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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 Medical Center of Dallas

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 1935 Medical District Drive

Room/suite

City or town, state or province, country, and ZIP or foreign postal code
Dallas, TX 75235

D Employer identification number
75-0800628

E Telephone number
(214) 456-7000

G Gross receipts $ 1,111,266,701

F Name and address of principal officer
Christopher J Durovich
1935 Medical District Dr
Dallas, TX 75235

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 childrens com

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

L Year of formation 1986

M State of legal domicile TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Dedicated to making life better for children

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	21
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	20
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	6,799
6	Total number of volunteers (estimate if necessary)	**6**	1,000
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	28,808,277	28,807,800
9	Program service revenue (Part VIII, line 2g)	984,976,635	1,029,307,149
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	24,210,891	27,194,699
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	26,856,715	25,898,968
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,064,852,518	1,111,208,616
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	21,500	12,400
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)	517,642,683	503,539,451
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)	407,504,890	440,969,265
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	925,169,073	944,521,116
19	Revenue less expenses Subtract line 18 from line 12	139,683,445	166,687,500

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	2,116,928,959	2,410,473,260
21	Total liabilities (Part X, line 26)	693,568,732	645,351,702
22	Net assets or fund balances Subtract line 21 from line 20	1,423,360,227	1,765,121,558

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

Jerry Lee VP, Accounting & Revenue Cycle
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Kimberly Temple CPA				P00669176

Firm's name ▶ Grant Thornton LLP — Firm's EIN ▶ 36-6055558

Firm's address ▶ 1717 Main Street Suite 1500 Dallas, TX 75201 — Phone no (214) 561-2300

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 Medical Center of Dallas is dedicated to making life better for children Children's is committed to carry out this mission through adherence to four guiding principles quality care, research & innovation, education & advocacy, and excellence & accountability

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 $ 703,131,926 including grants of $ 12,400) (Revenue $ 1,051,288,106)

Consistent with its charitable mission, Children's maintains a policy of accepting all patients within its primary service area regardless of ability to pay The local service regions stretch from the Oklahoma border south to Waco and from Parker County (west of Ft Worth) east to Wood County For the fiscal year ended December 31, 2013, Children's absorbed $151 million of uncompensated healthcare services as a result of this open-door charitable policy Children's participates in applicable government sponsored entitlement programs For the year ended December 31, 2013, approximately 58% of Children's gross revenue is attributable to patients enrolled in state Medicaid programs During 2013, Children's served approximately 150,000 patients Children's had 45,770 patient admissions resulting in 104,365 patient days, and provided services in 544,955 outpatient visits In addition, the hospital staff performed 17,820 day surgeries In recognizing its mission to the community, Children's participates in the Medicaid, Medicare, Children's Health Insurance Program (CHIP), Chronically Ill and Disabled Children (CIDC), and Champus government programs Under an agreement with the Dallas County Hospital District, Children's provides services to the indigent children of Dallas County

4b (Code) (Expenses $ 5,029,673 including grants of $) (Revenue $ 7,520,119)

Children's is the primary pediatric teaching hospital for the University of Texas Southwestern Medical School at Dallas and has the fifth largest pediatric training program in the country Currently, there are 100 pediatric residents, three chief residents and approximately 120 pediatric subspecialty residents and fellows enrolled in this training program Children's offers fellowships/residencies in these pediatric subspecialties, as well as internships and fellowships/residencies in nursing, dentistry, allied health, social sciences and religious studies In addition to internship and fellowship programs, many students representing a variety of health care professions come to Children's to complete a pediatric rotation as a requisite of their training

4c (Code) (Expenses $ 2,676,054 including grants of $) (Revenue $ 4,001,104)

Through Children's affiliation with UTSW Medical Center, ongoing research is promoted in many different clinical areas of the hospital The end goal of this research is the development of newer, more effective diagnostic & treatment methods to meet the health care needs of children All research involving human subjects is approved by the Institutional Review Board at UTSW Joint areas of research efforts between UTSW's Department of Pediatrics & Children's are critical care, immunology, gastroenterology, emergency medicine, radiology, nutrition, endocrinology, psychiatry, cardiology, pharmacology, nephrology, neurology, pulmonology, rheumatology, infectious diseases & hematology/oncology Many of these clinical studies have been published in medical journals & presented to professional health care societies

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ 710,837,653

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		No
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or 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**		No
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**	Yes	
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**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	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	1,368		
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	6,799		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a			No
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O* . . .	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

Check if Schedule O contains a response 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**	21		
	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**	20		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**			No
6	Did the organization have members or stockholders?	**6**		Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**		Yes	
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**		Yes	
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**	Yes	
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**	Yes	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	**11a**	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	**12a**	Yes	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	**12b**	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this was done*	**12c**	Yes	
13	Did the organization have a written whistleblower policy?	**13**	Yes	
14	Did the organization have a written document retention and destruction policy?	**14**	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	**15a**	Yes	
b	Other officers or key employees of the organization	**15b**	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	**16a**		No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	**16b**		

Section C. Disclosure

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

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

▶Stephanie K Smith 1935 Medical District Drive
Dallas, TX 75235 (214) 456-7000

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) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								16,293,437	0	536,852

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 ▶ 695

			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**	Yes	
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
UTSW HI 108 5323 Harry Hines Blvd Dallas TX 753908886	Phys & Medical Svcs	59,525,670
JE Dunn Construction Co 16000 Dallas Pkwy 500 Dallas TX 75248	Construction Services	21,870,008
Medline Industries Inc 9303 Stoneview Dr Dallas TX 75237	Medical Supplies	17,205,358
Philips Health Care PO Box 100355 Atlanta GA 303840355	Medical Supplies	13,101,509
Comforce Technical Services PO Box 31001-0893 Pasadena CA 911100893	Staffing/Consulting Svcs	7,625,064

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 ▶ 387

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	20,862,345			
	e	Government grants (contributions)	1e	7,945,455			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . . ▶		28,807,800			
Program Service Revenue			Business Code				
	2a	Inpatient Revenue	622110	1,285,724,272	1,285,724,272		
	b	Outpatient Revenue	621400	892,338,504	892,338,504		
	c	Day Surgery Revenue	621400	195,208,628	195,208,628		
	d	Prov for Dbtful Accts	622110	-40,771,862	-40,771,862		
	e	Deductions from Rev	622110	-1,303,192,393	-1,303,192,393		
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . . ▶		1,029,307,149			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		27,252,784			27,252,784
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . . ▶					
			(i) Real	(ii) Personal			
	6a	Gross rents	172,477				
	b	Less rental expenses	0				
	c	Rental income or (loss)	172,477				
	d	Net rental income or (loss) . . . . . ▶			172,477		172,477
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses		58,085			
	c	Gain or (loss)		-58,085			
	d	Net gain or (loss) . . . . . ▶			-58,085		-58,085
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from fundraising events . . ▶					
	9a	Gross income from gaming activities See Part IV, line 19 . . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from gaming activities . . ▶					
	10a	Gross sales of inventory, less returns and allowances . a					
	b	Less cost of goods sold . . b					
	c	Net income or (loss) from sales of inventory . . ▶					
		Miscellaneous Revenue	Business Code				
	11a	Other Med Svc Revenue	622110	20,948,916	20,948,916		
	b	Dietary Revenue	621990	4,607,809	4,607,809		
	c	Vending Revenue	454210	169,766			169,766
	d	All other revenue					
	e	**Total.** Add lines 11a–11d . . . . . ▶		25,726,491			
	12	**Total revenue.** See Instructions . . . . . ▶		1,111,208,616	1,054,863,874	0	27,536,942

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				
2 Grants and other assistance to individuals in the United States See Part IV, line 22	12,400	12,400		
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	14,718,543	3,108,634	11,609,909	
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	380,212,092	303,845,733	76,366,359	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	30,952,152	24,850,462	6,101,690	
9 Other employee benefits	48,830,311	39,204,246	9,626,065	
10 Payroll taxes	28,826,353	23,143,728	5,682,625	
11 Fees for services (non-employees)				
a Management	5,319,016	1,673,757	3,645,259	
b Legal	2,718,060		2,718,060	
c Accounting	532,392		532,392	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	133,509,144	124,816,217	8,692,927	
12 Advertising and promotion	5,212,736	225,926	4,986,810	
13 Office expenses	6,413,603	2,083,480	4,330,123	
14 Information technology	21,652,063	1,521,199	20,130,864	
15 Royalties . .				
16 Occupancy	33,841,780	6,329,590	27,512,190	
17 Travel	1,528,445	646,610	881,835	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	2,905,798	968,326	1,937,472	
20 Interest	17,844,349	13,428,995	4,415,354	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	56,317,687	42,382,602	13,935,085	
23 Insurance	7,794,794	145,036	7,649,758	
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 Med /Surgical Supplies	96,312,939	95,405,821	907,118	
b Consulting & Prof Fees	20,051,431	1,199,869	18,851,562	
c Community Relations	18,444,025	18,444,025		
d Dietary and Food Costs	4,597,970	4,289,094	308,876	
e All other expenses	5,973,033	3,111,903	2,861,130	
25 **Total functional expenses.** Add lines 1 through 24e	944,521,116	710,837,653	233,683,463	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		221,398,992	1	211,102,906
	2	Savings and temporary cash investments		185,907,889	2	246,559,708
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		131,246,984	4	197,587,737
	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		10,205,126	8	9,123,939
	9	Prepaid expenses and deferred charges		10,557,487	9	22,130,766
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 1,291,890,527			
	b	Less accumulated depreciation	10b 552,669,280	701,130,207	10c	739,221,247
	11	Investments—publicly traded securities		502,599,817	11	579,851,888
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		353,882,457	15	404,895,069
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		2,116,928,959	16	2,410,473,260
Liabilities	17	Accounts payable and accrued expenses		160,024,344	17	205,475,567
	18	Grants payable			18	
	19	Deferred revenue		16,827	19	0
	20	Tax-exempt bond liabilities		386,575,772	20	379,526,700
	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		132,489	23	0
	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		146,819,300	25	60,349,435
	26	**Total liabilities.** Add lines 17 through 25		693,568,732	26	645,351,702
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		1,125,704,796	27	1,439,078,427
	28	Temporarily restricted net assets		224,474,963	28	241,967,405
	29	Permanently restricted net assets		73,180,468	29	84,075,726
		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		1,423,360,227	33	1,765,121,558
	34	Total liabilities and net assets/fund balances		2,116,928,959	34	2,410,473,260

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	1,111,208,616
2	Total expenses (must equal Part IX, column (A), line 25)	2	944,521,116
3	Revenue less expenses Subtract line 2 from line 1	3	166,687,500
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	1,423,360,227
5	Net unrealized gains (losses) on investments	5	52,230,104
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	122,843,727
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	1,765,121,558

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		

Additional Data

Software ID:
Software Version:
EIN: 75-0800628
Name: Children's Medical Center of Dallas

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Christopher J Durovich President,CEO,Ex Off Vtg	60 00	X		X				1,928,033	0	46,184
Robert Chereck Chairman & Director	1 00	X		X				0	0	0
Richie L Butler Director	1 00	X						0	0	0
John Eagle Director	1 00	X						0	0	0
Robert A Estrada Director	1 00	X						0	0	0
Jeremy B Ford Director	1 00	X						0	0	0
Ed Heffernan Director	1 00	X						0	0	0
Richard Knight Jr Director	1 00	X						0	0	0
Tracey Kozmetsky Director	1 00	X						0	0	0
Charles Matthews Jr Director	1 00	X						0	0	0
Ronald D McCray Director	1 00	X						0	0	0
Thomas A Montgomery Director	1 00	X						0	0	0
Anne Motsenbocker Director	1 00	X						0	0	0
Connie O'Neill Director	1 00	X						0	0	0
Robert W Peterson Director	1 00	X						0	0	0
John F Scovell Director	1 00	X						0	0	0
Barbara Stuart Director	1 00	X						0	0	0
Gifford Touchstone Director	1 00	X						0	0	0
John F Young Director	1 00	X						0	0	0
David Biegler Ex Officio Voting Member	1 00	X						0	0	0
Steven M Gruber Ex Officio Voting Member	1 00	X						0	0	0
Douglas G Hock EVP, Hosp Clnc Ops & COO	55 00			X				816,439	0	21,486
Michele Chulick EVP, Corporate Svs	55 00			X				557,540	0	7,757
Julio Perez-Fontan MD EVP, Medical Affairs	55 00			X				480,000	0	0
Peter W Roberts EVP, Pop Hlth & Netw Dev	55 00			X				984,888	0	22,833

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Kern Wildenthal MD PhD EVP, CMC and Foundation Pres	55 00			X				425,294	0	12,875
Michael Frick SVP, Dvlpmt (term date 05/15/2013)	55 00			X				798,071	0	0
David G Biggerstaff SVP, Clinical and Support	55 00			X				443,532	0	25,134
Ray R Dziesinski SVP, Chief Treasury Officer	55 00			X				683,091	0	34,210
David Eager SVP, CFO, Treasurer	55 00			X				210,450	0	1,160
Regina M Coggins SVP, Ext Rel and Gen Couns	55 00			X				488,327	0	30,486
Pamela K Arora SVP, Chief Info Officer	55 00			X				518,085	0	24,689
Kimberly S Besse SVP, Chief HR Officer	55 00			X				370,222	0	23,775
Mary E Stowe RN SVP, Chief Nursing Officer	55 00			X				451,519	0	15,364
Patricia U Winning SVP, Strategy and Physician Orgs	55 00			X				692,832	0	16,988
Trent C Smith SVP, MyC Pres (term date 02/15/2013)	55 00			X				817,634	0	16,653
Daniel T Carney VP, Facilities Development & Ops	50 00			X				348,835	0	24,053
Joseph Egan VP, Acad Rel & Budget Mgmt	50 00			X				144,049	0	5,675
Keri Kaiser VP, Mktg & Communications	50 00			X				231,975	0	10,216
Jerry Lee VP, Acctg and Revenue Cycle	50 00			X				318,998	0	23,640
Mitchell Mulvehill VP, Finance and Treasury	50 00			X				300,130	0	21,849
Beth Peters VP, Legal and Compliance	50 00			X				236,637	0	15,477
Jeffery J Vawrinek VP, Legal Affr & Governance	50 00			X				307,701	0	8,502
Vanessa U Walls VP, Ambulatory Services	50 00			X				304,790	0	27,482
Thomas M Zellers MD VP, Medical Staff Affairs	50 00			X				150,000	0	0
Mark Ziemianski VP, Business Analytics	50 00			X				156,194	0	8,837
Stephanie K Smith Corporate Secretary	40 00			X				110,048	0	4,796
Justin J Lombardo VP, Lrng Inst (term date 2/15/2013)	50 00			X				484,927	0	9,762
Ronald C Skillens Jr VP, Cp/In Aud (term date 03/31/2013)	50 00			X				370,249	0	13,032
Paul M Musgrave VP, Planning (term date 05/31/2013)	50 00			X				505,074	0	9,312

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Denise Levis-Hewson VP, Clin Intgrtd Ntwrk	50 00					X		394,168	0	4,547
Christopher Menzies MD VP, Chief Med Information Offcr	50 00					X		290,400	0	1,592
Cynthia Bassel SVP, Foundation	55 00					X		241,500	0	9,443
Michele Whitsett VP, COO Foundation	50 00					X		247,949	0	23,342
Kimberly Altman VP, Pop Hlth Care Mgt Syst	50 00					X		258,171	0	10,745
James Herring FMR EVP,(term date 6/30/2012)	0 00						X	101,795	0	0
John P Kline FMR SVP, (term date 10/31/2012)	0 00						X	123,890	0	4,956

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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 Medical Center of Dallas

Employer identification number
75-0800628

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 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	

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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 Medical Center of Dallas	75-0800628

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		
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-		

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

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)?		No	
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?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		82,434
j	Total Add lines 1c through 1i			82,434
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	In 2013, CMCD paid membership dues to organizations in which a portion of the membership dues were related to lobbying activities NACH (National Association of Children's Hospitals), AHA (American Hospital Association), THA (Texas Hospital Association), TAVH (Texas Association of Voluntary Hospitals), THOT (Teaching Hospitals of Texas), and CHAT (Children's Hospital Association of Texas) identifed a portion of their membership dues as being related to lobbying activities Lobbying percentages were identified by said organizations and applied to 2013 membership dues

Part IV Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

Employer identification number
75-0800628

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

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

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

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

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

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

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

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

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

		(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance					
b	Contributions					
c	Net investment earnings, gains, and losses					
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance					

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

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

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

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

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

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

Part VI Land, Buildings, and Equipment. 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		39,925,662		39,925,662
b Buildings		768,250,666	228,430,070	539,820,596
c Leasehold improvements		11,377,426	7,028,560	4,348,866
d Equipment		408,829,201	317,210,650	91,618,551
e Other		63,507,572		63,507,572
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				739,221,247

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		
Other		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶		

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
(1) Net Assets of Foundation	326,015,887
(2) Other Assets	27,094,205
(3) LT Advances to Affiliates	51,750,292
(4) Professional Risk Liability Deposit - CIC	34,685
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	404,895,069

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	
UTSW Phys Guarantees	8,560,957
Retirement Plan Accr	30,460,163
Rsv for Professional Liab	8,203,102
LT Deferred Rent	2,940,213
LT-Loan Pay-Urban Ventures	10,185,000
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	60,349,435

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 X, Line 2	In 2013 Children's Medical Center of Dallas was not required to have a FIN48 footnote disclosure

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

Employer identification number
75-0800628

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)			20,191,781	367,627	19,824,154	2 100 %
b Medicaid (from Worksheet 3, column a)			510,969,762	434,590,566	76,379,196	8 090 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			66,798,776	51,231,024	15,567,752	1 650 %
d **Total** Financial Assistance and Means-Tested Government Programs			597,960,319	486,189,217	111,771,102	11 840 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			7,577,497	477,558	7,099,939	0 750 %
f Health professions education (from Worksheet 5)			32,949,664	2,265,467	30,684,197	3 250 %
g Subsidized health services (from Worksheet 6)			0	0		0 %
h Research (from Worksheet 7)			5,906,972		5,906,972	0 630 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			2,140,993	107,478	2,033,515	0 220 %
j **Total.** Other Benefits			48,575,126	2,850,503	45,724,623	4 850 %
k **Total.** Add lines 7d and 7j			646,535,445	489,039,720	157,495,725	16 690 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building			493,904		493,904	0 050 %
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**			493,904		493,904	0 050 %

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	10,318,609		
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	1,134,671		
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	7,144,521
6	Enter Medicare allowable costs of care relating to payments on line 5	6	1,682,280
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	5,462,241
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 1 NONE				
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? 2

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 Medical Center of Dallas

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) _____

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	**1**	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 2013			
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) www.childrens.com			
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**		No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	**8a**		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	**8b**		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $_____			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
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 400 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)

