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from **2012** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2013.** 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—2012.** 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.** 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

Return Reference	Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493316016314

SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.
▶ See separate instructions. ▶ Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

If the organization answered "Yes" to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes" to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes" to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization	Employer identification number
Children's Health Care	41-1754276

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $

3 Volunteer hours

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	**(a)** 2010	**(b)** 2011	**(c)** 2012	**(d)** 2013	**(e)** Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		143,315
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		7,737
j	Total Add lines 1c through 1i			151,052
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

Provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1 Also, complete this part for any additional information

Return Reference	Explanation
Part II-B, Line 1	Children's retains a lobbyist to assist directly with lobbying efforts at the state level Children's Director of Child Health Policy also occasionally will meet with state legislators, provide testimony on child health issues, or otherwise provide information to state lawmakers and their staffs With respect to federal lobbying efforts, Children's Director of Child Health Policy and CEO will occasionally travel to Washington to meet with federal lawmakers This is generally done in collaboration with industry organizations, such as NACHRI, who indirectly provide federal lobbying support on behalf of Children's Children's is a member of the National Association of Children's Hospitals (NACH) $7,737 of membership dues paid to NACH relate to lobbying activities

Part IV **Supplemental Information** ***(continued)***

Return Reference	Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions. ▶ Information about Schedule D (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

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

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

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

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

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
- ☐ Preservation of land for public use (e g , recreation or education)
- ☐ Preservation of an historically important land area
- ☐ Protection of natural habitat
- ☐ Preservation of a certified historic structure
- ☐ Preservation of open space

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

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

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

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

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

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

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

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

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

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

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

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

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

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

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

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

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

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

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

a ☐ Public exhibition d ☐ Loan or exchange programs

b ☐ Scholarly research e ☐ Other

c ☐ Preservation for future generations

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

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

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

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

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

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

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

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

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

		(a) Current year	(b) Prior year	b (c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	33,578,504	30,285,804	30,881,650	28,645,602	23,511,131
b	Contributions	1,416,216	421,789	883,411	371,730	1,160,044
c	Net investment earnings, gains, and losses	5,959,789	3,955,151	-267,697	2,991,850	4,333,957
d	Grants or scholarships	994,935	1,084,240	1,211,560	1,127,532	359,530
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance	39,959,574	33,578,504	30,285,804	30,881,650	28,645,602

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

a Board designated or quasi-endowment ▶ 27 000 %

b Permanent endowment ▶ 73 000 %

c Temporarily restricted endowment ▶

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

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

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

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

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. 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		11,609,902		11,609,902
b Buildings		438,132,729	129,268,184	308,864,545
c Leasehold improvements		2,102,849	1,597,136	505,713
d Equipment		226,475,624	167,085,981	59,389,643
e Other		5,422,638	4,750,275	672,363
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				381,042,166

Part VII Investments—Other Securities. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	**(b)**Book value	**(c)** Method of valuation Cost or end-of-year market value
(1)Financial derivatives		
(2)Closely-held equity interests		
(3)Other (A) Brandywine	76,717,796	F
(B) PIMCO Bravo	2,043,004	F
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	78,760,800	

Part VIII Investments—Program Related. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

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

Part IX Other Assets. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11d See Form 990, Part X, line 15

(a) Description	**(b)** Book value
See Additional Data Table	
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . ▶	99,413,389

Part X Other Liabilities. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1 **(a)** Description of liability	**(b)** Book value
Federal income taxes	
See Additional Data Table	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	53,260,236

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

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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. Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

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

Return Reference	Explanation
Part V, Line 4	The majority of endowment funds are held by Children's Health Care Foundation, a related organization The intended use of the funds is to support the programs at Children's Health Care There are also two endowment funds that are held and administered by US Bank, an unrelated organization, which are also used to support the programs at Children's Health Care Refer to Part III, Line 4 for a description of the programs of Children's Health Care
Part X, Line 2	The Internal Revenue Service (IRS) has determined that Children's and its subsidiaries are exempt organizations as described in Section 501(C)(3) of the IRC Children's believes that it continues to meet the requirements of the IRC to sustain its tax-exempt status There are no federal income tax expenses, penalties, or interest recognized in the consolidated statements of operations and no unrecognized tax benefits for the years ended December 31, 2013 and 2012

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

Additional Data

Software ID:
Software Version:
EIN: 41-1754276
Name: Children's Health Care

Form 990, Schedule D, Part IX, - Other Assets

(a) Description	**(b)** Book value
(1) Assets of executive benefit plans	8,567,643
(2) Unamortized bond insurance and deferred finance costs	4,811,122
(3) Investment in land for possible expansion	3,240,298
(4) Intercompany receivable	7,353,076
(5) Nursing education loans receivable	135,874
(6) Pharmaceutical services deposit	1,467,675
(7) Physician relocation loans receivable	95,309
(8) Facility deposit	134,000
(9) United shared service arrangement	1,950,000
(10) Beneficial interest in net asets of Foundation	68,663,143
(11) Investment in HSCL	531,270
(12) Mother/Baby other assets	2,463,979

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

1 **(a)** Description of Liability	**(b)** Book Value
MN Care tax payable	2,693,496
Self-insurance reserve	1,132,355
RSVP retirement plan	8,820,900
Executive benefits liability	6,052,435
Post retirement benefits	3,105,558
Workers comp liability	2,289,495
Deferred revenue	6,067,273
Accrual VERP	703,302
Intercompany payable	20,648,002
Other	1,747,420

SCHEDULE F
(Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

► Complete if the organization answered "Yes" to Form 990, Part IV, line 14b, 15, or 16.
► Attach to Form 990. ► See separate instructions.
► Information about Schedule F (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

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

1 **For grantmakers.** Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . ☐ **Yes** ☐ **No**

2 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.

3 Activites per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

	(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
(1)	Central America & the Caribbean			Self Insurance for Medical Claims	N/A	114,734
(2)	Central America & the Caribbean			Investments	N/A	6,358,627
(3)						
(4)						
(5)						
3a	Sub-total	0	0			6,473,361
b	Total from continuation sheets to Part I	0	0			0
c	**Totals** (add lines 3a and 3b)	0	0			6,473,361

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

1 (a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)								
(2)								
(3)								
(4)								

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

3 Enter total number of other organizations or entities . . . . ▶

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16. Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

Part IV Foreign Forms

1 Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes,"the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)* ☐ Yes ☑ No

2 Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)* ☐ Yes ☑ No

3 Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)* ☑ Yes ☐ No

4 Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)* ☐ Yes ☑ No

5 Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships. (see Instructions for Form 8865)* ☐ Yes ☑ No

6 Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713).* ☐ Yes ☑ No

Additional Data

Software ID:

Software Version:

EIN: 41-1754276

Name: Children's Health Care

Part V **Supplemental Information**

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

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.
▶ Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☑ 150% ☐ 200% ☐ Other ________ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☑ 350% ☐ 400% ☐ 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			
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		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 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)			1,366,992		1,366,992	0 210 %
b Medicaid (from Worksheet 3, column a)			276,220,205	199,628,822	76,591,383	11 820 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			277,587,197	199,628,822	77,958,375	12 030 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			10,732,146	1,773,096	8,959,050	1 380 %
f Health professions education (from Worksheet 5)			6,190,556	2,477,528	3,713,028	0 570 %
g Subsidized health services (from Worksheet 6)			32,552,460	19,802,107	12,750,353	1 970 %
h Research (from Worksheet 7)			3,770,616	2,828,214	942,402	0 150 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			340,192		340,192	0 050 %
j **Total.** Other Benefits			53,585,970	26,880,945	26,705,025	4 120 %
k **Total.** Add lines 7d and 7j			331,173,167	226,509,767	104,663,400	16 150 %

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			5,000		5,000	0 %
2 Economic development						0 %
3 Community support						
4 Environmental improvements						0 %
5 Leadership development and training for community members						0 %
6 Coalition building			21,800		21,800	0 %
7 Community health improvement advocacy						0 %
8 Workforce development			64,000		64,000	0 010 %
9 Other						0 %
10 **Total**			90,800		90,800	0 010 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	3,429,763		
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	857,441		
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	203,613
6	Enter Medicare allowable costs of care relating to payments on line 5	6	427,132
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-223,519

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

☑ Cost accounting system ☐ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (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, primary website address, and state license number		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
	See Additional Data Table										

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Children's Health Care

If reporting on Part V, Section B for a single hospital facility 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 begining on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	1	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		No
5	Did the hospital facility make its CHNA report widely available to the public?	5	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website (list url) http //www childrensmn org/community			
b	☐ Other website (list url)			
c	☑ Available upon request from the hospital facility			
d	☐ 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 as of the end of the tax year)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	Yes	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that			
Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 150 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 350 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Residency			
i ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			
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 individual's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			

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 individuals regarding the individuals' bills

d ☐ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy

e ☐ Other (describe in Section C)

Policy Relating to Emergency Medical Care

		Yes	No
19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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

		Yes	No
20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☑ Other (describe in Part VI)			
21 During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care?	**21**		No
If "Yes," explain in Part VI			
22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?	**22**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Children's Health Care	Part V, Section B, Line 3 Interviews regarding health needs in the community served by Children's were conducted with 63 key informants The 63 stakeholders were comprised of public health experts, individuals from health or other departments and agencies, leaders or representatives of medically underserved, low-income, and minority populations, and other community members A full list of all stakeholders interviewed is available in the full CHNA report at childrensmn org/community
Children's Health Care	Part V, Section B, Line 14g The policy is available upon request, however, every self pay patient at registration is given a flyer of the key items on the policy and there is a reference to the policy in every self pay statement sent in accordance with the Minnesota Attorney General's agreement
Children's Health Care	Part V, Section B, Line 20d We charge everybody the same, however, the discount applied to FAP eligible individuals is based on the financial assistance policy so a discount on charge between 50% and 100% based on income guidelines or 44% discount for the uninsured based on our largest commercial payer

Part V Facility Information *(continued)*

Section D. 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? 8

	Name and address	Type of Facility (describe)
1	Children's Clinics - Woodwinds 1825 Woodwinds Drive Suite 400 Woodbury, MN 55125	Specialty and Rehabilitation Clinic
2	Children's - Maple Grove 7767 Elm Creek Blvd Suite 300 Maple Grove, MN 55369	Specialty and Rehabilitation Clinic
3	Children's Rehab Clinic 5950 Clearwater Drive Ste 500 510 Minnetonka, MN 55343	ENT and Rehabilitation Clinic
4	Children's - Roseville 1835 W County Rd C Roseville, MN 55113	Specialty and Rehabilitation Clinic
5	Children's - Minnetonka 6060 Clearwater Drive Suite 204 Minnetonka, MN 55343	Specialty Clinic - Diabetes and Endocrinology
6	Children's Sleep Center 310 North Smith Ave Ste 480 St Paul, MN 55102	Specialty Clinic - Sleep Disorders
7	Center for the Treatment of Eating Disor 910 E 26th Street Ste 410 MInneapolis, MN 55404	Specialty Clinic - Eating Disorders
8	Children's Specialty Clinic 360 Sherman Street St Paul, MN 55102	Specialty Clinic - Psychological Services
9		
10		

Part VI Supplemental Information

Provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

Form and Line Reference	Explanation
Part I, Line 3c	FPG is the primary measurement used to determine eligibility for charity care However, policy exceptions may be granted for families who have medical debt exceeding 10 percent of their income or have other specific documented needs where they are not able to pay all or a portion of their balance Medicaid eligibility may also be used to determine eligibility
Part I, Line 6a	Children's includes information on community benefit expenditures in the organization's annual report The report is freely available online at http //www childrensmn org/giving Additionally, community benefit numbers, as well as community health needs assessment information, are also available on the community health section of the website http //www childrensmn org/community

Form and Line Reference	Explanation
Part I, Line 7	Effective for the 2013 990 Sch H, the IRS has changed to the definition of "direct offsetting revenue" and as a result, Children's Health Care's direct offsetting revenue is greater than reported in previous years due to grants and contributions received Due to the change in definition, the 2013 Sch H is not comparable to previously filed years A ratio of patient care cost to charges, as calculated using Form 990, Schedule H, Worksheet 2 - Ratio of Patient Care Cost to Charges, was used to calculate community benefit costs for Schedule H, Part I, Line 7, rows (a)(c) Community benefit costs for rows (b)(e)(f)(g)(h)(i)(j) were calculated using a full-absorption costing model that combines direct costing and the allocation of indirect costs through an activity-based costing methodology
Part I, Line 7g	Subsidized health services benefits include the subsidized costs of two physician clinics A clinic is located on both the Minneapolis and St Paul campuses These clinics serve the local communities that include a high percentage of minorities and low-income families Net community benefit expenses related to these clinics were $1,140,000 for the twelve months of 2013

Form and Line Reference	Explanation
Part II, Community Building Activities	Children's provided the following community building activities in 2013 - The Midwest Children's Resource Center is a regional center providing specialty services for children who are possibly abused, their families, and the professionals who work with them MCRC brings together a multi-disciplinary team of child abuse specialist who provide a broad range of services, including medical and psychological consultation The center works as an advocate for the children who have been abused, seeking to significantly advance protection, treatment and healing of these children - STEP-UP Program for Cristo Rey Jesuit High School and Roosevelt High School Children's provides financial support to the Hire4Ed Work-Study Program, which provides students with real-world work experience and pays more than half of the students cost of education Children's also hosts some students in the program for work experience - Project for Pride in Living PPL helps low-income people achieve self-sufficiency through housing, employment training, support services and education Children's partners with and provides financial support to PPL in their Train to Work initiative, which has trained hundreds of people to meet entry-level staffing needs of Children's and other major area healthcare partners Train to Work offers training in healthcare-specific details, such as medical terminology and electronic health records, as well as a job shadowing internship that has been an essential component of the program's success The internship gives participants hands-on experience in healthcare and gives employers an opportunity to observe potential employees Part III, Line 2 Bad debt is defined as the unpaid obligation for care provided to patients who have been determined to be able to pay, but have not demonstrated a willingness to pay The amounts attributable to patients eligible under the organizations charity care policy are determined by a patient's willingness to pay with a documented inability to pay per measures established by our policy Bad Debt is estimated by applying the ratio of patient care cost to charges, as calculated on Form 990, Schedule H, Worksheet 2, to the actual patient charges Part III, Line 3 The organization estimates that twenty-five percent of bad debt expenses are attributable to patients who likely would qualify for financial assistance under the organization's charity care policy (but were either unwilling or unable to provide sufficient information to make a determination of their eligibility while in our care) The estimate of twenty-five percent is based on a review of accounts classified as bad debt and management judgement
Part III, Line 4	Footnote from 2013 audited financials Patient Accounts Receivable - Patient accounts receivable represent amounts due from federal and state agencies, managed health care plans, commercial insurance companies, employers, and patients Children's grants credit to patients, most of whom are insured under third-party payer agreements, without collateral or any other security to support amounts due Children's determines an allowance for doubtful accounts by considering a number of factors, including, but not limited to, the length of time accounts receivable are past due, previous loss history, the existence of a third-party payer, reimbursement trends, and other collection indicators Accounts are written off when all reasonable internal and external collection efforts have been performed and payments subsequently received on such receivables are credited to the allowance Children's recognizes that revenues and receivables from government agencies are significant to its operations, but does not believe there are significant credit risks associated with these government agencies In 2013, net revenue from the top four third-party payers accounted for 35 percent, 26 percent, 13 percent, and 12 percent of net patient service revenue In 2012, net revenue from the top four third-party payers accounted for 30 percent, 28 percent, 16 percent, and 11 percent of net patient service revenue

Form and Line Reference	Explanation
Part III, Line 8	The organization primarily serves pediatric patients and does not generate significant Medicare revenues The organization files a Medicare cost report annually Form 990, Schedule H, Worksheet 3 - Unreimbursed Medicaid and Other Means-Tested Government Programs was used to calculate the costs associated with Medicare charges reported in Part III, Line 6 The organization does not report any amounts from Part III, Line 7 as community benefit
Part III, Line 9b	When collecting medical debt, Children's Hospitals and Clinics of Minnesota treats its patient families with honor, dignity, and courtesy, demonstrates compassion, and are good stewards of health care resources There is a zero tolerance for abusive, harassing, oppressive, false, deceptive, or misleading language or collections conduct by Children's employees and contractors who collect medical debt from patient families This policy applies broadly to all patient families we serve Components of Children's collection policy include During the pre-registration, registration, or admission process, Children's attempts to identify and inform patient families who may be eligible for charity care or discounted care through the uninsured discount or charity care policy All Children's employees and contracted staff who have direct contact with patients are educated on an annual basis of Children's financial assistance policies The education informs staff of programs available and how a patient family may obtain more information and submit an application for financial assistance A financial assistance application is sent with the initial hospital patient statement explaining the process for obtaining financial assistance to all self pay patient families Reference to financial assistance is included on all subsequent statements If a patient family indicates the need for financial assistance during the registration process or throughout the collection process, financial assistance information is provided to the family by staff All patients who are registered as self pay are offered the financial assistance information at the time of registration All correspondence seeking collection of medical debts contain a reference to the availability of financial assistance Minnesota hospital providers have jointly developed consistent collection guidelines set out in formal agreements with the Minnesota Attorney General's Office This agreement is consistent with Children's collection policy The Audit Committee of our Board of Directors annually reviews this policy and all policies concerning collection of medical debt, uninsured discount, and charity care The Audit Committee also reviews the results of an annual audit related to these areas in accordance with the Minnesota Attorney General's Agreement

