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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](http://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>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization Phoenix Children's Hospital		<b>D</b> Employer identification number 86-0422559
	Doing Business As		<b>E</b> Telephone number (602) 512-8132
	Number and street (or P O box if mail is not delivered to street address) Room/suite 1919 E THOMAS ROAD Suite		
	City or town, state or province, country, and ZIP or foreign postal code PHOENIX, AZ 85016		<b>G</b> Gross receipts \$ 838,693,194
<b>F</b> Name and address of principal officer Robert L Meyer Same as C above PHOENIX, AZ 85015		<b>H(a)</b> Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>H(b)</b> Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number	
<b>I</b> Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
<b>J</b> Website: WWW.PHOENIXCHILDRENS.COM			
<b>K</b> Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other		<b>L</b> Year of formation 1983	<b>M</b> State of legal domicile AZ

### Part I Summary

<b>Activities &amp; Governance</b>	<b>1</b> Briefly describe the organization's mission or most significant activities WE PROVIDE HOPE, HEALING AND THE BEST HEALTHCARE FOR CHILDREN AND THEIR FAMILIES		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a)	<b>3</b>	14
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b)	<b>4</b>	12
	<b>5</b> Total number of individuals employed in calendar year 2013 (Part V, line 2a)	<b>5</b>	4,243
	<b>6</b> Total number of volunteers (estimate if necessary)	<b>6</b>	637
<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12	<b>7a</b>	0	
<b>b</b> Net unrelated business taxable income from Form 990-T, line 34	<b>7b</b>		
<b>Revenue</b>	<b>8</b> Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	<b>9</b> Program service revenue (Part VIII, line 2g)	9,772,265	11,199,117
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d)	653,054,533	638,264,617
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	559,519	5,700,926
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	0	0
		663,386,317	655,164,660
	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1-3)	300,200	321,700
<b>Expenses</b>	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	301,141,820	307,062,667
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) $\rightarrow$ 0		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	332,893,435	315,928,276
	<b>18</b> Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	634,335,455	623,312,643
<b>19</b> Revenue less expenses Subtract line 18 from line 12	29,050,862	31,852,017	
<b>Net Assets or Fund Balances</b>		Beginning of Current Year	End of Year
	<b>20</b> Total assets (Part X, line 16)	968,266,292	1,051,324,162
	<b>21</b> Total liabilities (Part X, line 26)	770,293,399	772,228,687
<b>22</b> Net assets or fund balances Subtract line 21 from line 20	197,972,893	279,095,475	

### 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.

<b>Sign Here</b>	Signature of officer	Date			
	DENNIS V BRUNS VP, FINANCE	2014-11-04			
<b>Paid Preparer Use Only</b>	Print/Type preparer's name BRENDA D GRIESEMER	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN P00264669
	Firm's name $\rightarrow$ ERNST & YOUNG US LLP	Firm's EIN $\rightarrow$			
	Firm's address $\rightarrow$ TWO NORTH CENTRAL AVENUE STE 2300 PHOENIX, AZ 85004	Phone no			

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  Yes  No

**1** Briefly describe the organization's mission  
WE PROVIDE HOPE, HEALING AND THE BEST HEALTHCARE FOR CHILDREN AND THEIR FAMILIES

**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 \$ 504,331,499 including grants of \$ 321,700 ) (Revenue \$ 638,264,617 )  
SEE SCHEDULE O

**4b** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

**4c** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

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

**4e Total program service expenses** 504,331,499

**Part IV Checklist of Required Schedules**

	Yes	No
<b>1</b> Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	Yes	
<b>2</b> Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	Yes	
<b>3</b> Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		No
<b>4 Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>	Yes	
<b>5</b> 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? <i>If "Yes," complete Schedule C, Part III</i>		No
<b>6</b> 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? <i>If "Yes," complete Schedule D, Part I</i>		No
<b>7</b> Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		No
<b>8</b> Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		No
<b>9</b> 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? <i>If "Yes," complete Schedule D, Part IV</i>		No
<b>10</b> Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>	Yes	
<b>11</b> 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		
<b>a</b> Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	Yes	
<b>b</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? <i>If "Yes," complete Schedule D, Part VII</i>		No
<b>c</b> 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? <i>If "Yes," complete Schedule D, Part VIII</i>		No
<b>d</b> 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? <i>If "Yes," complete Schedule D, Part IX</i>		No
<b>e</b> Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	Yes	
<b>f</b> 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)? <i>If "Yes," complete Schedule D, Part X</i>	Yes	
<b>12a</b> Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>		No
<b>b</b> Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	Yes	
<b>13</b> Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		No
<b>14a</b> Did the organization maintain an office, employees, or agents outside of the United States?		No
<b>b</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? <i>If "Yes," complete Schedule F, Parts I and IV</i>		No
<b>15</b> 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? <i>If "Yes," complete Schedule F, Parts II and IV</i>		No
<b>16</b> 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? <i>If "Yes," complete Schedule F, Parts III and IV</i>		No
<b>17</b> 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? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>		No
<b>18</b> Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		No
<b>19</b> Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		No
<b>20a</b> Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	Yes	
<b>b</b> If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	Yes	