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
Part V, Section B	Facility Reporting Group A
Facility Reporting Group A consists of	- Facility 1 Children's Medical Center of Dallas, - Facility 2 Children's Medical Center at Legacy
Facility 1 -- Children's Medical Center of Dallas Part V, Section B, line 3	Each year, Children's recruits a citizen advisory council made up of key stakeholders serving children and knowledgeable in public health These community leaders meet monthly to discuss children's health care issues and to contribute their experience, insights and expert recommendations for the the Beyond ABC report prepared by Children's Additionally, the citizen advisory boards for Beyond ABC identify recommendations for advocates and public officials in order to improve the lives and health of children Recent advisory boards have included city and county officials, former legislators, members of law enforcement, school district administrators, nonprofit organizations' executives, child-advocacy representatives, chambers of commerce and senior staff from corporations and financial institutions Additionally, as part of the Texas Healthcare Transformation and Quality Improvement Program, the state of Texas has been divided into 20 regions Hospitals within each region have worked together to develop plans to respond to health needs and transform the health care delivery system Children's participates in the Regional Healthcare Partnership (RHP) Plans for Regions 9 and 10
Facility 1 -- Children's Medical Center of Dallas Part V, Section B, line 7	Some issues identified through the Children's CHNA have not been addressed in this plan In initial discussion and subsequent prioritization, Children's Medical Center Needs Assessment Team considered the levels to which some needs were already being addressed in the service area Additionally, some community needs fall out of the scope of expertise and resources of Children's Medical Center Children's Community Health Implementation Strategy includes details on Needs Not Addressed The section outlines how some of the needs identified in the assessment are addressed by others or in different ways
Facility 1 -- Children's Medical Center of Dallas Part V, Section B, line 10	Children's Medical Center uses the Federal Poverty Guidelines to determine eligibility for low income individuals 200% of the Federal Poverty Guidelines is used for 100% charity adjustment, and 201% to 400% of the Federal Poverty Guidelines is used for a sliding scale adjustment
Facility 1 -- Children's Medical Center of Dallas Part V, Section B, line 12i	Children's Medical Center uses various documents and forms to verify income and expenses when determining the eligibilty for financial assistance of a patient and their family These documents include, but are not limited to, W2 Form, wage and earning statement, pay check remittance, worker's compensation, unemployment compensation determination letters, income tax returns, statement from employer, bank statements, copy of checks, documents of sources of income, telephone verification of gross income with the employer, proof of participation in government assistance programs such as Medicaid, signed affadavit or attestation by patient, and veterans benefit statement
Facility 1 -- Children's Medical Center of Dallas Part V, Section B, line 14g	In addition to ensuring that the Children's charity care criteria is posted prominently and continuously in common entry points of the facility, a Director of Patient Financial Service ensures that the Children's charity care criteria is published annually in a local newspaper of general circulation in the county
Facility 1 -- Children's Medical Center of Dallas Part V, Section B, line 20d	Children's Medical Center determines the maximum amount that can be charged to individuals eligible for financial assistance for emergency or other medically necessary care by calculating the average commercial and government payor amounts received by Children's
Facility 1 -- Children's Medical Center of Dallas Part V, Section B, line 21	
Facility 2 -- Children's Medical Center at Legacy Part V, Section B, line 3	Each year, Children's recruits a citizen advisory council made up of key stakeholders serving children and knowledgeable in public health These community leaders meet monthly to discuss children's health care issues and to contribute their experience, insights and expert recommendations for the the Beyond ABC report prepared by Children's Additionally, the citizen advisory boards for Beyond ABC identify recommendations for advocates and public officials in order to improve the lives and health of children Recent advisory boards have included city and county officials, former legislators, members of law enforcement, school district administrators, nonprofit organizations' executives, child-advocacy representatives, chambers of commerce and senior staff from corporations and financial institutions Additionally, as part of the Texas Healthcare Transformation and Quality Improvement Program, the state of Texas has been divided into 20 regions Hospitals within each region have worked together to develop plans to respond to health needs and transform the health care delivery system Children's participates in the Regional Healthcare Partnership (RHP) Plans for Regions 9 and 10
Facility 2 -- Children's Medical Center at Legacy Part V, Section B, line 7	Some issues identified through the Children's CHNA have not been addressed in this plan In initial discussion and subsequent prioritization, Children's Medical Center Needs Assessment Team considered the levels to which some needs were already being addressed in the service area Additionally, some community needs fall out of the scope of expertise and resources of Children's Medical Center Children's Community Health Implementation Strategy includes details on Needs Not Addressed The section outlines how some of the needs identified in the assessment are addressed by others or in different ways
Facility 2 -- Children's Medical Center at Legacy Part V, Section B, line 10	Children's Medical Center at Legacy uses the Federal Poverty Guidelines to determine eligibility for low income individuals 200% of the Federal Poverty Guidelines is used for 100% charity adjustment, and 201% to 400% of the Federal Poverty Guidelines is used for a sliding scale adjustment
Facility 2 -- Children's Medical Center at Legacy Part V, Section B, line 12i	Children's Medical Center at Legacy uses various documents and forms to verify income and expenses when determining the eligibilty for financial assistance of a patient and their family These documents include, but are not limited to, W2 Form, wage and earning statement, pay check remittance, worker's compensation, unemployment compensation determination letters, income tax returns, statement from employer, bank statements, copy of checks, documents of sources of income, telephone verification of gross income with the employer, proof of participation in government assistance programs such as Medicaid, signed affadavit or attestation by patient, and veterans benefit statement
Facility 2 -- Children's Medical Center at Legacy Part V, Section B, line 14g	In addition to ensuring that the Children's charity care criteria is posted prominently and continuously in common entry points of the facility, a Director of Patient Financial Service ensures that the Children's charity care criteria is published annually in a local newspaper of general circulation in the county
Facility 2 -- Children's Medical Center at Legacy Part V, Section B, line 20d	Children's Medical Center at Legacy determines the maximum amount that can be charged to individuals eligible for financial assistance for emergency or other medically necessary care by calculating the average commercial and government payor amounts received by Children's

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? **4**

	Name and address	Type of Facility (describe)
1	Ambulatory Care Pavilion Dallas 2350 Stemmons Fwy Dallas, TX 75207	Outpatient Care
2	Specialty Care Center in Southlake 470 E State Hwy 114 Southlake, TX 76092	Outpatient Specialty Care Center
3	Specialty Care Center Mesquite 1675 Republic Pkwy Suite 190 Mesquite, TX 75150	Outpatient Specialty Care Center
4	Specialty Care Center Rockwall 890 Rockwall Parkway Suite 100 Rockwall, TX 75032	Outpatient Specialty Care Center
5		
6		
7		
8		
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	Children's uses the Federal Poverty Guidelines to determine eligibility for low income individuals 200% of the Federal Poverty Guidelines is used for 100% charity adjustment, and 201% to 400% of the Federal Poverty Guidelines is used for a sliding scale adjustment
Part I, Line 6a	Children's Community Benefit Report is prepared by our Public Relations department with collaboration from numerous departments within the hospital

Form and Line Reference	Explanation
Part I, Line 7	Children's uses Worksheet 2 from the Form 990 Schedule H instructions to calculate the costs for Part I, Line 7 and ratio of patient care cost to charges attributable to community benefits
Part I, Line 7g	Not applicable

Form and Line Reference	Explanation
Part I, Ln 7 Col(f)	Children's recorded $40,771,862 in bad debt expense for the year The bad debt expense recorded was excluded from the calculation of community benefit expense
Part II, Community Building Activities	Children's is passionate about maintaining a vocal presence in legislative affairs on the local, state and federal levels and is at the forefront of governmental efforts that affect the community at large, from booster seat and car safety measures to critical funding initiatives Additionally, Children's collaborates extensively with our partners in coalitions such as the Children's Hospital Association of Texas (CHAT) and the Texas Hospital Association (THA) at the state level, as well as the Children's Hospital Association (formerly the National Association of Children's Hospitals and Related Institutions) Children's President and Chief Executive Officer also serves on the Board of Trustees for the American Hospital Association Through these affiliations, Children's is better able to advocate the development of an effective, comprehensive and appropriately funded children's health care system in Texas and across the country

Form and Line Reference	Explanation
Part III, Line 2	Children's uses Worksheet 2 from the Form 990 Schedule H instructions to calculate the bad debt expense and ratio of patient care cost to charges attributable to community benefits
Part III, Line 3	Children's uses its cost accounting system and the actual costs that are written off by patient accounts to calculate the bad debt expense attributable to patients eligible under the organization's charity care policy Children's rationale for including a portion of bad debt as community benefit is that, bad debt expense should be treated as a community benefit as it is similar to other unreimbursed financial assistance, as reported in Part I, Line 7a, but for a different population (namely, those patients who would qualify for charity care if they completed the financial assistance application)

Form and Line Reference	Explanation
Part III, Line 4	The following is the footnote disclosure related to the Allowance for Doubtful Accounts, provided with Children's Audited Financial Statements Children's maintains allowances for doubtful accounts to reserve for potential write-offs relating to a patient's inability to make payments on an account Accounts are written off when collection efforts have been exhausted Children's routinely monitors its accounts receivable balances and utilizes historical collection experience to support the basis for its estimates of the provision for doubtful accounts
Part III, Line 8	Children's uses Worksheet A from the As Filed Medicare Cost Report and the IRS Schedule H Instructions to determine Medicare allowable costs

Form and Line Reference	Explanation
Part III, Line 9b	Children's has written debt collection policies which identify collection practices to be followed The collection practices determine for what financial assistance a patient qualifies, and if a patient does not qualify for financial assistance, Children's also has written collection practices to be followed to determine if a patient qualifies for charity care As part of the collection practice, Childrens' financial counselors review with the patient and their family the various state and federal programs available to them
Part VI, Line 2	In addition to the 2013 Community Health Needs Assessment, Children's has produced a comprehensive quality-of-life report on area children, Beyond ABC Growing Up in Dallas County, since 1994 Beginning in 2008, a separate study has been published to focus on youth in Collin County as well These biennial reports provide 10 years of trended data on the many factors facing children in our community Beyond ABC analyzes more than 50 indicators of well-being with respect to health, education, safety and security for the more than 900,000 children that call those areas home Children's has taken on the task of preparing Beyond ABC and distributing it to child advocates, service agencies, community leaders and lawmakers because of the presence the hospital holds in the community In turn, these community leaders and organizations as well as Children's use the report to help determine how best to employ their resources each year

Form and Line Reference	Explanation
Part VI, Line 3	Children's Financial Counselors or Customer Service Representatives work with patients' guardians/guarantors to ensure that all public and voluntary assistance programs are fully explored Children's has a financial program for patients who are considered indigent and do not qualify for a federal or state program The eligibility criteria for financial assistance is based upon Federal Poverty Guidelines published annually Patients eligible for financial assistance will have charges reduced to the lowest level charged to individuals who have insurance covering such care Gross charges will not be used to calculate patient's bills Children's will inform prospective patients of Children's charity care criteria by posting this information in common entry points and annually publishing this information in the community newspaper
Part VI, Line 4	Community Served by Children's Medical Center - Children's main campus is located at 1935 Medical District Drive, Dallas, Texas The city of Dallas is the county seat of Dallas County The city of Dallas is one of the most populous cities in Texas, as well as the United States Children's also has an inpatient facility located at a second campus in Plano, Texas Plano is in Collin County, which is also home to fast-growing cities like Frisco, Allen, McKinney and Prosper Identification and Description of Geographical Community - The city of Dallas is the third largest city in Texas The city of Dallas is accessible from I-30, I-35E, I-45 and I-635 Patients primarily originate from Texas (94 8 percent) Nearly 50 percent (48 8 percent) ofChildren's discharges originate in Dallas County, Texas Collin County is one of the fastest growing areas in the United States, with its population between 2000 and 2010 growing from 491,000 to over 782,000 Community Population and Demographics - The U S Bureau of Census has compiled population and demographic data based on the 2010 census The Nielsen Company, a firm specializing in the analysis of demographic data, has extrapolated this data to estimate population trends from 2013 through 2018 Based on the data, the overall population for Children's service area is projected to increase over the five-year period from 3,320,715 to 3,608,755 The age categories that represent youth and adolescents (0-14 and 15-20) is projected to increase 7 0 percent and 8 9 percent,respectively According to the American Community Survey, 670,217 children under the age of 18 lived in Dallas County in 2012 Nearly 54 percent of all the children in Dallas County were Caucasian compared to approximately 67percent in Collin County In terms of race, nearly 54 percent of all children in Dallas County were Caucasian, followed by 23 percent African-American Although more than half of the children in Dallas County are Caucasian, only 35 percent of the Caucasian child population is non-Hispanic Moreover, Hispanic children make up more than 52 percent of the child population of Dallas County Service to the Community - Children's is well known for bringing exceptional medical and surgical care to the children of North Texas Through community events, child-specific initiatives and organizational affiliations, the hospital invests in prevention, research, education, clinical excellence and advocacy to benefit all children Children's devotes itself solely to caring for the complex medical needs of children Children's provides patient care ranging from simple eye exams to specialized treatment in areas such as heart disease, hematology-oncology and cystic fibrosis In addition, Children's is a major pediatric kidney, liver, intestine and heart transplant center Through its established injury prevention, advocacy program and disease management programs, the hospital works diligently to educate the community so that no child has to ever to come through our doors Children's is licensed for 595 beds and has more than 50 subspecialty programs spanning two campuses the main hospital in Dallas and a second full-service hospital in Plano Children's was the first pediatric hospital in Dallas designated as a Level I Trauma Center Children's is a private, not-for-profit hospital system that does not receive local tax dollars to offer the care provided Children's is philanthropically supported in its efforts to provide care for every child who comes to us, regardless of their family's ability to pay Donors also play a significant part in our ability to conduct research, education and advocacy Combined, the two Children's facilities serve children through more than 677,000 patient encounters annually But that doesn't prevent the offering of an elite level of individual care and attention to each family As the primary pediatric teaching facility for the UT Southwestern Medical Center at Dallas, ("UTSW"), Children's is the only full-service, academic-affiliated pediatric hospital in North Texas Through this academic affiliation, the Children's medical staff conducts research that is instrumental in developing treatments, therapies, and greater understanding of pediatric diseases and trains more than 200 pediatric residents and fellows annually

Form and Line Reference	Explanation
Part VI, Line 5	Children's mission is to make life better for children We consider it our privilege and our responsibility to serve as ardent advocates for kids in Texas and across the country To that end, we work tirelessly to ensure that children's voices are heard and that their needs are met Our efforts to influence public policies that impact children's health are comprehensive and ongoing Through programmatic initiatives, organizational partnerships and community events, Children's spreads its influence throughout the region and provides area children with much-needed access to a better quality of life Whether that means establishing programs to increase services to the area's underserved children or fostering partnerships with existing organizations, Children's is committed to connecting families to the services they need Children First! Collin County CoalitionChildren's is the founding member and sponsor of the Children First! Collin County Coalition, a nonpartisan alliance of more than 80 non-profit organizations The coalition works to improve the quality of life of children through the development of initiatives related to public policy, advocacy, public awareness and community programs The coalition's five work groups focus on economic security, education, family strengthening, health and safety Community Outreach Through the efforts of the Community Relations staff at Children's, more area children who are eligible for Medicaid or the Children's Health Insurance Program (CHIP) are receiving coverage Almost 18 percent of the children living in Dallas County are uninsured Lack of health insurance leads to poorer health in childhood, greater rates of avoidable hospitalizations and higher childhood mortality Uninsured children are 8 times more likely to have delayed care and 12 times more likely to have an unmet medical need than children with private insurance Children's is committed to helping families obtain health insurance, an important factor in the health and well-being for our entire community Children's has a vision to help address the shortage of primary pediatric medical care for families with limited resources Dallas CHIP CoalitionChildren's founded and sponsors the Dallas Children's Health Insurance Program Coalition, an alliance of more than 90 organizations focused on helping families of uninsured children apply for CHIP or Medicaid In addition, the coalition provides community leadership on public policy issues that affect the crisis of uninsured children in our community MEDICAID/CHIP Outreach EventsAnnually, Children's coordinates two large community outreach events targeting the families of uninsured children Working with the Dallas Children's Health Insurance Program Coalition, these events are promoted through school flyers and the media Since 2005, these events have helped more than 12,000 families apply for coverage for more than 24,000 children The coalition has trained more than 250 volunteers to assist families with applications for CHIP or Medicaid School Based Medicaid/Chip Outreach Children's outreach team conducts Medicaid/Children's Health Insurance Program outreach at 8 area school districts with a combined enrollment of more than 350,000 Each student's family receives at least four communications during a school year with information on the importance of health insurance and the tools to apply for CHIP/Medicaid In 10 years, Children's has trained more than 2,500 school staff and volunteers, completed more than 60,000 applications for Medicaid/CHIP and participated in over 700 special events Children's serves as a liasioTackling an epidemic Texas ranks sixth in the nation for obesity in 10 to 17 year-olds, and the problem is even more pressing in Dallas County More than one-third (36 1 percent) of Dallas Independent School District high-school students are obese or overweight, almost double the national average, according to the Department of State Health Services In 2008, only one in five Dallas ISD third-graders passed the Texas-mandated school Fitnessgram assessment, compared to about one in three statewide At Children's, we provide services to 7,500 patients each year with diagnoses that research shows to be obesity-related These include cardiology, endocrine, gastrointestinal, pulmonary and psychiatric diagnoses Dental OutreachAlthough effective methods exist to prevent tooth decay, cavities remain the most prevalent chronic condition among children-five times more common than asthma and seven times more common than hay fever Inpartnership with UT Southwestern Medical Center at Dallas, a grant has been obtained so that children from the continuity clinics and ARCH (At-Risk Children) clinic who are identified as at-risk are now provided oral health education and fluoride varnish every three months to reduce their risk of cavities Children's websiteOur hospital web site, www childrens com, empowers parents with the latest information about childhood illnesses, prevention, treatment and services available at the hospital More than 1,300 common pediatric topics are addressed on the Web site Also available are interactive guides promoting healthy living that target both children and their parents The site also offers a free subscription to a monthly electronic newsletter that connects our community to the amazing things that take place at Children's every day Reaching out to support the families of our communities is at the heart of the Children's mission The challenge of ensuring the safety and well-being of all children is a driving force for the hospital, its employees and its medical staff Assessing how many lives our services touch requires a look into our community, where the Children's influence has impact far beyond the hospital's walls Disease Management and WellnessThe Disease Management and Wellness Department at Children's improves quality of life and decreases the use of healthcare services through education and pro-active self-management Children's has seven disease-specific certifications, the most of any pediatric center in the United States The programs offer access to evidence-based care and support that is needed for the management of conditions like asthma, diabetes and obesity The disease management initiative is part of the hospital's ongoingefforts to reduce emergency department use, decrease admissions, curtail healthcare costs and ultimately, improve the quality of life for children with chronic conditions Each program provides a family-centered environment that focuses on providing quality care to patients and overall increased disease awareness Coaching coaches, athletes and parentsChildren's is committed to educating coaches, parents and young athletes on the importance of sports injury prevention The hospital has a presence at dozens of coaches' clinics each year at facilities such as the Plano Sports Authority and Dallas Baseball Academy of Texas During the clinics, Children's provides sports-specific injury-prevention cards and clipboards to thousands of coaches each year So far, we have impacted the health and safety of 400,000 young athletes Children's has also worked with companies such as Kohl's Corporation and their Sports Health and Wellness Outreach Program, to further support community outreach efforts Spreading a message of water safetyDrowning is the second-leading cause of unintentional injury-related deaths among American children ages 1 to 14 The Know Before You Go Program spreads the message that every drowning is preventable when parents take appropriate precautions The program includes distributing water safety materials, providing demonstrations on proper water rescue techniques and the use and proper fit of Coast Guard approved flotation devices Working to reduce preventable injuriesMore than a decade ago, Children's formed the Safe Kids Dallas Area Coalition - the local chapter of Safe Kids Worldwide - to prevent childhood injuries Traumatic injuries are the leading cause of death in Texas in children ages 1 to 14, and preventing these injuries is imperative at Children's - the first Level I trauma center in Texas (and one of only two in the state) that is solely dedicated to treating pediatric patients Since 2002, the number of patients hospitalized because of motor vehicle crashes has steadily risen Children's Injury Prevention Program has expanded its outreach efforts accordingly to bring car seat safety education and installation services to the community in an effort to reduce the number of children injured in car crashes A specific initiative within the Safe Kids Dallas program is our car-seat safety inspection project The project offers child safety-seat inspections by certified car seat technicians at Children's Dallas and Legacy campus so parents can learn to buckle up their children appropriately
Part VI, Line 6	Children's is not part of an affiliated health care system

Form and Line Reference	Explanation
Part VI, Line 7	Children's files a Community Benefit Plan with the State of Texas as required by Senate Bill 427

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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 Medical Center of Dallas

Employer identification number
75-0800628

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

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

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

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

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
(1) TCU Evidence Based Practice and Research Collaborative - Evidence Based Practice Fellowship	2	2,400			
(2) May Smith Scholars Program	3	7,500			
(3) The Lisa M Milonovich Scholarship for Nursing Education	1	1,500			
(4) Women's Auxiliary Education Assistance Program	1	1,000			