Form and Line Reference	Explanation
Part VI, Line 2	In 2013, Children's completed its first community health needs assessment, as required under the Patient Protection and Affordable Care Act of 2010 ("PPACA") The CHNA and accompanying implementation strategy were approved by the Children's Board of Directors at its October, 2013 board meeting The complete documents are available to the public at http //www childrensmn org/community In conducting the assessment, Children's considered the following topics and data demographics, economic issues that affect children, community issues, health status indicators, health access indicators, health disparities indicators and availability of healthcare facilities and resources In addition to the CHNA process, Children's also regularly assesses the health care needs of the community in the following ways a Board of Directors the organization's governing body, comprised primarily of community members who reside locally, provides governance oversight and input on the health care services Children's provides to the local community b Children's employed physicians, independent physicians who provide care at Children's, and numerous clinical care providers assess community needs daily through the pediatric care provided throughout the community c The Family Advisory Council this diverse group of families whose children are present or past patients of Children's regularly provides input on the services provided at Children's Council members represent a wide range of inpatient and outpatient experiences to help enhance the quality of child and family care experiences at Children's Council responsibilities include - Develop, implement and evaluate service and facility standards - Communicate with management about the recommendations and concerns expressed by parents, family members, parent associations and others - Advise on policy review, promote family-centered care and support program development d Youth Advisory Council This is a dedicated group of patients, ages 10 to 18, who help hospital staff, leaders, clinicians and parents understand what is important to children, teens and siblings during hospital stays, clinic visits and emergency care The YAC brings a valuable perspective and voice to Children's by participating in activities that promote discussion and thought about health care services for pediatric and young adult patients The council also brings great perspective to let other children know how to make their stay at Children's a more comfortable and positive experience e Community partnerships Children's has developed collaborations with community-based organizations, associations and local and state government-driven initiatives help the organization identify community needs Through these partnerships Children's gains insight and supports progress on a number of key issues impacting children, including childhood obesity, premature birth, tobacco control and more f Other methods include and are not limited to partnerships and projects with third party-payers and other community physicians and hospitals, monitoring and reporting of infectious disease data, disaster readiness efforts, research and education, support groups, and others
Part VI, Line 3	Components of Children's collection policy include During the pre-registration, registration, or admission process, Children's will attempt to identify and inform patient families who may be eligible for charity care or discounted care through the uninsured discount or charity care policy All Children's employees and contracted staff who have direct contact with patients will be educated on an annual basis of Children's financial assistance policies The education will inform staff of programs available and how a patient family may obtain more information and submit an application for financial assistance A financial assistance application will be sent with the initial letter explaining the process for obtaining financial assistance to all self pay patient families If a patient family indicates the need for financial assistance during the registration process, financial assistance information is provided to the family by the registration staff All correspondence seeking collection of medical debts will contain a reference to the availability of financial assistance Minnesota hospital providers have jointly developed consistent collection guidelines set out in formal agreements with the Minnesota Attorney General's Office This agreement is consistent with Children's collection policy The Board of Directors (Audit Committee) performs an annual review of this policy and all policies concerning collection of medical debt, uninsured discount, and charity care The Audit Committee shall also review the results of an annual audit related to these areas in accordance with the Minnesota Attorney General's Agreement

Form and Line Reference	Explanation
Part VI, Line 4	Children's Hospitals and Clinics of Minnesota serves the five state area of the upper Midwest (Minnesota, North Dakota, South Dakota, Iowa, and Wisconsin) In 2013, Children's served patients from 100 percent of Minnesota counties and 61 percent of the total counties in the five state area The age of patients reflects the pediatric health services provided with 76 percent of patients being under the age of ten and 89 percent under the age of fifteen Children's serves highly diverse patients and as such, provided interpreter services for 64 languages with the most frequent languages being Spanish, Somali, and Hmong Children's also serves a disproportionate share of economically disadvantaged patients with 42 percent of net patient revenues from government programs The Minneapolis campus is located within the Phillips-Powderhorn neighborhood (MUA), home to one of the most ethnically diverse communities in Minnesota
Part VI, Line 5	As a tax-exempt organization, Children's maintains an open medical staff and is governed by a volunteer, community board Children's provides a broad spectrum of benefits to the communities it serves that would otherwise be unavailable or insufficient to meet patient demand Children's does this for the express purpose of improving the health status of children in the community These include programs such as free clinics, health screenings, support counseling for patients and families, crisis intervention, disaster readiness and the cost of providing community health partnerships and education These services and donations account for a measurable portion of the hospital's costs and help to promote healthy lifestyles, community development, health education and affordable access to care Example programs include - Portico Healthnet Children's is one of the local hospitals and health plans in the Twin Cities that advises Portico Healthnet on issues related to program services and also provides funding for medical services to participants Portico Healthnet is a nonprofit health and human services organization that serves the community by assisting children, parents and individuals who are uninsured with applications to health care programs and by offering a primary and preventive health care access program for people ineligible for public programs - Women, Infants & Children (WIC) Program Children's houses a Woman, Infants and Children (WIC) clinic to facilitate enrollment in the program, nutrition education, access to nutritious foods, as well as breastfeeding education and support Additionally, the Children's WIC Program promotes healthy weight for both mother and child by offering individualized nutrition assessments, monitoring appropriate weight gain and growth, counseling families on how to help children eat a healthy diet, encouraging families to be physically active, and providing referrals to community nutrition and physical activity resources - HealthTeacher Children's financially sponsors the HealthTeacher program for school districts in Hennepin and Ramsey counties HealthTeacher, Inc provides web-based health education curriculum and related resources focused on health improvement and physical activity These tools provide schools and teachers important resources to help kids lead healthy lives - The EMSC Resource Center provides technical assistance to agencies to improve pediatric emergency care The EMSC works to reduce child morbidity and mortality due to trauma and critical illness and is the only statewide program that focuses on improving pediatric components of medical care - The Minnesota Sudden Infant Death (SID) Center Children's houses the Minnesota SID Center, which provides support to families and promotes awareness within both the medical and lay communities of SIDS and other causes of sudden infant death The center works to identify causes of sudden, unexpected infant death throughout Minnesota, reaches out with information and support to families, educates professionals and the public, and participates in research - The Simulation Center is a motor coach outfitted with simulation equipment and staffed with Children's trainers that travels throughout the Midwest to train staff from hospitals in the best practices when responding to pediatric or neonatal medical emergencies - Healthy Kids Partnership HealthPartners and Children's Hospital and Clinics of Minnesota are collaborating with community stakeholders to help promote childhood health and prevent obesity Physician champions in three clinics are connecting with schools, community centers, local businesses and public health By working in partnership, we hope to promote and sustain change in the places our kids live, learn and play - Children's Immunization Project To increase rates of vaccination among children, particularly in low-income and underserved areas, Children's provides outreach and education on vaccinations The program's current focus is on influenza prevention, and activities include vaccination clinics and educational outreach - Perinatal HIV Prevention Program Optimal prenatal care for women with HIV is essential in preventing transmission of the disease to infants Children's Infection Prevention department works with HIV positive pregnant women to help them get this care by building relationships with medical providers throughout the state to refer expecting mothers into the program - The Advocacy and Health Policy Department at Children's promotes the health of the community by participating in coalitions that advocate for the health of children in Minnesota

Form and Line Reference	Explanation
Part VI, Line 7, Reports Filed With States	MN

Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990
▶ Information about Schedule I (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047
2013
Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . ☑ **Yes** ☐ **No**

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
(1) Abbott Northwestern Hospital Foundation 800 East 28th Street Minneapolis, MN 554073799	04-3643816	501(c)(3)	10,100				Critical Care Fund & Memorial
(2) Children's Hospital Association 2525 Chicago Ave S Minneapolis, MN 55404	41-0711605	501(c)(3)	10,000				Support fundraising efforts
(3) Children's Heartlink 5075 Arcadia Ave Minneapolis, MN 554362306	41-1307457	501(c)(3)	7,500				Sponsorship Heartlink Gala & Hearlink Golf Invitational
(4) Cristo Rey Jesuit High School 2924 4th Ave S Minneapolis, MN 55408	20-4548714	501(c)(3)	29,000				Sponsorship - Hire for Ed program
(5) Healthteacher Inc 209 10th Ave S Suite 350 Nashville, TN 37203			240,192				Promotion of health education
(6) March of Dimes 5233 Edina Industrial Blvd Edina, MN 55439	13-1846366	501(c)(3)	15,000				Sponsorship - Nurse of the Years
(7) Miracles of Mitch Foundation 7835 Telegraph Rd Bloomington, MN 55438	56-2384527	501(c)(3)	7,575				Sponsorship - New Year's Eve & Memorials
(8) Phillips West Neighborhood Org 2400 Park Ave S Suite 152 Minneapolis, MN 55404	90-0122796	501(c)(3)	5,400				Sponsorship - Midtown Safety Center, National Night Out & Winter Social
(9) Portico Healthnet 2610 University Ave W Suite 550 St Paul, MN 55114	41-1814659	501(c)(3)	100,000				Assist families in obtaining medical assistance coverage
(10) Project for Pride in Living 1035 E Franklin Ave Minneapolis, MN 55406	23-7232208	501(c)(3)	25,000				Support Project Pride in Living health careers job training program
(11) Roosevelt High School 4029 28th Ave S Minneapolis, MN 55406	41-1927097	501(c)(3)	10,000				Support health careers program
(12) Smith Partners 400 2nd Ave S Suite 1200 Minneapolis, MN 55401	20-3663831		21,800				Support Phillips partnership

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . ▶ 10

3 Enter total number of other organizations listed in the line 1 table . . . ▶ 2

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

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

Part IV **Supplemental Information.** Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
Part I, Line 2	From time to time, Children's grants monies to other organizations conducting programs and/or research that will benefit the children that Children's serves Children's also occasionally provides monetary support to organizations that promote careers in the health care field and community organizations that support the economic development of the area surrounding the Children's Minneapolis campus Children's receives periodic updates regarding the use of the funds

Additional Data

Software ID:
Software Version:
EIN: 41-1754276
Name: Children's Health Care

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Abbott Northwestern Hospital Foundation 800 East 28th Street Minneapolis, MN 554073799	04-3643816	501(c)(3)	10,100				Critical Care Fund & Memorial

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Children's Hospital Association 2525 Chicago Ave S Minneapolis, MN 55404	41-0711605	501(c)(3)	10,000				Support fundraising efforts

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Children's Heartlink 5075 Arcadia Ave Minneapolis,MN 554362306	41-1307457	501(c)(3)	7,500				Sponsorship Heartlink Gala & Hearlink Golf Invitational

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Cristo Rey Jesuit High School 2924 4th Ave S Minneapolis, MN 55408	20-4548714	501(c)(3)	29,000				Sponsorship - Hire for Ed program

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Healthteacher Inc 209 10th Ave S Suite 350 Nashville, TN 37203			240,192				Promotion of health education

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
March of Dimes 5233 Edina Industrial Blvd Edina, MN 55439	13-1846366	501(c)(3)	15,000				Sponsorship - Nurse of the Years

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Miracles of Mitch Foundation 7835 Telegraph Rd Bloomington, MN 55438	56-2384527	501(c)(3)	7,575				Sponsorship - New Year's Eve & Memorials

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Phillips West Neighborhood Org 2400 Park Ave S Suite 152 Minneapolis,MN 55404	90-0122796	501(c)(3)	5,400				Sponsorship - Midtown Safety Center, National Night Out & Winter Social

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Portico Healthnet 2610 University Ave W Suite 550 St Paul, MN 55114	41-1814659	501(c)(3)	100,000				Assist families in obtaining medical assistance coverage

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Project for Pride in Living 1035 E Franklin Ave Minneapolis, MN 55406	23-7232208	501(c)(3)	25,000				Support Project Pride in Living health careers job training program

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Roosevelt High School 4029 28th Ave S Minneapolis,MN 55406	41-1927097	501(c)(3)	10,000				Support health careers program

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Smith Partners 400 2nd Ave S Suite 1200 Minneapolis, MN 55401	20-3663831		21,800				Support Phillips partnership

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

► Complete if the organization answered "Yes" to Form 990, Part IV, line 23.
► Attach to Form 990. ► See separate instructions.
► Information about Schedule J (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Children's Health Care

Employer identification number
41-1754276

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☑ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?	**2**		No
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III ☑ Compensation committee ☑ Written employment contract ☑ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	**4c**		No
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization? If "Yes," to line 5a or 5b, describe in Part III	**5b**		No
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization? If "Yes," to line 6a or 6b, describe in Part III	**6b**		No
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

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

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

Part III Supplemental Information

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

Return Reference	Explanation
Part I, Line 1a	Alan Goldbloom is reimbursed for his membership fees for the Minneapolis Club, which is used solely for business purposes Part I, Line 4a Jerry Massmann began receiving severance pay on 8/1/2013 for two years He received $178,747 in 2013 Part I, Line 4b Certain employees of Children's Health Care, parent of Children's Clinic Network, are provided the opportunity to participate in the Capital Accumulation Plan ("the Capital Plan") The Capital Plan requires that the employee is a physician or executive and is a 5 FTE or more in order to be eligible to participate in the Capital Plan Payments from the Capital Plan occur at vesting and are based on percentage of salary The following amounts represent the amount paid under the Capital Plan in 2013 Maria Christu - $32,797 Alan Goldbloom - $274,556 Phil Kibort - $76,624 Jerry Massmann - $210,577 David Brumbaugh - $29,596 Theresa Pesch - $35,002 David Overman - $101,963 Roxanne Fernandes - $17,474 Jeffrey Young - $28,540 Certain employee of Children's Health Care are provided the opportunity to participate in the Deferral Account Pay Plan (the Deferral Plan) The Deferral Plan requires that the employee is a physician or executive and is a 5 FTE or more in order to be eligible to participate in the Deferral Plan Payments from the Deferral Plan occur at vesting and are based on percentage of salary There were no amounts paid under the Deferral Plan in 2013
Part I, Line 7	Certain executives and physicians are eligible for participation in the Executive Incentive Plan (EIP) or Physician Incentive Plan (PIP) The EIP and PIP provide eligible participants with the opportunity to receive an incentive payment based on attainment of established organization and individual goals

Additional Data

Software ID:
Software Version:
EIN: 41-1754276
Name: Children's Health Care

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Alan Goldbloom Chief Executive Officer	(i)	816,148	697,653	2,094,346	165,343	17,366	3,790,856	1,730,889
	(ii)	0	0	0	0	0	0	0
Robert Segal Medical Director	(i)	310,507	34,629	0	260,772	21,510	627,418	0
	(ii)	0	0	0	0	0	0	0
David Brumbaugh VP Human Resources	(i)	275,874	117,843	3,882	148,376	22,260	568,235	0
	(ii)	0	0	0	0	0	0	0
Maria Christu Chief Legal Officer	(i)	335,302	142,100	6,119	97,092	22,484	603,097	0
	(ii)	0	0	0	0	0	0	0
Jennifer Close Chief Ambulatory Officer	(i)	81,291	0	16,507	10,999	3,152	111,949	0
	(ii)	88,709	0	18,013	12,002	3,440	122,164	0
Roxanne Fernandes Chief Nursing Officer	(i)	303,907	116,793	0	96,741	17,122	534,563	0
	(ii)	0	0	0	0	0	0	0
Bjorn Gunnerud VP Marketing and Comm	(i)	197,873	53,075	0	40,562	18,997	310,507	0
	(ii)	0	0	0	0	0	0	0
Phil Kibort CMO, VP Medical Affairs	(i)	467,849	228,652	13,927	176,264	21,786	908,478	0
	(ii)	0	0	0	0	0	0	0
Carol Koenecke-Grant Chief Strategy Officer	(i)	253,247	0	5,200	45,500	9,467	313,414	0
	(ii)	0	0	0	0	0	0	0
Alec Mahmood Start 71513 VP, Finance & CFO	(i)	210,100	16,368	83,491	30,054	9,614	349,627	0
	(ii)	0	0	0	0	0	0	0
Jerry Massmann End 73113 CFO, VP Finance	(i)	334,285	409,143	280,875	836,042	11,589	1,871,934	0
	(ii)	0	0	0	0	0	0	0
David Overman Chief Operating Officer	(i)	469,598	299,375	9,494	283,434	17,366	1,079,267	0
	(ii)	0	0	0	0	0	0	0
Theresa Pesch VP Dev & Exec Dir Fndtn	(i)	157,468	61,194	8,387	54,970	8,564	290,583	0
	(ii)	157,467	61,194	8,387	54,971	8,564	290,583	0
Carol Wilcox Sr Hospital Administrator	(i)	183,221	40,600	1,487	36,843	2,046	264,197	0
	(ii)	0	0	0	0	0	0	0
Jeffrey Young Chief Information Officer	(i)	281,129	118,207	363	65,130	18,685	483,514	0
	(ii)	0	0	0	0	0	0	0
Becky Bedore Sr Dir Clinical Svc Peds	(i)	147,503	33,639	0	22,808	10,481	214,431	0
	(ii)	0	0	0	0	0	0	0
Alice Chernich Sr Dir Clinical Svc Neonatal	(i)	152,105	22,008	0	10,546	13,011	197,670	0
	(ii)	0	0	0	0	0	0	0
Gloria Drake Sr Dir Clinical Svc Periop	(i)	144,484	35,108	0	24,238	16,618	220,448	0
	(ii)	35,844	0	0	0	0	35,844	0
Jennifer Olson Exec Dir Mother Baby Svc	(i)	191,495	42,561	0	16,877	14,921	265,854	0
	(ii)	0	0	0	0	0	0	0
Jamie Wiggins Sr Dir Clinical Svc Crit Cr	(i)	169,759	34,325	1,341	8,653	11,117	225,195	0
	(ii)	0	0	0	0	0	0	0

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Aaron Friedkin Staff Physician	(i)	438,929	95,994	28,809	62,725	11,030	637,487	0
	(ii)	0	0	0	0	0	0	0
James Engels Staff Physician	(i)	504,821	44,736	28,813	86,562	18,916	683,848	0
	(ii)	0	0	0	0	0	0	0
William Mize Medical Director	(i)	460,442	90,786	0	80,745	22,670	654,643	0
	(ii)	0	0	0	0	0	0	0
Joseph Petronio Surg Dir Peds Neurosurg	(i)	787,129	67,891	70,737	91,418	22,670	1,039,845	0
	(ii)	0	0	0	0	0	0	0
Sonia Wright Staff Physician	(i)	435,297	108,024	0	78,046	22,670	644,037	0
	(ii)	0	0	0	0	0	0	0

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Schedule K (Form 990)

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶Information about Schedule K (Form 990) and its instructions is at *www.irs.gov/form990*.