**Part IV Checklist of Required Schedules** *(continued)*

<b>21</b>	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? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . . <input checked="" type="checkbox"/>	<b>21</b>	Yes	
<b>22</b>	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? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . . <input checked="" type="checkbox"/>	<b>22</b>		No
<b>23</b>	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . . <input checked="" type="checkbox"/>	<b>23</b>	Yes	
<b>24a</b>	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i> . . . . . <input checked="" type="checkbox"/>	<b>24a</b>	Yes	
<b>b</b>	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . . .	<b>24b</b>		No
<b>c</b>	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	<b>24c</b>		No
<b>d</b>	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . . .	<b>24d</b>		No
<b>25a</b>	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . . <input checked="" type="checkbox"/>	<b>25a</b>		No
<b>b</b>	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . . <input checked="" type="checkbox"/>	<b>25b</b>		No
<b>26</b>	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? <i>If so, complete Schedule L, Part II</i> . . . . . <input checked="" type="checkbox"/>	<b>26</b>		No
<b>27</b>	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . . <input checked="" type="checkbox"/>	<b>27</b>		No
<b>28</b>	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)			
<b>a</b>	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . . <input checked="" type="checkbox"/>	<b>28a</b>		No
<b>b</b>	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . . <input checked="" type="checkbox"/>	<b>28b</b>	Yes	
<b>c</b>	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . . <input checked="" type="checkbox"/>	<b>28c</b>		No
<b>29</b>	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	<b>29</b>		No
<b>30</b>	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	<b>30</b>		No
<b>31</b>	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	<b>31</b>		No
<b>32</b>	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	<b>32</b>		No
<b>33</b>	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . . <input checked="" type="checkbox"/>	<b>33</b>	Yes	
<b>34</b>	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . . <input checked="" type="checkbox"/>	<b>34</b>	Yes	
<b>35a</b>	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	<b>35a</b>	Yes	
<b>b</b>	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . . <input checked="" type="checkbox"/>	<b>35b</b>	Yes	
<b>36</b>	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . . <input checked="" type="checkbox"/>	<b>36</b>		No
<b>37</b>	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> <input checked="" type="checkbox"/>	<b>37</b>		No
<b>38</b>	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	<b>38</b>	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
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable . . . . . <b>1a</b> 741		
<b>1b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable . . . . . <b>1b</b> 0		
<b>1c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? . . . . . <b>1c</b> Yes	Yes	
<b>2a</b>	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 . . . . . <b>2a</b> 4,243		
<b>2b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions) . . . . . <b>2b</b> Yes	Yes	
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year? . . . . . <b>3a</b>		No
<b>3b</b>	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O . . . . . <b>3b</b>		
<b>4a</b>	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)? . . . . . <b>4a</b>		No
<b>b</b>	If "Yes," enter the name of the foreign country <input type="text"/> See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts . . . . .		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . . . . <b>5a</b>		No
<b>5b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? . . . . . <b>5b</b>		No
<b>5c</b>	If "Yes," to line 5a or 5b, did the organization file Form 8886-T? . . . . . <b>5c</b>		
<b>6a</b>	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? . . . . . <b>6a</b>		No
<b>6b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? . . . . . <b>6b</b>		
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
<b>a</b>	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? . . . . . <b>7a</b>		No
<b>7b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided? . . . . . <b>7b</b>		
<b>7c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? . . . . . <b>7c</b>		No
<b>7d</b>	If "Yes," indicate the number of Forms 8282 filed during the year . . . . . <b>7d</b>		
<b>7e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? . . . . . <b>7e</b>		No
<b>7f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . . . . . <b>7f</b>		No
<b>7g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? . . . . . <b>7g</b>		
<b>7h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? . . . . . <b>7h</b>		
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? . . . . . <b>8</b>		
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>		
<b>9a</b>	Did the organization make any taxable distributions under section 4966? . . . . . <b>9a</b>		
<b>9b</b>	Did the organization make a distribution to a donor, donor advisor, or related person? . . . . . <b>9b</b>		
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter		
<b>10a</b>	Initiation fees and capital contributions included on Part VIII, line 12 . . . . . <b>10a</b>		
<b>10b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities . . . . . <b>10b</b>		
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter		
<b>11a</b>	Gross income from members or shareholders . . . . . <b>11a</b>		
<b>11b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them) . . . . . <b>11b</b>		
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041? . . . . . <b>12a</b>		
<b>12b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year . . . . . <b>12b</b>		
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>13a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O . . . . . <b>13a</b>		
<b>13b</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 . . . . . <b>13b</b>		
<b>13c</b>	Enter the amount of reserves on hand . . . . . <b>13c</b>		
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year? . . . . . <b>14a</b>		No
<b>14b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O . . . . . <b>14b</b>		

**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
<b>1a</b>	Enter the number of voting members of the governing body at the end of the tax year . . . . .		
	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>1b</b>	Enter the number of voting members included in line 1a, above, who are independent . . . . .		
<b>2</b>	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? . . . . .		No
<b>3</b>	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? . . . . .		No
<b>4</b>	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .		No
<b>5</b>	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .		No
<b>6</b>	Did the organization have members or stockholders? . . . . .	Yes	
<b>7a</b>	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? . . . . .	Yes	
<b>7b</b>	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .	Yes	
<b>8</b>	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
<b>8a</b>	a The governing body? . . . . .	Yes	
<b>8b</b>	b Each committee with authority to act on behalf of the governing body? . . . . .	Yes	
<b>9</b>	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 . . . . .		No

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

		Yes	No
<b>10a</b>	Did the organization have local chapters, branches, or affiliates? . . . . .		No
<b>10b</b>	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?		
<b>11a</b>	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? . . . . .	Yes	
	b Describe in Schedule O the process, if any, used by the organization to review this Form 990 . . . . .		
<b>12a</b>	Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	Yes	
<b>12b</b>	b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	Yes	
<b>12c</b>	c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . .	Yes	
<b>13</b>	Did the organization have a written whistleblower policy? . . . . .	Yes	
<b>14</b>	Did the organization have a written document retention and destruction policy? . . . . .	Yes	
<b>15</b>	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?		
<b>15a</b>	a The organization's CEO, Executive Director, or top management official . . . . .	Yes	
<b>15b</b>	b Other officers or key employees of the organization . . . . .	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)		
<b>16a</b>	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .		No
<b>16b</b>	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? . . . . .		