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	The TCU Evidence Based Practice and Research Collaborative - Evidence Based Practice Fellowship To prepare clinical nurses from collaborative hospitals to serve as leaders in their institutions to foster evidence based practice (EBP) to improve patient outcomes Fellows will be empowered with EBP tools, skills, and experiences as they work on an institution-specific EBP project throughout the fellowship Criteria for participants include - Minimum of 2 years experience as a nurse -Minimum of 1 year on current unit -BSN -In good standing and willing to sign Fellow agreement -Employed > 50% time -Identified as a leader, either formal or informal, on assigned unit Each Institution Must Commit the Following -Pay the Fellowship Fee of $1,200 per participant -Pay time to attend classes and 8 hours per two-week pay period or 4 hours per week to complete project -Provide support, mentors, and resources to the Fellow and the project -Ensure that the topic chosen is a priority, can be supported, and has the potential for sucess -Ensure that each Fellow's manager supports the project -Ensure that each Fellow's mentor supports the project May Smith Scholars Program The May Smith Scholars program provides both financial assistance and practical clinical experience for students interested in pediatric nursing The scholarship program is named for May Forster Smith, who began an open-air clinic for infants in 1913 in Dallas Sophomore and junior undergraduate students are eligible to apply to receive $5,000 each year for up to two years Recipients of the scholarships must work at Children's as nurse externs for at least 400 hours during their undergraduate program After graduation, recipients will be offered employment as registered nurses in one of the Children's Nurse Internship Tracts Critical Care, Emergency, General Pediatrics, Hematology-Oncology, or Perioperative Services The Lisa M Milonovich Scholarship for Nursing Education The Lisa M Milonovich Scholarship for Nursing Education provides financial assistance annually to support those choosing nursing as a career path, as well as those in nursing who want to further their education Lisa, the scholarship's namesake, was a long-time, dedicated advanced practice nurse at Children's The scholarship was endowed by Lisa's family and many friends and colleagues who greatly admired her Scholarships shall be awarded on an annual basis with the recipients selected according to the following criteria Be a full-time or part-time Children's employee with one year of continuous employment Maintain an overall grade point average (GPA) of 3 0 on a 4 0 scale, or have a cumulative 3 0 GPA prior to being accepted into an accredited program Demonstrate financial need and a commitment to pursue additional education Recipients may be graduating high school students, nurse's aides, LVNs, RNs or those seeking advanced nursing degrees Financial need shall be determined on an individual basis with appropriate documentation as determined by The Learning Institute Commit to two years of additional employment at Children's after completion of the educational program for which the scholarship was awarded Women's Auxiliary Educational Assistance Program The Women's Auxiliary to Children's offers educational support to nursing and allied health students who are registered for or currently enrolled in an accredited program through the Educational Assistance program for Nursing and Allied Health Students Students who qualify may receive up to $1,000 per semester Educational assistance is granted and paid on a per-semester basis Students or prospective students of accredited nursing or allied health programs may apply if they 1 Are junior or senior level students enrolled full or part time in an accredited undergraduate or graduate nursing program 2 Maintain an overall grade point average of 3 0 on a 4 0 scale, or cumulative 3 0 prior to being accepted into an accredited program Students are asked to sign agreements to work full time for 12 months at Children's for each academic year they receive education assistance or 6 months for each semester If the students are offered employment with Children's but decline the offer, they will be obligated to repay the full amount plus interest calculated at the current prime interest rate at the time the offer is declined

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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 Medical Center of Dallas

Employer identification number
75-0800628

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☑ First-class or charter travel	☑ Housing allowance or residence for personal use		
	☑ Travel for companions	☐ Payments for business use of personal residence		
	☑ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**	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**	Yes	
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	☑ Compensation committee	☐ 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?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or 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	* Children's written policy on business and educational travel prohibits first class travel except when approved in advance by the CEO or by the Board Chair * Companion travel is prohibited except when it is deemed to further Children's business activities and must be approved in advance by the CEO or Board Chair Approved companion travel is included as taxable income in 2013 for Christopher J Durovich * Compensation is grossed up in limited circumstances with prior approval of the appropriate board committee Approved one-time, grossed up compensation has been included as 2013 taxable income for Christopher J Durovich, David Eager, Mark Ziemianski, and Michael Frick * In an effort to continue to attract quality leadership, Children's provides temporary housing allowances as a taxable benefit to executives and other key employees relocating to Dallas
Part I, Lines 4a-b	Severance Payment and Non-Qualified Retirement Plan * Severance - Trent C Smith - $459,000 * Severance - Michael Frick - $543,375 * Severance - Paul Musgrave - $233,400 * Severance - Justin Lombardo - $263,750 * Severance - Ron C Skillens, Jr - $190,750 * Retirement Income Restoration Plan - There were no employees that received taxable income from the Retirement Income Restoration Plan in 2013 Employees who participated in the Retirement Income Restoration Plan are Christopher J Durovich, Douglas G Hock, Mary E Stowe, and Patricia U Winning * Savings Restoration Plan - Trent C Smith received $31,328 as taxable income from the Savings Restoration Plan, as a result of a Qualifying Termination under the severance plan Justin Lombardo received $14,770 as taxable income from the Savings Restoration Plan, as a result of a Qualifying Termination under the severance plan Ronald C Skillens, Jr received $2,333 as taxable income from the Savings Restoration Plan, as a result of a Qualifying Termination under the severance plan Additional employees who participate in the Savings Restoration Plan are Christopher J Durovich, Douglas G Hock, Mary E Stowe, Patricia U Winning, Pamela Arora, Kimberly Besse, David G Biggerstaff, Daniel T Carney, Michele Chulick, Regina M Coggins, Ray R Dziesinski, Jerry Lee, Denise Levis-Hewson, Mitchell Mulvehill, Peter Roberts, Ray Tsai, Jeffrey Vawrinek, Vanessa Walls and Claud Wildenthal
Part I, Line 7	Non-Fixed Payments - The Human Resources Committee of the Board of Directors retains the authority to adjust annual payout percentages solely at their discretion

Additional Data

Software ID:
Software Version:
EIN: 75-0800628
Name: Children's Medical Center of Dallas

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				
Christopher J Durovich President,CEO,Ex Off Vtg	(I) (II)	932,216 0	979,054 0	16,763 0	25,428 0	20,756 0	1,974,217 0	293,832 0
Douglas G Hock EVP, Hosp Clnc Ops & COO	(I) (II)	467,171 0	342,056 0	7,212 0	5,747 0	15,739 0	837,925 0	108,603 0
Michele Chulick EVP, Corporate Svs	(I) (II)	497,144 0	56,320 0	4,076 0	7,757 0	0 0	565,297 0	0 0
Julio Perez-Fontan MD EVP, Medical Affairs	(I) (II)	480,000 0	0 0	0 0	0 0	0 0	480,000 0	0 0
Peter W Roberts EVP, Pop Hlth & Netw Dev	(I) (II)	503,493 0	476,080 0	5,315 0	10,691 0	12,142 0	1,007,721 0	0 0
Kern Wildenthal MD PhD EVP, CMC and Foundation Pres	(I) (II)	297,827 0	123,958 0	3,509 0	10,200 0	2,675 0	438,169 0	0 0
Michael Frick SVP, Dvlpmt (term date 05/15/2013)	(I) (II)	147,568 0	36,364 0	614,139 0	0 0	0 0	798,071 0	0 0
David G Biggerstaff SVP, Clinical and Support	(I) (II)	281,029 0	160,737 0	1,766 0	9,196 0	15,938 0	468,666 0	59,158 0
Ray R Dziesinski SVP, Chief Treasury Officer	(I) (II)	384,066 0	293,566 0	5,459 0	20,440 0	13,770 0	717,301 0	87,742 0
David Eager SVP, CFO, Treasurer	(I) (II)	136,533 0	37,000 0	36,917 0	0 0	1,160 0	211,610 0	0 0
Regina M Coggins SVP, Ext Rel and Gen Couns	(I) (II)	314,001 0	161,042 0	13,284 0	11,968 0	18,518 0	518,813 0	0 0
Pamela K Arora SVP, Chief Info Officer	(I) (II)	327,152 0	186,816 0	4,117 0	13,680 0	11,009 0	542,774 0	81,140 0
Kimberly S Besse SVP, Chief HR Officer	(I) (II)	279,226 0	87,533 0	3,463 0	9,829 0	13,946 0	393,997 0	0 0
Mary E Stowe RN SVP, Chief Nursing Officer	(I) (II)	286,408 0	159,762 0	5,349 0	7,082 0	8,282 0	466,883 0	71,188 0
Patricia U Winning SVP, Strategy and Physician Orgs	(I) (II)	373,862 0	311,809 0	7,161 0	2,550 0	14,438 0	709,820 0	105,363 0
Trent C Smith SVP, MyC Pres (term date 02/15/2013)	(I) (II)	35,707 0	178,773 0	603,154 0	9,011 0	7,643 0	834,288 0	0 0
Daniel T Carney VP, Facilities Development & Ops	(I) (II)	258,738 0	88,365 0	1,732 0	10,476 0	13,577 0	372,888 0	0 0
Keri Kaiser VP, Mktg & Communications	(I) (II)	220,784 0	8,421 0	2,770 0	0 0	10,216 0	242,191 0	0 0
Jerry Lee VP, Acctg and Revenue Cycle	(I) (II)	254,661 0	59,795 0	4,542 0	9,352 0	14,289 0	342,639 0	0 0
Mitchell Mulvehill VP, Finance and Treasury	(I) (II)	256,364 0	40,518 0	3,248 0	9,263 0	12,586 0	321,979 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				
Beth Peters VP, Legal and Compliance	(I) (II)	212,422 0	22,635 0	1,580 0	7,903 0	7,575 0	252,115 0	0 0
Jeffery J Vawrinek VP, Legal Affr & Governance	(I) (II)	230,868 0	74,840 0	1,993 0	8,502 0	0 0	316,203 0	0 0
Vanessa U Walls VP, Ambulatory Services	(I) (II)	224,899 0	77,562 0	2,329 0	10,052 0	17,431 0	332,273 0	0 0
Mark Ziemianski VP, Business Analytics	(I) (II)	132,927 0	10,000 0	13,267 0	4,497 0	4,340 0	165,031 0	0 0
Justin J Lombardo VP, Lrng Inst (term date 2/15/2013)	(I) (II)	33,058 0	90,348 0	361,521 0	5,454 0	4,308 0	494,689 0	0 0
Ronald C Skillens Jr VP, Cp/In Aud (term date 03/31/2013)	(I) (II)	44,757 0	71,940 0	253,552 0	5,340 0	7,692 0	383,281 0	0 0
Paul M Musgrave VP, Planning (term date 05/31/2013)	(I) (II)	104,102 0	83,209 0	317,763 0	8,012 0	1,300 0	514,386 0	0 0
Denise Levis-Hewson VP, Clin Intgrtd Ntwrk	(I) (II)	277,578 0	100,000 0	16,590 0	0 0	4,547 0	398,715 0	0 0
Christopher Menzies MD VP, Chief Med Information Offcr	(I) (II)	258,508 0	30,281 0	1,611 0	0 0	1,592 0	291,992 0	0 0
Cynthia Bassel SVP, Foundation	(I) (II)	144,721 0	93,750 0	3,029 0	8,021 0	1,422 0	250,943 0	0 0
Michele Whitsett VP, COO Foundation	(I) (II)	196,479 0	47,314 0	4,156 0	10,200 0	13,142 0	271,291 0	0 0
Kimberly Altman VP, Pop Hlth Care Mgt Syst	(I) (II)	196,614 0	60,000 0	1,557 0	2,737 0	8,008 0	268,916 0	0 0
James Herring FMR EVP,(term date 6/30/2012)	(I) (II)	0 0	101,795 0	0 0	0 0	0 0	101,795 0	0 0
John P Kline FMR SVP, (term date 10/31/2012)	(I) (II)	0 0	123,890 0	0 0	4,956 0	0 0	128,846 0	0 0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

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.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Children's Medical Center of Dallas

Employer identification number
75-0800628

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	N Central Tx Hlth Fac Dev Corp Hosp	52-1304502	65854RAL4	07-01-2009	193,697,772	Reimburse Construction Cost		X		X		X
B	N Central Tx Hlth Fac Dev Corp Hosp	52-1304502	65854RBD1	08-15-2012	183,637,368	Refund Series 2002 Bonds		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	193,697,772	183,637,368		
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	2,819,039	2,020,125		
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	190,566,160			
11	Other spent proceeds				
12	Other unspent proceeds	312,573			
13	Year of substantial completion	2009			

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X							
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?		X						
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
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 ▶		0 210 %						
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		0 210 %						
7	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?	X							

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X				
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X				
b	Exception to rebate?		X		X				
c	No rebate due?		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				
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X				
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								

Part IV Arbitrage *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		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				
7	Has the organization established written procedures to monitor the requirements of section 148?	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					

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

Return Reference	Explanation
Schedule K, Part I, Line B	Series 2012 Bonds were issued for the purpose of currently refunding the Issuer's Hospital Revenue Bonds (Children's Medical Center of Dallas Project) Series 2002 (original issue date prior to December 31, 2002)

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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.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Children's Medical Center of Dallas

Employer identification number
75-0800628

Return Reference	Explanation
Form 990, Part VI, Section A, line 1	Children's Board membership includes four ex officio non voting members

Return Reference	Explanation
Form 990, Part VI, Section A, line 1	An Executive Committee, whose membership must be approved by the Board of Directors of the Corporation, may be appointed annually The Executive Committee shall have full power in the intervals between the meetings of the Board to perform any and all acts relating to the affairs of the Corporation and to exercise any and all powers of the Board in the management and direction of the business and conduct of the Corporation, subject to any limitations provided by applicable law, the Certificate of Formation of the Corporation or the Bylaws It may meet or conduct its business in any fashion or by any means applicable to the meetings of the Board of Directors and shall keep a record of its proceedings and report the same to the Board at each succeeding meeting of the Board

Return Reference	Explanation
Form 990, Part VI, Section A, line 6	Children's Health Services of Texas ("CHST"), a Texas non-profit corporation, is the sole member of the corporation

Return Reference	Explanation
Form 990, Part VI, Section A, line 7a	CHST elects all members of the organization's Board of Directors

Return Reference	Explanation
Form 990, Part VI, Section A, line 7b	A list of decisions requiring approval by the member is as follows a) Any change in the mission or purpose of the Corporation, b) Any amendment to the Articles of Incorporation or Bylaws of the Corporation, c) Any addition of new Members, d) Any purchase or acquisition, sale, gift, lease, disposition of, mortgage or other encumbrance of any property, real, personal, or mixed by the Corporation, excluding routine expenditures, the value of which in the aggregate exceeds five percent (5%) of the total assets of the Corporation, e) Selling, exchanging, or otherwise disposing of all or substantially all of the Corporation's assets, f) Any incurrence or guarantee of indebtedness by the Corporation that in the aggregate exceeds five percent (5%) of the total assets of the Corporation, g) Any merger, acquisition, or consolidation of the Corporation or entering into any joint business venture with any other person, corporation or other legal entity that exceeds five percent (5%) of the total assets of the Corporation, h) Any dissolution of the Corporation, i) Any proposed amendments to the affiliation agreement between the Corporation and The UTSW Medical School (Medical School), (j) Appointment and removal of directors in accordance with Article 3 of these Bylaws, (k) Creation, acquisition, or disposition of any subsidiary or affiliated entity of the Corporation, the value of which in the aggregate exceeds five percent (5%) of the total assets of the Corporation, and (l) Approval of the annual budget for the Corporation

Return Reference	Explanation
Form 990, Part VI, Section B, line 11	A draft of the Form 990 is presented to the organization's Audit Committee The Chief Financial Officer provides a detailed review of the Form 990 and answers questions presented by the Committee members

Return Reference	Explanation
Form 990, Part VI, Section B, line 12c	The Board members receive a copy of the policy, along with a Disclosure of possible Conflict of Interests form to complete, with their annual Board appointment letter All disclosures made are reviewed by the Chief Compliance Officer and Vice President of Legal Affairs and Governance prior to being presented and discussed at a meeting of the Board of Directors to determine if further action is required

Return Reference	Explanation
Form 990, Part VI, Section B, line 15	The corporation's CEO, President, other officers, and key employees are employed and compensated by Children's Medical Center of Dallas (''Children's'') The Children's process is as follows 1 The Human Resources Committee of the Board is responsible for setting the compensation for executives, except the President and CEO which is set by the Board of Directors The Committee is comprised of independent, non-employee directors with no conflict of interest regarding executive compensation A written compensation philosophy has been developed by the Human Resources Committee for timeliness and appropriateness The philosophy defined desired comparator groups for compensation surveys The comparator groups are from domestic healthcare industry sectors only and do not include any non-healthcare organizations 2 The compensation philosophy also defines target levels relative to the marketplace comparator groups for base pay, base pay plus incentive pay, and fringe benefits provided to Children's executives A third-party consultant, Sullivan Cotter, is engaged by the Human Resources Committee and provides independent, expert consulting services in the area of executive compensation market surveying, pay and benefits program design, and administrative services Salaries for Children's executives (except for the President and CEO) are set by comparing the salaries paid for comparable positions in integrated systems academic medical centers and children's hospitals in similar size and scope of services to Children's 3 The salary for the President and CEO is set in reference to salaries paid for Presidents and CEOs of children's hospitals in similar size and scope of services to Children's The data is compiled by Sullivan Cotter and they develop and update annually salary ranges unique to each executive position The Human Resources Committee approves base pay for each executive (except the President and CEO, whose base pay is approved by the Board of Directors) aimed in the aggregate at approximately the middle of executive pay ranges 4 For other officers and key employees, Children's uses a combination of job evaluation and survey data to determine the market pay range

Return Reference	Explanation
Form 990, Part VI, Section C, line 19	Governing documents, conflict of interest policy and financial statements are made available upon request

Return Reference	Explanation
Form 990, Part VII, Section A - Average Hours per Week	Average hours per week have been identified as 60 hours/week for the CEO as there are numerous offsite community events which involve weekend, breakfast, and evening meetings Average hours per week for Executive Vice Presidents and Senior Vice Presidents have been identified as 55 hours per week as they are involved with limited offsite community events Average hours per week for Vice Presidents have been identified as 50 hours per week as they have some involvement with offsite community events

Return Reference	Explanation
Form 990, Part IX, line 11g	Contract Medical Program service expenses 124,816,217 Management and general expenses 8,692,927 Fundraising expenses 0 Total expenses 133,509,144

Return Reference	Explanation
Form 990, Part XI, line 9	Acc Pens Liab-OCI 94,456,027 Net Assets-CMCF-Unrest&Temp Rest 17,492,442 Net Assets-CMCF-Endowment 10,895,258

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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.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Children's Medical Center of Dallas

Employer identification number
75-0800628

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	(g) No
See Additional Data Table							

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 Insurance Company 76 St Paul Street Suite 500 Burlington, VT 05401 03-0328102	Insurance Company	VT	Children's Medical Center of Dallas	C	11,578	11,281,117	100 000 %		No
(2) Alternative Care Systems 1935 Medical District Drive Dallas, TX 75235 75-2244475	Other Medical Services	TX	Children's Hlth Svc of TX	C					No

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		No
d Loans or loan guarantees to or for related organization(s)	1d	Yes	
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j		No
k Lease of facilities, equipment, or other assets from related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	Yes	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	Yes	
o Sharing of paid employees with related organization(s)	1o	Yes	
p Reimbursement paid to related organization(s) for expenses	1p		No
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s		No

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

(a) Name of 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: 75-0800628
Name: Children's Medical Center of Dallas

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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 Medical Center Foundation 1935 Medical District Drive Dallas, TX 75235 75-2062015	Foundation	TX	501(c)(3)	Line 7	Children's Hlth Svc of TX		No
(1) Anesthesiologists For Children 1935 Medical District Drive Dallas, TX 75235 75-2917570	Physicians	TX	501(c)(3)	Line 9	Children's Medical Center of Dallas	Yes	
(2) Dallas Phys Med Svcs Inc 1935 Medical District Drive Dallas, TX 75235 81-0584868	Physicians	TX	501(c)(3)	Line 9	Children's Medical Center of Dallas	Yes	
(3) Children's Health Svc of Texas 1935 Medical District Drive Dallas, TX 75235 75-2062019	Management Company	TX	501(c)(3)	Line 11a, I	N/A		No
(4) Physicians For Children 1935 Medical District Drive Dallas, TX 75235 75-2854505	Physicians	TX	501(c)(3)	Line 9	Children's Medical Center of Dallas	Yes	
(5) Children's Med Ctr Research Inst at UTSWMC 1935 Medical District Drive Dallas, TX 75235 43-3462044	Research Institute	TX	501(c)(3)	Line 11a, I	Children's Hlth Svc of TX		No
(6) Complex Care Med Svc Corp 1935 Medical District Drive Dallas, TX 75235 46-1893597	Medical Services	TX	Pending	Pending	Children's Medical Center of Dallas	Yes	
(7) Pediatric Partners For Children 1935 Medical District Drive Dallas, TX 75235 46-1917702	Clinically Integrated Network	TX	Pending	Pending	Children's Medical Center of Dallas	Yes	
(8) Children's Medical Center Services 1935 Medical District Drive Dallas, TX 75235 46-1934007	Medical Services	TX	Pending	Pending	Children's Medical Center of Dallas	Yes	
(9) Children's Medical Center Health Plan 1935 Medical District Drive Dallas, TX 75235 46-2737696	HMO	TX	Pending	Pending	Children's Hlth Svc of TX		No
(10) Children's Population Health 1935 Medical District Drive Dallas, TX 75235 46-3104601	Population Health	TX	Pending	Pending	Children's Hlth Svc of TX		No
(11) The Health and Wellness Alliance For Children 1935 Medical District Drive Dallas, TX 75235 46-3080586	Physicians	TX	501(c)(3)	Line 11a, I	Children's Hlth Svc of TX		No
(12) Specialists For Children 1935 Medical District Drive Dallas, TX 75235 46-3110125	Physicians	TX	Pending	Pending	Children's Medical Center of Dallas	Yes	
(13) Physicians Quality Alliance of North Texas 1935 Medical District Drive Dallas, TX 75235 46-4049491	Physicians	TX	Pending	Pending	Children's Hlth Svc of TX		No
(14) Community Providers for Children 1935 Medical District Drive Dallas, TX 75235 46-3675742	Physicians	TX	Pending	Pending	Children's Hlth Svc of TX		No
(15) Southwestern Medical District 5323 Harry Hines Dr Dallas, TX 75390 20-4101612	Medical District	TX	501(c)(3)	Line 11a, I	N/A		No
(16) Women's Auxiliary of CMCD 12720 Hillcrest Rd Dallas, TX 75230 75-2485538	Women's Auxiliary	TX	501(c)(3)	Line 9	N/A		No