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Department of the Treasury
Internal Revenue Service

Name of the organization
Children's Health Care

Employer identification number
41-1754276

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased Yes	(g) Defeased No	(h) On behalf of issuer Yes	(h) On behalf of issuer No	(i) Pool financing Yes	(i) Pool financing No
A	1995B 2004A - See Part VI	41-6005375	603695FG7	08-24-2004	77,550,000	Hlth Care Equip&Bldg & Ref Bnd Issued 10/2/95		X		X		X
B	2004B - See Part VI	41-6005375	603695FH5	05-25-2005	51,550,000	Refunding of Taxable Bond Issued 8/24/04		X		X		X
C	2007A - See Part VI	41-6005375	603695FP7	11-15-2007	103,000,000	Facility Expansion and Upgrade		X		X		X
D	1995B 2004A-1 2010A - See Part VI	41-6005375	603695GQ4	03-25-2010	97,051,274	Facility Expns & Upgrd & Ref Bnd Issd 8/24/04		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	56,375,000	17,300,000	5,700,000	6,120,000
2	Amount of bonds legally defeased				
3	Total proceeds of issue	77,550,000	51,550,000	106,148,383	97,071,507
4	Gross proceeds in reserve funds	119	192	1,258	484
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	810,064		862,000	
8	Credit enhancement from proceeds	1,239,936		1,582,951	
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	50,000,000		103,703,432	51,120,684
11	Other spent proceeds	25,500,000	51,550,000		45,950,823
12	Other unspent proceeds				
13	Year of substantial completion	2004		2009	2011

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		X			
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X			
c	Are there any research agreements that may result in private business use of bond-financed property?	X		X		X			
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X		X			
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 010 %		0 010 %		0 010 %			
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5	0 010 %		0 010 %		0 010 %			
7	Does the bond issue meet the private security or payment test?		X		X		X		
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?	X		X		X			

Part IV Arbitrage

		A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D No
1	Has the issuer filed Form 8038-T?		X		X		X		X
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X		X		X
b	Exception to rebate?	X		X		X		X	
c	No rebate due?		X		X		X		X
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X		X		X			X
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X		X		X			X
b	Name of provider	Piper Jaffray		Piper Jaffray		Piper Jaffray			
c	Term of hedge	30 200000000000		20 200000000000		29 800000000000			
d	Was the hedge superintegrated?		X		X		X		
e	Was the hedge terminated?		X		X		X		

Part IV Arbitrage *(Continued)*

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

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
Schedule K, Supplemental Information	The report periods selected for all four bond issues recorded on Schedule K are not the same as the fiscal year end for the rest of the Form 990 Schedule K uses the bond year ending of August 15, 2014 Part I, Column (g) A Though these bonds are not defeased, a portion of the bonds was currently refunded by a reissuance on 3/25/2010 Part II, Line 3 Differences between Part I, Column (e) and Part II, Line 3 are due to investment earnings
Schedule K, Part II, Line 13 Year of Substantial Completion	B As this bond issue consists entirely of refunding bonds, it is Children's understanding that the concept of "year of substantial completion" does not apply to this issue
Schedule K, Part I, Line 1 Column A	Health Care Facilities Revenue Bonds 1995B/2004A - Issuer of the bond is City of Minneapolis, MN (41-6005375) and Housing and Redevelopment Authority of the City of St Paul, MN (41-6005521) Schedule K, Part I, Line 2 Column A Health Care Facilities Revenue Bonds 2004B - Issuer of the bond is City of Minneapolis, MN (41-6005375) and Housing and Redevelopment Authority of the City of St Paul, MN (41-6005521) Schedule K, Part I, Line 3 Column A Health Care Facilities Revenue Bonds 2007A - Issuer of the bond is City of Minneapolis, MN (41-6005375) and Housing and Redevelopment Authority of the City of St Paul, MN (41-6005521) Schedule K, Part I, Line 4 Column A Health Care Facilities Revenue Bonds 1995B/2004A-1/2010A - Issuer of the bond is City of Minneapolis, MN (41-6005375) and Housing and Redevelopment Authority of the City of St Paul, MN (41-6005521)

Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶Information about Schedule L (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.

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Children's Health Care

Employer identification number
41-1754276

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues? Yes	No
(1) Children's Respiratory & Critical Care Specialists PA	John McNamara, MD	4,214,801	Board member of Children's Respiratory & Critical Care Specialists PA		No

Part V Supplemental Information
Provide additional information for responses to questions on Schedule L (see instructions)

Return Reference	Explanation

SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

▶Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.
▶Information about Schedule M (Form 990) and its instructions is at *www.irs.gov/form990*.

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Name of the organization
Children's Health Care

Employer identification number
41-1754276

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art	X	5	12,987	Cost or selling price
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications	X	[redacted]	8,403	Cost or selling price
5 Clothing and household goods	X	[redacted]	464,969	Cost or selling price
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles	X	5	576	Cost or selling price
19 Food inventory	X	52	76,628	Cost or selling price
20 Drugs and medical supplies	X	9	24,733	Cost or selling price
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ▶ (Other)	X	47	684,859	Cost or selling pric
26 Other ▶ (Music Carts)	X	1	143,904	Cost or selling pric
27 Other ▶ (Electronics)	X	17	72,937	Cost or selling pric
28 Other ▶ (Entertainment)	X	27	26,354	Cost or selling pric

			Yes	No
29	Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement	29	0	
30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1 through 28, that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	30a		No
b	If "Yes," describe the arrangement in Part II			
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31	Yes	
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?	32a		No
b	If "Yes," describe in Part II			
33	If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II			

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

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.
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

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Name of the organization	Employer identification number
Children's Health Care	41-1754276

Return Reference	Explanation
Form 990, Part VI, Section A, line 2	The following people have a business relationship Maria Christu Alan Goldbloom Phil Kibort Jerry Massmann Theresa Pesch Alec Mahmood Jennifer Close Gloria Drake Robert Segal Patrick Ryan Russ Becker Michael Ciresi Molly Culligan Greg Govern Andrea Kmetz-Sheehy Chad Lindbloom Matt Majka Gaye Adams Massey David Miller Jonathan Wood

Return Reference	Explanation
Form 990, Part VI, Section B, line 11	Children's senior management reviews the draft Form 990 with the Audit and Compliance Committee of the governing body prior to filing of the Form This review includes an overview of the Form and discussion related to key sections Copies of the final Form 990 are made available to members of the Committee and all directors prior to the Form being filed The Audit and Compliance Committee has been delegated the authority to oversee the completion and filing of the Form 990 by the full board, and the Committee reports the results of its review and approval to the full board at a regularly scheduled board meeting

Return Reference	Explanation
Form 990, Part VI, Section B, line 12c	Management of Children's ensure that conflict of interest disclosure forms are completed by all members of the governing body and board committees at least annually Forms are completed at the beginning of the year, and directors and committee members are instructed to provide additional disclosures if necessary during the course of the year The Governance Committee of the governing body, along with senior management (CEO and General Counsel) review all disclosures provided by governing board members The results of this review and any concerns, limitations, etc , are reported by the Governance Committee to the full board If conflicts are identified, the Governance Committee and management work to ensure that directors do not participate in discussion or voting on the affected matter

Return Reference	Explanation
Form 990, Part VI, Section B, line 15	Children's follows the requirements set forth in the IRS rebuttable presumption of reasonableness in determining compensation for the CEO and other officers and executive leaders of Children's This function is performed by the Compensation Committee of the governing board, which is composed of only independent directors The process includes review of comparability data, retention of an outside compensation consultant and contemporaneous substantiation of the deliberation and decision through detailed minutes of the Compensation Committee and full board meetings where executive compensation is considered

Return Reference	Explanation
Form 990, Part VI, Section C, line 19	Children's makes financial statement information public through a summary of financial performance in its annual report In addition, financial statements are provided publicly through Digital Assurance Certification, a dissemination agent, who therefore make this information publicly available Children's governing documents and conflict of interest policy are not available to the public

Return Reference	Explanation
Form 990, Part VI, Section B, Line 16	Currently Children's does not have any joint ventures with a taxable entity that are mission related or joint ventures that are not mission related Within the context of their investment portfolio, the organization has invested in a number of limited partnership opportunities

Return Reference	Explanation
Form 990, Part IX, line 11g	Medical Residents Program service expenses 3,013,344 Management and general expenses 0 Fundraising expenses 0 Total expenses 3,013,344 Consulting Fees Program service expenses 911,593 Management and general expenses 4,327,431 Fundraising expenses 0 Total expenses 5,239,024 Purchase Services Program service expenses 52,581,135 Management and general expenses 2,974,709 Fundraising expenses 0 Total expenses 55,555,844 Leased Equipment Program service expenses 1,214,239 Management and general expenses 22,498 Fundraising expenses 0 Total expenses 1,236,737 Maintenance Service Contracts Program service expenses 2,502,041 Management and general expenses 64,315 Fundraising expenses 0 Total expenses 2,566,356 Equipment Repair and Maintenance Program service expenses 1,570,534 Management and general expenses 155,672 Fundraising expenses 0 Total expenses 1,726,206

Return Reference	Explanation
Form 990, Part XI, line 9	Change in beneficial interest in net assets of Foundation -736,319 RSVP Retirement plan-related changes 10,366,444 Change in value of interest rate swap valuation 17,555,522

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

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Name of the organization
Children's Health Care

Employer identification number
41-1754276

Part I **Identification of Disregarded Entities** Complete if the organization answered "Yes" on 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" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	No
(1) Children's Health Care Services Inc DBA Minnetonka 2525 Chicago Ave S Minneapolis, MN 55404 41-1756478	Healthcare	MN	501(c)(3)	Line 3 170(b)(1)(a)	Children's Health Care Inc	Yes	
(2) Children's Health Care Foundation 2525 Chicago Ave S Minneapolis, MN 554021844 41-1814223	Healthcare	MN	501(c)(3)	Line 7 170(b)(1)(a)	Children's Health Care Inc	Yes	
(3) Children's Clinic Network 2525 Chicago Ave S Minneapolis, MN 554041844 45-3765330	Healthcare	MN	501(c)(3)	Line 3 170(b)(1)(a)	Children's Health Care Inc	Yes	
(4) Mother Baby Facility LLC 2525 Chicago Ave S Minneapolis, MN 554041844 45-4078371	Healthcare	MN	501(c)(3)	Line 9 509(a)(2)	Children's Health Care Inc	Yes	

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity? Yes	(i) No
(1) Children's Health Insurance Network Ltd PO Box 30600 Grand Cayman KY1-1203 CJ	Insurance	CJ	Children's Health Care Inc	C	-777,136	6,717,819	100 000 %	Yes	

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

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

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

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

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

Part VII Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation

Additional Data

Software ID:
Software Version:
EIN: 41-1754276
Name: Children's Health Care

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Children's Health Care Services Inc DBA Children's - Minnetonka	L	278,954	Accrual
Children's Health Care Services Inc DBA Children's - Minnetonka	O	305,570	Accrual
Children's Health Care Services Inc DBA Children's - Minnetonka	P	6,734,384	Accrual
Children's Health Care Services Inc DBA Children's - Minnetonka	Q	7,798,973	Accrual
Children's Health Care Foundation	C	21,385,318	Accrual
Children's Health Care Foundation	L	6,344,263	Accrual
Children's Health Care Foundation	O	4,967,232	Accrual
Children's Health Care Foundation	R	22,701,409	Accrual
Children's Clinic Network	L	17,379	Accrual
Children's Clinic Network	O	1,652,499	Accrual
Children's Clinic Network	Q	43,597,656	Accrual
Children's Clinic Network	P	42,627,404	Accrual
Children's Clinic Network	R	29,462	Accrual

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Form **5471** (Rev December 2012) Department of the Treasury Internal Revenue Service

Information Return of U.S. Persons With Respect To Certain Foreign Corporations

▶ **For more information about Form 5471, see www.irs.gov/form5471**

Information furnished for the foreign corporation's annual accounting period (tax year required by section 898) (see instructions) beginning 01-01-2013 , and ending 12-31-2013

OMB No 1545-0704

Attachment Sequence No **121**

Name of person filing this return Children's Health Care	**A Identifying number** 41-1754276
Number, street, and room or suite no (or P O box number if mail is not delivered to street address) 2525 Chicago Avenue South	**B** Category of filer (See instructions Check applicable box(es)) 1 (repealed) 2 ☐ 3 ☐ 4 ☑ 5 ☑
City or town, state, and ZIP code Minneapolis MN 554041844	**C** Enter the total percentage of the foreign corporation's voting stock you owned at the end of its annual accounting period 100 000 %

Filer's tax year beginning 2013-01-01 , and ending 2013-12-31

D Person(s) on whose behalf this information return is filed

(1) Name	**(2)** Address	**(3)** Identifying number	**(4)** Check applicable box(es) Shareholder	Officer	Director

Important: *Fill in all applicable lines and schedules. All information **must** be in English. All amounts **must** be stated in U.S. dollars unless otherwise indicated.*

1a Name and address of foreign corporation CHILDREN'S HEALTH INSURANCE NETWORK LTD GRAND PAVILION COMMERCIAL CENTRE PO GRAND CAYMAN KY1-1203 CJ	**b(1)** Employer identification number, if any FOREIGNUS **b(2)** Reference ID number (see instructions) EFCJ9000HC **c** Country under whose laws incorporated CJ

d Date of incorporation	**e** Principal place of business	**f** Principal business activity code number	**g** Principal business activity	**h** Functional currency
2007-08-30	CJ	524140	HEALTH INSURANCE	United States,Dollar

2 Provide the following information for the foreign corporation's accounting period stated above

a Name, address, and identifying number of branch office or agent (if any) in the United States	**b** If a U S income tax return was filed, enter (i) Taxable income or (loss)	(ii) U S income tax paid (after all credits)

c Name and address of foreign corporation's statutory or resident agent in country of incorporation

d Name and address (including corporate department, if applicable) of person (or persons) with custody of the books and records of the foreign corporation, and the location of such books and records, if different

Schedule A Stock of the Foreign Corporation

(a) Description of each class of stock	**(b)** Number of shares issued and outstanding (i) Beginning of annual accounting period	(ii) End of annual accounting period
Common	2,500	2,500

Schedule B **U.S. Shareholders of Foreign Corporation** (see instructions.)

(a) Name, address, and identifying number of shareholder	(b) Description of each class of stock held by shareholder **Note:** *This description should match the corresponding description entered in Schedule A, column (a)*	(c) Number of shares held at beginning of annual accounting period	(d) Number of shares held at end of annual accounting period	(e) Pro rata share of subpart F income (enter as a percentage)
CHILDREN'S HEALTH CARE 41-1754276	Common	2500	2500	10000 0000000000 %

Schedule C **Income Statement** (see instructions.)