**Section C. Disclosure**

- 17** List the States with which a copy of this Form 990 is required to be filed **AZ**
- 18** Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.  
 Own website  Another's website  Upon request  Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization  
**Dennis Bruns 1919 E THOMAS RD  
 Phoenix, AZ 85016 (602) 512-8132**





**Part VIII Statement of Revenue**

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

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512-514	
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>	<b>1a</b>	Federated campaigns . . . . . <b>1a</b>					
	<b>b</b>	Membership dues . . . . . <b>1b</b>					
	<b>c</b>	Fundraising events . . . . . <b>1c</b>	0				
	<b>d</b>	Related organizations . . . . . <b>1d</b>	11,199,117				
	<b>e</b>	Government grants (contributions) <b>1e</b>					
	<b>f</b>	All other contributions, gifts, grants, and similar amounts not included above <b>1f</b>					
	<b>g</b>	Noncash contributions included in lines 1a-1f \$ <b>1g</b>	0				
	<b>h</b>	<b>Total.</b> Add lines 1a-1f . . . . . <b>1h</b>	11,199,117				
<b>Program Service Revenue</b>	<b>2a</b>	NET PATIENT SERVICE REVENUE	622110	629,515,797	629,515,797	0	
	<b>b</b>	Other operating revenue	900099	5,945,234	5,945,234	0	
	<b>c</b>	Research revenue	541700	2,803,586	2,803,586	0	
	<b>d</b>						
	<b>e</b>						
	<b>f</b>	All other program service revenue					
	<b>g</b>	<b>Total.</b> Add lines 2a-2f . . . . . <b>2g</b>		638,264,617			
<b>Other Revenue</b>	<b>3</b>	Investment income (including dividends, interest, and other similar amounts) . . . . . <b>3</b>		6,320,110		6,320,110	
	<b>4</b>	Income from investment of tax-exempt bond proceeds . . . . . <b>4</b>		0			
	<b>5</b>	Royalties . . . . . <b>5</b>		0			
	<b>6a</b>	Gross rents	(i) Real				
			(ii) Personal				
			<b>b</b> Less rental expenses				
			<b>c</b> Rental income or (loss)	0	0		
	<b>d</b>	Net rental income or (loss) . . . . . <b>6d</b>		0			
	<b>7a</b>	Gross amount from sales of assets other than inventory	(i) Securities	165,030,262	17,879,088		
			(ii) Other				
			<b>b</b> Less cost or other basis and sales expenses	166,490,108	17,038,426		
			<b>c</b> Gain or (loss)	-1,459,846	840,662		
	<b>d</b>	Net gain or (loss) . . . . . <b>7d</b>		-619,184		-619,184	
	<b>8a</b>	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . . <b>8a</b>					
	<b>b</b>	Less direct expenses . . . . . <b>8b</b>					
<b>c</b>	Net income or (loss) from fundraising events . . . . . <b>8c</b>		0				
<b>9a</b>	Gross income from gaming activities See Part IV, line 19 . . . . . <b>9a</b>						
<b>b</b>	Less direct expenses . . . . . <b>9b</b>						
<b>c</b>	Net income or (loss) from gaming activities . . . . . <b>9c</b>		0				
<b>10a</b>	Gross sales of inventory, less returns and allowances . . . . . <b>10a</b>						
<b>b</b>	Less cost of goods sold . . . . . <b>10b</b>						
<b>c</b>	Net income or (loss) from sales of inventory . . . . . <b>10c</b>		0				
	Miscellaneous Revenue	Business Code					
<b>11a</b>							
<b>b</b>							
<b>c</b>							
<b>d</b>	All other revenue . . . . . <b>11d</b>						
<b>e</b>	<b>Total.</b> Add lines 11a-11d . . . . . <b>11e</b>		0				
<b>12</b>	<b>Total revenue.</b> See Instructions . . . . . <b>12</b>		655,164,660	638,264,617	0	5,700,926	