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
Anesthesiologists for Children	D	7,308,919	actual cost
Anesthesiologists for Children	Q	713,313	actual cost
Physicians for Children	D	25,346,111	actual cost
Physicians for Children	Q	1,286,812	actual cost
Dallas Phys Medical Svcs for Children Inc	D	36,002	actual cost
Dallas Phys Medical Svcs for Children Inc	Q	80,992	actual cost
Complex Care Medical Services	D	210,146	actual cost
Complex Care Medical Services	Q	28,216	actual cost
Pediatric Partners for Children	D	196,411	actual cost
Pediatric Partners for Children	Q	30,372	actual cost

CHILDREN'S HEALTH SERVICES OF TEXAS AND AFFILIATES
CONSOLIDATED FINANCIAL AND OPERATING INFORMATION
FOR THE YEARS ENDED
December 31, 2013 AND 2012

Contact Information

Bruce Bickham, Chief Accounting Officer
Children's Medical Center of Dallas
1935 Medical District Drive
Dallas, Texas 75235
214 456 1904
E-mail: Bruce Bickham@childrens com

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Building a better working world

Ernst & Young LLP
One Victory Park
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Dallas, TX 75219

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Report of Independent Auditors

The Board of Directors
Children's Health Services of Texas

We have audited the accompanying consolidated financial statements of Children's Health Services of Texas and affiliates, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Children's Health Services of Texas and affiliates at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

April 16, 2014

Ernst & Young LLP

A member of Ernst & Young Global Limited

Children's Health Services of Texas and Affiliates
Consolidated Balance Sheets
As of December 31, 2013 and 2012
(In Thousands)

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 497,093	$ 447,978
Patient accounts receivable, net of allowances	132,068	110,577
Pledges receivable, net of allowances	9,542	12,847
Inventories	9,124	10,205
Other current assets	89,135	27,080
Investment in unrestricted funds	8,267	6,880
Total current assets	745,229	615,567
PLEDGES RECEIVABLE, net of allowances	7,707	9,335
RECEIVABLES FROM REMAINDER TRUSTS	7,976	5,643
PROPERTY AND EQUIPMENT, net	747,671	705,038
ASSETS LIMITED AS TO USE	842,955	734,118
OTHER ASSETS	47,494	36,017
Total assets	$ 2,399,032	$ 2,105,718
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 125,106	$ 77,126
Accrued liabilities	84,934	79,583
Accrued interest	7,433	7,542
Current portion of long-term debt and capital lease obligations	4,210	5,259
Other current liabilities	7,148	5,593
Total current liabilities	228,831	175,103
ANNUITIES AND TRUSTS PAYABLE	1,047	1,450
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, NET OF CURRENT PORTION	385,502	381,351
OTHER NONCURRENT LIABILITIES	50,726	142,087
NET ASSETS		
Unrestricted	1,577,731	1,256,422
Temporarily restricted	71,119	76,125
Permanently restricted	84,076	73,180
Total net assets	1,732,926	1,405,727
Total liabilities and net assets	$ 2,399,032	$ 2,105,718

See notes to the financial statements

Children's Health Services of Texas and Affiliates
Consolidated Statements of Operations
For the Years Ended December 31, 2013 and 2012
(In Thousands)

	2013	2012
OPERATING REVENUE:		
Patient service revenue less contractual allowances and charity care	$ 1,093,538	$ 1,046,654
Provision for doubtful accounts	(41,917)	(42,383)
Net patient service revenue	1,051,621	1,004,271
Other operating revenue	81,719	29,412
Graduate medical education	7,520	6,713
Net assets released from restrictions for operations	9,784	11,151
Total operating revenue	1,150,644	1,051,547
OPERATING EXPENSES:		
Salaries and benefits	544,353	543,606
Professional services	109,267	83,244
Supplies and other	118,702	108,538
General support	192,827	155,052
Depreciation and amortization	57,854	57,033
Interest	17,953	25,379
Total operating expenses	1,040,956	972,852
OPERATING RESULTS AVAILABLE FOR REINVESTMENT	109,688	78,695
NONOPERATING GAINS (LOSSES):		
Realized investment gains	31,414	30,965
Unrealized investment gains	73,616	39,195
Realized loss on advance refinancing of bonds	-	(2,474)
Total nonoperating gains	105,030	67,686
NET RESULTS AVAILABLE FOR REINVESTMENT	$ 214,718	$ 146,381

See notes to the financial statements

Children's Health Services of Texas and Affiliates
Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2013 and 2012
(In Thousands)

	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS:		
Net results available for reinvestment	$ 214,718	$ 146,381
Net assets released from restrictions for capital expenditures	13,068	14,077
Change in donor designation and other	(936)	(1,963)
Change in minimum pension liability	94,456	3,909
Other	3	7,586
Increase in unrestricted net assets	321,309	169,990
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	13,890	18,007
Change in value of split-interest agreements	2,339	992
Realized investment gains	136	284
Unrealized investment gains	470	500
Net assets released from restrictions for operations	(8,370)	(10,646)
Net assets released from restrictions for capital expenditures	(13,068)	(14,077)
Grants for pediatric purposes	(82)	(218)
Change in donor designation and other	(354)	(986)
Other	33	29
Decrease in temporarily restricted net assets	(5,006)	(6,115)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Permanently restricted contributions	744	17,050
Change in value of split-interest agreements	269	77
Loss on sale of assets	-	(594)
Interest expense	-	(1,276)
Realized investment gains	1,707	3,028
Unrealized investment gains	8,300	2,352
Net assets released from restrictions	(1,414)	(505)
Change in donor designation and other	1,290	2,949
Increase in permanently restricted net assets	10,896	23,081
INCREASE IN NET ASSETS	327,199	186,956
NET ASSETS AT BEGINNING OF PERIOD	1,405,727	1,218,771
NET ASSETS AT END OF PERIOD	$ 1,732,926	$ 1,405,727

See notes to the financial statements

Children's Health Services of Texas and Affiliates
Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012
(In Thousands)

	2013	2012
CASH FLOWS FROM OPERATING AND NONOPERATING ACTIVITIES:		
Increase in net assets	$ 327,199	$ 186,956
Adjustments to reconcile increase in net assets to net cash provided by operating and nonoperating activities		
Provision for doubtful accounts	41,917	42,383
Depreciation and amortization	57,854	57,033
Amortization of financing costs and bond discounts	97	4,629
Amortization of bond premium	(2,059)	(1,127)
Deferred loss	-	(9,869)
Change in unrealized investment gains	(82,387)	(42,047)
Change in value of derivatives	100	317
Loss on disposal of property and equipment	349	133
Loss on refinancing of bonds	-	2,474
Change in pension liability	(94,456)	(3,909)
Changes in operating assets and liabilities		
Patient and other receivables	(114,763)	(61,653)
Pledges receivable, net	4,933	(7,381)
Inventories and other current assets	(9,621)	113
Other assets	(11,278)	14,084
Receivables from remainder trusts	(2,333)	(973)
Sale of unrestricted investments, net	19,999	7,450
Purchases of assets limited as to use, net	(47,836)	(40,101)
Accounts payable and accrued expenses	53,222	14,325
Other current liabilities	1,555	(3,703)
Other noncurrent liabilities	2,997	7,727
Net cash provided by operating and nonoperating activities	145,489	166,861
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases and construction of property and equipment	(100,832)	(70,795)
Net cash used by investing activities	(100,832)	(70,795)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of annuities and trust obligations, net	(403)	(275)
Proceeds from issuance of long-term debt	10,185	178,386
Payments of long-term debt and capital lease obligations	(5,324)	(190,833)
Payment of debt financing costs	-	(2,586)
Net cash provided by (used by) financing activities	4,458	(15,308)
INCREASE IN CASH AND CASH EQUIVALENTS	49,115	80,758
CASH AND CASH EQUIVALENTS, beginning of period	447,978	367,220
CASH AND CASH EQUIVALENTS, end of period	$ 497,093	$ 447,978
Supplemental cash flow disclosures:		
Interest paid	$ 20,211	$ 23,528
Interest capitalized	$ 413	$ 509

See notes to the financial statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Children's Health Services of Texas (Children's), was incorporated in 1985, as nonprofit Texas corporation that is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986 as an organization described in Section 501(c)(3) of the IRC Children's operates a 559-bed pediatric teaching hospital, 16 children's clinics, and a foundation Children's is the parent company of the following affiliates

Children's Medical Center (CMC) was incorporated in 1948 as a nonprofit Texas corporation, exempt from federal income taxation under Section 501(a) of the IRC of 1986, as an organization described in Section 501(c)(3) CMC is licensed to operate a 559-bed pediatric teaching hospital with campuses in Dallas, Texas, Plano, Texas (Legacy), and Southlake, Texas (Southlake) CMC is the sole member of Children's Insurance Company (CIC), Physicians for Children (PFC), Anesthesiologists for Children (AFC), Dallas Physicians Medical Services for Children (DPMSC), Children's Medical Center Services (CMCS), Complex Care Medical Services Corporation (CCMS), Pediatric Partners for Children (PPC), Specialists for Children (SFC) and Community Providers for Childrens (CPC) CIC is a for-profit Vermont captive insurance company formed in 1990 to underwrite professional liability insurance The nonprofit affiliates PFC, AFC, DPMSC, CMCS, CCMS, PPC, SFC, and CPC are Texas nonprofit corporations and are exempt from federal income tax under Section 501(a) of the IRC of 1986 as organizations described in Section 501(c)(3) PFC, doing business as MyChildren's (MyC), has 16 locations where it provides primary care to children in critically underserved areas of Dallas, Collin, and Tarrant Counties AFC provides physician staffing for anesthesiology services DPMSC provides physician staffing for urgent care and hospitalist services CMCS provides underserved communities access to pediatric physicians through such avenues as telemedicine and outreach clinics CCMS serves as the medical home for children with complex medical illnesses where a multi-disciplinary team of care givers oversee and coordinate their care PPC works towards the formation of networks (clinical and financial) comprised of community based primary care physicians in order to improve outcomes across a spectrum of indicators SFC works towards the formation of networks (clinical and financial) comprised of community based pediatric sub-specialist in order to improve outcomes across a spectrum of indicators

Children's Medical Center Foundation (the Foundation) is a nonprofit Texas corporation exempt from federal income taxes under Section 501(c)(3) of the IRC The Foundation was incorporated in 1985 to administer and invest funds in support of CMC and its affiliates

Alternative Care Systems, Inc (ACS) was incorporated in 1988 as a for-profit Texas corporation ACS was formed to participate in ventures that have included investment in companies that brought new medical supplies and pharmaceuticals to market and participation in medical device consortium

Children's Medical Center Pediatric Research Institute at UT Southwestern (Research Institute) is a nonprofit Texas corporation exempt from federal income taxes under Section 501(a) of the IRC of 1986 as an organization described in Section 501(c)(3) of the IRC The Research Institute was incorporated in 2009 to conduct pediatric research

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

The Health and Wellness Alliance for Children (H&W) is a nonprofit Texas corporation H&W partners with communities, businesses, advocates and other nonprofits to improve the health and wellness of children in underserved areas

Children's Population Health (CPH) is a nonprofit Texas corporation CPH strives to improve the health of children across the continuum of care

Physicians Quality Alliance of North Texas (PQA) is a nonprofit Texas corporation PQA is a healthcare collaborative initiative

Children's Medical Center Health Plan (CMCHP) is a nonprofit Texas corporation CMCHP is involved in health maintenance organization activities

The following companies CMCS, CCMS, PPC, SFC, CPC, H&W, CPH, PQA, and CMCHP, are all applying for exemption from federal income tax under Section 501(a) of the IRC of 1986 as an organization described in Section 501(c)(3) of the IRC

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with initial maturities of three months or less

Concentration of Credit Risk

Children's grants credit without collateral to its patients, most of whom are area residents and many of whom are insured under third-party payer agreements Management does not believe these receivables represent any concentrated credit risk, furthermore, management continually monitors and adjusts its reserves and allowances associated with these receivables

The mix of receivables from patients and third-party payers (excluding affiliates) at December 31, 2013 and 2012, was as follows

	2013	2012
Commercial	42 %	41 %
Managed Medicaid	29	29
Medicaid	25	24
Other	4	6
	100 %	100 %

Patient Accounts Receivable and Net Patient Service Revenue

Net patient service revenue is recorded at the estimated net realizable amounts due from guarantors, third-party payers, and others for services rendered Estimated realizable amounts from government payers (primarily Medicaid, Medicare, Children with Special Health Care Needs (CSHCN), and Children's Health Insurance Program (CHIP) are based on various formulas, some of which are/have been cost-based Gross patient accounts receivable arising from these programs were approximately $137 9 million at December

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

31, 2013, and $110 1 million at December 31, 2012 Net revenue from these programs was 24% and 31% of net patient revenue in 2013 and 2012 respectively

For the cost-based portion of government reimbursement, Children's files an annual cost report that is subject to administrative review and audit by third parties As a result, there is a reasonable possibility that recorded estimates may change by a material amount as interpretations are clarified and cost reports are settled The initial estimates are revised as needed until the cost report is final settled Children's believes that the balance sheet amounts recorded are adequate to cover any such adjustments Net patient service revenue decreased by approximately $1 1 million and $0 7 million for the years ended December 31, 2013 and 2012, respectively, due to the change in cost report allowances previously estimated, as a result of interim and final settlements

Children's and rural hospitals historically, have been reimbursed for their actual audited allowable cost of providing care to Medicaid enrollees using the Tax Equity and Fiscal Responsibility Act of 1982 cost principles Effective September 1, 2013, Children's hospitals are reimbursed under the All Patient Refined Diagnosis Related Groups (APR-DRG) methodology Children's base rate for September 1, 2013 through August 31, 2014 has been set at $12.800 and the base rate for September 1, 2014 to August 31, 2015 is estimated to be $12.300 The base rate for the initial year is based on a 50/50 blend of APR-DRGs and allowable costs Children's does not expect this change to reimbursement under APR-DRG to have a material effect on operating results

Allowance for Doubtful Accounts

Patient accounts receivable is presented net of allowances for doubtful accounts of approximately $34 4 million and $19 5 million in 2013 and 2012, respectively Children's does not require collateral or other security to support patient accounts receivable balances

Children's maintains allowances for doubtful accounts to reserve for potential write-offs relating to a payer's inability to make payments on an account Accounts are written off when collection efforts have been exhausted Children's routinely monitors its accounts receivable balances and utilizes historical collection experience to support the basis for its estimates of the provision for doubtful accounts

Charity Care

Children's maintains records of the value of services and supplies furnished to financially and medically indigent patients under its charity policy Financially indigent patients are uninsured or underinsured patients accepted for care with no obligation, or a discounted obligation, to pay Medically indigent patients are those whose medical obligations exceed a certain percentage of their family's annual gross income

In 1993, the Texas legislature passed Senate Bill 427, which established annual reporting requirements and certain standards for the delivery of community benefits, charity care, and government-sponsored indigent healthcare Nonprofit hospitals must meet these standards in order to maintain their exemption from state and local taxes Children's meets these state standards with respect to charity care Charity care is not included in net patient service revenue in the accompanying consolidated statements of operations

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Disproportionate Share Hospital Program and 1115 Waiver Programs

Children's participates in the Disproportionate Share Hospital Program (DSH) and the Uncompensated Care Program (UCP) administered by the Texas Department of Human Services. Under the program, local, state, and federal funds are accessed and distributed to hospitals providing a high volume of services to Medicaid and indigent patients.

Children's, also, participates in the Delivery System Reform Incentive Payment (DSRIP) pool. The DSRIP program provides incentives to hospitals and other providers to enhance access to care and the health of patients.

Community Service

Children's is an active, caring member of the communities it serves. Children whose families meet the criteria of its charity care policy are provided care without charge or at amounts less than established rates. Children's participates in the Medicaid, Medicare, CSHCN, and CHIP government programs, and provides services to the indigent children of Dallas County under an agreement with the Dallas County Hospital District.

Responding to community needs, Children's operates a Level I Trauma Center, provides speakers to community organizations to convey information about child health, participates in major community health fairs, and provides support to numerous family support groups and other community organizations serving children.

Pledge Discounts and Allowances

For pledges in excess of one year and greater than or equal to $50,000, the Foundation provides a discount based on the net present value of the pledge receivable. The Foundation uses a discount rate based on U.S. Treasury bonds at the time of the pledge. An allowance for uncollectible pledges is also provided based on historical experience and an analysis of the composition of the donors.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets. Amortization on assets under capital lease is computed using the straight-line method based on the term of the lease or the useful life of the asset, whichever is shorter, and is included in depreciation and amortization expense.

The estimated useful lives of the classes of depreciable assets are as follows:

Land improvements	5 to 20 years
Buildings and improvements	10 to 40 years
Fixed equipment	5 to 25 years
Movable equipment	3 to 20 years

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Children's evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the carrying value of an asset may not be recoverable. The assessment of possible impairment is based on whether the carrying value of the asset exceeds its fair value. The fair value of impaired assets is estimated based on quoted market prices, if available, or the expected total value of the cash flows on a discounted basis. There were no impairments of property and equipment in 2013 or 2012.

Assets Limited as to Use

Assets limited as to use include investments designated by the Board of Directors (the Board), which consist primarily of debt securities, marketable equity securities, mutual funds, common/collective trusts, and alternative investments. In addition, investments in bond indentures and capital accumulation funds are included in assets limited as to use. Investments designated by the Board are also stated at fair value and are held under a custodial agreement, with investments directed by professional investment management firms. These assets are held for trading purposes.

Children's invests in alternative investments through limited partnerships, which are reported using the equity method of accounting based on information provided by the respective partnerships. The values provided by the respective partnerships are based on fair value, appraisals, or other estimates of fair value that require varying degrees of judgment. Generally, the net value of Children's holdings reflects net contributions to the partnership and an allocated share of realized and unrealized investment income and expenses.

The Board has adopted a policy that separately designates certain investments for facilities replacement and for strategic planning initiatives. Disbursements from these funds must be approved by the Board.

Other Assets

Other assets include deferred financing costs, land, insurance recoveries under insurance policies, and oil and gas investments.

Deferred financing costs are amortized over the terms of the respective bonds using the effective interest method. Land includes 41 acres adjacent to CMC's Legacy property, located in Plano, Texas, recorded at cost for approximately $14.5 million. It also includes reacquired land in Sachse, which is recorded at $0.6 million (See Note 23). Recoveries under life insurance policies, which are recorded at cash surrender value, were $1.4 million at December 31, 2013 and oil and gas investments, which are recorded at cost, were $1.3 million and a note receivable of $7.0 million at December 31, 2013. In 2013, it was determined there was no intent to sell 20.1 acres of land also adjacent to Legacy with a carrying cost of $4.4 million. Based on this, the land was reclassed from Real Estate, Investment in Assets Limited to Use to Other Assets.