Important: *Report all information in functional currency in accordance with U.S. GAAP. Also, report each amount in U.S. dollars translated from functional currency (using GAAP translation rules). However, if the functional currency is the U.S. dollar, complete only the U.S. Dollars column. See instructions for special rules for DASTM corporations.*

				Functional Currency	U.S. Dollars
Income	1a	Gross receipts or sales	1a		
	b	Returns and allowances	1b		
	c	Subtract line 1b from line 1a	1c		
	2	Cost of goods sold	2		
	3	Gross profit (subtract line 2 from line 1c)	3		
	4	Dividends	4		
	5	Interest	5		
	6a	Gross rents	6a		
	b	Gross royalties and license fees	6b		
	7	Net gain or (loss) on sale of capital assets	7		
	8	Other income (attach statement)	8		-542,753
	9	Total income (add lines 3 through 8)	9		-542,753
Deductions	10	Compensation not deducted elsewhere	10		
	11a	Rents	11a		
	b	Royalties and license fees	11b		
	12	Interest	12		
	13	Depreciation not deducted elsewhere	13		
	14	Depletion	14		
	15	Taxes (exclude provision for income, war profits, and excess profits taxes)	15		
	16	Other deductions (attach statement-exclude provision for income, war profits, and excess profits taxes)	16		114,734
	17	Total deductions (add lines 10 through 16)	17		114,734
Net Income	18	Net income or (loss) before extraordinary items, prior period adjustments, and the provision for income, war profits, and excess profits taxes (subtract line 17 from line 9)	18		-657,487
	19	Extraordinary items and prior period adjustments (see instructions)	19		
	20	Provision for income, war profits, and excess profits taxes (see instructions)	20		
	21	Current year net income or (loss) per books (combine lines 18 through 20)	21		-657,487

Schedule E **Income, War Profits, and Excess Profits Taxes Paid or Accrued** (See instructions)

	(a) Name of country or U S possession	Amount of Tax (b) In foreign currency	(c) Conversion rate	(d) In U S dollars
1	U S			
2				
3				
4				
5				
6				
7				
8	Total			

Schedule F **Balance Sheet**

Important: *Report all amounts in U.S. dollars prepared and translated in accordance with U.S. GAAP. See instructions for an exception for DASTM corporations.*

	Assets		(a) Beginning of annual accounting period	(b) End of annual accounting period
1	Cash	1	397,108	406,528
2a	Trade notes and accounts receivable	2a		
b	Less allowance for bad debts	2b	( )	( )
3	Inventories	3		
4	Other current assets (attach statement)	4	5,980,832	6,311,291
5	Loans to shareholders and other related persons	5		
6	Investment in subsidiaries (attach statement)	6		
7	Other investments (attach statement)	7		
8a	Buildings and other depreciable assets	8a		
b	Less accumulated depreciation	8b	( )	( )
9a	Depletable assets	9a		
b	Less accumulated depletion	9b	( )	( )
10	Land (net of any amortization)	10		
11	Intangible assets			
a	Goodwill	11a		
b	Organization costs	11b		
c	Patents, trademarks, and other intangible assets	11c		
d	Less accumulated amortization for lines 11a, b, and c	11d	( )	( )
12	Other assets (attach statement)	12		
13	Total assets	13	6,377,940	6,717,819
	Liabilities and Shareholders' Equity			
14	Accounts payable	14		
15	Other current liabilities (attach statement)	15		
16	Loans from shareholders and other related persons	16		
17	Other liabilities (attach statement)	17	3,972,652	4,970,018
18	Capital stock			
a	Preferred stock	18a		
b	Common stock	18b	2,500	2,500
19	Paid-in or capital surplus (attach reconciliation)	19	247,500	247,500
20	Retained earnings	20	2,155,288	1,497,801
21	Less cost of treasury stock	21	( )	( )
22	Total liabilities and shareholders' equity	22	6,377,940	6,717,819

Schedule G Other Information

		Yes	No
1	During the tax year, did the foreign corporation own at least a 10% interest, directly or indirectly, in any foreign partnership? If "Yes," see the instructions for required statement	☐	☑
2	During the tax year, did the foreign corporation own an interest in any trust?	☐	☑
3	During the tax year, did the foreign corporation own any foreign entities that were disregarded as entities separate from their owners under Regulations sections 301 7701-2 and 301 7701-3 (see instructions)? If "Yes," you are generally required to attach Form 8858 for each entity (see instructions)	☐	☑
4	During the tax year, was the foreign corporation a participant in a cost sharing arrangement?	☐	☑
5	During the tax year, did the foreign corporation become a participant in a cost sharing arrangement?	☐	☑
6	During the tax year, did the foreign corporation participate in any reportable transaction as defined in Regulations section 1 6011-4? If "Yes," attach Form(s) 8886 if required by Regulations section 1 6011-4(c)(i)(G)	☐	☑
7	During the tax year, did the foreign corporation pay or accrue any foreign tax that was disqualified for credit under section 901(m)?	☐	☑
8	During the tax year, did the foreign corporation pay or accrue foreign taxes to which section 909 applies, or treat foreign taxes that were previously suspended under section 909 as no longer suspended?	☐	☑

Schedule H Current Earnings and Profits (see instructions.)

Important: *Enter the amounts on lines 1 through 5c in **functional** currency.*

		Net Additions	Net Subtractions		
1	Current year net income or (loss) per foreign books of account			1	-657,487
2	Net adjustments made to line 1 to determine current earnings and profits according to U S financial and tax accounting standards (see instructions)				
a	Capital gains or losses				
b	Depreciation and amortization				
c	Depletion				
d	Investment or incentive allowance				
e	Charges to statutory reserves				
f	Inventory adjustments				
g	Taxes				
h	Other (attach statement)	887,970			
3	Total net additions	887,970			
4	Total net subtractions				
5a	Current earnings and profits (line 1 plus line 3 minus line 4)			5a	230,483
b	DASTM gain or (loss) for foreign corporations that use DASTM (see instructions)			5b	
c	Combine lines 5a and 5b			5c	230,483
d	Current earnings and profits in U S dollars (line 5c translated at the appropriate exchange rate as defined in section 989(b) and the related regulations (see instructions))			5d	230,483
	Enter exchange rate used for line 5d ▶				

Schedule I Summary of Shareholder's Income From Foreign Corporation (see instructions)

If item D on page 1 is completed, a separate Schedule I must be filed for each Category 4 or 5 filer for whom reporting is furnished on this Form 5471 This schedule I is being completed for

Name of U S shareholder ▶ Children's Health Care Identifying number ▶ 41-1754276

1	Subpart F income (line 38b, Worksheet A in the instructions)	1	230,483
2	Earnings invested in U S property (line 17, Worksheet B in the instructions)	2	
3	Previously excluded subpart F income withdrawn from qualified investments (line 6b, Worksheet C in the instructions)	3	
4	Previously excluded export trade income withdrawn from investment in export trade assets (line 7b, Worksheet D in the instructions)	4	
5	Factoring income	5	
6	Total of lines 1 through 5 Enter here and on your income tax return See instructions	6	230,483
7	Dividends received (translated at spot rate on payment date under section 989(b)(1))	7	
8	Exchange gain or (loss) on a distribution of previously taxed income	8	

	Yes	No
• Was any income of the foreign corporation blocked?	☐	☑
• Did any such income become unblocked during the tax year (see section 964(b))?	☐	☑

If the answer to either question is "Yes," attach an explanation

SCHEDULE J
(Form 5471)
(Rev December 2012)
Department of the Treasury
Internal Revenue Service

Accumulated Earnings and Profits (E&P) of Controlled Foreign Corporation

▶ **Information about Schedule J (Form 5471) and its instructions is at *www.irs.gov/form5471.***
▶ **Attach to Form 5471.**

OMB No 1545-0704

Name of person filing Form 5471	Identifying number
Children's Health Care	41-1754276

Name of foreign corporation	EIN (if any)	Reference ID number (see instructions)
CHILDREN'S HEALTH INSURANCE NETWORK LTD	FOREIGNUS	EFCJ9000HC

Important: Enter amounts in functional currency	**(a)** Post-1986 Undistributed Earnings (post-86 section 959(c)(3) balance)	**(b)** Pre-1987 E&P Not Previously Taxed (pre-87 section 959(c)(3) balance)	**(c)** Previously Taxed E&P (see instructions) (sections 959(c)(1) and (2) balances)			**(d)** Total Section 964(a) E&P (combine columns (a), (b), and (c))
			(i) Earnings Invested in U S Property	*(ii)* Earnings Invested in Excess Passive Assets	*(iii)* Subpart F Income	
1 Balance at beginning of year	-423,835					-423,835
2a Current year E&P	230,483					
b Current year deficit in E&P						
3 Total current and accumulated E&P not previously taxed (line 1 plus line 2a **or** line 1 minus line 2b)	-193,352					
4 Amounts included under section 951(a) or reclassified under section 959(c) in current year	230,483				230,483	
5a Actual distributions or reclassifications of previously taxed E&P						
b Actual distributions of nonpreviously taxed E&P						
6a Balance of previously taxed E&P at end of year (line 1 plus line 4, minus line 5a)					230,483	
b Balance of E&P not previously taxed at end of year (line 3 minus line 4, minus line 5b)	-423,835					
7 Balance at end of year (Enter amount from line 6a or line 6b, whichever is applicable)	-423,835				230,483	-193,352

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SCHEDULE M (Form 5471) (Rev December 2012) Department of the Treasury Internal Revenue Service

Transactions Between Controlled Foreign Corporation and Shareholders or Other Related Persons

▶ Information about Schedule M (Form 5471) and its instructions is at *www.irs.gov/form5471*
▶ Attach to Form 5471. See Instructions for Form 5471.

OMB No 1545-0704

Name of person filing Form 5471: Children's Health Care

Identifying number: 41-1754276

Name of foreign corporation: CHILDREN'S HEALTH INSURANCE NETWORK LTD

EIN (if any): FOREIGNUS

Reference ID number (see instructions): EFCJ9000HC

Important: *Complete a* ***separate*** *Schedule M for each controlled foreign corporation. Enter the totals for each type of transaction that occurred during the annual accounting period between the foreign corporation and the persons listed in columns (b) through (f). All amounts must be stated in U.S. dollars translated from functional currency at the average exchange rate for the foreign corporation's tax year. See instructions.*

Enter the relevant functional currency and the exchange rate used throughout this schedule ▶ United States,Dollar

(a) Transactions of foreign corporation	**(b)** U S person filing this return	**(c)** Any domestic corporation or partnership controlled by U S person filing this return	**(d)** Any other foreign corporation or partnership controlled by U S person filing this return	**(e)** 10% or more U S shareholder of controlled foreign corporation (other than the U S person filing this return)	**(f)** 10% or more U S shareholder of any corporation controlling the foreign corporation
1 Sales of stock in trade (inventory)					
2 Sales of tangible property other than stock in trade					
3 Sales of property rights (patents, trademarks, etc)					
4 Platform contribution transaction payments received					
5 Cost sharing transaction payments received					
6 Compensation received for technical, managerial, engineering, construction, or like services . .					
7 Commissions received					
8 Rents, royalties, and license fees received					
9 Dividends received (exclude deemed distributions under subpart F and distributions of previously taxed income) . . .					
10 Interest received					
11 Premiums received for insurance or reinsurance	2,129,794				
12 Add line 1 through 11	2,129,794				
13 Purchases of stock in trade (inventory)					
14 Purchases of tangible property other than stock in trade . . .					
15 Purchases of property rights (patents, trademarks, etc) . .					
16 Platform contribution transaction payments paid					
17 Cost sharing transaction payments paid					
18 Compensation paid for technical, managerial, engineering, construction, or like services . .					
19 Commissions paid					
20 Rents, royalties, and license fees paid					
21 Dividends paid					
22 Interest paid					
23 Premiums paid for insurance or reinsurance					

24 Add lines 13 through 23 . . .					
25 Amounts borrowed (enter the maximum loan balance during the year) — see instructions . . .					
26 Amounts loaned (enter the maximum loan balance during the year) — see instructions . . .					

TY 2013 Earnings and Profits Other Adjustments Statement

Name: Children's Health Care

EIN: 41-1754276

Description	Amount
REVERSAL OF NET INSURANCE INCOME	514,020
REVERSAL-UNREALIZED LOSS(TRADING)	28,733
NET CHANGE IN UNREALIZED GAIN - P	345,217

TY 2013 Itemized Other Current Assets Schedule

Name: Children's Health Care

EIN: 41-1754276

Corporation Name	Corporation EIN	Other Current Assets Description	Beginning Amount	Ending Amount
CHILDREN'S HEALTH INSURANCE NETWORK LTD	000000000	DUE FROM PARENT	0	359,192
CHILDREN'S HEALTH INSURANCE NETWORK LTD	000000000	SECURITIES - TRADING	5,980,832	5,952,099

TY 2013 Other Deductions Schedule

Name: Children's Health Care

EIN: 41-1754276

Description	Foreign Amount (should only be used when attached to 5471 Schedule C Line 16)	Amount
BANK FEES		510
MEETING EXPENSES		5,584
GOVERNMENT FEES		11,738
PROFESSIONAL FEES		27,410
MANAGEMENT FEES		42,500
MISCELLANEOUS EXPENSES		437
ACTUARY FEES		11,555
LOSS CONTROL EXPENSES		15,000

TY 2013 Itemized Other Liabilities Schedule

Name: Children's Health Care

EIN: 41-1754276

Corporation Name	Corporation EIN	Other Liabilities Description	Beginning Amount	Ending Amount
CHILDREN'S HEALTH INSURANCE NETWORK LTD	000000000	SELF-INSURANCE RESERVE	2,250,455	3,125,859
CHILDREN'S HEALTH INSURANCE NETWORK LTD	000000000	UNEARNED PREMIUM RESERVES	1,331,329	1,597,346
CHILDREN'S HEALTH INSURANCE NETWORK LTD	000000000	ACCOUNTS PAYABLE AND ACCRUED EXPENSES	46,000	46,000
CHILDREN'S HEALTH INSURANCE NETWORK LTD	000000000	RETROSPECTIVE PREMIUM ADJUSTMENTS	344,868	200,813

TY 2013 Other Income Statement

Name: Children's Health Care

EIN: 41-1754276

Description	Foreign Amount	Amount
GROSS PREMIUM ASSUMED		2,129,794
CHANGE IN UNEARNED PREMIUM RESERVES		-266,017
CHANGE IN LOSS RESERVES		-1,684,707
RETROSPECTIVE PREMIUM ADJUSTMENTS		-693,090
UNREALIZED GAIN- TRADING SECURITIES		-28,733

Children's Health Care

Consolidated Financial Statements as of and
for the Years Ended December 31, 2013 and 2012,
Additional Information as of and for the
Year Ended December 31, 2013, and
Independent Auditors' Report

CHILDREN'S HEALTH CARE

TABLE OF CONTENTS

Deloitte

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Children's Health Care
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of Children's Health Care and its subsidiaries ("Children's"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditors' 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 Children's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Children's 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Children's Health Care and its subsidiaries as of December 31, 2013 and 2012, and the results of their operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Consolidating Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2013 supplemental consolidating schedules on pages 37 and 38 are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and are not a required part of the consolidated financial statements. These supplemental consolidating schedules are the responsibility of the Children's management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2013 consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the 2013 consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the 2013 consolidated financial statements or to the 2013 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the 2013 consolidated financial statements as a whole.

Deloitte & Touche LLP

April 7, 2014

CHILDREN'S HEALTH CARE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012
(In thousands)

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 16,563	$ 19,720
Short-term investments (Note 2)	65,992	69,123
Funds held by trustee (Notes 2 and 4)	3,008	2,961
Patient accounts receivable — less allowance for uncollectible accounts of $6,156 and $9,351 at 2013 and 2012, respectively	81,687	81,085
Prepaid expenses and other current assets	40,639	40,456
Total current assets	207,889	213,345
DONOR-RESTRICTED CASH AND INVESTMENTS (Note 2)	47,484	44,891
UNRESTRICTED INVESTMENTS (Note 2)	377,244	319,557
OTHER ASSETS (Note 10)	52,851	51,631
LAND, BUILDINGS, AND EQUIPMENT — Net (Note 3)	389,292	380,623
TOTAL	$ 1,074,760	$ 1,010,047
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current maturities of long-term debt (Note 4)	$ 7,910	$ 7,610
Accounts payable and accrued expenses	49,380	37,660
Accrued salaries, wages, and benefits	54,094	48,740
Other current liabilities	12,380	10,854
Total current liabilities	123,764	104,864
FAIR VALUE OF INTEREST RATE SWAPS (Note 2)	22,871	40,426
OTHER LONG-TERM LIABILITIES	31,165	42,677
LONG-TERM DEBT — Excluding current maturities (Note 4)	233,230	241,252
Total liabilities	411,030	429,219
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS:		
Unrestricted	595,160	511,467
Temporarily restricted (Note 5)	39,462	41,687
Permanently restricted (Note 5)	29,108	27,674
Total net assets	663,730	580,828
TOTAL	$ 1,074,760	$ 1,010,047

See notes to consolidated financial statements.