**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
<b>1</b>	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21	321,700	321,700		
<b>2</b>	Grants and other assistance to individuals in the United States. See Part IV, line 22	0	0		
<b>3</b>	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16	0	0		
<b>4</b>	Benefits paid to or for members	0	0		
<b>5</b>	Compensation of current officers, directors, trustees, and key employees	8,566,440	0	8,566,440	0
<b>6</b>	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0	0	0	0
<b>7</b>	Other salaries and wages	242,687,925	213,588,495	29,099,430	0
<b>8</b>	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	6,884,830	5,209,910	1,674,920	0
<b>9</b>	Other employee benefits	33,175,149	28,538,554	4,636,595	0
<b>10</b>	Payroll taxes	15,748,323	13,772,610	1,975,713	0
<b>11</b>	Fees for services (non-employees)				
<b>a</b>	Management	0	0	0	0
<b>b</b>	Legal	1,752,144	38,587	1,713,557	0
<b>c</b>	Accounting	468,500	0	468,500	0
<b>d</b>	Lobbying	221,516	221,516	0	0
<b>e</b>	Professional fundraising services. See Part IV, line 17	0			0
<b>f</b>	Investment management fees	0	0	0	0
<b>g</b>	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	56,437,740	44,554,548	11,883,192	0
<b>12</b>	Advertising and promotion	2,437,571	277,448	2,160,123	0
<b>13</b>	Office expenses	101,009,666	98,482,962	2,526,704	0
<b>14</b>	Information technology	5,625,752	1,789,417	3,836,335	0
<b>15</b>	Royalties	0			0
<b>16</b>	Occupancy	8,271,272	3,505,548	4,765,724	0
<b>17</b>	Travel	55,979	51,310	4,669	0
<b>18</b>	Payments of travel or entertainment expenses for any federal, state, or local public officials	0	0	0	0
<b>19</b>	Conferences, conventions, and meetings	3,870,568	2,524,870	1,345,698	0
<b>20</b>	Interest	27,309,203	0	27,309,203	0
<b>21</b>	Payments to affiliates	0	0	0	0
<b>22</b>	Depreciation, depletion, and amortization	45,075,652	34,109,790	10,965,862	0
<b>23</b>	Insurance	7,774,775	7,373,807	400,968	0
<b>24</b>	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)				
<b>a</b>	MISSION SUPPORT/PROVIDER TAX	38,571,074	38,571,074		
<b>b</b>	Equipment costs	12,471,723	9,178,592	3,293,131	0
<b>c</b>	RECRUITMENT	1,263,329	0	1,263,329	0
<b>d</b>	LICENSES AND TAXES	809,113	0	809,113	0
<b>e</b>	All other expenses	2,502,699	2,220,761	281,938	
<b>25</b>	<b>Total functional expenses.</b> Add lines 1 through 24e	623,312,643	504,331,499	118,981,144	0
<b>26</b>	<b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)	0			

**Part X Balance Sheet**

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

		(A)		(B)
		Beginning of year		End of year
<b>Assets</b>	<b>1</b> Cash—non-interest-bearing . . . . .	111,089,302	<b>1</b>	63,087,404
	<b>2</b> Savings and temporary cash investments . . . . .	1,008,477	<b>2</b>	1,009,991
	<b>3</b> Pledges and grants receivable, net . . . . .	0	<b>3</b>	0
	<b>4</b> Accounts receivable, net . . . . .	77,775,941	<b>4</b>	65,862,528
	<b>5</b> Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .	0	<b>5</b>	0
	<b>6</b> Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L . . . . .	0	<b>6</b>	0
	<b>7</b> Notes and loans receivable, net . . . . .	0	<b>7</b>	0
	<b>8</b> Inventories for sale or use . . . . .	8,831,457	<b>8</b>	9,415,662
	<b>9</b> Prepaid expenses and deferred charges . . . . .	6,035,031	<b>9</b>	5,631,564
	<b>10a</b> Land, buildings, and equipment—cost or other basis. Complete Part VI of Schedule D . . . . .	<b>10a</b> 756,438,655		
	<b>b</b> Less accumulated depreciation . . . . .	<b>10b</b> 204,556,025	559,721,142	<b>10c</b> 551,882,630
	<b>11</b> Investments—publicly traded securities . . . . .	126,751,366	<b>11</b>	332,924,354
	<b>12</b> Investments—other securities. See Part IV, line 11 . . . . .	0	<b>12</b>	0
	<b>13</b> Investments—program-related. See Part IV, line 11 . . . . .	0	<b>13</b>	0
	<b>14</b> Intangible assets . . . . .	3,246,236	<b>14</b>	3,875,239
	<b>15</b> Other assets. See Part IV, line 11 . . . . .	73,807,340	<b>15</b>	17,634,790
<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	968,266,292	<b>16</b>	1,051,324,162	
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses . . . . .	124,464,435	<b>17</b>	100,542,799
	<b>18</b> Grants payable . . . . .	0	<b>18</b>	0
	<b>19</b> Deferred revenue . . . . .	1,061,098	<b>19</b>	10,507,346
	<b>20</b> Tax-exempt bond liabilities . . . . .	526,500,400	<b>20</b>	579,556,274
	<b>21</b> Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .	0	<b>21</b>	0
	<b>22</b> Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .	0	<b>22</b>	0
	<b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .	80,607	<b>23</b>	1,768
	<b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .	0	<b>24</b>	0
	<b>25</b> 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 . . . . .	118,186,859	<b>25</b>	81,620,500
	<b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .	770,293,399	<b>26</b>	772,228,687
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>			
	<b>27</b> Unrestricted net assets . . . . .	193,351,965	<b>27</b>	275,924,547
	<b>28</b> Temporarily restricted net assets . . . . .	4,620,928	<b>28</b>	3,170,928
	<b>29</b> Permanently restricted net assets . . . . .	0	<b>29</b>	0
	<b>Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.</b>			
	<b>30</b> Capital stock or trust principal, or current funds . . . . .		<b>30</b>	
	<b>31</b> Paid-in or capital surplus, or land, building or equipment fund . . . . .		<b>31</b>	
	<b>32</b> Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>32</b>	
<b>33</b> Total net assets or fund balances . . . . .	197,972,893	<b>33</b>	279,095,475	
<b>34</b> Total liabilities and net assets/fund balances . . . . .	968,266,292	<b>34</b>	1,051,324,162	