Self-Insurance

Children's insures professional and general liability risks through a combination of self-insurance and commercial coverage. Professional liability insurance is purchased on an occurrence basis. General liability insurance is self-insured along with a layered program of excess liability insurance that is written on a claims made basis. The estimated cost of self-insurance is recognized at the time incidents occur. The accompanying consolidated financial statements include the estimated liability for known claims, as well as incurred but not reported claims, based on actuarial calculations expected to be covered by self-insurance.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

The amount funded for self-insurance liabilities is included in assets limited as to use as investments designated by the Board in the accompanying consolidated balance sheets

Children's employee health benefits are provided through a self-insurance program that requires the development of a loss reserve to cover claims incurred but not reported This reserve, in the amount of $5 3 million and $5 2 million, is included in accrued liabilities in the accompanying consolidated balance sheets as of December 31, 2013 and 2012, respectively

Physician Income Guarantees

In the interest of expanding the availability of Children's services, Children's enters into physician income guarantee contracts (see Note 14) Through these contracts, Children's agrees to fund deficits generated between a physician's collections and direct expenses The guarantees are typically two to three years in duration and are intended to support the physician in the start-up phase of his or her practice

Employee Retirement Benefit Plan

Children's accounts for its defined benefit retirement plan in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 715, *Compensation – Retirement Benefits* This topic requires an employer to (1) recognize, in its statement of financial position, an asset for a plan's overfunded status or a liability for a plan's underfunded status, (2) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year, and (3) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur Those changes are required to be reported in other changes in net assets

Gifts and Bequests

Unconditional unrestricted gifts and bequests of cash and other assets are included in unrestricted net assets when pledged Conditional unrestricted gifts and bequests are included in unrestricted net assets when received Donor-restricted gifts are reported as either temporarily restricted net assets or permanently restricted net assets based upon the donor's intentions When a time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions Endowment gifts donated with stipulations that they be invested to provide a permanent source of income are reported as permanently restricted net assets Reclasses between net asset classes (i e , unrestricted, temporarily restricted, or permanently restricted) may occur when a donor changes their designation of a gift or if after further review of gift documentation

Performance Indicator

Children's performance indicator is net results available for reinvestment, which includes all changes in unrestricted net assets other than contributions, net assets released from restrictions for capital expenditures, and pension and other postretirement liability adjustments

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period Actual results could differ from those estimates

New Accounting Pronouncements

In April 2013, the FASB issued Accounting Standards Update (ASU) 2013-06, *Services Received from Personnel of an Affiliate* This guidance requires that contributed services be recognized at fair value if employees of separately governed affiliated entities regularly perform services (in other than an advisory capacity) for and under the direction of the done Contributed services should be recognized only if they 1) create or enhance nonfinancial assets or 2) require specialized skills, are provided by individuals possessing those skills, and typically would need to be purchased if not donated This pronouncement is effective for fiscal years beginning after June 15, 2014 Management is currently evaluating the impact of this guidance

Subsequent Events

Children's has evaluated events and transactions occurring subsequent to December 31, 2013, through April 16, 2014, the date the accompanying consolidated financial statements were made available to be issued During this period, there were no subsequent events requiring recognition or disclosure in the financial statements except as noted in Note 23

Note 2 – Unconditional Pledges Receivable

Unconditional pledges receivable at December 31, 2013, are as follows (in thousands)

	Less than 1 year	1-5 years	More than 5 years	Total
Pledges receivable	$ 11,218	$ 7,957	$ 360	$ 19,535
Discount on long-term pledges receivable	(275)	(195)	(15)	(485)
Allowance for uncollectible pledges	(1,401)	(383)	(17)	(1,801)
Net pledges receivable	$ 9,542	$ 7,379	$ 328	$ 17,249

Note 3 – Conditional Pledges Receivable

During 2013, the Foundation received $17 0 million in pledges that contained donor conditions $14 5 million is contingent upon CMC reaching specific milestones in the expansion of the of the Foster care Program while $2 5 million is contingent upon the donor's successful fundraising campaign Since these pledges are conditional, they are not recorded as contributions until the donor conditions are met

Note 4 – Receivables from Remainder Trusts

The Foundation has received, as contributions, split-interest agreements including charitable gift annuities and charitable remainder unitrusts Trust assets currently consist of cash and cash equivalents, U S government securities, common stocks, and mineral rights

Under the charitable gift annuity arrangements for which the Foundation is the trustee of the assets, the Foundation records the assets at fair value and the liabilities to the beneficiaries at the present value of the estimated future payments to be distributed by the Foundation to such beneficiaries The amount of the contribution is the difference between the asset and the liability and is recorded as temporarily restricted contributions unless otherwise restricted by the donor

Under the charitable remainder unitrust arrangements for which the Foundation is the trustee of the assets, the Foundation records as donor-restricted contributions the present value of the residual interest in the trust in the period in which the trust is established The assets held in trust are recorded at fair value when received, and the liabilities to the beneficiaries are recorded at the present value of the estimated future payments to be distributed by the Foundation to such beneficiaries The amount of the contribution is the difference between the asset and the liability and is recorded as temporarily restricted or permanently restricted contributions, as applicable Subsequent changes in fair value for charitable remainder unitrusts are recorded as changes in value of split-interest agreements in the appropriate net asset class

Under the charitable gift annuity and charitable remainder unitrust arrangements for which the Foundation is not the trustee of the assets, the Foundation records a receivable and restricted contribution revenue at the present value of the estimated future distributions expected to be received by the Foundation over the expected term of the agreement

The discount rates used are commensurate with the risks involved at the time the contributions are initially recognized and are adjusted annually At December 31, 2013, the Internal Revenue Service discount rate, which is used to determine the charitable deduction for planned gifts, was 2 0%

Note 5 –Property and Equipment

Property and equipment consist of the following as of December 31, 2013 and 2012 (in thousands)

	2013	2012
Land and improvements	$ 39,926	$ 39,926
Buildings and improvements	768,251	705,921
Leasehold improvements	21,612	14,706
Fixed equipment	22,950	21,339
Movable equipment	385,497	356,806
Equipment under capital lease	2,323	1,745
	$ 1,240,559	$ 1,140,443
Accumulated depreciation and amortization	(556,818)	(501,259)
Construction in progress	63,930	65,854
Property and equipment, net	$ 747,671	$ 705,038

Note 6 - Assets Limited as to Use

Assets limited as to use consist of the following as of December 31, 2013 and 2012 (in thousands)

	2013	2012
Investments designated by the Board	$ 749,121	$ 650,305
Investments of temporarily restricted funds	5,529	4,500
Investments of donor-restricted funds for fixed assets	11,407	18,016
Investments of permanently restricted funds	76,898	61,297
	$ 842,955	$ 734,118

Note 7 - Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i e , an exit price) To measure fair value, a hierarchy has been established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs As such, the hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3) The three levels of the fair value hierarchy are described below

Level 1 Unadjusted quoted prices in active markets that are accessible to the reporting entity at the measurement date for identical assets or liabilities

Level 2 Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability Level 2 inputs include the following

- quoted prices for similar assets and liabilities in active markets
- quoted prices for identical or similar assets or liabilities in markets that are not active
- observable inputs other than quoted prices that are used in the valuation of the asset or liabilities (e g , interest rate and yield curve quotes at commonly quoted intervals)
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 Unobservable inputs for the asset or liability (i e , supported by little or no market activity) Level 3 inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk)

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety

Following is a description of the valuation techniques and inputs used for each major class of assets and liabilities measured at fair value

Note 7 - Fair Value of Financial Instruments (continued)

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments when purchased with initial maturities of three months or less The carrying amount approximates fair value because of the short maturity of these instruments

U S Government Securities, Common Stocks, Mutual Funds, Common/Collective Trusts, and Debt Securities

The fair values of the investments included in Level 1 were determined through quoted market prices, while the fair values of Level 2 investments were determined primarily using a market approach, with inputs such as evaluated bid prices provided by third-party pricing services where quoted market values are not available

The underlying investments of common/collective trusts and pooled investment funds consist of marketable debt and equity securities with readily determinable market values without any lock-up or gate provisions

Alternative Investments

Children's alternative investments have similar risks as traditional fixed income and equity securities, although there may be some additional risk The alternative investment strategy is to invest in hedge funds in order to obtain attractive risk-adjusted returns that are uncorrelated with equities and fixed income These funds are invested through limited partnerships that employ various investment strategies, including long-term and short-term equity, multi-strategy, and credit Performance is driven by individual manager selection and their ability to obtain superior results Certain alternative investments have lock-up periods and other liquidity limitations that are generally one year from the date of the original investment Earlier redemptions are allowed with an early redemption penalty

The net asset values (NAV) of alternative investments are based on valuations provided by the managers of the specified funds Children's accounts for its alternative investments using the equity method of accounting, accordingly, these investments are excluded from the fair value hierarchy in ASC 820

Note 7 - Fair Value of Financial Instruments (continued)

Estimated fair values of financial instruments were as follows at December 31, 2013 (in thousands)

			Assets at Fair Value	
	Total		Level 1	Level 2
Cash and cash equivalents	$ 497.093	$	497.093	$ -
Investment portfolio				
Cash and cash equivalents	11.185		11.185	-
U S government securites	43.416		43.416	-
Common stocks	24.682		24.682	-
Debt securities				
Corporate bonds	55.500		-	55.500
Mortgage-backed securities	31.933		-	31.933
Mutual funds				
Registered				
Domestic equity	95.575		95.575	-
International equity	33.838		33.838	-
Fixed income	32.754		32.754	-
Common/collective trusts				
Domestic equity	201.653		-	201.653
International equity	194.074		-	194.074
Fixed income	27.291		-	27.291
Total investments at fair value	751.901	$	241.450	$ 510.451
Alternative and other equity method investments	99.321			
Total investment portfolio	$ 851.222			
Included in investments in unrestricted funds	$ 8.267			
Total assets limited to use	$ 842.955			

Note 7 - Fair Value of Financial Instruments (continued)

Estimated fair values of financial instruments were as follows at December 31, 2012 (in thousands)

			Assets at Fair Value	
	Total		Level 1	Level 2
Cash and cash equivalents	$	447,978	447,978	$ -
Investment portfolio				
Cash and cash equivalents		17,113	17,113	-
U S government securities		30,461	30,461	-
Common stocks		18,093	18,093	-
Debt securities				
Corporate bonds		45,048	-	45,048
Mortgage-backed securities		35,046	-	35,046
Mutual funds				
Registered				
Domestic equity		74,653	74,653	-
International equity		36,577	36,577	-
Fixed income		33,512	33,512	-
Global fixed income		-	-	-
Common/collective trusts				
Domestic equity		141,586	-	141,586
International equity		150,402	-	150,402
Fixed income		27,359	-	27,359
Total investments at fair value		609,850	$ 210,409	$ 399,441
Alternative and other equity method investments		126,769		
Investments in real estate, at cost		4,379		
Total investment portfolio	$	740,998		
Included in investments in unrestricted funds	$	6,880		
Total assets limited to use	$	734,118		

Children's currently has no other material financial instruments subject to fair value measurement

N*ote 7 - Fair Value of Financial Instruments (continued)*

Long-Term Debt

ASC Topic 825, *Financial Instruments*, requires disclosure of fair value information, whether or not recognized on the balance sheet, for which it is practicable to estimate that value Certain financial instruments and all nonfinancial instruments are excluded from these disclosure requirements Accordingly, the aggregate carrying value amounts presented do not represent the underlying value of the long-term debt The fair value of long-term debt is $391 7 million at December 31, 2013, compared to $430 4 million at December 31, 2012 The carrying value of long-term debt was $389 7 million at December 31, 2013, compared to $386 6 million at December 31, 2012 Estimates are based on available market quotes, which constitute a Level 2 estimate

Note 8 - Operating Leases

Children's leases office space and medical equipment under agreements classified as operating leases extending through 2023 The minimum future obligations under these agreements as of December 31, 2013, are as follows (in thousands)

2014	$	9,590
2015		9,618
2016		9,452
2017		9,011
2018		8,550
Thereafter		34,887
	$	81,108

Operating lease expense of approximately $9 3 million in 2013 and $7 8 million in 2012 is included in general support in the accompanying consolidated statements of operations

Note 9 - Long-Term Obligations

Long-term obligations consist of the following as of December 31, 2013 and 2012 (in thousands)

	2013	2012
North Central Texas Health Facilities Development Corporation Hospital Revenue Bonds, Series 2012, secured by Children's revenue		
Serial bonds payable August 15, 2014 through 2027, in amounts ranging from $1,305 to $10,465, interest rates range from 3 25% to 5 00%	$ 96,920	$ 98,225
Term bonds payable August 15, 2028 through 2032, 5 00% interest	40,625	40,625
Term bonds payable August 15, 2031 through 2032, 4 125% interest	20,000	20,000
North Central Texas Health Facilities Development Corporation Hospital Revenue Bonds, Series 2009, secured by Children's revenue		
Term bonds payable August 15, 2017 through 2024, 5 00% interest	16,415	16,415
Term bonds payable August 15, 2025 through 2029, 5 50% interest	14,620	14,620
Term bonds payable August 15, 2030 through 2039, 5 75% interest	168,965	168,965
North Central Texas Health Facilities Development Corporation Hospital Revenue Refunding Bonds, Series 1993, secured by Children's revenue		
Term bonds payable August 15, 2011 through 2013, 5 75% interest	-	3,895
Term bonds payable August 15, 2014 through 2016, 6 00% interest	10,810	10,810
Other	10,185	59
	378,540	373,614
Unamortized bond premium	11,172	12,996
Less current portion	(4,210)	(5,259)
	$ 385,502	$ 381,351

In June 2012, Children's issued $158 9 million of North Central Texas Health Facilities Development Corporation (NCTHFDC) hospital revenue bonds, payable annually beginning August 15, 2013 through August 15, 2032, with interest rates ranging from 3 25% to 5 00% CMC and the Foundation comprise the Obligated Group for the bond issuance The primary use of the proceeds was used to repay the series 2002 bonds The net proceeds of $181 6 million was disbursed on August 15, 2012 in final settlement of the 2002 bonds

Note 9 - Long-Term Obligations (continued)

Children's is not in default on any debt covenants, which include certain financial ratios, insurance coverage minimums, and revenue adequate to cover debt service

Scheduled principal payments on long-term debt and capital lease obligations, net of imputed interest, over the next five years are as follows (in thousands)

	Long-Term Debt
2014	$ 4,210
2015	5,805
2016	6,135
2017	8,175
2018	8,585
Thereafter	345,630
	$ 378,540

Note 10 - Employee Retirement Benefit Plans

Children's has a defined benefit retirement plan that covers substantially all full-time employees hired before December 24, 2006 As of December 24, 2006, the defined benefit plan was frozen to new employees Benefits are based on the employee's years of service and compensation during the years immediately preceding termination of employment Employees do not make contributions to the plan Children's policy is to contribute funds sufficient to meet or exceed the minimum annual funding standards under Section 412 of the Employee Retirement Income Security Act of 1974 Plan assets are held in a separate trust under a custodial agreement, with investments directed by the investment committee Plan assets consist of U S government securities, high-grade debt securities, mutual funds, alternative investments, and marketable equity securities Benefit plans are accounted for in accordance with ASC Topic 715, *Compensation – Retirement Benefits*

The Plan was amended generally effective January 1, 2012, to (1) offer a one-time, lump-sum cash out opportunity in 2012 to terminated vested participants, (2) provide an automatic rollover distribution for participants who terminate employment on or after July 1, 2012, with a Vested Accrued Benefit that exceeds $1,000 but is less than or equal to $5,000 and who do not elect to receive a lump-sum distribution upon termination, and (3) offer a lump-sum distribution upon termination for participants who terminate on or after July 1, 2012, with a Vested Retirement Benefit of more than $5,000 Eligible participant election of the one-time, lump-sum cash out opportunity resulted in a one-time expense of $11 3 million in 2012

Effective December 31, 2013, the decision was made to curtail the accrual of benefits for all active participants of the defined benefit plan, freeze any future service benefits, and increase matching contributions under the Children's Medical Center 401(a) Employee Savings Plan (Savings Plan) beginning in 2014 The Savings Plan will become the primary retirement program for all employees, it offers a common matching scale for all participants and normalizes Children's retirement contribution for all employees

Note 10 - Employee Retirement Benefit Plans (continued)

The information reflected below sets forth the defined benefit plan's benefit obligation, fair value of plan assets, and the funded status as of December 31, 2013 and 2012 (in thousands)

	2013	2012
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$ 291,770	$ 280,906
Service cost	12,993	12,483
Interest cost	11,833	13,131
Actuarial loss	(41,153)	19,992
Gain from plan freeze	(39,063)	-
Benefits paid	(14,710)	(34,742)
Projected benefit obligation, end of year	$ 221,670	$ 291,770
Change in plan assets		
Fair value of plan assets, beginning of year	$ 169,453	$ 166,399
Actual return on plan assets	21,375	17,696
Employer contributions	21,699	20,100
Benefits paid	(14,710)	(34,742)
Fair value of plan assets, end of year	$ 197,817	$ 169,453
Funded status at end of year	$ (23,853)	$ (122,317)

Amounts recognized in the consolidated balance sheets as of December 31, 2013 and 2012, consist of (in thousands)

	2013	2012
Other noncurrent liabilities	$ 23,853	$ 122,317

Note 10 - Employee Retirement Benefit Plans (continued)

The net periodic pension cost as of December 31, 2013 and 2012, includes the following components (in thousands)

	2013	2012
Net periodic benefit cost		
Service cost	$ 12,993	$ 12,483
Interest cost	11,832	13,131
Expected return on plan assets	(13,645)	(13,197)
Amortization of prior service cost	-	4
Amortization of net actuarial loss	6,511	8,049
Net periodic benefit cost	$ 17,691	$ 20,470

Fair values of plan assets by asset category (see Note 7) as of December 31, 2013 and 2012, were (in thousands)

Asset Category	Target Asset Allocation	Plan Assets at December 31 2013		Plan Assets at December 31 2012	
Cash and cash equivalents	- %	$ 4,169	2 1 %	$ 2,459	1 5 %
U S government securities[2]	-	13,578	6 9	4,595	2 7
Common stocks[1]	-	5,385	2 7	3,894	2 3
Debt securities	35 0	41,110	20 8	34,978	20 6
Mutual funds	50 0	112,974	57 1	96,871	57 2
Alternative investments	15 0	20,601	10 4	26,656	15 7
	100 0 %	$ 197,817	100 0 %	$ 169,453	100 0 %

[1] Common stocks target allocation is included in mutual funds

[2] U S government securities' target allocation is included with debt securities

Note 10 - Employee Retirement Benefit Plans (continued)

Fair values of plan assets by asset category at December 31, 2013, were as follows (in thousands)

		Assets at Fair Value		
	Total	Level 1	Level 2	Level 3
Cash - interest bearing	$ 4,169	$ 4,169	$ -	$ -
U S government securities	13,578	13,578	-	-
Common stocks	5,385	5,385	-	-
Corporate bonds -				
investment grade	25,649	-	25,649	-
Mortgage-backed securities -				
investment grade	15,461	-	15,461	-
Mutual funds				
Liquid assets/money market	-	-	-	-
Domestic equities	10,369	10,369	-	-
International equities	7,592	7,592	-	-
Common/collective trusts				
Domestic equities	11,184	-	11,184	-
International equities	43,547	-	43,547	-
Fixed income	40,282	-	40,282	-
Pooled investment fund	-	-	-	
Alternative investments	20,601	-	-	20,601
Total	$ 197,817	$ 41,093	$ 136,123	$ 20,601

Note 10 - Employee Retirement Benefit Plans (continued)

Fair values of plan assets by asset category at December 31, 2012, were as follows (in thousands)

	Total	Assets at Fair Value Level 1	Level 2	Level 3
Cash - interest bearing	$ 2,459	$ 2,459	$ -	$ -
U S government securities	4,595	4,595	-	-
Common stocks	3,894	3,894	-	-
Corporate bonds - investment grade	21,283	-	21,283	-
Mortgage-backed securities - investment grade	13,695	-	13,695	-
Mutual funds				
Liquid assets/money market	2,718	2,718	-	-
Domestic equities	16,478	16,478	-	-
Common/collective trusts				
Domestic equities	37,811	-	37,811	-
International equities	25,012	-	25,012	-
Fixed income	4,888	-	4,888	-
Pooled investment fund	9,964	-	9,964	-
Alternative investments	26,656	-	-	26,656
Total	$ 169,453	$ 30,144	$ 112,653	$ 26,656

The following table is a rollforward of the pension plan assets classified within Level 3 of the valuation hierarchy (in thousands)

	Alternative Investments 2013	2012
Fair value at beginning of year	$ 26,656	$ 22,396
Purchases	-	5,600
Sales	(6,796)	(3,590)
Realized (losses) gains	(1,687)	204
Unrealized gains attributable to assets still held at the reporting date	2,428	2,046
Fair value at end of year	$ 20,601	$ 26,656

Pension assets are managed by professional managers based on an investment policy recommended by investment consultants and approved by the Board The pension asset allocation is weighted toward equity investments, which reflect the long-term nature of the pension plan The strategy behind the asset allocation is for the largest holdings to reflect the broad U S equity markets, while providing some potential for the enhanced returns that can be provided by small cap, mid cap, and international equities The fixed income portion provides some protection from the risks of equity investments The expected long-term rate of return on plan assets of 7 7% is based on a long-range investment model developed during an asset allocation study performed by investment consultants

Note 10 - Employee Retirement Benefit Plans (continued)

The accumulated benefit obligation was $221 7 million and $291 8 million at December 31, 2013 and 2012, respectively

As of December 31, 2013, benefits expected to be paid for each of the following five fiscal years and in aggregate for the next five fiscal years are as follows (in thousands)

2014	$ 12,381
2015	12,718
2016	12,436
2017	12,455
2018	12,849
Aggregate next five fiscal years	69,915
Total	$ 132,754

Other changes in plan assets and benefit obligations recognized in changes in unrestricted net assets for the years ended December 31, 2013 and 2012, are (in thousands)

	2013	2012
Prior service cost	$ -	$ (4)
Net gain	(87,945)	15,493
Other	(6,511)	(19,398)
Total recognized in changes in unrestricted net assets	$ (94,456)	$ (3,909)

The net loss for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is $0 0 million

Amounts in unrestricted net assets that have not been recognized in net periodic benefit cost, as of December 31, 2013 and 2012, consist of (in thousands)

	2013	2012
Net actuarial loss	$ 10,619	$ 105,075

Note 10 - Employee Retirement Benefit Plans (continued)

Weighted-average assumptions used in the accounting for net periodic benefit costs and the benefit obligation and funded status were

	2013	2012
Net periodic benefit costs		
Discount rate	4.2%/4.9% [a]	4.70%
Expected long-term rate of return on plan assets	7.70%	7.70%
Compensation increase rate	3.00%	3.00%

	2013	2012
Benefit obligation and funded status		
Discount rate	4.95%	4.20%
Expected long-term rate of return on plan assets	7.70%	7.70%
Compensation increase rate	N/A	3.00%

[a] - original calculations for 2013 net periodic benefit costs (NPBC) that apply for the initial 10.5 months of the fiscal year reflect a discount rate of 4.20%. The final 1.5 months of the NPBC is based on an updated discount rate of 4.90%.