CHILDREN'S HEALTH CARE

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands)

	2013	2012
REVENUE:		
Net patient service revenue	$ 687,804	$ 622,639
Provision for uncollectible accounts	(7,432)	(10,245)
Net patient service revenue less provision for uncollectible accounts	680,372	612,394
Net assets released from restrictions for operations	10,665	12,527
Other	27,779	27,497
Total revenue	718,816	652,418
EXPENSES:		
Salaries, wages, and employee benefits	403,166	375,204
Professional fees and purchased services	95,153	85,622
Supplies	73,062	68,139
Facilities	16,752	15,288
Depreciation and amortization	37,819	35,891
Financing costs	11,312	10,882
Health services taxes	20,613	18,828
Other	42,600	32,640
Total expenses	700,477	642,494
OPERATING INCOME	18,339	9,924
NONOPERATING GAINS (LOSSES):		
Investment income and realized gains	23,548	18,524
Income on investments accounted for under the equity method	3,502	1,925
Net unrealized gains on investments	1,668	23,004
Change in fair value of interest rate swaps	17,555	2,166
Other	(860)	(860)
Total nonoperating gains	45,413	44,759
EXCESS OF REVENUE OVER EXPENSES	$ 63,752	$ 54,683

(Continued)

CHILDREN'S HEALTH CARE

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands)

	2013	2012
UNRESTRICTED NET ASSETS:		
Excess of revenue over expenses	$ 63,752	$ 54,683
Net assets released from restrictions — capital acquisitions	9,575	8,931
RSVP plan-related changes other than net periodic plan expense	10,366	455
Increase in unrestricted net assets	83,693	64,069
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	12,380	18,931
Investment income	2,699	1,233
Net change in unrealized gains on investments	2,936	2,503
Net assets released from restrictions — operations	(10,665)	(12,527)
Net assets released from restrictions — capital acquisitions	(9,575)	(8,931)
(Decrease) increase in temporarily restricted net assets	(2,225)	1,209
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	1,142	217
Investment loss	(39)	(30)
Net change in unrealized gains on investments	130	16
Change in value of perpetual trusts held by others	201	353
Increase in permanently restricted net assets	1,434	556
INCREASE IN NET ASSETS	82,902	65,834
NET ASSETS — Beginning of year	580,828	514,994
NET ASSETS — End of year	$ 663,730	$ 580,828

See notes to consolidated financial statements. (Concluded)

CHILDREN'S HEALTH CARE

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 82,902	$ 65,834
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	37,819	35,891
Net unrealized gains on investments	(4,604)	(25,507)
Net realized gains on investments	(16,571)	(9,772)
RSVP plan-related changes other than net periodic plan expense	(10,366)	(455)
Change in fair value of interest rate swaps	(17,555)	(2,166)
Contributions restricted for long-lived purposes	(8,400)	(9,203)
Income on investments accounted for under the equity method	(3,502)	(1,925)
Provision for uncollectibles	7,432	10,245
Other	2,457	71
Changes in assets and liabilities:		
Patient accounts receivable	(8,034)	(26,484)
Prepaid expenses and other current assets	(533)	(12,124)
Other assets	517	11,415
Accounts payable and accrued expenses	17,508	11,105
Accrued salaries, wages, and benefits	5,354	(721)
Other liabilities	880	1,224
Net cash provided by operating activities	85,304	47,428
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land, buildings, and equipment	(52,354)	(36,247)
Purchase of clinic operations (Note 1)	-	(6,259)
Purchase of investments, funds held by trustee, and other assets	(530,848)	(244,810)
Proceeds from sale and maturities of investments and funds held by trustee	493,601	253,524
Net cash used in investing activities	(89,601)	(33,792)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(7,610)	(7,325)
Contributions restricted for long-lived purposes	8,750	1,560
Net cash provided by (used in) financing activities	1,140	(5,765)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,157)	7,871
CASH AND CASH EQUIVALENTS — Beginning of year	19,720	11,849
CASH AND CASH EQUIVALENTS — End of year	$ 16,563	$ 19,720
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Purchase of land, buildings, and equipment and other assets in accounts payable and accrued expenses	$ 8,030	$ 2,242
Cash paid for interest	$ 4,487	$ 4,587
Noncash gifts of property and equipment, and investments	$ 1,677	$ 749

See notes to consolidated financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Children's Health Care ("Children's"), d/b/a Children's Hospitals and Clinics of Minnesota, is a not-for-profit corporation organized under the laws of the State of Minnesota for the treatment and care of infants, children, and adolescents and the promotion and administration of charitable care, research, and educational activities.

Children's owns and operates two tertiary facilities, Children's — Minneapolis and Children's — St. Paul, that operate under one provider license from the State of Minnesota: two separate and controlled not-for-profit corporations, Children's Health Care Services, Inc., d/b/a Children's — Minnetonka and Children's Health Care Foundation, d/b/a Children's Foundation (the "Foundation"); and two wholly owned subsidiaries, Children's Health Insurance Network, Ltd. (CHIN), which handles professional liability claims (see Note 6), and Children's Clinic Network, which owns and operates community-based clinics. The consolidated financial statements include the accounts of Children's and all subsidiaries. The departments of Children's — Minneapolis; Children's — St. Paul; and Corporate, plus the subsidiaries, Children's — Minnetonka and Children's Clinic Network, collectively, are the "Obligated Group."

Basis of Presentation — The consolidated financial statements are prepared on the accrual basis of accounting.

Consolidation — All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements. Investments in entities that Children's does not control, but in which Children's has a substantial ownership interest and can exercise significant influence, are accounted for using the equity method. Investments in entities that Children's does not control, does not have a substantial ownership interest, and cannot exercise significant influence are accounted for using the cost method.

Related-Party Transactions — Children's has determined that it has the indirect ability to determine the direction of management and policies of Children's Health Care Physician Hospital Organization (CPN), but does not have an economic interest in CPN. Accordingly, transactions with CPN are considered related party and the entity is not consolidated into the consolidated financial statements of Children's. Children's had a payable balance due to CPN of $3,362 and $3,475 at December 31, 2013 and 2012, respectively.

During 2013, Children's created Children's Health Network (CHN), a clinically integrated network, to be a leading advocate for providing the highest quality of care for children and their families. Children's expensed $363 of legal fees during 2013 toward the creation of CHN. Children's expects to begin operations of CHN during 2014 and wind down CPN.

Mother Baby Joint Operating Agreement and Center — Children's has a joint operating agreement with Allina Health System ("Allina"), a Minnesota nonprofit corporation, to collaborate on certain obstetric, normal newborn, perinatology, and neonatal service lines. The joint operating agreement is herein referred to as the "Mother Baby" program and is governed by a joint operating committee with equal membership from Children's and Allina for a 20-year term, with extension provisions, that began on January 1, 2011. Under this collaborative arrangement, there is an equalization payment whereby Children's receives 72% of the cash flows related to these service lines, as defined in the agreement, and Allina receives 28% of the cash flows related to these service lines. Net equalization costs are reported as other operating expenses and were $11,039 and $3,930 for the years ended December 31, 2013 and 2012, respectively. The amount due to Allina was $3,525 at December 31, 2013, and $1,867 at December 31, 2012, which is included in accounts payable and accrued expenses in the consolidated statements of financial position.

Effective June 18, 2012, as a part of the Mother Baby joint operating agreement with Allina, Children's began operating the Special Care Nursery, a Level II neonatal intensive care unit located within the Abbott Northwestern Hospital facility. As a result of this agreement, 33 licensed bassinets were added to the Children's — Minneapolis facility. The Special Care Nursery was physically relocated to the Mother Baby facility in February 2013.

Children's completed construction and opened, on February 4, 2013, a new jointly owned facility in conjunction with the Mother Baby joint operating agreement with Allina. The facility was constructed on the Children's — Minneapolis campus at an incremental cost of $49,071, of which Children's contributed $25,517, in addition to a $10,000 in-kind contribution for existing ambulatory, parking, and power-plant facilities, and owns 60% of the facility.

Buildings and equipment for the Mother Baby program and the related depreciation expense are accounted for using proportional accounting. Under proportional accounting, Children's records Mother Baby program capital assets that it acquires, recognizes the related depreciation and amortization as a program expense, and then shares in the cash flow impact of the capital expenditures at 72%, as noted above.

Business Combinations — In a business combination, Children's recognizes all the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed. The amounts paid for the below business combinations are included in purchase of clinic operations in the consolidated statements of cash flows.

During 2012, Children's acquired and executed professional services agreements with two community-based clinic operations and acquired one specialty clinic. The postacquisition financial results of the clinics are included in Children's 2012 consolidated financial statements. The estimated fair value assigned to all identifiable assets acquired is supported by valuations using estimates and assumptions provided by management and independent valuation specialists. The estimated fair values of assets acquired in connection with the clinic transactions are as follows:

Property and equipment	$2,552
Accounts receivable	1,551
Vaccines, medical, and office supplies	1,501
Other	655
Total purchase price	$6,259

Pro forma total revenue, total expenses, and operating income representing amounts for 2012 as if the clinic affiliations had occurred at the beginning of the period are as follows:

Pro forma total revenue	$ 691,543
Pro forma total expenses	681,616
Pro forma operating income	9,927

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimated amounts in the consolidated financial statements include contractual allowances, allowance for uncollectible accounts and pledges, depreciable lives, benefit obligations, accrued salary, bonuses, benefit costs, joint operating agreement equalization costs, and interest rate swap valuation.

Subsequent Events — Children's has evaluated all events or transactions that occurred after December 31, 2013, through April 7, 2014, the date the consolidated financial statements were issued. Children's is not aware of any material subsequent events that would require recognition or disclosure in the 2013 consolidated financial statements.

Cash and Cash Equivalents — All short-term investments purchased with a maturity of three months or less, and not otherwise classified as noncurrent assets, are considered to be cash and cash equivalents and are carried at cost, which approximates fair value.

Net Patient Service Revenue and Patient Accounts Receivable — Children's has agreements with third-party payers that provide for payments to Children's at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, discounted charges, and per diem payments.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services provided, including settlement amounts under reimbursement agreements with third-party payers. Settlements are accrued on an estimated basis in the period the related services are provided and are adjusted in future periods as final settlements are determined.

Patient accounts receivable represent amounts due from federal and state agencies, managed health care plans, commercial insurance companies, employers, and patients. Children's grants credit to patients, most of whom are insured under third-party payer agreements, without collateral or any other security to support amounts due. Children's determines an allowance for doubtful accounts by considering a number of factors, including, but not limited to, the length of time accounts receivable are past due, previous loss history, the existence of a third-party payer, reimbursement trends, and other collection indicators. Accounts are written off when all reasonable internal and external collection efforts have been performed and payments subsequently received on such receivables are credited to the allowance. At December 31, 2013 and 2012, the allowance for uncollectible accounts was $6,156 and $9,351, respectively. The decrease in the allowance for 2013 reflected an increase in realization on self-pay accounts.

Children's recognizes that revenues and receivables from third-party payers, including governmental agencies, are significant to its operations, but does not believe there are significant credit risks associated with these organizations. In 2013, net revenue from the top four third-party payers accounted for 35%, 26%, 13%, and 12% of net patient service revenue. In 2012, net revenue from the top four third-party payers accounted for 30%, 28%, 16%, and 11% of net patient service revenue.

Net patient service revenue less provision for uncollectible accounts for the years ended December 31, 2013 and 2012, was as follows:

	2013	2012
Government payers	$ 179,707	$ 178,176
Other third-party payers	482,804	422,376
Self-pay	25,293	22,087
Net patient service revenue	687,804	622,639
Provision for uncollectible accounts	(7,432)	(10,245)
Net patient service revenue less provision for uncollectible accounts	$ 680,372	$ 612,394

Investments — Investments are carried at fair value, which generally equals quoted market price at December 31, 2013 and 2012. Funds held by trustee are held under bond indenture agreements for debt service payments. A portion of unrestricted investments is not intended to be used for current operations, and therefore, is classified as noncurrent assets. Realized gains and losses on sales of securities are recognized using the average cost basis.

Children's invests in various securities, including corporate stocks, corporate bonds, U.S. government obligations, foreign investments, mutual funds, and exchange-traded futures and options contracts. Investment securities, in general, are exposed to various market risks, such as interest rate, credit, liquidity, foreign exchange, and price volatility. Because of these possible risks associated with the equity, bond, and currency markets, it is reasonably possible that changes in the values of various investment positions could occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements. To monitor the risk of the investment portfolio, Children's has investment policies in place and monitors the performance of all investments on a regular basis.

Pending Investment Settlements Receivable and Payable — Purchases and sales of securities are reflected on a trade-date basis. A receivable or payable is recorded for the proceeds to be paid or collected as of the settlement date of the purchase or sale of the security.

Land, Buildings, and Equipment — Land, buildings, and equipment are recorded at cost at the date of purchase or fair market value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets, which range from three years for certain equipment to 40 years for buildings. Equipment under capital leases are depreciated on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

Children's capitalizes the labor costs associated with software development for internal use, and amortizes the costs on the straight-line method over the software's useful life, which is generally three years. Children's recognizes these assets and the related accumulated amortization in furniture, fixtures, and equipment. Children's capitalized $1,441 in 2013 and $1,518 in 2012.

Deferred Financing Costs — Deferred financing costs are amortized to financing costs over the term of the related bonds using the straight-line method, which approximates the effective interest method.

MNCare Tax — Children's pays a state tax of 2% on receipts other than Medicare receipts. Children's recognized $12,883 and $11,585 as MNCare tax in health services taxes expense for the years ended December 31, 2013 and 2012, respectively.

Advertising — Children's incurred approximately $4,197 and $3,996 as advertising expenses in other expenses for the years ended December 31, 2013 and 2012, respectively. Advertising costs are expensed when incurred.

Temporarily and Permanently Restricted Net Assets — Temporarily restricted net assets are those whose use at Children's has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Children's in perpetuity.

Donor-Restricted Gifts — Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as income of unrestricted net assets. Children's accounts for temporarily restricted donations where the time or purpose restriction has been satisfied during the year as temporarily restricted donations released from restriction.

Community Benefits and Charity Care — To further its purpose as a charitable organization, Children's provides a wide variety of benefits to the community. These services and donations account for a measurable portion of Children's costs and serve to promote healthy lifestyles, community development, health education, and affordable access to care. Included in these community benefits are the costs of charity care. Children's provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because Children's does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges forgone for services provided under Children's charity care policy was $2,960 and $2,015 for the years ended December 31, 2013 and 2012, respectively. Total direct and indirect costs related to these forgone charges were $1,343 and $1,037, respectively, based on an average ratio of cost to gross charges.

Other Revenue — Other revenue primarily includes revenues from cafeterias, parking ramps, medical education, pharmacies, grants, and other miscellaneous sources. Revenue is recognized upon delivery of the service or the product. Investment income from those investments designated for operating activities is also included in other operating revenue, and was $118 and $556 for the years ended December 31, 2013 and 2012, respectively.

Medicaid Electronic Health Records Incentive Programs (Meaningful Use) — Under certain provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), federal incentive payments are available to hospitals, physicians, and certain other professionals when they adopt, implement, or upgrade (AIU) certified electronic health record (EHR) technology or become "meaningful users," as defined under ARRA, of EHR technology in ways that demonstrate improved quality, safety, and effectiveness of care. Medicaid providers can receive their initial incentive payment by satisfying AIU criteria, but must demonstrate meaningful use of EHR technology in subsequent years in order to qualify for additional payments. Children's recognizes EHR incentive payments when: (1) the specified meaningful use criteria are met and (2) uncertainties in estimating the amount of the incentive payments to be received are resolved. During 2013 and 2012, Children's recognized $783 and $4,351 of EHR incentive payments as other operating revenue in the consolidated statements of operations and changes in net assets, respectively.

Pledges Receivable — The Foundation records pledges receivable at the time a pledge agreement is signed. All pledges receivable are classified as temporarily restricted and represent pledges to be used primarily for the capital campaign and other program initiatives. Long-term pledges are recorded at net present value, less an allowance for uncollectible pledges.

Pledges receivable from various corporations, foundations, and individuals due in more than one year were discounted at an average rate of 3% at December 31, 2013 and 2012, and were as follows:

	2013	2012
Pledges due:		
In less than one year	$ 13,268	$ 13,536
In one to five years	10,485	9,833
More than five years	1,431	755
Total pledges due	25,184	24,124
Less discount	(1,547)	(596)
Less allowance for uncollectible pledges	(2,551)	(620)
Pledges receivable — net	$21,086	$22,908
Classified as:		
Prepaid expenses and other current assets	$ 10,717	$ 13,106
Other assets	10,369	9,802
Pledges receivable — net	$21,086	$22,908

Tax-Exempt Status — The Internal Revenue Service (IRS) has determined that Children's and its subsidiaries are exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code (IRC).

Concentration of Risk — At December 31, 2013, Children's had 38.9% of its employee population covered under labor contracts. Of those employees, 22.3% are covered under labor contracts that are set to expire the last day of February 2015 and 77.7% are covered under labor contracts that are set to expire on the last day of May 2016. Work stoppages in the course of contract negotiations are possible, which could lead to the disruption of normal operations. Any resulting disruption could have an adverse impact on operating costs and/or net patient service revenue.