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	655,164,660
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	623,312,643
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	31,852,017
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	197,972,893
<b>5</b>	Net unrealized gains (losses) on investments	<b>5</b>	9,904,537
<b>6</b>	Donated services and use of facilities	<b>6</b>	
<b>7</b>	Investment expenses	<b>7</b>	
<b>8</b>	Prior period adjustments	<b>8</b>	
<b>9</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>9</b>	39,366,028
<b>10</b>	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	<b>10</b>	279,095,475

**Part XII Financial Statements and Reporting**

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

		Yes	No
<b>1</b>	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
<b>2a</b>	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		No
<b>2b</b>	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	Yes	
<b>2c</b>	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
<b>3a</b>	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?	Yes	
<b>3b</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	Yes	

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 86-0422559  
**Name:** Phoenix Children's Hospital

**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			
ROBERT L MEYER DIRECTOR/PRESIDENT & CEO	40 0 3 0	X		X				2,301,053	0	45,936
MARK BONSALE DIRECTOR/CHAIR	1 0 0 0	X		X				0	0	0
JON HULBURD DIRECTOR/VICE CHAIR	1 0 1 0	X		X				0	0	0
DAVID CAVAZOS DIRECTOR	1 0 0 0	X						0	0	0
RANDALL CHRISTENSEN MD DIRECTOR	40 0 0 0	X						277,851	0	40,132
LARRY CLEMMENSEN DIRECTOR	1 0 1 0	X						0	0	0
ROBERT DELGADO DIRECTOR	1 0 0 0	X						0	0	0
MARK DEMICHELE DIRECTOR (THRU 10/13)	1 0 0 0	X						0	0	0
KEN KENDRICK DIRECTOR	1 0 0 0	X						0	0	0
DAVID LENHARDT DIRECTOR	1 0 0 0	X						0	0	0
CONNIE MARIANO DIRECTOR	1 0 0 0	X						0	0	0
RONALD MATRICARIA DIRECTOR	1 0 0 0	X						0	0	0
JEFFREY MORRAY MD PRESIDENT, MEDICAL STAFF	1 0 0 0	X						0	0	0
JACQUE J SOKOLOV DIRECTOR	1 0 0 0	X						0	0	0
BRIAN SWARTZ DIRECTOR	1 0 1 0	X						0	0	0
CRAIG MCKNIGHT EXECUTIVE VP & CFO / TREASURER	40 0 1 0			X				761,483	0	87,133
CARMEN NEUBERGER SVP/GENERAL COUNSEL/SECRETARY	40 0 1 0			X				555,278	0	72,846
DENNIS LUND MD EVP, PCMG & SURGEON IN CHIEF	40 0 0 0				X			883,888	0	132,488
THOMAS DIEDERICH SENIOR VP, HUMAN RESOURCES	40 0 0 0				X			856,627	0	80,907
MURRAY POLLACK MD CHIEF MEDICAL OFFICER	40 0 0 0				X			768,709	0	35,089
BETSY KUZAS EXECUTIVE VICE PRESIDENT & COO	40 0 0 0				X			742,455	0	86,732
ROGER LOGAN SENIOR VP, PRACTICE OPERATIONS	40 0 0 0				X			449,745	0	76,373
PAMELA JOHNSON-CARLSON SENIOR VICE PRESIDENT & CNO	40 0 0 0				X			335,669	0	79,291
DAVID HIGGINSON SENIOR VICE PRESIDENT & CIO	40 0 0 0				X			392,922	0	89,504
PHILIP ADELSON MD DIVISION CHIEF	40 0 0 0					X		1,087,586	0	51,676

**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			
RICHARD TOWBIN MD DIVISION CHIEF	40 0 0 0					X		872,759	0	46,836
DANIEL VELEZ MD Staff Physician	40 0 0 0					X		815,663	0	43,233
JOHN NIGRO MD DIVISION CHIEF	40 0 0 0					X		812,771	0	43,423
LEE S SEGAL MD DIVISION CHIEF	40 0 0 0					X		763,229	0	53,651
ELIZABETH ZORN MD PAST PRESIDENT, MEDICAL STAFF	40 0 0 0						X	321,851	0	40,879
SHANE BROPHY INTERIM CFO	30 0 0 0						X	414,852	0	0

**SCHEDULE A**  
(Form 990 or 990EZ)

**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.***

**2013**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

**Name of the organization**  
Phoenix Children's Hospital

**Employer identification number**  
86-0422559

**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?  
**(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?

	Yes	No
<b>11g(i)</b>		
<b>11g(ii)</b>		
<b>11g(iii)</b>		

**(ii)** A family member of a person described in (i) above?  
**(iii)** A 35% controlled entity of a person described in (i) or (ii) above?  
**h** Provide the following information about the supported organization(s)

(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	
<b>Total</b>									

**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
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>4 Total.</b> Add lines 1 through 3						
<b>5</b> 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)						
<b>6 Public support.</b> 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
<b>7</b> Amounts from line 4						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on						
<b>10</b> Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
<b>11 Total support</b> (Add lines 7 through 10)						
<b>12</b> Gross receipts from related activities, etc (see instructions)					<b>12</b>	
<b>13 First five years.</b> 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 <b>stop here</b> . . . . . <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

<b>14</b> Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))	<b>14</b>	
<b>15</b> Public support percentage for 2012 Schedule A, Part II, line 14	<b>15</b>	
<b>16a 33 1/3% support test—2013.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>b 33 1/3% support test—2012.</b> 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 <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>17a 10%-facts-and-circumstances test—2013.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>b 10%-facts-and-circumstances test—2012.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>18 Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions <input type="checkbox"/>		

**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
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> 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						
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</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						
<b>c</b> Add lines 7a and 7b						
<b>8 Public support</b> (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
<b>9</b> Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
<b>13 Total support.</b> (Add lines 9, 10c, 11, and 12.)						
<b>14 First five years.</b> 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 <b>stop here</b> <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

<b>15</b> Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	<b>15</b>	
<b>16</b> Public support percentage from 2012 Schedule A, Part III, line 15	<b>16</b>	

**Section D. Computation of Investment Income Percentage**

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

- 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

SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

2013

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

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 Phoenix Children's Hospital
Employer identification number 86-0422559

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

Table with 5 columns: (a) Name, (b) Address, (c) EIN, (d) Amount paid from filing organization's funds, (e) Amount of political contributions received and promptly and directly delivered to a separate political organization.