Children's has a defined contribution plan in which substantially all employees may participate. Children's matches a portion of an employee's contributions, up to 4% of pay. Children's level of fixed matching contributions to the plan depends on the employee's participation in the defined benefit retirement plan, date of hire and cumulative years of service. Effective May 1, 2007, employees hired before December 24, 2006, were eligible to make a one-time irrevocable election to remain in the defined benefit retirement plan or to freeze their defined benefit retirement plan benefits. Employees who chose to remain in the defined benefit retirement plan continue to receive fixed matching contributions of 25%. Employees who chose to freeze their defined benefit retirement plan benefits receive an enhanced Children's fixed matching rate on their contributions to the defined contribution plan, based on years of service. Children's fixed matching contributions to the defined contribution plan were $12.5 million and $11.5 million in 2013 and 2012, respectively.

Effective January 1, 2014, all employees who choose to participate in the defined contribution plan will receive a matching contribution of 4.0% to 7.5% based on years of service.

Note 11 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes (in thousands)

	2013	2012
Patient care	$ 31,900	$ 31,188
Research	9,932	13,985
Construction	5,777	11,181
Education	1,421	1,279
Equipment	6,348	4,087
Time-restricted	8,202	5,854
Legacy campus	4,906	4,532
Other	2,633	4,019
	$ 71,119	$ 76,125

Note 12 - Permanently Restricted Net Assets

Permanently restricted net assets at December 31 are restricted to (in thousands)

	2013	2012
Patient care	$ 34,542	$ 30,333
Research	27,668	22,729
Education	3,715	3,286
Legacy campus	151	130
General operations	18,049	16,321
Other	(49)	381
	$ 84,076	$ 73,180

The Foundation adopted *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* under ASC Topic 958, *Not for Profit Entities*, on December 31, 2008. This guidance provides for the proper net asset classification of donor-restricted endowment funds for not-for-profits in states that have adopted an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006.

The Foundation holds donor-restricted endowment funds established primarily to fund specific activities at Children's. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State Prudent Management of Institutional Funds Act (SPMIFA) provides statutory guidelines for the management, investment, and expenditure of endowment funds held by charitable organizations in the absence of explicit donor stipulations.

Note 12 - Permanently Restricted Net Assets (continued)

The Foundation classifies the historic value of donor-restricted gifts to be held in perpetuity as permanently restricted net assets. The intent of the Foundation is to preserve the historic value of permanently restricted gifts. The endowment distribution policy allows a 0% to 5% distribution of the endowment asset, which is defined as the simple average of the previous 12 fiscal quarters' ending values. At December 31, 2013, permanently restricted net assets representing donor-restricted perpetual endowment funds were approximately $84.1 million.

Note 13 - Accrued Liabilities

Accrued liabilities consist of the following as of December 31 (in thousands):

	2013	2012
Accrued salaries and benefits	$ 33,543	$ 31,582
Accrued paid time off	28,102	27,727
Third-party settlements payable	19,827	19,874
Other	3,462	400
	$ 84,934	$ 79,583

Note 14 - Physician Income Guarantees

Physician income guarantees are accounted for in accordance with ASC Topic 460, *Guarantees*. Children's records an asset and liability for the estimated payments to be made under physician income guarantees. The assets are amortized using the straight-line amortization method for the guarantee period, and the liabilities are released as payments are made. The unamortized portion of these physician guarantees, included in other assets, is $6.7 million and $7.8 million, as of December 31, 2013 and December 31, 2012, respectively. The current portion of the guarantees is included in other current liabilities and the noncurrent portion of the guarantees is included in other noncurrent liabilities on the consolidated balance sheets. Total guarantees were $8.6 million and $7.3 million as of December 31, 2013 and December 31, 2012, respectively. The maximum amount that could be paid under Children's physician income guarantees was approximately $14.5 million as of December 31, 2013.

Note 15 - Commitments and Contingencies

Under terms of an agreement, as amended, originally dated October 29, 1964, and most recently renewed on October 1, 2000, Children's and UT Southwestern (UTSW) affiliated to provide for the delivery of preeminent pediatric medical and surgical services. The agreement specifies that Children's and its affiliate centers will serve as the primary pediatric clinical service and teaching sites for the delivery of such services. Children's expenditures under this and related agreements are determined each year working with UTSW during its annual budgeting process.

Children's is involved in certain litigation and is subject to claims that may arise in the normal course of its operations. It is the opinion of management, based on consultation with legal counsel, that such litigation and claims will be resolved without a material adverse effect on Children's consolidated financial position or results of operations.

15 - Commitments and Contingencies (continued)

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

Management believes that Children's is in compliance with government laws and regulations related to fraud and abuse, and other applicable areas While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time

Children's continues to upgrade and improve its facilities as well as its Information Technology (IT) capabilities and infrastructure For the year ended December 31, 2013, outstanding commitments for construction are approximately $15 6 million, outstanding commitments for equipment are approximately $7 8 million, and outstanding commitments for IT-related projects are approximately $4 6 million

Note 16 - Professional Liability

The net amount of Children's professional liability was $2 0 million and $2 2 million as of December 31, 2013 and 2012, respectively ASU 2010-24 requires professional liabilities to be reported at gross, without the consideration of insurance recoveries Accordingly, Children's has recorded professional liabilities of $8 2 million in other noncurrent liabilities in the consolidated balance sheet and an asset representing insurance recoveries of $6 2 million in other assets in the consolidated balance sheet at December 31, 2013

Note 17 - Changes to Reimbursement

Prior to September 1, 2013, Children's and rural hospitals were reimbursed for their actual audited allowable cost of providing care to Medicaid enrollees using the Tax Equity and Fiscal Responsibility Act of 1982 cost principles Children's hospitals are reimbursed under an APR-DRG methodology effective September 1, 2013 (Note 1)

The state of Texas has secured a waiver from certain federal Medicaid requirements for the five-year period ending September 1, 2016 Under the terms of the waiver, the State implemented changes to the way in which it compensates CMC and other providers for care to patients covered by the Medicaid program

Effective in two stages in September 2011 and March 2012, the State extended the STAR and STAR+Plus managed care programs to all geographic areas within the State and increased the scope of services that they insure

The savings from the cost reimbursement to managed care change, and supplemental payments formerly made to providers, are used to fund two new pools – the UCP and the DSRIP From these pools, modified supplemental payments will be made to providers in lieu of Upper Payment Limit (UPL) payments During the first year of the waiver, which ended in 2012, each provider received at least the same level of payments as it received under the UPL and Disproportionate Share (DSH) programs Thereafter, providers are no longer receiving supplemental payments based on the UPL program, but instead are receiving payments under the UCP and DSRIP programs, if they qualify for payments

Note 17 - Changes to Reimbursement (continued)

The UCP program provides funding for hospitals which have substantial uncompensated care costs or unreimbursed costs for Medicaid patients, reduced by DSH payments to the hospitals The DSRIP program provides funding incentives to hospitals and other providers to enhance access to care and the health of patients Children's recognized $43 1 million and $11 5 million from UCP and $44 7 million and $0 0 million from DSRIP in 2013 and 2012, respectively

Children's continues to monitor and evaluate the differences in payment methodologies and the potential effect they may have on its results of operations

Note 18 - Electronic Health Records

The American Recovery and Reinvestment Act of 2009 includes provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH) The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments Children's recognizes these EHR incentive payments when they believe they have met the meaningful use criteria Children's recognized approximately $0 5 million and $4 3 million of other operating revenue related to EHR incentive payments from Medicaid during the years ended December 31, 2013 and 2012, respectively Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit Additionally, Children's compliance with the meaningful use criteria is subject to audit by the federal government

Note 19 - Provision for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectability of accounts receivable, Children's analyzes its past history and identifies trends for each of its major payer sources to estimate the appropriate allowance for doubtful accounts and provision for doubtful accounts Management regularly reviews data for these major payer sources in evaluating the sufficiency of the allowance For receivables associated with services provided to patients who have third-party coverage, Children's analyzes contractually due amounts and provides an allowance for doubtful accounts For receivables associated with self-pay patients (which includes both patients without insurance and those patients with insurance where deductible and copayment balances exist), Children's records a provision for doubtful accounts in the period of service on the basis of its past experience The difference between the standard rates (or the discounted rates if applicable) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts

Children's allowance for doubtful accounts increased from $19 5 million or 9 3% of total gross accounts receivable at December 31, 2012 to $34 4 million or 13 9% of total gross accounts receivable as of December 31, 2013 In addition, Children's has not changed its charity care or uninsured discount policies during fiscal years 2013 or 2012 Children's does not maintain a material allowance for doubtful accounts from third-party payers, nor did it have significant write-offs from third-party payers during 2013

Note 19 - Provision for Doubtful Accounts (continued)

Children's recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, Children's recognized revenue on the basis of its standard rates for services provided, or on the basis of discounted rates if negotiated, and as provided by policy. On the basis of historical experience, Children's records a provision for doubtful accounts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and charity care (but before the provision for doubtful accounts), recognized year-to-date from these major payer sources is as follows (in thousands)

Patient service revenue less contractuals:	Government	Commercial	Other	Total All Payers
Year ended December 31, 2013	$ 625,153	$ 422,741	$ 45,644	$ 1,093,538
Year ended December 31, 2012	593,076	440,309	13,269	1,046,654

Note 20 - Functional Expenses

FASB ASC Topic 958, *Not for Profit Entities*, requires the presentation of information about expenses reported by their functional classification, such as program services and supporting activities. Program services are those activities that fulfill the mission of Children's, which is to make life better for children. Supporting services include management, general, and fundraising activities. Program and supporting services expenses were as follows (in thousands)

	2013	2012
Program services	$ 634,581	$ 571,874
Management and general	401,060	396,359
Fundraising	5,315	4,619
	$ 1,040,956	$ 972,852

Note 21 - Charity Care

The value of charity care provided by Children's, excluding subsidiaries, based upon its established rates, was approximately $55.5 million in 2013 and $66.1 million in 2012. ASU 2010-23 requires charity care to be disclosed on a cost basis. Children's utilizes the cost to charge ratios, as calculated based on its most recent cost reports filed with the Centers of Medicare and Medicaid Services, to determine the total cost. Children's cost of providing charity care was $23.6 million and $28.8 million for the years ended December 31, 2013 and 2012, respectively.

Note 22 - Volunteer Services

Volunteers contribute significantly to Children's mission by enabling the organization to multiply its resources to exceed the needs of patients and their families. Services performed by volunteers include delivering flowers and mail, escorting visitors throughout the hospital, assisting in playrooms during activities, tutoring patients, sitting with patients whose parents are away from the hospital, assisting patient families in ambulatory care and critical care areas, and working in the gift shop. The value of these services has not been included in the accompanying consolidated financial statements as it is not readily determinable.

Note 23 - Land Sale

In April 2013, a purchase and sale agreement was executed between the Foundation and a buyer for the purchase of 14 849 acres of land located in Sachse, Texas for $3 9 million, with an option to buy an additional 18 776 acres for $2 7 million This sale was finalized on March 14, 2014, which resulted in a gain of $3 3 million The buyer has 11 months from March 14, 2014 to exercise the remaining option on the 18 781 acres

Note 24 - Fourth Quarter Results of Operations - Unaudited

The following is a summary of the results of operations for the quarters ended December 31, 2013 and 2012 (in thousands)

	2013	2012
OPERATING REVENUE:		
Patient service revenue less contractual allowances and charity care	$ 263,032	$ 268,338
Provision for doubtful accounts	(15,290)	(5,993)
Net patient service revenue	247,742	262,345
Other operating revenue	53,034	9,813
Graduate medical education	1,298	452
Net assets released from restrictions for operations	1,615	4,561
Total operating revenue	303,689	277,171
OPERATING EXPENSES:		
Salaries and benefits	132,508	150,620
Professional services	32,334	8,827
Supplies and other	31,890	29,470
General support	60,100	42,261
Depreciation and amortization	15,341	15,116
Interest	4,594	4,451
Total operating expenses	276,767	250,745
OPERATING RESULTS AVAILABLE FOR REINVESTMENT	26,922	26,426
NONOPERATING GAINS:		
Realized investment gains	11,669	14,356
Unrealized investment gains (losses)	28,634	(3,594)
Realized loss on advance refinancing of bonds	-	-
Total nonoperating gains	40,303	10,762
NET RESULTS AVAILABLE FOR REINVESTMENT	$ 67,225	$ 37,188

Note 25 - Fourth Quarter Results of Operations - Unaudited (continued)

The following is a summary of the changes in net assets for the quarters ended December 31, 2013 and 2012 (in thousands)

	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS:		
Net results available for reinvestment	$ 67,225	$ 37,188
Net assets released from restrictions for capital expenditures	1,251	5,946
Change in donor designation and other	(884)	(673)
Change in minimum pension liability	94,456	3,909
Other	44	3,736
Increase in unrestricted net assets	162,092	50,106
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	6,179	7,489
Change in value of split-interest agreements	642	54
Realized investment gains	62	97
Unrealized investment gains (losses)	161	(13)
Net assets released from restrictions for operations	(1,616)	(4,561)
Net assets released from restrictions for capital expenditures	(1,251)	(5,946)
Grants for pediatric purposes	(20)	(123)
Change in donor designation and other	(116)	280
Other	(27)	9
Increase (decrease) in temporarily restricted net assets	4,014	(2,714)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Permanently restricted contributions	(367)	3,864
Change in value of split-interest agreements	(103)	(148)
Gain on sale of assets	-	13
Interest income	-	-
Realized investment gains	674	1,308
Unrealized investment gains (losses)	3,363	(323)
Net assets released from restrictions	1	-
Change in donor designation and other	1,000	393
Increase in permanently restricted net assets	4,568	5,107
INCREASE IN NET ASSETS	170,674	52,499
NET ASSETS AT BEGINNING OF PERIOD	1,562,252	1,353,228
NET ASSETS AT END OF PERIOD	$ 1,732,926	$ 1,405,727

Supplementary Information

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Report of Independent Auditors on Supplementary Information

The Board of Directors
Children's Health Services of Texas

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

Ernst + Young LLP

April 16, 2014

Children's Health Services of Texas and Affiliates
Children's Medical Center
Consolidating Balance Sheets
As of December 31, 2013
(In Thousands)

	Children's Medical Center	Complex Care Medical Services Corporation	Pediatric Partners for Children	Community Providers for Children	Children's Medical Center Services	Dallas Physician Medical Services for Children	Specialists for Children	My Children's	Anesthesiologists for Children	Children's Insurance Company	CMC Consolidated Eliminations	CMC Consolidated
ASSETS												
CURRENT ASSETS												
Cash and cash equivalents	$ 457 663	$ -	$	$	$	$ 392	$	$ 904	$ 4 432	$ 11 281	$	$ 474 672
Patient accounts receivable net of allowances	129 061	2				104		987	1 914			132 068
Inventories	9 124	-										9 124
Other current assets	90 658	-				1		883	62	(15)		91 589
Total current assets	686 506	2				497		2 774	6 408	11 266		707 453
PROPERTY AND EQUIPMENT net	739 221	-				-		7 806	12		(142)	746 904
ASSETS LIMITED AS TO USE	579 852	-										579 852
INTEREST IN NET ASSETS OF CHILDREN'S MEDICAL CENTER FOUNDATION	326 016	-										326 016
OTHER ASSETS	78 844	(210)	(196)			(3 036)		(28 549)	(7 896)		(1 310)	37 647
Total assets	$ 2 410 439	$ (208)	$ (196)	$	$	$ (2 532)	$	$ (17 969)	$ (1 476)	$ 11 266	$ (1 452)	$ 2 307 872
LIABILITIES AND NET ASSETS (DEFICIT)												
CURRENT LIABILITIES												
Accounts payable	$ 117 847	$ -	$ 31	$	$	$ 58	$	$ 438	$ 3 913	$ 16	$	$ 122 303
Accrued liabilities	80 195	-				185		1 344		3 150		84 874
Accrued interest	7 433	-										7 433
Current portion of long term debt and capital lease obligations	4 210	-										4 210
Other current liabilities	7 148	-										7 148
Total current liabilities	216 833	-	31			243		1 782	3 913	3 166		225 968
LONG TERM DEBT AND CAPITAL LEASE OBLIGATIONS	385 502	-										385 502
OTHER NONCURRENT LIABILITIES	43 017	-						640				43 657
NET ASSETS (DEFICIT)												
Unrestricted	1 439 045	(208)	(227)			(2 775)		(20 391)	(5 389)	8 100	(1 453)	1 416 702
Temporarily restricted	241 967	-										241 967
Permanently restricted	84 075	-									1	84 076
Total net assets (deficit)	1 765 087	(208)	(227)			(2 775)		(20 391)	(5 389)	8 100	(1 452)	1 742 745
Total liabilities and net assets (deficit)	$ 2 410 439	$ (208)	$ (196)	$	$	$ (2 532)	$	$ (17 969)	$ (1 476)	$ 11 266	$ (1 452)	$ 2 307 872

[illegible] Health System [illegible] Years and Children's
[illegible] Medical Center
Consolidating Information [illegible]
For the Year Ended December 31, [illegible]
(In Thousands)

	Children's Medical Center	Complex Care Medical Services Corporation	Pediatric Partners for Children	Community Providers for Children	Children's Medical Center Services	Dallas Physician Medical Services for Children	Specialists for Children	My Children's	Anesthesiologists for Children	Children's Insurance Company	CMC Consolidated Eliminations	CMC Consolidated
OPERATING REVENUE												
Patient service revenue (net of contractual allowances and discounts)	$ [illegible]	$	$	$	$	$ [illegible]	$	$ [illegible]	$ [illegible]	$	$	$ [illegible]
Premium revenue	[illegible]					[illegible]		[illegible]	[illegible]			[illegible]
Net patient service revenue	[illegible]					[illegible]		[illegible]	[illegible]			[illegible]
Other operating revenue	[illegible]	[illegible]				[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Intercompany management fees	[illegible]											[illegible]
Net investment income (loss)	[illegible]							[illegible]	[illegible]			[illegible]
Total operating revenue	[illegible]					[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OPERATING EXPENSES												
Salaries and benefits	[illegible]	[illegible]				[illegible]		[illegible]	[illegible]			[illegible]
Professional fees	[illegible]					[illegible]		[illegible]	[illegible]		[illegible]	[illegible]
Supplies and drugs	[illegible]							[illegible]	[illegible]			[illegible]
General supplies	[illegible]					[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation and amortization	[illegible]							[illegible]			[illegible]	[illegible]
Interest	[illegible]											[illegible]
Total operating expenses	[illegible]	[illegible]	[illegible]			[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE REDETERMINATION	[illegible]		[illegible]			[illegible]		[illegible]	[illegible]		[illegible]	[illegible]
NONOPERATING GAINS												
Realized gains on investments	[illegible]											[illegible]
Unrealized gains on investments	[illegible]											
Total nonoperating gains	[illegible]											[illegible]
NET RESULTS AVAILABLE FOR REINVESTMENT	$ [illegible]	$	$ [illegible]	$	$	$ [illegible]	$	$ [illegible]	$ [illegible]	$	$ [illegible]	$ [illegible]

Children's Health Services of Texas and Affiliates
Consolidating Balance Sheets
As of December 31, 2013
(In Thousands)