Consolidated Statements of Operations and Changes in Net Assets — Children's consolidated results of operations include all unrestricted revenue and expenses, including transfers from temporarily restricted funds. Nonoperating gains and losses included in the consolidated results of operations primarily include unrestricted investment gains and losses, income and losses from investments accounted for under the equity method, unrealized gains or losses on investments, and the change in interest rate swap valuation. Net assets released from restrictions for capital acquisitions and the RSVP plan-related changes other than net periodic plan expense are reported directly as changes to unrestricted net assets.

Derivative Instruments and Hedging Activities — Children's policies prohibit trading in derivative financial instruments on a speculative basis. Children's makes use of certain exchange-traded options and futures contracts to manage its overall equity exposure, which are included in investments and recorded at fair value based on published market prices. Children's also makes use of interest rate swap agreements to hedge interest rate exposure on its variable rate and long-term debt. Interest rate swaps are recorded at fair value in the consolidated statements of financial position representing the funds that would be paid or received if the swap agreements were terminated. Changes in the fair values are recorded as a component of nonoperating gains or losses in the consolidated statements of operations and changes in net assets. Fair value is determined based on the use of models that consider various assumptions, including time value, yield curves, as well as other relevant economic measures, which are inputs that are classified as Level 2 in the valuation hierarchy (see Note 2). The net interest paid or received on interest rate swaps is recognized as financing costs in the consolidated statements of operations and changes in net assets.

Recently Issued Accounting Standards — In October 2012, the Financial Accounting Standards Board (FASB) issued new guidance to clarify how not-for-profit entities should classify cash receipts from the sale of donated financial assets in the consolidated statements of cash flows. This new guidance is effective for Children's in 2014; Children's does not believe the adoption of the new guidance will have a material impact on the consolidated financial statements.

Recently Adopted Accounting Standards — In December 2011, the FASB issued new guidance requiring an entity to enhance disclosures about offsetting (netting) assets and liabilities and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This new guidance was effective for Children's in 2013; the appropriate disclosures under this guidance have been included in the notes to the consolidated financial statements.

2. FINANCIAL INSTRUMENTS, RISK MANAGEMENT ACTIVITIES, AND FAIR VALUE

Investments — The market value of Children's marketable debt, equity securities, and other investible securities at December 31, 2013 and 2012, is shown below:

	2013	2012
Fixed income securities	$223,915	$240,704
Corporate equities	147,961	91,501
Foreign investments	116,869	98,941
Perpetual trusts held by others	4,590	4,390
Interest and dividends receivable	393	996
Total	$493,728	$436,532
Investments are reported as:		
Short-term investments	$ 65,992	$ 69,123
Funds held by trustee — current	3,008	2,961
Donor-restricted cash and investments	47,484	44,891
Unrestricted investments	377,244	319,557
Total	$493,728	$436,532

Classification of marketable securities as current or noncurrent is dependent on their availability for current operations. Availability for current operations is determined by management intention, investment maturity date, and liquidity.

Children's continues to elect the fair value option for all marketable debt, equity securities, and other investible securities. The election of the fair value option results in these securities being recorded at fair value, with unrealized gains and losses being recorded as nonoperating gains (losses).

As of December 31, 2013 and 2012, the following schedule summarizes the investment gains (losses) and its classification in the consolidated statements of operations and changes in net assets:

	2013	2012
Investment earnings in unrestricted net assets:		
Interest and dividend income	$11,143	$12,772
Net realized gains on investments	12,523	6,308
Net unrealized gains on investments	1,668	23,004
Total	25,334	42,084
Investment earnings in restricted net assets:		
Interest and dividend income	666	883
Net realized gains on investments	2,033	350
Net unrealized gains on investments	2,936	2,503
Total	5,635	3,736
Total investment gains	$30,969	$45,820
Reported within:		
Other operating revenue	$ 118	$ 556
Investment income and realized gains	23,548	18,524
Net change in unrealized gains on investments	1,668	23,004
Changes in restricted net assets	5,635	3,736
Total investment gains	$30,969	$45,820

Children's periodically has investment strategies that use futures and options contracts which are within its investment policies. These derivative positions are not designated as hedges for accounting purposes. The changes in fair market value of these instruments are recorded as investments gains (losses) in the consolidated statements of operations and changes in net assets. Children's held put and call options contracts as of December 31, 2013. Children's was long equity index puts valued at $445 and short equity index calls valued at ($775) as of December 31, 2013. These contracts have various expirations during the first half of 2014. Children's held no options contracts during the year ended December 31, 2012.

Risk Management — Children's is exposed to interest rate risk with its variable rate debt structure. To manage these risks, Children's has entered into certain fixed payer swap agreements that hedge a portion of its variable interest rate risk. Generally, under these swaps, Children's agrees with a counterparty to exchange the difference between fixed-rate and floating-rate interest amounts based on notional principal amount. Swap valuations are derived from the London InterBank Offered Rate (LIBOR) swap curve and fluctuate with directional or yield curve changes in that market.

Interest Rate Swaps — Children's has four fixed payer interest rate swap agreements outstanding, which hedge the variable interest rate exposure associated with certain of its variable rate long-term debt.

Children's records changes in the fair values of the interest rate swaps as a component of nonoperating gains (losses) in the consolidated statements of operations and changes in net assets. Children's has elected to not apply hedge accounting to these swap agreements. The fair values of the interest rate swaps were a liability of $22,871 as of December 31, 2013, and $40,426 as of December 31, 2012. This liability would have to be paid if the swap agreements were terminated. Swap payments are guaranteed through contracts with Assured Guarantee Municipal Corp., therefore there are currently no collateral posting requirements. There are no current collateral posting thresholds or requirements under the swap agreements. The change in fair value of the interest rate swaps was $17,555 and $2,166 for the years ended December 31, 2013 and 2012, respectively. Children's recognized financing costs related to these swap agreements in the amounts of $5,708 and $5,837 during the years ended December 31, 2013 and 2012, respectively.

The notional amounts and interest rates of the interest rate swaps at December 31, 2013 and 2012, are as follows:

Swap Agreement	Fair Value	Current Notional Amount	Rate Paid	Rate Received
As of December 31, 2013:				
2004A	$ (3,892)	$ 21,350	4.127 %	70% LIBOR
2004B	(5,251)	34,525	4.266	70% LIBOR
2007A1	(6,863)	49,600	3.518	67% LIBOR
2007A2	(6,865)	49,625	3.518	67% LIBOR
	$ (22,871)	$ 155,100		
As of December 31, 2012:				
2004A	$ (6,321)	$ 21,900	4.127 %	70% LIBOR
2004B	(7,958)	36,675	4.266	70% LIBOR
2007A1	(13,072)	50,600	3.518	67% LIBOR
2007A2	(13,075)	50,600	3.518	67% LIBOR
	$ (40,426)	$ 159,775		

Children's has credit risk in the event of nonperformance by the counterparty in the interest rate swap agreements.

Fair Value of Financial Instruments — The carrying values of cash and cash equivalents, patient accounts receivable, accounts payable, and other accrued expenses approximate fair value due to their short-term nature. Marketable securities are carried at fair value. All other assets and liabilities that qualify as financial instruments under GAAP are carried at contractual amounts, which generally approximate fair value.

Children's values its financial assets and liabilities in accordance with the accounting guidance that establishes a three-tier fair value hierarchy. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. Three levels are defined as follows:

Level 1 — Inputs represent unadjusted quoted prices for identical assets or liabilities exchanged in active markets.

Level 2 — Inputs include directly or indirectly observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities exchanged in active or inactive markets; quoted prices for identical assets or liabilities exchanged in inactive markets; or other inputs that are considered in fair value determinations of assets or liabilities.

Level 3 — Inputs include unobservable inputs used in the measurement of assets and liabilities. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or liabilities or related observable inputs that can be corroborated at the measurement date.

Financial assets and liabilities measured at fair value on a recurring basis at December 31, 2013 and 2012, are summarized in the following table by type of inputs applicable to the fair value measurements:

	Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
As of December 31, 2013:				
Investments:				
Fixed-income securities:				
Money market and short-term bond funds	$ 41,920	$ -	$ -	$ 41,920
Cash surrender value of life insurance	237	-	-	237
U.S. gov't and U.S. gov't agencies obligations	-	17,407	-	17,407
Closed-end bond funds	30,660	-	-	30,660
Mortgage-backed securities	-	16	-	16
Limited partnership	-	-	2,213	2,213
Investment grade corporate bonds	79,397	6,079	-	85,476
High yield bonds	-	45,986	-	45,986
Total fixed-income securities	152,214	69,488	2,213	223,915
Corporate equities:				
Large cap	54,268	-	60	54,328
Mid cap	23,954	-	-	23,954
Small cap	21,938	-	-	21,938
Closed-end equity funds	29,693	-	-	29,693
Master limited partnerships (MLPs)	18,378	-	-	18,378
Long equity index put options	445	-	-	445
Short equity index call options	(775)	-	-	(775)
Total corporate equities	147,901	-	60	147,961
Foreign investments:				
Foreign bonds	83,423	-	-	83,423
Foreign equities	33,446	-	-	33,446
Total foreign investments	116,869		-	116,869
Perpetual trusts held by others	4,590	-	-	4,590
Interest and dividends receivable	393	-	-	393
Total investments	$ 421,967	$ 69,488	$ 2,273	$ 493,728
Other assets/liabilities — deferred compensation	$ 8,344	$ -	$ -	$ 8,344
Fair value of interest rate swaps liability	$ -	$ 22,871	$ -	$ 22,871

	Fair Value		
	Level 1	Level 2	Total
As of December 31, 2012:			
Investments:			
Fixed-income securities:			
Money market and short-term bond funds	$ 21,992	$ -	$ 21,992
Cash surrender value of life insurance	101	-	101
U.S. gov't and U.S. gov't agencies obligations	20,399	13,682	34,081
Municipal obligations	105	-	105
Closed-end bond funds	53,075	-	53,075
Mortgage-backed securities	-	6,738	6,738
Commercial mortgage-backed securities	-	2,831	2,831
Investment grade corporate bonds	59,895	19,343	79,238
High yield bonds	-	42,543	42,543
Total fixed-income securities	155,567	85,137	240,704
Corporate equities:			
Large cap	43,041	60	43,101
Mid cap	27,104	-	27,104
Small cap	21,296	-	21,296
Total corporate equities	91,441	60	91,501
Foreign investments:			
Foreign bonds	60,565	11,499	72,064
Foreign equities	26,877	-	26,877
Total foreign investments	87,442	11,499	98,941
Perpetual trusts held by others	3,280	1,110	4,390
Interest and dividends receivable	996	-	996
Total investments	$338,726	$97,806	$436,532
Other assets/liabilities — deferred compensation	$ 8,321	$ -	$ 8,321
Fair value of interest rate swaps liability	$ -	$40,426	$ 40,426

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Level 2 and Level 3 valuation methodologies are listed below. There have been no changes in the valuation methodologies used at December 31, 2013 and 2012.

Fixed-Income Securities — Level 2 fixed-income securities include all individual mortgage-backed securities, commercial mortgage-backed securities, and high-yield bonds, and certain U.S. government and U.S. government agencies obligations and investment grade corporate bonds. These investments are valued based on a compilation of observable market information rather than market quotes. Level 3 fixed-income securities include limited partnership holdings. Children's has estimated the fair value of its limited partnership holdings by using the net asset value provided by the investee as of December 31, 2013. No such positions were held in 2012.

Corporate Equities — Level 3 corporate equity investments represent one corporate equity holding. This investment is valued based on the value provided by investee rather than market quotes.

Interest Rate Swap Agreements — Valued based on observable inputs as of the valuation date, including prices of instruments with similar maturities, characteristics, and LIBOR yield curve.

Children's made a $935 transfer from Level 2 to Level 1 and no transfer from Level 1 to Level 2 as of December 31, 2013, and a $60,596 transfer from Level 2 to Level 1 and a $50,228 transfer from Level 1 to Level 2 as of December 31, 2012. These transfers were based on a reevaluation of the observable inputs used in the fair value calculation, and the amounts reported as transfers represent the fair value as of the end of the reporting period.

During the year ended December 31, 2013, Children's added assets of $2,213 in limited partnerships and $60 in one corporate equity holding and considers them (Level 3) in which significant unobservable inputs were used in determining fair value. A reconciliation of the consolidated statements of financial position amounts for financial instruments measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2013, is as follows:

	Corporate Equity Holding	Limited Partnership
Balance January 1, 2013	$ -	$ -
Transfers from Level 2	60	-
Purchases	-	1,953
Net realized and unrealized gains	-	260
Balance December 31, 2013	$ 60	$ 2,213

Long-Term Debt — The estimated fair value of Children's long-term debt, excluding accrued interest, was $244,518 and $257,323 at December 31, 2013 and 2012, respectively. The fair value measurement was estimated using Level 2 criteria. Children's variable rate debt is remarketed daily by two remarketing agents and consistently trades at par. By observing its historical pricing experience and by comparing it to the pricing of similar issues, Children's estimates the fair value of its variable rate debt approximates its carrying value. Children's estimates the fair value of its fixed rate debt based on trading activity on or around December 31, 2013.

3. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at December 31, 2013 and 2012, consisted of the following:

	2013	2012
Land	$ 12,286	$ 11,695
Buildings and building improvements	463,203	426,550
Furniture, fixtures, and equipment	234,917	222,234
Construction in progress	1,398	19,548
Land, buildings, and equipment — gross	711,804	680,027
Less accumulated depreciation	(322,512)	(299,404)
Land, buildings, and equipment — net	$ 389,292	$ 380,623

Construction in Progress — At December 31, 2013 and 2012, there was $1,398 and $19,548 of construction in progress. The construction in progress at December 31, 2012, was for the Mother Baby facility, which was capitalized during 2013. Children's total contribution to the Mother Baby facility was $25,517 in addition to a $10,000 in-kind contribution for existing ambulatory, parking, and power-plant facilities.

Interest capitalized on construction for the years ended December 31, 2013 and 2012, was $67 and $446, respectively.

Depreciation expense for the years ended December 31, 2013 and 2012, was $36,914 and $35,211, respectively.

4. LONG-TERM DEBT

Long-term debt at December 31, 2013 and 2012, consisted of the following:

	2013	2012
Health Care Revenue Bonds, Series 1995B (remarketed), remaining fixed interest rate range from 4.0% to 5.0%, due in installments through August 15, 2025	$ 17,500	$ 18,600
Health Care Revenue Bonds, Series 2004A, interest rate at a variable rate, due through August 15, 2034 (average of 0.199% for 2013; 0.182% for 2012)	21,350	21,900
Health Care Revenue Bonds, Series 2004A-1 (remarketed), remaining fixed interest rate range from 3.0% to 5.0%, due in installments through August 15, 2034	20,500	21,150
Health Care Revenue Bonds, Series 2004B, interest rate at a variable rate, due through August 15, 2025 (average of 0.126% for 2013; 0.159% for 2012)	34,525	36,675
Health Care Revenue Bonds, Series 2007A, interest rate at a variable rate, due through August 15, 2037 (average of 0.199% for 2013; 0.182% for 2012)	99,225	101,200
Health Care Revenue Bonds, Series 2010A, remaining fixed interest rate range from 4.0% to 5.25%, due in installments through August 15, 2035	46,535	47,720
Total long-term debt	239,635	247,245
In addition (less):		
Unamortized bond premium	1,505	1,617
Current maturities	(7,910)	(7,610)
Long-term portion	$233,230	$241,252

Children's continues to retain the ability to convert the interest rate mode on the Series 2004A, Series 2004B, and Series 2007A bonds, subject to certain conditions, to bonds bearing interest at auction rates, fixed rates, or flexible rates.

All the bonds were issued through the conduit organizations of the City of Minneapolis, Minnesota (the "City") and the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the "Authority") on behalf of the Obligated Group, pursuant to the Master Trust Indenture. The bonds are secured by a security interest in the unrestricted receivables of the Obligated Group, as defined under the Master Trust Indenture. All bonds, except for the 2010A bonds, are insured by Assured Guaranty Municipal Corp., a division of Assured Guaranty Ltd., which is currently rated AA with a stable outlook by Standard & Poor's and A2 with a stable outlook by Moody's Investors Service.

The Obligated Group must meet certain financial covenants required by the bond insurer and is limited in the amount of additional variable-rate indebtedness that can be incurred under Supplemental Indenture No. 7, dated March 1, 2010, to the Master Trust Indenture. The financial covenants include debt service coverage ratios, liquidity ratios, and capitalization ratios. The Obligated Group was in compliance with the financial covenants at December 31, 2013. All of the bonds are subject to optional redemption features by Children's, in whole or in part, at redemption price equal to 100% of the principal, plus accrued interest during various times as described in their respective Bond Trust Indentures.

Currently, interest rates are set daily on all variable-rate demand bond series by remarketing agents. Holders of the bonds have the option to tender the bonds for repurchase. The remarketing agent has agreed to remarket the bonds tendered for purchase upon the conditions, in the manner and at the times specified, in the indentures related to such bond series. Children's has a series of Standby Bond Purchase Agreements with U.S. Bank National Association, establishing an aggregate liquidity facility in the amount of $157,267 to provide credit in the event it is required to purchase tendered variable-rate bonds that are not remarketed. Draws under the liquidity facilities would be repaid in accordance with the original scheduled bond maturities. Upon termination of the facilities, the bonds would generally be repaid over a 60-month term. U.S. Bank National Association's short-term deposit rating is A-1+ by Standard & Poor's and P-1 by Moody's Investors Service. These liquidity facilities utilize a matrix pricing format with repricing for a variety of potential Assured Guaranty Municipal Corp. credit rating adjustments down to A/A2, which are renewable on June 30, 2015, and can be renewed annually in June for additional two-year periods.