**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

<b>Limits on Lobbying Expenditures</b> (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
<b>1a</b>	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
<b>b</b>	Total lobbying expenditures to influence a legislative body (direct lobbying)	221,516													
<b>c</b>	Total lobbying expenditures (add lines 1a and 1b)	221,516													
<b>d</b>	Other exempt purpose expenditures	504,109,983													
<b>e</b>	Total exempt purpose expenditures (add lines 1c and 1d)	504,331,499													
<b>f</b>	Lobbying nontaxable amount Enter the amount from the following table in both columns	1,000,000													
<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 50%;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>		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		
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														
<b>g</b>	Grassroots nontaxable amount (enter 25% of line 1f)	250,000													
<b>h</b>	Subtract line 1g from line 1a If zero or less, enter -0-														
<b>i</b>	Subtract line 1f from line 1c If zero or less, enter -0-														
<b>j</b>	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?	<input type="checkbox"/> Yes <input type="checkbox"/> 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
<b>2a</b> Lobbying nontaxable amount	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
<b>b</b> Lobbying ceiling amount (150% of line 2a, column(e))					6,000,000
<b>c</b> Total lobbying expenditures	187,769	228,813	239,824	221,516	877,922
<b>d</b> Grassroots nontaxable amount	250,000	250,000	250,000	250,000	1,000,000
<b>e</b> Grassroots ceiling amount (150% of line 2d, column(e))					1,500,000
<b>f</b> Grassroots lobbying expenditures	0	0	0	0	0

**Part III-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)		(b)
	Yes	No	Amount
<b>1</b> 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			
<b>a</b> Volunteers?			
<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?			
<b>c</b> Media advertisements?			0
<b>d</b> Mailings to members, legislators, or the public?			0
<b>e</b> Publications, or published or broadcast statements?			0
<b>f</b> Grants to other organizations for lobbying purposes?			0
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?			0
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?			0
<b>i</b> Other activities?			0
<b>j</b> Total Add lines 1c through 1i			
<b>2a</b> Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
<b>b</b> If "Yes," enter the amount of any tax incurred under section 4912			
<b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
<b>d</b> 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
<b>1</b> Were substantially all (90% or more) dues received nondeductible by members?	<b>1</b>	
<b>2</b> Did the organization make only in-house lobbying expenditures of \$2,000 or less?	<b>2</b>	
<b>3</b> Did the organization agree to carry over lobbying and political expenditures from the prior year?	<b>3</b>	

**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."**

<b>1</b> Dues, assessments and similar amounts from members	<b>1</b>	
<b>2</b> Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
<b>a</b> Current year	<b>2a</b>	
<b>b</b> Carryover from last year	<b>2b</b>	
<b>c</b> Total	<b>2c</b>	
<b>3</b> Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	<b>3</b>	
<b>4</b> 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?	<b>4</b>	
<b>5</b> Taxable amount of lobbying and political expenditures (see instructions)	<b>5</b>	

**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
SCHEDULE C, PART II-a	PCH IS A POWERFUL ADVOCATE FOR CHILDREN ON THE NATIONAL, STATE, AND LOCAL STAGES. AS AN ORGANIZATION, PCH PAYS MEMBERSHIP DUES TO SEVERAL ORGANIZATIONS WITHIN THE HEALTHCARE ARENA WHERE ACTIONS ARE TAKEN TO INFORM AND EDUCATE INDIVIDUALS IN GOVERNMENT AS WELL AS AGENCIES THAT SET POLICIES FOR THE COMMUNITY PCH SERVES. MEMBERS OF PCH LEADERSHIP AND MANY PHYSICIANS SERVE ON BOARDS, COMMISSIONS, AND COMMITTEES AND USE THEIR EXPERTISE TO THE BENEFIT OF OUR COMMUNITY AT LARGE.



SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization Phoenix Children's Hospital

Employer identification number 86-0422559

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.

Table with 3 columns: Line number, (a) Donor advised funds, (b) Funds and other accounts. Includes questions 1-6 regarding donor advised funds.

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

Form for Part II Conservation Easements, including questions 1-9 and a table for 'Held at the End of the Year' with rows 2a, 2b, 2c, 2d.

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.

Form for Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets, including questions 1a, 1b, 2, and 3.

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

Table with 2 columns: Description (1c-1f) and Amount

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.

Table with 6 columns: (a) Current year, (b) Prior year, (c) Two years back, (d) Three years back, (e) Four years back. Rows include 1a-1g.

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

- a Board designated or quasi-endowment 100.000%
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

Table with 2 columns: Yes, No. Rows for 3a(i) unrelated organizations, 3a(ii) related organizations.

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

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

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Table with 4 columns: (a) Cost or other basis (investment), (b) Cost or other basis (other), (c) Accumulated depreciation, (d) Book value. Rows include 1a-1e and Total.