	Children's Health Services of Texas	CMC Consolidated	Pediatric Research Institute	Children's Population Health	Physicians Quality Alliance of North Texas	The Health and Wellness Alliance for Children	Children's Medical Center Health Plan	Alternative Care Systems	Children's Medical Center Foundation	Children's Health Services of Texas Eliminations	Children's Health Services of Texas Consolidated
ASSETS											
CURRENT ASSETS											
Cash and cash equivalents	$ -	$ 474 672	$ 3 132	$ -	$ -	$ -	$ 1 508	$ 4 920	$ 12 861	$ -	$ 497 093
Patient accounts receivable, net of allowances	-	132 068	-	-	-	-	-	-	-	-	132 068
Pledges receivable, net of allowances	-	-	-	-	-	-	-	-	9 542	-	9 542
Inventories	-	9 124	-	-	-	-	-	-	-	-	9 124
Other current assets	-	91 589	287	29	-	-	-	39	484	(3 293)	89 135
Investment in unrestricted funds	-	-	-	-	-	-	-	-	8 267	-	8 267
Total current assets	-	707 453	3 419	29	-	-	1 508	4 959	31 154	(3 293)	745 229
PLEDGES RECEIVABLE, net of allowances	-	-	-	-	-	-	-	-	7 707	-	7 707
RECEIVABLES FROM REMAINDER TRUSTS	-	-	-	-	-	-	-	-	7 976	-	7 976
PROPERTY AND EQUIPMENT, net	-	746 904	834	-	-	-	-	-	(67)	-	747 671
ASSETS LIMITED AS TO USE	-	579 852	-	-	-	-	-	-	263 103	-	842 955
INTEREST IN NET ASSETS OF CHILDREN'S MEDICAL CENTER FOUNDATION	-	326 016	-	-	-	-	-	-	-	(326 016)	-
NOTE RECEIVABLE	-	-	-	-	-	-	-	-	-	-	-
OTHER ASSETS	(195)	37 647	(10 322)	(1 855)	(2 909)	74	55	-	28 000	(3 001)	47 494
Total assets	$ (195)	$ 2 397 842	$ (6 069)	$ (1 826)	$ (2 909)	$ 74	$ 1 563	$ 4 959	$ 337 853	$ (332 310)	$ 2 399 032
LIABILITIES AND NET ASSETS (DEFICIT)											
CURRENT LIABILITIES											
Due to Children's Medical Center and Affiliates	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3 293	$ (3 293)	$ -
Accounts payable	2	122 303	950	875	300	123	56	4	493	-	125 106
Accrued liabilities	59	84 874	-	-	-	-	-	-	1	-	84 934
Accrued interest	-	7 433	-	-	-	-	-	-	-	-	7 433
Current portion of long-term debt and capital lease obligations	-	4 210	-	-	-	-	-	-	-	-	4 210
Other current liabilities	-	7 148	-	-	-	-	-	-	-	-	7 148
Total current liabilities	61	225 968	950	875	300	123	56	4	3 787	(3 293)	228 831
ANNUITIES AND TRUSTS PAYABLE	-	-	-	-	-	-	-	-	1 047	-	1 047
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	-	385 502	-	-	-	-	-	-	-	-	385 502
OTHER NONCURRENT LIABILITIES	-	43 657	48	-	-	-	-	-	7 021	-	50 726
NET ASSETS (DEFICIT)											
Unrestricted	(256)	1 416 702	(7 067)	(2 701)	(3 209)	(49)	1 507	4 955	170 850	(3 001)	1 577 731
Temporarily restricted	-	241 967	-	-	-	-	-	-	71 092	(241 940)	71 119
Permanently restricted	-	84 076	-	-	-	-	-	-	84 076	(84 076)	84 076
Total net assets (deficit)	(256)	1 742 745	(7 067)	(2 701)	(3 209)	(49)	1 507	4 955	326 018	(329 017)	1 732 926
Total liabilities and net assets (deficit)	$ (195)	$ 2 397 842	$ (6 069)	$ (1 826)	$ (2 909)	$ 74	$ 1 563	$ 4 959	$ 337 853	$ (332 310)	$ 2 399 032

Children's Health Services of Texas and Affiliates
Consolidating Statements of Operations
For the year ended December 31, 2013
(In Thousands)

	Children's Health Services of Texas	CMC Consolidated	Pediatric Research Institute	Children's Population Health	Physicians Quality Alliance of North Texas	The Health and Wellness Alliance for Children	Children's Medical Center Health Plan	Alternative Care Systems	Children's Medical Center Foundation	Children's Health Services of Texas Eliminations	Children's Health Services of Texas Consolidated
OPERATING REVENUE											
Patient service revenue less contractual allowances and charity care	$ -	$ 1,093,537	$ -	$ 1	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,093,538
Provision for doubtful accounts	-	(41,917)	-	-	-	-	-	-	-	-	(41,917)
Net patient service revenue	-	1,051,620	-	1	-	-	-	-	-	-	1,051,621
Other operating revenue	-	53,240	-	17,784	-	3,488	-	-	8,006	(799)	81,719
Graduate medical education	-	7,520	-	-	-	-	-	-	-	-	7,520
Net assets released from restrictions for operations	-	8,733	1,029	22	-	-	-	-	-	-	9,784
Total operating revenue	-	1,121,113	1,029	17,807	-	3,488	-	-	8,006	(799)	1,150,644
OPERATING EXPENSES											
Salaries and benefits	-	528,786	959	7,179	502	206	625	-	6,096	-	544,353
Professional services	-	108,866	-	401	-	-	-	-	-	-	109,267
Supplies and other	-	118,573	118	11	-	-	-	-	-	-	118,702
General support	1	165,214	3,069	12,907	2,707	3,031	868	19	5,510	(799)	192,827
Depreciation and amortization	-	57,721	95	11	-	-	-	-	27	-	57,854
Interest	-	17,953	-	-	-	-	-	-	-	-	17,953
Total operating expenses	1	997,113	4,241	20,509	3,209	3,237	1,493	19	11,633	(799)	1,040,956
OPERATING RESULTS AVAILABLE FOR REINVESTMENT	(1)	124,000	(3,212)	(2,702)	(3,209)	(49)	(1,493)	(19)	(3,627)	-	109,688
NONOPERATING GAINS											
Realized investment gains	-	25,738	-	-	-	-	-	-	5,676	-	31,414
Unrealized investment gains	-	52,230	-	-	-	-	-	-	21,386	-	73,616
Total nonoperating gains	-	77,968	-	-	-	-	-	-	27,062	-	105,030
NET RESULTS AVAILABLE FOR REINVESTMENT	$ (1)	$ 201,968	$ (3,212)	$ (2,702)	$ (3,209)	$ (49)	$ (1,493)	$ (19)	$ 23,435	$ -	$ 214,718

Children's Health Services of Texas and Affiliates
Children's Medical Center Obligated Group
Consolidating Balance Sheets
As of December 31, 2013
(In Thousands)

	Children's Medical Center	Children's Medical Center Foundation	Children's Medical Center Obligated Group Eliminations	Children's Medical Center Obligated Group
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 457,663	$ 12,861	$ -	$ 470,524
Patient accounts receivable, net of allowances	129,061	-	-	129,061
Pledges receivable, net of allowances	-	9,542	-	9,542
Inventories	9,124	-	-	9,124
Other current assets	90,658	484	-	91,142
Investment in unrestricted funds	-	8,267	-	8,267
Total current assets	686,506	31,154	-	717,660
PLEDGES RECEIVABLE, net of allowances	-	7,707	-	7,707
RECEIVABLES FROM REMAINDER TRUSTS	-	7,976	-	7,976
PROPERTY AND EQUIPMENT, net	739,221	(67)	(26,123)	713,031
ASSETS LIMITED AS TO USE	579,852	263,103	-	842,955
INTEREST IN NET ASSETS OF CHILDREN'S MEDICAL CENTER FOUNDATION	326,016	-	(326,016)	-
NOTE RECEIVABLE		7,019	(7,019)	-
OTHER ASSETS	78,844	20,981	3,820	103,645
Total assets	$ 2,410,439	$ 337,873	$ (355,338)	$ 2,392,974
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Due to Children's Medical Center and Affiliates	$ -	$ 3,293	$ -	$ 3,293
Accounts payable	117,847	495	-	118,342
Accrued liabilities	80,195	1	-	80,196
Accrued interest	7,433	-	-	7,433
Current portion of long-term debt and capital lease obligations	4,210	-	-	4,210
Other current liabilities	7,148	-	-	7,148
Total current liabilities	216,833	3,789	-	220,622
ANNUITIES AND TRUSTS PAYABLE	-	1,047	-	1,047
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	385,502	-	-	385,502
OTHER NONCURRENT LIABILITIES	43,017	7,021	(7,021)	43,017
NET ASSETS				
Unrestricted	1,439,045	170,848	(22,301)	1,587,592
Temporarily restricted	241,967	71,092	(241,940)	71,119
Permanently restricted	84,075	84,076	(84,076)	84,075
Total net assets	1,765,087	326,016	(348,317)	1,742,786
Total liabilities and net assets	$ 2,410,439	$ 337,873	$ (355,338)	$ 2,392,974

Children's Health Services of Texas and Affiliates
Children's Medical Center Obligated Group
Consolidating Statements of Operations
For the year ended December 31, 2013
(In Thousands)

	Children's Medical Center	Children's Medical Center Foundation	Children's Medical Center Obligated Group Eliminations	Children's Medical Center Obligated Group
OPERATING REVENUE				
Patient service revenue less contractual allowances and charity care	$ 1,070,079	$ -	$ -	$ 1,070,079
Provision for doubtful accounts	(40,772)	-	-	(40,772)
Net patient service revenue	1,029,307	-	-	1,029,307
Other operating revenue	28,509	8,006	(722)	35,793
Graduate medical education	7,520	-	-	7,520
Net assets released from restrictions for operations	7,801	-	-	7,801
Total operating revenue	1,073,137	8,006	(722)	1,080,421
OPERATING EXPENSES:				
Salaries and benefits	502,023	6,096	-	508,119
Professional services	102,123	-	-	102,123
Supplies and other	117,129	-	-	117,129
General support	149,119	5,510	(579)	154,050
Depreciation and amortization	56,209	27	(1)	56,235
Interest	17,953	-	-	17,953
Total operating expenses	944,556	11,633	(580)	955,609
OPERATING RESULTS AVAILABLE FOR REINVESTMENT	128,581	(3,627)	(142)	124,812
NONOPERATING GAINS				
Realized investment gains	25,738	5,676	-	31,414
Unrealized investment gains	52,230	21,386	-	73,616
Total nonoperating gains	77,968	27,062	-	105,030
NET RESULTS AVAILABLE FOR REINVESTMENT	$ 206,549	$ 23,435	$ (142)	$ 229,842

Children's Medical Center Obligated Group
Note to Combining Obligated Group
December 31, 2013

Note 1 – Basis of Presentation

Children's Medical Center Obligated Group (Obligated Group), as defined in the Master Trust Indenture dated September 1, 1988, as supplemented, and further supplemented by Supplemental Indenture Number 16, dated May 1, 2012, comprises Children's Medical Center and Children's Medical Center Foundation

Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

Children's Health Service of Texas and Affiliates
Management's Discussion and Analysis of Financial Condition and Results of Operations
Quarter and Year Ended December 31, 2013
(Unaudited)

The following discussion and analysis should be read in conjunction with the Children's Consolidated Financial Statements and the Notes thereto

Summary of Utilization
Years Ended December 31, 2013 and 2012

	Fourth Quarter		Year Ended	
	2013	**2012**	**2013**	**2012**
Weighted average beds in service	424	405	430	417
Admissions	7,261	7,780	27,513	28,321
Average length of stay	3.56	3.62	3.78	3.69
Patient days	25,718	27,069	104,365	102,902
Average daily census	280	294	286	282
Percentage occupancy	66%	73%	66%	67%
Clinic visits	176,553	173,689	688,897	638,205
Day Surgeries	4,373	4,291	18,239	17,820
Affiliate cases	10,848	10,357	44,386	44,047

Volumes

Patient days decreased by 1,351 days (5%) and increased 1,463 days (1%), for the quarter and year ended December 31, 2013, compared to the same periods in 2012. Intensive care units decreased 127 days (2%) and 102 days (<1%) for the quarter and year ended December 31, 2013, compared to the same periods in 2012. Medical/surgical and observation days decreased 1,224 days (6%) and increased 1,565 days (2%) for the quarter and year ended December 31, 2013, compared to the same periods in 2012.

For the quarter and year ended December 31, 2013, clinic visits increased by 2,864 (2%) and 50,692 (8%) compared to the same periods in 2012. CMC clinic visits decreased by 7,009 (5%) and increased 4,873 (1%) for the quarter and year ended December 31, 2013, compared to the same periods in 2012. MyC clinic visits increased by 9,873 (32%) and 45,819 (47%) for the quarter and year ended December 31, 2013, compared to the same periods in 2012.

Day surgery cases increased by 82 (2%) and 419 (2%) for the quarter and year ended December 31, 2013, compared to the same periods in 2012. Operating room (OR) day surgery cases increased by 173 (7%) and 261 (2%) in the quarter and year ended December 31, 2013, compared to the same periods in 2012. The Pavilion Surgery Center (PSC) cases decreased by 91 (6%) and increased by 158 (2%) in the quarter and year ended December 31, 2013, compared to the same periods in 2012.

For the quarter and year ended December 31, 2013, Anesthesiologists for Children (AFC) cases totaled 9,403 and 36,367, respectively. AFC cases increased 728 (8%) and 1,430 (4%) for the quarter and year ended December 31, 2013, compared to the same periods in 2012. For the quarter and year ended December 31, 2013, Dallas Physicians Medical Services for Children (DPMSC) cases totaled 1,445 and 8,019, respectively. DPMSC cases decreased 237 (14%) and 1,091 (12%) for the quarter and year ended December 31, 2013, compared to the same periods in 2012.

Net Patient Service Revenue

Patient service revenue is derived from charges for services provided to patients. Physicians order all services provided to patients such as inpatient care and ancillary services, lab tests, drugs, radiology procedures, and surgical procedures. Children's records charges as revenue at the time the service is provided.

Children's has contractual agreements with third-party payers including managed care health plans, such as HMOs and PPOs, and government programs, such as Medicaid and the Children's Health Insurance Program (CHIP), which are both administered by the state of Texas. Payments from these payers are based on charges, fixed per diem rates, the costs of providing services, and discounts from established charges. Children's reports revenue at net realizable value after reflecting adjustments provided for in these contracts.

Children's provides financial counseling to assist patients with no third-party coverage to qualify for government programs. Children's records revenue for these patients at net realizable value based on historical qualification rates. Charges for patients that do not qualify for government assistance, but fall within Children's charity guidelines, are recorded as charity care and excluded from net patient service revenue.

Accounts receivable on Children's balance sheets is recorded net of allowances for contractual adjustments, doubtful accounts, and charity care.

The volume of inpatient, outpatient and day surgery patients, as well as the acuity or intensity of care required, drives the level of Children's revenue. Volumes in the intensive care unit have a disproportionately large influence on the level of revenue due to the very high acuity and resource consumption of these patients and because contractual arrangements provide an adequate level of reimbursement for these cases.

Expenses

Healthcare is a very labor-intensive industry. For the quarters ended December 31, 2013 and 2012, salaries and benefits were 48% and 60% of Children's operating expenses, respectively. Salaries and benefits were 52% and 56% of operating expenses for the years ended December 31, 2013 and 2012, respectively. The salaries and benefits expense category represents salaries for all employees and all employee benefits and payroll-related taxes.

Professional services, which includes the costs associated with residents and the cost of contract labor including medical administrative and physician coverage fees, were 12% and 4% of the operating expenses for the quarters ended December 31, 2013 and 2012, respectively. For the years ended December 31, 2013 and 2012, professional services were 10% and 9% of operating expenses, respectively.

The supplies and other expenses category represents the cost of supplies, pharmaceuticals, and services directly related to patient care. For the quarters ended December 31, 2013 and 2012, supplies and other expenses were 12% of operating expenses. For the years ended December 31, 2013 and 2012, supplies and other expenses were 11% of operating expenses.

The general support expense category represents non-clinical supply and service costs in areas such as information services, medical records, and billing and collections. For the quarters ended December 31, 2013 and 2012, general support expense was 22% and 17% of operating expenses, respectively. For the years ended December 31, 2013 and 2012, general support expense was 19% and 16% of operating expenses, respectively.

The depreciation and amortization expense category represents the cost of property and equipment and capital leases recognized over the estimated useful lives of the assets and terms of the leases. Depreciation expense, as a percentage of operating expenses, for the quarters and years ended December 31, 2013 and 2012, was 6%. Depreciation and amortization is computed using the straight-line method over a period of 3 to 40 years based on the asset classification or terms of the leases.

The interest expense category represents the cost of financing the outstanding bond issues, capital leases, and the purchase of the Pavilion building. Interest expense was 2% for the quarters ended December 31, 2013 and 2012. Interest expense was 2% and 3% for the years ended December 31, 2013 and 2012, respectively. For the year ended December 31, 2013, $0.4 million of interest was capitalized as compared to $0.5 million for the same period in 2012.

Results of Operations

Operating results available for reinvestment of $26.9 million for the quarter ended December 31, 2013, represents a $0.5 million increase over the same period in 2012. Operating results available for reinvestment for the year ended December 31, 2013, increased $31.0 million to $109.7 million, from the same period in 2012.

Net patient service revenue decreased $14.6 million (6%) for the quarter ended December 31, 2013, compared to the same period in 2012. The decrease was due primarily to reduced volumes versus the same quarter in 2012. For the year ended December 31, 2013, net patient service revenue increased $47.3 million (5%) over 2012. This increase was due primarily to an increase in volumes. Additional components of net patient service revenue are the provision for doubtful accounts, disproportionate share, and the Children's hospital graduate medical education program.

The provision for doubtful accounts represents the charges for patient services that are not recovered from patients that are deemed able to pay (and therefore do not qualify for Children's charity). These amounts include account balances from uninsured patients and unpaid deductible and co-pay amounts from insured patients. The provision for doubtful accounts increased $9.3 million (155%) for the quarter ended December 31, 2013, and decreased $0.5 million (1%) for the year ended December 31, 2013, when compared to the same periods in 2012. As a percentage of net patient service revenue, the provision for doubtful accounts was 4% for the year ended December 31, 2013 and 2012. For the quarters ended December 31, 2013 and 2012, the provision for doubtful accounts was 6% and 2% of net patient service revenue, respectively.

Children's portion of the Disproportionate Share Hospital Program (DSH) administered by the Texas Department of Human Services decreased $2.4 million (39%) for the quarter ended December 31, 2012, and $24 million (64%) for the year ended December 31, 2013, compared to the same periods in 2012. Under the program, local, state, and federal funds are accessed and distributed to hospitals providing a high volume of services to Medicaid and indigent patients.

The Children's Hospital Graduate Medical Education (CHGME) program receipts increased $0.8 million for the quarter and year ended December 31, 2013, respectively, as compared to the same periods in 2012.