There was no defeased debt outstanding as of December 31, 2013, and $1,210 as of December 31, 2012.

Under the Master Trust Indenture and related agreements for each bond series, the Obligated Group maintains with a trustee a bond interest fund and a bond principal fund, the aggregated balances of which as of December 31, 2013 and 2012, were as follows:

	2013	**2012**
Bond interest fund	$ 1,339	$ 1,354
Bond principal fund	1,669	1,607
Funds held by trustee	$ 3,008	$ 2,961

The funds are available to meet debt service.

Aggregate annual maturities of long-term debt for each of the five years as of December 31, 2013, and thereafter, are as follows:

Years Ending December 31	
2014	$ 7,910
2015	8,180
2016	8,485
2017	8,850
2018	9,195
Thereafter	197,015
Total	$ 239,635

5. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 and 2012, are available for the following purposes:

	2013	2012
Department uses	$ 15,910	$ 16,442
Purchase of buildings and equipment	16,651	20,246
Health education and research	5,899	4,407
Community service	1,002	592
Total	$ 39,462	$ 41,687

Net assets released from restrictions used for operations are included in other unrestricted revenue in the consolidated statements of operations and changes in net assets. Net assets as of December 31, 2013 and 2012, were released from donor restrictions by incurring expenses or by making capital expenditures satisfying the restricted purposes of the following:

	2013	2012
Department uses	$ 8,706	$ 9,828
Purchases of buildings and equipment	9,575	8,931
Health education and research	1,347	1,645
Community service	612	1,054
Total	$ 20,240	$ 21,458

Permanently restricted net assets represent investments to be held in perpetuity, a portion of the investment income from which is to be expended as directed by donors to support health care services, and the remainder of which is held as temporarily restricted until released per the spend policy.

Children's endowment consists of 109 individual funds established by donors for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Included in permanently restricted net assets are two perpetual trusts in the aggregate amounts of $4,591 and $4,390 at December 31, 2013 and 2012, respectively. Children's has the irrevocable right to receive the income on these trust assets, subject to certain limitations. The unrealized gains or losses and the undistributed earnings on the trusts are reported as changes to the permanently restricted net asset balance.

Interpretation of Relevant Law— Children's has interpreted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Children's classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Children's in a manner consistent with donor intent and the standard of prudence prescribed by UPMIFA.

	Endowments			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
For the year ended December 31, 2013:				
Endowment net assets — beginning of year	$ (23)	$ 5,928	$27,674	$33,579
Net assets released from restrictions	1,016	(1,016)	-	-
Investment returns:				
Investment gains (losses)	-	2,667	(39)	2,628
Net change in unrealized gains	-	3,000	130	3,130
Change in value of perpetual trusts held by others	-	-	201	201
Total investment returns	-	5,667	292	5,959
Contributions	-	222	1,142	1,364
Appropriations of endowment assets for expenditure	(1,016)	-	-	(1,016)
Endowment net assets — end of year	$ (23)	$10,801	$29,108	$39,886

	Endowments			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
For the year ended December 31, 2012:				
Endowment net assets — beginning of year	$ (23)	$ 3,190	$27,118	$30,285
Net assets released from restrictions	1,084	(1,084)	-	-
Investment returns:				
Investment gains (losses)	-	1,105	(30)	1,075
Net change in unrealized gains	-	2,512	16	2,528
Change in value of perpetual trusts held by others	-	-	353	353
Total investment returns	-	3,617	339	3,956
Contributions	-	205	217	422
Appropriations of endowment assets for expenditure	(1,084)	-	-	(1,084)
Endowment net assets — end of year	$ (23)	$ 5,928	$27,674	$33,579

Funds with Deficiencies — From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or accounting guidance requires Children's to retain as a fund of perpetual duration. Deficiencies of this nature are funded by unrestricted net assets until the fair value of the assets returns to the required perpetual level. There were no deficiencies as of December 31, 2013 and 2012.

Return Objectives and Risk Parameters — Children's has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. In the current investment environment, Children's expects its endowment funds to provide an annualized rate of return greater than its spending rate. Actual returns in any given year may vary from this amount. In 2013, the spending rate was 4.0%.

Strategies Employed for Achieving Objectives — To satisfy its rate-of-return objectives, Children's relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends).

Spending Policy and how the Investment Objectives Relate to Spending Policy — Children's has a policy of appropriating each year's earnings in accordance with donor intent and restrictions. The endowment corpus is to be maintained in perpetuity. Certain donor-restricted endowments require a portion of annual earnings to be maintained in perpetuity along with the corpus. Only amounts exceeding the amounts required to be maintained in perpetuity are available for spending. The spending rate allocation for 2014 appropriations is 4.0%.

6. INSURANCE

Children's has a wholly owned subsidiary, CHIN, that handles professional liability claims. CHIN is domiciled in the Cayman Islands. CHIN is funded through Children's operations. Premiums paid to the captive for the professional liability coverage during 2013 and 2012 were $1,171 and $537, respectively. CHIN insures Children's for hospital professional liability for $1,000 for each claim and $3,000 in the annual aggregate. In addition, Children's has purchased excess professional liability insurance for claims above the respective limits from commercial carriers in the amount of $35 million.

The consolidated financial statements of Children's include the investments held for professional liability claims, claims payments, and estimated professional liability reserves. The liability for losses and loss adjustment expenses (undiscounted) of $3,126 and $2,250 at December 31, 2013 and 2012, respectively, includes an amount determined from loss reports and individual cases and an amount, based on past experience and an actuarial report, for further development of reported losses. These estimates are continually reviewed and are subject to the impact of future changes in such factors as claim severity and frequency. Although management has made its best estimate of the liability for losses and loss adjustment expenses using the available information, ultimate settlement could vary significantly from such liability. Any adjustments to recorded liabilities will be reflected in the periods in which they become known.

For claims prior to October 1, 2007, the date CHIN was established, Children's insured its professional liability risks under a claims-made policy held by an external carrier. Children's has recorded a liability for the estimated costs of known claims and claims incurred but not reported, which was $1,132 and $957 as of December 31, 2013 and 2012, respectively.

Children's is self-insured for medical, dental, and workers' compensation claims and has recorded a liability for the estimated cost of claims incurred in accounts payable and accrued liabilities in the consolidated statements of financial position.

7. EMPLOYEE BENEFIT PLANS

Children's has noncontract and various union-sponsored pension or retirement plans covering substantially all employees.

Pension Plan — The Children's Health Care RSVP Retirement Plan provides benefits to eligible noncontract employees based on final average salary and accumulated pension credits, which are based on years of service.

Contributions to the plan are made in accordance with funding principles as recommended by Children's actuaries and in accordance with Employee Retirement Income Security Act of 1974 requirements as amended by the Pension Protection Act of 2006. Assets of the plan are invested primarily in common stocks, U.S. government debt securities, corporate debt instruments, fixed income, international equities, and mutual funds. Children's uses a December 31 measurement date for its benefit plans.

The plan was amended effective December 31, 2012, to freeze benefits for plan participants. During 2012, no new employees were eligible to join the plan and all current employees enrolled in the plan continued to earn benefits. These plan changes eliminated future benefit accruals as designed under the plan after the effective date, which met the criteria for a curtailment as defined by authoritative accounting guidance. In conjunction with the curtailment, beginning January 1, 2013, participants will receive an annual earnings credit at the lesser of 4% or the U.S. Treasury 30-year interest rate in the month of November prior to the plan's year-end, which has resulted in an increase to the accumulated benefit obligation.

During the year ended December 31, 2013, Children's offered one-time lump-sum settlements to vested terminated participants in the RSVP pension plan. Total plan settlements for the year ended December 31, 2013, were $7,751, which exceeded the aggregate of the plan's service and interest costs requiring the application of settlement accounting. Under settlement accounting, Children's recognized a loss of $1,288 for the year ended December 31, 2013.

The information for the defined benefit pension plan as of and for the years ended December 31, 2013 and 2012, is as follows:

	2013	2012
Change in benefit obligation:		
Obligation — beginning of year	$ 100,907	$ 90,967
Service cost	-	5,022
Interest cost	3,700	3,933
Plan settlements	(7,751)	-
Actuarial (gain) loss	(5,246)	2,362
Adjustments to reflect assumption changes	-	2,777
Benefit payments	(340)	(4,154)
Obligation — end of year	$ 91,270	$ 100,907
Change in plan assets:		
Fair value of plan assets — beginning of year	$ 76,069	$ 60,989
Employer contributions	5,100	10,900
Plan settlements	(7,751)	-
Benefit payments	(340)	(4,154)
Actual return on plan assets	7,814	8,334
Fair value of plan assets — end of year	$ 80,892	$ 76,069
Net amount recognized:		
Current portion (included in accrued salaries, wages, and benefits)	$ -	$ -
Long-term portion (included in other long-term liabilities)	(10,378)	(24,838)
Funded status — end of year	$ (10,378)	$ (24,838)
Accumulated benefit obligation	$ 91,270	$ 100,907

Components of net periodic benefit cost for the plan for 2013 and 2012 are as follows:

	2013	2012
Service cost	$ -	$ 5,022
Interest cost	3,700	3,932
Expected return on plan assets	(4,346)	(3,965)
Settlement loss	1,288	-
Amortization of loss	365	1,226
Net periodic pension cost	$ 1,007	$ 6,215

Components of RSVP plan-related changes other than net periodic plan expense for 2013 and 2012 are as follows:

	2013	2012
Net loss	$ 8,713	$ (771)
Amortization of loss	1,653	1,226
Total	$ 10,366	$ 455

Amount recognized as changes in unrestricted net assets but not yet recognized as a component of net periodic benefit cost for the plan at December 31, 2013 and 2012, is as follows:

	2013	2012
Accumulated loss	$ (11,335)	$ (21,701)

Weighted-average assumptions used to determine the benefit obligations and net periodic benefit costs at December 31, 2013 and 2012, are as follows:

	2013	2012
Discount rate — benefit obligation	4.69 %	3.82 %
Discount rate — net periodic benefit cost	3.82	4.41
Rate of compensation increase	N/A	3.86
Expected return on plan assets	6.00	6.20

Children's pension plan asset allocation at December 31, 2013 and 2012, by asset category, is as follows:

	Plan Assets	
	2013	2012
Cash and cash equivalents	2 %	3 %
Common and foreign stock	10	16
Equity index strategy	30	19
Mutual funds	58	62
Total	100 %	100 %

The pension plan's target asset allocation is approximately 50% equities and 50% fixed income.

Children's pension plan investments measured at fair value on a recurring basis at December 31, 2013 and 2012, are summarized in the following table by type of inputs applicable to the fair value measurements:

	Fair Value		
	Level 1	Level 2	Total
As of December 31, 2013:			
Cash, cash equivalents, and accrued interest	$ 1,506	$ -	$ 1,506
Common and foreign stock:			
Large cap equity	2,863	-	2,863
Mid cap equity	3,532		3,532
Small cap equity	2,014	-	2,014
Total common and foreign stock	8,409	-	8,409
Equity index strategy investments:			
Cash and cash equivalents	7,603	-	7,603
Preferred stock	77	-	77
U.S. government agency and municipal issues	-	866	866
Mutual funds	4,254	-	4,254
Corporate bonds and debentures	-	-	-
Asset-backed securities	-	9,365	9,365
Collateralized mortgage obligations	-	1,916	1,916
Total equity index strategy investments	11,934	12,147	24,081
Mutual funds:			
Dividend growth fund and other	3,113	-	3,113
Fixed-income funds	43,783	-	43,783
Total mutual funds	46,896	-	46,896
Total pension plan investments	$ 68,745	$ 12,147	$ 80,892

	Fair Value		
	Level 1	Level 2	Total
As of December 31, 2012:			
Cash, cash equivalents, and accrued interest	$ 2,549	$ -	$ 2,549
Common and foreign stock:			
Large cap equity	2,072	-	2,072
Small cap equity	9,671	-	9,671
Total common and foreign stock	11,743	-	11,743
Equity index strategy investments:			
Cash and cash equivalents	1,996	-	1,996
Preferred stock	303	-	303
U.S. government agency and municipal issues	355	-	355
Mutual funds	1,335	-	1,335
Corporate bonds and debentures	461	-	461
Asset-backed securities	-	7,933	7,933
Collateralized mortgage obligations	-	2,070	2,070
Total equity index strategy investments	4,450	10,003	14,453
Mutual funds:			
Dividend growth fund and other	3,415	-	3,415
International stock fund	7,053	-	7,053
Fixed-income funds	36,825	-	36,825
Total mutual funds	47,293	-	47,293
Total pension plan investments	$ 66,035	$ 10,003	$ 76,038

See Note 2 for discussion over the fair value hierarchy, fair value inputs, and valuation methodologies used at December 31, 2013 and 2012.

Children's made no transfers from Level 1 to Level 2 as of December 31, 2013 and 2012. Children's made no transfers from Level 2 to Level 1 as of December 31, 2013 and 2012.

Benefits expected to be paid through the defined benefit pension plan, by year, as of December 31, 2013, are as follows:

2014	$ 8,064
2015	6,970
2016	6,970
2017	6,717
2018	7,397
Subsequent five years	32,341

Children's expects to make a contribution of up to $6,000 during 2014. The estimated net actuarial loss for the plan that will be amortized from unrestricted net assets into net periodic benefit cost during 2014 is $156 and there is no prior-service cost as a result of the curtailment noted above.

The long-term rate of return on assets reflected in the 2013 expense was 6% The rate is determined based on Children's investment policy of 50% equities and 50% fixed income and an actuarial model that analyzes historical returns and projects a range of future annual returns Annually, management reviews the actual long-term rate of return on assets and compares this return with the actuarial model of expected returns and adjusts accordingly

Multiemployer Plans — Children's contributes to various union-sponsored multiemployer pension plans under the terms of collective bargaining agreements These contributions are determined in accordance with the provisions of negotiated labor contracts and generally are based on salary and the number of hours worked The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects

a Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers

b If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers

c If Children's chooses to stop participating in some of its multiemployer plans, Children's may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability

Children's participation in these plans for the year ended December 31, 2013, is outlined in the table below The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number The zone status is based on information that Children's received from the plan and is certified by the plan's actuary Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented The last column lists the expiration date of the collective bargaining agreement to which the plans are subject There have been no significant changes that affect the comparability of 2013 and 2012 contributions

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status (a) January 1, 2014	2013	FIP/RP Status Pending/ Implemented	Contributions of Children's Plan Year Ended 2013	2012	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
Twin City Hospitals — Minnesota Nurses Association Pension Plan	41-6184922 001	Green	Yellow	Yes	$ 11,104	$ 10,403	No	5 31 2016
Other funds	-	-	-	-	494	432	-	-
Total contributions					$ 11,598	$ 10,835		

(a) The Plan's funding level on January 1, 2014, is determined based on the actual December 31, 2013 asset values and projected liabilities as of January 1, 2014, that are a rollforward of liabilities from the previous valuation date of January 1, 2013, assuming no actuarial gains losses occur during the period

In January 2014, Children's contributed $10,771 to the Twin City Hospitals — Minnesota Nurses Association Pension Plan, which is Children's proportionate share of the minimum 2014 contribution requirement according to the collective bargaining agreement Children's does not expect to make further contributions during 2014

Children's was listed in the Twin City Hospitals — Minnesota Nurses Association Pension Plan Form 5500 as providing more than 5% of the total contributions for the plan years ended December 31, 2013 and 2012. At the date the consolidated financial statements were issued, Form 5500 was not available for the plan year ended in 2013.

Postretirement Health Care Plan — Children's extends health insurance coverage to nurses covered by the Minnesota Nurses Association labor contract who elect to retire and begin receiving pension benefits at age 55 or older. The postretirement health care benefit plans are unfunded. The accumulated postretirement benefit obligation and the amounts recognized in the consolidated financial statements as of and for the years ended December 31, 2013 and 2012, are as follows:

	2013	2012
Change in benefit obligations:		
Obligation — beginning of year	$ 4,680	$ 4,334
Service cost	206	195
Interest cost	169	183
Net (loss) gain	(1,759)	85
Benefit payments	(95)	(117)
Obligation included in other long-term liabilities — end of year	$ 3,201	$ 4,680

For the 2013 postretirement benefit obligation, certain actuarial assumptions were changed from 2012, including the discount rate and postretirement participation rate. Children's recognizes these gains and losses in the year the assumptions are changed.