**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.

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

**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.

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

**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
SCHEDULE D, PART V, LINE 4	Endowment funds will be used to provide on-going outstanding Pediatric Care to children by enabling Phoenix Children's Hospital to offer the very best technology, programs and medical specialists Endowment funds will be used to support Phoenix Children's Hospital Programs including (1) The Children's Neurosciences Institute, (2) the Center for Cancer and Blood Disorders, (3) Camp Rainbow (a camp for children with Diabetes, Hemophilia and Kidney Disease), (4) The Center for Pediatric Orthopedics, Pulmonary and Cystic Fibrosis, (5) Pediatric Rheumatology and (6) Pediatric Oncology
SCHEDULE D, PART X, LINE 2	MANAGEMENT IS OF THE OPINION THAT SUBSTANTIALLY ALL OF THE HOSPITAL'S, FOUNDATION'S, CAPTIVE'S, AND PHOENIX CHILDREN'S CARE NETWORK'S ACTIVITIES ARE RELATED TO THEIR EXEMPT PURPOSES, AND NO MATERIAL UNCERTAIN TAX POSITIONS HAVE BEEN IDENTIFIED OR RECORDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2013 OR 2012



## Additional Data

**Software ID:**  
**Software Version:**  
**EIN:** 86-0422559  
**Name:** Phoenix Children's Hospital

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

<sup>1</sup> (a) Description of Liability	(b) Book Value
MARK TO MARKET LIABILITY	37,601,535
DEFERRED COMPENSATION LIABILITY	18,393,340
AVONDALE LT LIABILITY	9,853,858
CAPTIVE LIABILITY	5,592,142
ROSENBERG LT LIABILITY	4,085,214
INSURANCE LIABILITY	2,015,694
DUE TO MAYO - BMT PROGRAM	225,000
MISCELLANEOUS LIABILITIES	3,853,717

SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2013

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.

Open to Public Inspection

Name of the organization Phoenix Children's Hospital

Employer identification number 86-0422559

Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? 1b If "Yes," was it a written policy? 2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy... 3a Did the organization use Federal Poverty Guidelines (FPG) as a factor... 3b Did the organization use FPG as a factor... 4 Did the organization's financial assistance policy... 5a Did the organization budget amounts... 5b If "Yes," did the organization's financial assistance expenses exceed... 5c If "Yes" to line 5b... 6a Did the organization prepare a community benefit report... 6b If "Yes," did the organization make it available to the public?

7 Financial Assistance and Certain Other Community Benefits at Cost

Table with 7 columns: (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. Rows include Financial Assistance and Means-Tested Government Programs and Other Benefits.

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
<b>1</b> Physical improvements and housing			0	0	0	0 %
<b>2</b> Economic development			0	0	0	0 %
<b>3</b> Community support			372,148	145,006	227,142	0.040 %
<b>4</b> Environmental improvements			0	0	0	0 %
<b>5</b> Leadership development and training for community members			0	0	0	0 %
<b>6</b> Coalition building			0	0	0	0 %
<b>7</b> Community health improvement advocacy			2,489,431	0	2,489,431	0.400 %
<b>8</b> Workforce development			0	0	0	0 %
<b>9</b> Other			0	0	0	0 %
<b>10 Total</b>			2,861,579	145,006	2,716,573	0.440 %

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

**Section A. Bad Debt Expense**

		Yes	No
<b>1</b> Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	<b>1</b>	Yes	
<b>2</b> Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.	<b>2</b>		
<b>3</b> 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.	<b>3</b>		
<b>4</b> 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**

<b>5</b> Enter total revenue received from Medicare (including DSH and IME)	<b>5</b>	2,941,015
<b>6</b> Enter Medicare allowable costs of care relating to payments on line 5	<b>6</b>	5,592,410
<b>7</b> Subtract line 6 from line 5. This is the surplus (or shortfall)	<b>7</b>	-2,651,395
<b>8</b> 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: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

**Section C. Collection Practices**

<b>9a</b> Did the organization have a written debt collection policy during the tax year?	<b>9a</b>		No
<b>b</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.	<b>9b</b>		

**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 %
<b>1</b>				
<b>2</b>				
<b>3</b>				
<b>4</b>				
<b>5</b>				
<b>6</b>				
<b>7</b>				
<b>8</b>				
<b>9</b>				
<b>10</b>				
<b>11</b>				
<b>12</b>				
<b>13</b>				

**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

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** \_\_\_\_\_  
A

**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
<b>Community Health Needs Assessment</b> (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
<b>1</b>	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	Yes	
<b>a</b>	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
<b>b</b>	<input checked="" type="checkbox"/> Demographics of the community		
<b>c</b>	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
<b>d</b>	<input checked="" type="checkbox"/> How data was obtained		
<b>e</b>	<input checked="" type="checkbox"/> The health needs of the community		
<b>f</b>	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
<b>g</b>	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
<b>h</b>	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
<b>i</b>	<input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
<b>j</b>	<input type="checkbox"/> Other (describe in Part VI)		
<b>2</b>	Indicate the tax year the hospital facility last conducted a CHNA <u>20 13</u>		
<b>3</b>	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 . . . . .	Yes	
<b>4</b>	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .		No
<b>5</b>	Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	Yes	
<b>a</b>	<input checked="" type="checkbox"/> Hospital facility's website (list url) <u>SEE SCHEDULE H, PART V, SECTION C</u>		
<b>b</b>	<input type="checkbox"/> Other website (list url) _____		
<b>c</b>	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
<b>d</b>	<input type="checkbox"/> Other (describe in Part VI)		
<b>6</b>	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)		
<b>a</b>	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
<b>b</b>	<input checked="" type="checkbox"/> Execution of the implementation strategy		
<b>c</b>	<input type="checkbox"/> Participation in the development of a community-wide plan		
<b>d</b>	<input type="checkbox"/> Participation in the execution of a community-wide plan		
<b>e</b>	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
<b>f</b>	<input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
<b>g</b>	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
<b>h</b>	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
<b>i</b>	<input type="checkbox"/> Other (describe in Part VI)		
<b>7</b>	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 . . . . .	Yes	
<b>8a</b>	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)? . . . . .		No
<b>8b</b>	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .		
<b>c</b>	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)*