Salaries and benefits decreased $18 1 million (12%) for the quarter ended December 31, 2013, and increased $0 7 million (<1%) for the year ended December 31, 2013, compared to the same periods in the prior year Salaries and benefits are 53% of net patient service revenue for the quarter ended December 31, 2013, compared to 57% for the same period in 2012 For the years ended December 31, 2013 and 2012, salaries and benefits were 52% and 54% of net patient service revenue, respectively

Professional services increased $23 5 million (266%) for the quarter ended December 31, 2013, and increased $26 million (31%) for the year ended December 31, 2013, compared to the same periods in 2012 As a percentage of net patient service revenue for the quarters ended December 31, 2013 and 2012, professional services were 13% and 3%, respectively For the years ended December 31, 2013 and 2012, professional services were 10% and 8% of net patient service revenue respectively

Supply costs increased $2 4 million (8%) for the quarter ended December 31, 2013, and $10 2 million (9%) for the year ended December 31, 2013, over the same periods in 2012 Supply costs as a percentage of net patient service revenue were 13% and 11% for the quarters ended December 31, 2013 and 2012, respectively For the years ended December 31, 2013 and 2012, supply costs as a percentage of net patient service revenue were 11%

General support increased $17 8 million (42%) for the quarter ended December 31, 2013, and $37 8 million (24%) for the year ended December 31, 2013, over the same periods in 2012 General support costs were 18% and 15% of net patient service revenue for the years ended December 31, 2013 and 2012, respectively, and 24% and 16% for the quarters ended December 31, 2013 and 2012 respectively This increase is primarily due to consulting fees and expenses related to Children's Population Health (CPH), Physicians Quality Alliance of North Texas (PQA) and the Health and Wellness Alliance for Children (H&W)

Depreciation and amortization expense increased $0 2 million (1%) for the quarter ended December 31, 2013, and $0 8 million (1%) for the year ended December 31, 2013, over the same periods in 2012 As a percentage of net patient service revenue, depreciation and amortization expense was 6% for the quarters and years ended December 31, 2013 and 2012

Interest expense increased $0 1 million (3%) for the quarter ended December 31, 2013, and decreased $7 4 million (29%) for the year ended December 31, 2013, compared to the same periods in 2012

Investment income (realized and unrealized investment gains and losses) was a gain of $40 3 million for the quarter ended December 31, 2013 and a gain of $10 8 million for the quarter ended December 31, 2012 For the year ended December 31, 2013, investment income was a gain of $105 0 million compared to a gain of $70 2 million for the year ended December 31, 2012 Market conditions drove the gains and losses in 2013 as well as in 2012

Liquidity and Capital Resources

Children's continues to enjoy strong financial liquidity, with cash and investments of $1 3 billion, at December 31, 2013, or 466 days of cash expenses

Net cash provided by operating and nonoperating activities was $145 5 million for the year ended December 31, 2013, compared to $166 9 million for the same period in 2012, primarily due to the decrease in other assets

Net cash used in investing activities was $100 8 million for the year ended December 31, 2013, compared to $70 8 million for the year ended December 31, 2012 This increase in investing activities is due to

expansion projects, which include the completion of Tower D floors 9 and 10, and ongoing projects such as the Heart Center, Pauline Allen Gill Center for Cancer and Blood Disorders, and Emergency Department Space Efficiency Renovation

Net cash provided in financing was $4 5 million for the year ended December 31, 2013, compared to net cash used in financing of $15 3 million for the same period in 2012 In 2013, Children's received proceeds from the issuance of debt with Urban Ventures in the amount of $10 2 million

Critical Accounting Policies and Estimates

The consolidated financial statements of Children's have been prepared in accordance with accounting principles generally accepted in the United States In preparing the financial statements, management makes estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods Management believes that, of the accounting policies that are most important to the portrayal of our financial condition and results of operations, the following accounting policies require management's most difficult, subjective, or complex estimates and assessments

Allowance for Contractual Discounts and Third-Party Settlements

Children's derives a significant portion of revenue from the Medicaid program, managed care organizations, and other governmental programs that receive discounts from standard charges The Medicaid regulations and various managed care contracts under which these discounts must be calculated are complex and are subject to interpretation and adjustment Children's estimates the allowance for contractual discounts on a payer-specific basis given its interpretation of the applicable regulations or contract terms However, the services authorized and provided, and the resulting reimbursement, are often subject to interpretation These interpretations sometimes result in payments that differ from Children's estimates

Children's is paid by the Medicaid and Medicare programs according to a cost-based reimbursement methodology under which an annual cost report is filed to report the cost of providing services and to settle the difference between the interim payments Children's receives and the actual cost The cost report is subject to administrative review and audit by third parties that sometimes results in adjustments to allowed cost Children's records such adjustments in the periods they become known, unless such adjustments are subject to dispute or further study by the fiscal intermediary

Allowance for Charity

As a part of CMC's mission of "making life better for children," Children's cares for all children in the North Texas region regardless of their ability to pay Many children enter Children's facilities without access to third-party coverage, and Children's works with the families to qualify them for coverage under various government programs The application process for these programs can be time-consuming and complicated Not all families qualify for programs, and some do not comply fully with the application process Children's estimates the allowance for charity for patients with no third-party coverage, who may be eligible for government programs, based on historical experience Changes in family compliance and qualification rates could result in charity levels different from estimates

Allowance for Doubtful Accounts

Children's primary collection risk lies with uninsured patient accounts and deductibles, co-payments or other amounts due from individual patients. The allowance for doubtful accounts is estimated based primarily upon the age of patient accounts, the patient's financial classification, and the effectiveness of the collection efforts. Children's routinely monitors the accounts receivable balances and utilizes historical collection experience to support the basis for the estimates of the provision for doubtful accounts. Significant changes in payer mix or business office operations could have a significant impact on the results of operations and cash flows.

Professional Liability Reserves

Given the nature of Children's operating environment, it is subject to medical malpractice lawsuits and other claims. To mitigate a portion of this risk, Children's maintains insurance for individual malpractice claims and for aggregate claims exposure. Children's insurance program changes occasionally according to market factors and its unique risk factors. Children's retains certain levels of exposure related to the insurance program in some years and must estimate the level of reserves necessary for this retained risk. Reserves for professional liability risks are based upon historical claims data, demographic factors, severity factors and other actuarial assumptions as determined by an independent actuary. The estimated accrual for professional and general liability claims could be significantly affected should current and future occurrences differ from historical claims trends.

Pension Liability and Disclosures

Children's maintains a defined benefit pension plan for its employees. Employees hired after December 24, 2006, are ineligible for this program. Annual expense, liability, and benefit obligations are determined actuarially. The actuarial calculations require estimates of an appropriate discount rate, long-term investment return rate, and employee compensation increase rate. Changes in these estimates can have a significant impact in determining annual expense, benefit obligations, and the need to reflect a liability for pension obligations. In 2012, Children's increased the discount rate from 4.20% to 4.95% to reflect market changes.

The Plan was amended generally effective January 1, 2012, to (1) offer a one-time, lump-sum cash out opportunity in 2012 to terminated vested participants, (2) provide an automatic rollover distribution for participants who terminate employment on or after July 1, 2012, with a Vested Accrued Benefit that exceeds $1,000 but is less than or equal to $5,000 and who do not elect to receive a lump-sum distribution upon termination, and (3) offer a lump-sum distribution upon termination for participants who terminate on or after July 1, 2012, with a Vested Retirement Benefit of more than $5,000. Eligible participant election of the one-time, lump-sum cash out opportunity resulted in a one-time expense of $11.3 million in 2012.

The decision was made to curtail the accrual of benefits for all active participants of the Plan as of December 31, 2013, and to increase matching contributions under the Children's Medical Center 401(a) Employee Savings Plan (Savings Plan) beginning in 2014. The Savings Plan will become the primary retirement program for all employees, it offers a common matching scale for all participants and normalizes Children's retirement contribution for all employees.

Estimates

The estimates, judgments and assumptions used under "Allowance for Contractual Discounts and Third-party Settlements," "Allowance for Charity," "Allowance for Doubtful Accounts," "Professional Liability Reserves," and "Pension Liability and Disclosures" are believed by management to be reasonable, but these involve inherent uncertainties as described above, which may or may not be controllable by management As a result, the accounting for such items could result in different amounts if management used different assumptions or if different conditions occur in future periods

Off-Balance Sheet Financing

Children's does not have any debt or material guarantee obligations that are not reflected on the accompanying consolidated balance sheets and does not have an ownership stake in any special purpose entities

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I, Christopher J. Durovich, certify that:

1. I have reviewed the Year End 2013 Financial Statements of Children's Health Services of Texas (CHST);

2 Based on my knowledge, these financial statements do not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by these financial statements

3. Based on my knowledge, the financial statements, and other financial information included with the financial statements, fairly present in all material respects the financial condition, results of operations and cash flows of CHST as of, and for, the periods presented in these financial statements.

4. CHST's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures for CHST and have.

    a) designed such disclosure controls and procedures to ensure that material information relating to CHST, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which these financial statements are being prepared.

5. CHST's other certifying officer and I have disclosed, based on our most recent evaluation, to CHST's auditors and the Audit Committee of CHST:

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect CHST's ability to record, process, summarize and report financial data and have identified for CHST's auditors any material weaknesses in internal controls;

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in CHST's internal controls; and

6. CHST's other certifying officer and I have indicated in these financial statements whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 16, 2014

Christopher J Durovich
President and Chief Executive Officer

1935 Medical District Drive Dallas, Texas 75235
tel | 214 456 7000 web | www.childrens.com

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I, David Eager, certify that:

1. I have reviewed the Year End 2013 Financial Statements of Children's Health Services of Texas (CHST);

2. Based on my knowledge, these financial statements do not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by these financial statements.

3. Based on my knowledge, the financial statements, and other financial information included with the financial statements, fairly present in all material respects the financial condition, results of operations and cash flows of CHST as of, and for, the periods presented in these financial statements.

4. CHST's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures for CHST and have.

    a) designed such disclosure controls and procedures to ensure that material information relating to CHST, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which these financial statements are being prepared.

5. CHST's other certifying officer and I have disclosed, based on our most recent evaluation, to CHST's auditors and the Audit Committee of CHST:

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect CHST's ability to record, process, summarize and report financial data and have identified for CHST's auditors any material weaknesses in internal controls;

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in CHST's internal controls; and

6. CHST's other certifying officer and I have indicated in these financial statements whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 16, 2014

David Eager
Senior Vice President and Chief Financial Officer

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Community Health Implementation Strategy 2013

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Introduction

Children's Medical Center (Children's) is a private, not-for-profit entity that operates the seventh-largest pediatric health care provider in the United States. As the only academic health care facility in North Texas dedicated exclusively to the comprehensive care of children from birth to age 18, Children's provides pediatric patient care ranging from simple eye exams to specialized treatment in areas such as heart disease, hematology-oncology and cystic fibrosis.

In addition, Children's is a major pediatric kidney, liver, intestine, heart and bone marrow transplant center. As the primary pediatric teaching facility for The University of Texas Southwestern Medical Center, the medical staff at Children's conducts research that is instrumental in developing treatments, therapies and greater understanding of pediatric diseases.

The Children's system is licensed for 595 beds and has more than 50 subspecialty programs spanning two campuses – the main hospital in Dallas and a second full-service hospital in Plano. Combined, the two facilities serve children through more than 700,000 patient encounters annually. Children's was the first pediatric hospital in Dallas designated as a Level I Trauma Center.

"We work to make life better for children."

Children's provides care through over 50 pediatric specialty programs. The programs include, but are not limited to:

- After the Cancer Experience (ACE)
- AIDS and HIV (ARMS)
- Allergy and Immunology
- Analytical Imaging and Modeling Center (AIM)
- Asthma Education
- Asthma Management Program
- Audiology
- Autism Center for Autism and Developmental Disabilities
- Center for Cancer and Blood Disorders
- Cochlear Implantation
- Critical Care Services
- Cystic Fibrosis
- Diabetes
- Diagnostic and Consultation Clinic
- Down Syndrome
- Eating Disorder Services
- Epilepsy Center
- Family-Focused Center for Deaf and Hard of Hearing Children (FFC)
- Feeding Disorders
- Genetics
- Hand and Upper Extremity Clinic
- Heart Center
- Maternal Fetal Medicine
- Neuro-Oncology
- Plastic and Craniofacial Surgery
- Psychiatry and Psychological Services
- Pulmonary Function Laboratory
- Stem Cell Transplant
- Trauma

Identifying Health Needs

A community health needs assessment (CHNA) was conducted by Children's in the summer of 2013. Community input was provided by Advisory Board members for the 2012 and 2013 *Beyond ABC* reports and Children's participation in the Regional Healthcare Partnership (RHP) Plans for Regions 9 and 10. In addition, secondary data was compiled from demographic and socioeconomic sources as well as national, state and local sources of information on disease prevalence, health indicators, health equity and mortality. This data was analyzed and reviewed to identify health issues of uninsured persons, low-income persons and minority groups and the community as a whole.

To validate the prioritized needs, Children's administrative team summarized and reviewed the priorities identified in the *2012 and 2013 Beyond ABC* reports and the RHP Plans considering the identified needs and the magnitude of their impact on the community and alignment with Children's Mission and Strategic Plan. The amount of resources required to address the issue and the hospital's ability to impact each issue were also considered. The summarized list of identified needs is included in the Appendix.

The identified health needs were reviewed and priority areas on which the hospital has decided to focus its resources and integrate into strategic and operational plans are included below.

PRIORITY: Access to Care/Appropriate Utilization of Emergency Services

Goal 1: Expand Services at MyChildren's Clinics

Strategies:

A. Expand capacity of pediatric primary care by opening additional clinics which provide medical homes for children with complex chronic illnesses.

B. Expand pediatric primary care capacity by expanding hours of operation to include nights and weekends at MyChildren's Clinics and to establish a 24 hour RN triage telephone service.

C. Establish pediatric urgent care services on the Children's Medical Center Dallas campus.

D. Implement telemedicine to connect to school settings and pediatricians.

E. Enhance service availability to appropriate levels of behavioral health by expanding pediatric behavioral health capacity in primary care settings to align and coordinate care for behavioral and medical illnesses.

Goal 2: Enhance/Expand Medical Homes

Strategies:

A. Develop, implement and spread across CMC pediatric care centers a medical home team-approach to care, transforming the existing fee-for-service delivery system from a reactive, fragmented approach to a proactive, comprehensive approach to improving the health of the population

B. Implement the effective use of IT systems, including patient identification, risk adjustment/analysis/scoring, predictive modeling, data warehousing, gaps in care alert system, provider profiling, outcomes measurement and reporting system capable of aggregating data at the individual patient level, chronic disease, pediatric physician panel, clinic and system-wide level

C. Build, implement and spread a health promotion and education program through the establishment of health resource centers

Goal 3: Facilitate the Use of Appropriate Utilization of Services

Strategies:

A. Utilize high-intensity, culturally appropriate care management system for Medicaid and safety net children and families

B. Develop standardized approach to transition adolescents with special health needs or at risk for loss of medical services

PRIORITY: Prevention and Management of Chronic Diseases

Goal 1: Implement Chronic Disease Management Program

Strategies:

A. Expand Children's certified disease management programs capacity to treat more patients and to provide infrastructure needed to accomplish standardized, evidence based chronic illness management in the primary care setting and implement the infrastructure that supports patient population health, panel management and coordination of care

B. Design care coordination strategies that optimize care across a continuum including home, school and community settings

C. Design culturally appropriate patient/family self –management programs for chronic illness management

D. Incorporate electronic registries, predictive modeling, decision support and social awareness systems that are pediatric-specific and family focused into team-based practice settings

E. Incorporate and maintain evidence-based standards in the pediatric disease management programs

F. Design and implement pediatric community-based resource centers for joint patient/family education and behavior change programs. opportunities for patients/families to learn from each other and the creation of support networks for providers. patients and families

G. Participate in community-wide collaborative programs such as Dallas Area Coalition to Prevent Childhood Obesity and Immunize Kids! Dallas Area Partnership

Goal 2: Implement Evidence-based Health Promotion Program

Strategies:

A. Integrate fragmented individual community health improvement activities into organized set of evidence-based interventions for conditions such as asthma and diabetes

B. Work with agencies and organizations through a formal steering committee to align and coordinate community-based prevention and wellness activities in the focused areas of asthma and diabetes to improve the health and self-management of children and their families

PRIORITY: Improve Education and Economic Security Indicators for Children

Goal 1: Education

Strategies:

A. Implement telemedicine to connect to school settings and pediatricians

B. Participate in school-sponsored career day events

C. Provide resources for two full-time Dallas Independent School District Teachers at Children's Medical Center

D. Engage and coordinate volunteers to read to children waiting in My Children's waiting rooms

Goal 2: Healthy Nutrition and Food Security

Strategies:

A. Support Summer Meals Program at My Children's by partnering with Baylor Sociology Department and North Texas Food Bank

PRIORITY: Support and Expand Infrastructure for Public Health

Goal 1: Enhance Public Health Surveillance to Promote Individual and Population Health

Strategies:

A. Invest in IT infrastructure and personnel to gather and track data to effectively manage population health

B. Distribute fresh produce at My Children's Bachman Lake location

PRIORITY: Child Advocacy and Safety

Goal 1: Continue Advocacy Efforts for Children

Strategies:

A. Expand personnel who respond to abused children through Children's REACH (Referral and Evaluation of At Risk Children) Clinic

B. Continue to partner with Legal to defend and protect abused and neglected children

C. Coalition for North Texas Children

D. Maintain vocal presence in legislative affairs on the local, state and federal level

Goal 2: Prevention of Injuries and Accidental Deaths

Strategies:

A. Participate in the Dallas Safe Kids Coalition to prevent injury and childhood accidents

B. Participate in coaches clinics to provide education regarding prevention of sports injuries

C. Provide outreach programs to the community regarding car safety which offer child safety seat inspections at area retailers so parents can ensure their children are buckled up appropriately

D. Provide outreach programs to the community regarding water safety such as "Know Before You Go" Programs spreads the message that every drowning is preventable

Needs Not Addressed

Some issues identified through the CHNA have not been addressed in this plan In initial discussion and subsequent prioritization, Children's Medical Center Needs Assessment Team considered the levels to which some needs were already being addressed in the service area Additionally, some community needs fall out of the scope of expertise and resources of Children's Medical Center The following chart outlines how some of the needs identified in the assessment are addressed by others or in different ways

Community Need	How Need is Addressed
Safe and Affordable Housing **Palliative Care Capacity/Need for Increased Geriatric, Long-Term, and Home Care Resources** **Discourage Elective Deliveries/Increase the Percentage of Women Who Receive Prenatal Care** **Provide Comprehensive Sexuality Education/ High Incidence of STDs in RHP Region 10** **Protect Green Spaces, Add Bike Lanes and Improve Access to Parks.**	Our priorities were established based on unmet community health needs as they intersect with our mission and key clinical strengths There are community and state agencies that have greater expertise in housing, palliative care, prenatal care, sex education and protecting green spaces in our community At this time, these issues have not been incorporated into our community benefit plan because we do not have the infrastructure, expertise or funding needed to have a significant impact in these areas

Next Steps

Children's CHNA Team initiated the development of implementation strategies for each health priority identified through the assessment process This Implementation Strategy reflects responses that have will be rolled out over the next year The Team will work with community partners and health issue experts on the following for each of the approaches to addressing the identified health needs

- Develop work plans to support effective implementation
- Create mechanisms to monitor and measure outcomes
- Develop a report card to provide on-going status and results of these efforts to improve community health

Children's Medical Center is committed to conducting another health needs assessment within three years

APPENDIX

Children's Medical Center
Summary of Identified Needs

Identified needs which Children's Medical Center will investigate and consider during the development of the Implementation Strategy for 2014 to 2016

Beyond ABC-Dallas County	RHP - Region 9	Beyond ABC - Collin County	RHP - Region 18	RHP - Region 10
Access to Care/Appropriate Utilization of Emergency Services				
Encourage more widespread assessment of young children for special needs, including mental health issues, to prevent more serious problems later	Behavioral Health design and capacity	Increase the capacity of services for mental health and substance abuse treatment for children and youth	Behavioral Health- all components - all ages	Lack of Access to Mental Health Services
			Co-morbid medical and behavioral health conditions - all ages	Insufficient integration of mental health care in the primary care medical care system
	Primary and Specialty Care capacity		Primary Care - children	Shortage of Primary Care Services
			Primary Care - adults	
			Health professions shortage	
		Ensure that Texas Medicaid and CHIP Systems work effectively		Lack of access to health care due to financial barriers/Lack of affordable health care
	Emergency Department over use		Urgent and Emergency Care	Overuse of Emergency Department Services
	Oral Health capacity	Increase access to health and dental services for children and pregnant women through outreach and health education programs		Lack of Dental Care
		Ensure that every county has at least one health care provider who will treat pregnant women on Medicaid	Other special populations at-risk	Need to address geographic barriers that impede access to care
				Need for more culturally competent care to address unmet needs
Prevention and Management of Chronic Diseases				
The immunization rate for children should be no less than 90 percent		Coordinate immunization efforts and strengthen the use of the state's central immunization registry		
Promote the establishment of more medical homes	Chronic Disease Management	Protect and add to funding for preventive health care programs	Diabetes	Necessity of patient education programs
		Ensure the implementation of the State's approved school health programs in all public schools and increase student physical activities	Obesity and its co-morbid risk factors	Need for more education, resources and promotion of healthy lifestyles (free and safe places to exercise, health screenings, health education, healthy environments, etc.)
			Cardiovascular disease	
	Inpatient Readmissions	Mobilize Faith Groups, Civic Leaders and volunteers to assist low-income families	Preventable acute care admissions	
		Improve air quality in the North Texas Corridor		
		Make Air Quality Measurement a priority in all communities that have heavy industry and/or more than 10,000 residents		
		Establish uniformity in communities non smoking ordinances		

Improve Education and Economic Security Indicators for Children

Encourage dual-generation early childhood education for parents and children, especially for those from low-income homes and from homes where English is not the first language

Expand meal programs to all eligible public schoolchildren, and to make sure that parents understand how good nutrition leads to success in education

Encourage development of supermarkets in food deserts and increase the availability of healthy foods, including fresh fruits and vegetables in low-income areas

Lack of access to healthy foods

Support and Expansion of Infrastructure for Public Health

Enhance the public health infrastructure especially in rural areas

Improved public health surveillance to promote individual and population health

Inadequate health IT infrastructure

Child Safety

Increase awareness for the need for more foster homes in Dallas County

Increase the number of specialty courts handling juveniles justice cases

Identified Needs Not Addressed

Increase the county's stock of safe, affordable housing units in neighborhoods where children can be unafraid to walk or play outdoors

Establish partnerships between schools and businesses to help train and educate a skilled workforce that contributes to the tax base

Palliative Care capacity

Patient Safety/Hospital Acquired Conditions

Discourage elective deliveries

Increase the percentage of women who receive prenatal care

Provide comprehensive sexuality education

Protect green spaces, add bike lanes and improve access to parks

Ask Congress to fund Graduate Medical Education

Prenatal care

Elderly at home, and nursing home patients

Communicable disease

Need for increased geriatric, long-term, and home care resources

Higher incidence rates of syphilis and chlamydia

Need for more and earlier onset of prenatal care

High tuberculosis (TB) prevalence