The discount rate used in determining the accrued postretirement liability was 4.35% for 2013 and 3.5% for 2012. For measurement purposes, a 7.0% annual rate increase in the cost of covered health care benefits was assumed for 2013; the rate was assumed to decrease by 0.5% per year for five years, reaching 5.0% in 2020 and thereafter. Health care cost trend rates would affect the accrued postretirement obligation and the sum of service cost and interest cost as follows:

	1% Increase	1% Decrease
Accrued postretirement benefit liability	$ 348	$ (302)
Sum of service cost and interest cost	38	(32)

Supplemental Executive Retirement Plan — Children's has a supplemental executive retirement plan (SERP) to provide supplemental retirement benefits for an executive. The benefit obligation as of December 31, 2013 and 2012, was $0 and $1,707, respectively. The benefit of $1,707 was paid to the executive during 2013 and future commitments under the plan will be expensed when paid until the retirement of the executive.

Defined Contribution Plan — Children's has a defined contribution plan, covering substantially all employees. In conjunction with the RSVP plan amendment effective December 31, 2012, to freeze benefits for plan participants (see curtailment impact discussed above), Children's enhanced the defined contribution plan. Prior to January 1, 2013, Children's matched 50% of contributions made up to 6% of total salaries. Effective January 1, 2013, Children's matches 100% of contributions made up to 6% of total salaries. New employees have a five-year vesting period to receive the employer match, vesting an additive 20% per year of employment. The vesting requirement was waived for all employees hired before January 1, 2012. The amount expensed to the consolidated statements of operations and changes in net assets was $9,537 and $5,225 for the years ended December 31, 2013 and 2012, respectively.

Deferred Compensation Plans — Children's also maintains other nonqualified deferred compensation plans to provide supplemental retirement benefits for executive management and employed physicians. As of December 31, 2013, there were 13 executives and 141 employed physicians active in the plan. The liability for these plans at December 31, 2013 and 2012, was $8,344 and $8,321, respectively, of which $5,794 and $5,921 were included in other long-term liabilities and $2,550 and $2,400 were included in accrued salaries, wages, and benefits in the consolidated statements of financial position.

8. FUNCTIONAL EXPENSES

Children's provides general health care services to residents primarily within its geographic location. Expenses related to providing these services included in the consolidated statements of operations and changes in net assets for the years ended December 31, 2013 and 2012, are as follows:

	2013	2012
Health care services	$ 600,709	$ 549,493
General and administrative	92,259	86,145
Fund-raising	7,509	6,856
Total expenses	$ 700,477	$ 642,494

9. INCOME TAXES

The IRS has determined that Children's and its subsidiaries are exempt organizations as described in Section 501(C)(3) of the IRC. Children's believes that it continues to meet the requirements of the IRC to sustain its tax-exempt status. There are no federal income tax expenses, penalties, or interest recognized in the consolidated statements of operations and changes in net assets and no unrecognized tax benefits for the years ended December 31, 2013 and 2012. Children's is not subject to an income tax examination for years before 2010.

10. OTHER ASSETS

Other assets for the years ended December 31, 2013 and 2012, consist of the following:

	2013	2012
Investments in unconsolidated joint ventures	$ 18,848	$ 17,964
Split dollar deferred compensation	224	235
Deferred compensation	8,344	8,321
Shared service early termination agreement	-	860
Foundation long-term pledges receivable — restricted	11,369	9,802
Other	14,066	14,449
Total other assets	$ 52,851	$ 51,631

Children's uses the equity method of accounting for joint ventures or investments in which Children's has determined that it has significant influence. The summary of such equity investments, which are included in other assets in the consolidated statements of financial position at December 31, 2013, consists of the following:

	Children's Ownership
HealthEast Woodwinds Hospital — Diagnostic Treatment Center	20 %
Critical Care Services, Inc. (d/b/a Life Link III)	16
Health System Cooperative Laundries	4

Summarized combined financial information for the three entities listed above for the years ended December 31, 2013 and 2012, is as follows:

	2013	2012
Assets	$ 55,748	$ 37,122
Liabilities	20,608	8,273
Equity	$ 35,140	$ 28,849
Revenues	$ 140,809	$ 140,907
Expenses	121,524	120,828
Excess of revenues over expenses	$ 19,285	$ 20,079

Investments accounted for under the cost method were $7,000 at December 31, 2013 and 2012, and are recorded as investments in unconsolidated joint ventures in other assets.

11. COMMITMENTS AND CONTINGENCIES

Litigation — Children's is a defendant in legal proceedings arising in the ordinary course of business. Although the outcome of these proceedings cannot presently be determined, in the opinion of management, disposition of these proceedings will not have a material adverse effect on the consolidated financial statements of Children's.

Compliance with Laws and Regulations — The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretations, as well as regulatory actions unknown and unasserted at this time. Government activity continues to focus on possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues. Management believes that Children's compliance procedures lead to substantial compliance with current laws and regulations.

Letter of Credit — Children's is required by the Minnesota Department of Commerce to maintain a standby letter of credit for the purposes of funding the workers' compensation liabilities, which total $2,987. As of December 31, 2013, Children's has a letter of credit in the amount $3,443 to meet this requirement.

12. ACCOUNTS RECEIVABLE BY PAYER

Children's grants credit without collateral to its patients, most of whom are insured under third-party payer agreements. The mix of receivables from patients and third-party payers net of contractual allowances at December 31, 2013 and 2012, was as follows:

	2013	2012
Government payors	33 %	32 %
Other third-party payors	53	52
Patients	14	16
	100 %	100 %

13. CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES

Children's holds several life settlement contracts as investments. Children's accounts for life settlement contracts using the fair value method at the cash surrender value. At December 31, 2013, Children's had 12 life settlement contracts with a carrying value of $237 and a face value of $4,742. At December 31, 2012, Children's had 11 life settlement contracts with a carrying value of $101 and a face value of $593. Unrealized (losses) related to the life settlement contracts, net of fees paid, recorded in the consolidated statements of operations and changes in net assets were $(70) and $(7) for the years ended December 31, 2013 and 2012, respectively.

14. LEASES

Children's leases certain space and equipment under noncancelable operating leases with varying terms. The space leases also require a payment of an allocated share of common operating costs. Total rent expense for the years ended December 31, 2013 and 2012, included in facilities expenses, including allocated common costs, was approximately $11,451 and $10,918, respectively. Children's subleases portions of its medical office facilities. Total sublease rental income included in other revenue was approximately $2,321 and $2,384 for the years ended December 31, 2013 and 2012, respectively.

Future minimum lease payments, excluding an allocated share of common operating costs and pro rata operating costs under terms of leases, by year and in the aggregate, under noncancelable operating leases with initial or remaining terms of one year or more are due as follows:

	Future Minimum Lease Payments	
	As Lessee	As Lessor
2014	$ 7,117	$ 1,432
2015	7,325	1,419
2016	7,246	1,429
2017	6,236	1,439
2018	4,192	1,358
Thereafter	23,885	7,262
	$ 56,001	$ 14,339

* * * * * *

ADDITIONAL INFORMATION

CHILDREN'S HEALTH CARE

CONSOLIDATING SCHEDULE OF STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF DECEMBER 31, 2013
(In thousands)

	Obligated Group Total	Children's Foundation	Children's Health Insurance Network, Ltd	Eliminating Entries	Consolidated Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 15,342	$ 814	$ 407	$ -	$ 16,563
Short-term investments	62,750	(1,194)	4,436	-	65,992
Funds held by trustee	3,008	-	-	-	3,008
Patient accounts receivable — net	81,687	-	-	-	81,687
Prepaid expenses and other current assets	32,671	9,766	359	(2,157)	40,639
Total current assets	195,458	9,386	5,202	(2,157)	207,889
INTERCOMPANY ACCOUNTS	-	724	-	(724)	-
DONOR-RESTRICTED CASH AND INVESTMENTS	-	47,484	-	-	47,484
UNRESTRICTED INVESTMENTS	375,728	-	1,516	-	377,244
BENEFICIAL INTEREST IN NET ASSETS OF THE FOUNDATION	68,663	-	-	(68,663)	-
OTHER ASSETS	41,732	11,369	-	(250)	52,851
LAND, BUILDINGS, AND EQUIPMENT — Net	388,609	683	-	-	389,292
TOTAL	$1,070,190	$69,646	$6,718	$(71,794)	$1,074,760
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current maturities of long-term debt	$ 7,910	$ -	$ -	$ -	$ 7,910
Accounts payable and accrued expenses	48,710	983	1,844	(2,157)	49,380
Accrued salaries, wages, and benefits	54,094	-	-	-	54,094
Other current liabilities	11,676	-	704	-	12,380
Total current liabilities	122,390	983	2,548	(2,157)	123,764
INTERCOMPANY ACCOUNTS	724	-	-	(724)	-
FAIR VALUE OF INTEREST RATE SWAPS	22,871	-	-	-	22,871
OTHER LONG-TERM LIABILITIES	28,743	-	2,422	-	31,165
LONG-TERM DEBT — Excluding current maturities	233,230	-	-	-	233,230
Total liabilities	407,958	983	4,970	(2,881)	411,030
NET ASSETS					
Unrestricted	593,662	93	1,748	(343)	595,160
Temporarily restricted	39,462	39,462	-	(39,462)	39,462
Permanently restricted	29,108	29,108	-	(29,108)	29,108
Total net assets	662,232	68,663	1,748	(68,913)	663,730
TOTAL	$1,070,190	$69,646	$6,718	$(71,794)	$1,074,760

See notes to consolidating schedules of financial statements information

CHILDREN'S HEALTH CARE

CONSOLIDATING SCHEDULE OF STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INI
FOR THE YEAR ENDED DECEMBER 31, 2013
(In thousands)

	Obligated Group Total	Children's Foundation	Children's Health Insurance Network, Ltd	Eliminating Entries	Consolidated Total
REVENUE					
Net patient service revenue	$687,804	$ -	$ -	$ -	$687,804
Provision for uncollectible accounts	(7,432)	-	-	-	(7,432)
Net patient service revenue less provision for uncollectible accounts	680,372	-	-	-	680,372
Net assets released from restrictions for operations	11,810	20,240	-	(21,385)	10,665
Other	25,232	8,891	1,171	(7,515)	27,779
Total revenue	717,414	29,131	1,171	(28,900)	718,816
EXPENSES					
Salaries, wages, and employee benefits	399,046	4,120	-	-	403,166
Professional fees and purchased services	100,565	850	82	(6,344)	95,153
Supplies	72,824	238	-	-	73,062
Facilities	16,752	-	-	-	16,752
Depreciation and amortization	37,713	106	-	-	37,819
Financing costs	11,312	-	-	-	11,312
Health services taxes	20,613	-	-	-	20,613
Other	39,738	23,581	1,837	(22,556)	42,600
Total expenses	698,563	28,895	1,919	(28,900)	700,477
OPERATING INCOME (LOSS)	18,851	236	(748)	-	18,339
NONOPERATING GAINS (LOSSES)					
Investment income and realized gains	23,548	-	-	-	23,548
Income on investments accounted for under the equity method	3,502	-	-	-	3,502
Net unrealized gains (losses) on investments	1,879	(182)	(29)	-	1,668
Change in fair value of interest rate swap valuation	17,555	-	-	-	17,555
Other	(860)	-	-	-	(860)
Total nonoperating gains (losses)	45,624	(182)	(29)	-	45,413
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 64,475	$ 54	$ (777)	$ -	$ 63,752

See notes to consolidating schedules of financial statements information

1. OBLIGATED GROUP

Children's Health Care ("Children's") master indenture provides for the creation of a group of entities ("Obligated Group"), the members of which are jointly and severally obligated for the payment of debt services on all obligations issued thereunder. The Obligated Group currently consists of Children's; Children's Clinic Network, a Minnesota nonprofit corporation that is a wholly controlled affiliate; and Children's Health Care Services, Inc., a Minnesota nonprofit corporation that is a wholly controlled affiliate. Children's Health Care Foundation, d/b/a Children's Foundation (the "Foundation"), which performs fund-raising functions and endowment management, and Children's Health Insurance Network, Ltd. (CHIN), a Cayman Island domiciled insurance entity, are wholly controlled affiliates of Children's and are not currently members of the Obligated Group.

2. BASIS OF REPORTING

The consolidating schedule of statement of financial position information and the consolidating schedule of statement of operations and changes in net assets information are presented for additional analysis of the sources and uses of funds within the consolidated amounts. The operating amounts shown for the Foundation and for CHIN reflect the sources and uses of funds raised and expended on behalf of the Obligated Group, and the amounts shown for the financial position of the Foundation reflects funds held on behalf of the Obligated Group, which are recorded by the Obligated Group as a beneficial interest in net assets of the Foundation. All intercompany balances and transactions have been eliminated for consolidation purposes.

* * * * * *

Additional Data

Software ID:
Software Version:
EIN: 41-1754276
Name: Children's Health Care

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee) Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
Patrick Ryan Chair	1 00 2 00	X		X				0	0	0
Russ Becker Vice Chair	1 00 2 00	X		X				0	0	0
Alan Goldbloom Chief Executive Officer	50 00 2 00	X		X				3,608,147	0	182,709
Chad Lindbloom Treasurer	1 00 1 00	X		X				0	0	0
Judge Pamela Alexander Board Member	1 00 0 00	X						0	0	0
J Hayes Batson Board Member	1 00 0 00	X						0	0	0
Michael Ciresi Board Member	1 00 2 00	X						0	0	0
Molly Culligan Board Member	1 00 1 00	X						0	0	0
Matt Furman Board Member	1 00 0 00	X						0	0	0
Greg Govern Board Member	1 00 2 00	X						0	0	0
Sharon Jaeger MD Board Member	1 00 0 00	X						395	0	0
Mary Jeffries Board Member	1 00 0 00	X						0	0	0
Andrea Kmetz-Sheehy Board Member	1 00 1 00	X						0	0	0
Cynthia Lesher Board Member	1 00 0 00	X						395	0	0
Matt Majka Board Member	1 00 2 00	X						0	0	0
Gaye Adams Massey Board Member	1 00 1 00	X						0	0	0
John McNamara MD Board Member	1 00 0 00	X						0	0	0
Richard Migliori MD Board Member	1 00 0 00	X						0	0	0
David Miller Board Member	1 00 1 00	X						0	0	0
John Mulligan Board Member	1 00 0 00	X						0	0	0
Richard T Murphy Jr Board Member	1 00 0 00	X						0	0	0
Michael Ott Board Member	1 00 0 00	X						0	0	0
Timothy Pabst Board Member	1 00 0 00	X						0	0	0
James Prokopanko Board Member	1 00 0 00	X						0	0	0
Sandy Sackett MD Board Member	1 00 0 00	X						395	0	0

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position: Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
Robert Segal Medical Director	1 00 1 00	X						345,136	0	282,282
Lenny Snellman MD Board Member	1 00 0 00	X						0	0	0
Brian Sullivan Board Member	1 00 0 00	X						0	0	0
Jonathan Wood Board Member	1 00 1 00	X						0	0	0
David Brumbaugh VP Human Resources	50 00 0 00			X				397,599	0	170,636
Maria Christu Chief Legal Officer	50 00 1 00			X				483,521	0	119,576
Jennifer Close Chief Ambulatory Officer	25 00 26 00			X				97,798	106,722	29,593
Roxanne Fernandes Chief Nursing Officer	50 00 0 00			X				420,700	0	113,863
Bjorn Gunnerud VP Marketing and Comm	50 00 0 00			X				250,948	0	59,559
Phil Kibort CMO, VP Medical Affairs	50 00 1 50			X				710,428	0	198,050
Carol Koenecke-Grant Chief Strategy Officer	50 00 0 00			X				258,447	0	54,967
Alec Mahmood Start 71513 VP, Finance & CFO	50 00 3 50			X				309,959	0	39,668
Jerry Massmann End 73113 CFO, VP Finance	50 00 3 00			X				1,024,303	0	847,631
David Overman Chief Operating Officer	50 00 0 00			X				778,467	0	300,800
Theresa Pesch VP Dev & Exec Dir Fndtn	25 00 25 00			X				227,049	227,048	127,069
Carol Wilcox Sr Hospital Administrator	50 00 0 00			X				225,308	0	38,889
Jeffrey Young Chief Information Officer	50 00 0 00			X				399,699	0	83,815
Becky Bedore Sr Dir Clinical Svc Peds	50 00 0 00				X			181,142	0	33,289
Alice Chernich Sr Dir Clinical Svc Neonatal	50 00 0 00				X			174,113	0	23,557
Gloria Drake Sr Dir Clinical Svc Periop	40 00 10 00				X			179,592	35,844	40,856
Jennifer Olson Exec Dir Mother Baby Svc	50 00 0 00				X			234,056	0	31,798
Jamie Wiggins Sr Dir Clinical Svc Crit Cr	50 00 0 00				X			205,425	0	19,770
Aaron Friedkin Staff Physician	50 00 0 00					X		563,732	0	73,755
James Engels Staff Physician	50 00 0 00					X		578,370	0	105,478
William Mize Medical Director	50 00 0 00					X		551,228	0	103,415

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position: Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
Joseph Petronio Surg Dir Peds Neurosurg	50 00 0 00					X		925,757	0	114,088
Sonia Wright Staff Physician	50 00 0 00					X		543,321	0	100,716