<b>Financial Assistance Policy</b>		<b>Yes</b>	<b>No</b>
<b>9</b>	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?	<b>9</b> Yes	
<b>10</b>	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>100%</u> If "No," explain in Part VI the criteria the hospital facility used	<b>10</b> Yes	
<b>11</b>	Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300%</u> If "No," explain in Part VI the criteria the hospital facility used	<b>11</b> Yes	
<b>12</b>	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)	<b>12</b> Yes	
<b>a</b>	<input checked="" type="checkbox"/> Income level		
<b>b</b>	<input checked="" type="checkbox"/> Asset level		
<b>c</b>	<input checked="" type="checkbox"/> Medical indigency		
<b>d</b>	<input checked="" type="checkbox"/> Insurance status		
<b>e</b>	<input checked="" type="checkbox"/> Uninsured discount		
<b>f</b>	<input checked="" type="checkbox"/> Medicaid/Medicare		
<b>g</b>	<input checked="" type="checkbox"/> State regulation		
<b>h</b>	<input type="checkbox"/> Residency		
<b>i</b>	<input type="checkbox"/> Other (describe in Part VI)		
<b>13</b>	Explained the method for applying for financial assistance? . . . . .	<b>13</b> Yes	
<b>14</b>	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	<b>14</b> Yes	
<b>a</b>	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
<b>b</b>	<input type="checkbox"/> The policy was attached to billing invoices		
<b>c</b>	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
<b>d</b>	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
<b>e</b>	<input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
<b>f</b>	<input checked="" type="checkbox"/> The policy was available upon request		
<b>g</b>	<input type="checkbox"/> Other (describe in Part VI)		

<b>Billing and Collections</b>		<b>Yes</b>	<b>No</b>
<b>15</b>	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? . . . . .	<b>15</b> Yes	
<b>16</b>	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		
<b>a</b>	<input type="checkbox"/> Reporting to credit agency		
<b>b</b>	<input type="checkbox"/> Lawsuits		
<b>c</b>	<input type="checkbox"/> Liens on residences		
<b>d</b>	<input type="checkbox"/> Body attachments		
<b>e</b>	<input type="checkbox"/> Other similar actions (describe in Section C)		
<b>17</b>	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? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged	<b>17</b>	No
<b>a</b>	<input type="checkbox"/> Reporting to credit agency		
<b>b</b>	<input type="checkbox"/> Lawsuits		
<b>c</b>	<input type="checkbox"/> Liens on residences		
<b>d</b>	<input type="checkbox"/> Body attachments		
<b>e</b>	<input type="checkbox"/> 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**

**19** Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . .

If "No," indicate why

- 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)

	Yes	No
<b>19</b>	Yes	

**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? . . . . .

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? . . . . .

If "Yes," explain in Part VI

<b>21</b>		No
<b>22</b>		No



**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? 7

Name and address	Type of Facility (describe)
<b>1</b> Phoenix Children's Hospital 1920 E Cambridge Avenue Phoenix, AZ 85006	Surgery Center
<b>2</b> Phoenix Children's Hospital 5131 E Southern Ave Mesa, AZ 85205	Urgent Care - Specialty & Surgery Center
<b>3</b> Phoenix Children's Hospital 20325 N 51st Ave Glendale, AZ 85308	Specialty & Urgent Care Center
<b>4</b> Phoenix Children's Hospital 3420 S Mercy Road 121 Gilbert, AZ 85297	Clinic
<b>5</b> Phoenix Children's Specialty Urgent Care 6900 E Shea Blvd Scottsdale, AZ 85254	Specialty & Urgent Care Center
<b>6</b> Phoenix Children's Yuma Specialty Care 2851 S Avenue B Suite 2S Yuma, AZ 85364	Specialty Care
<b>7</b> Phoenix Children's Specialty Urgent Care 1665 N Avondale Blvd Avondale, AZ 85392	Specialty & Urgent Care Center
<b>8</b>	
<b>9</b>	
<b>10</b>	

**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
SCHEDULE H, PART I, LINE 7	COSTS ARE REPORTED USING A COST TO CHARGE RATIO THE RATIO WAS CALCULATED BY DIVIDING TOTAL CHARGES RECORDED FOR ALL PATIENTS BY TOTAL EXPENSES REQUIRED TO PROVIDE THAT CARE LINE 7G - THE AMOUNT REPORTED INCLUDES \$458,760 OF COSTS RELATED TO THE OPERATIONS OF PHYSICIAN CLINICS
SCHEDULE H, PART II, LINE 3 & 7	MEDICAL INTERPRETER/TRANSLATION SERVICES CLEAR COMMUNICATION BETWEEN PATIENTS AND PROVIDERS AND HELPS TO SOLVE AN URGENT HEALTH AND SAFETY ISSUE PHOENIX CHILDREN'S MEDICAL INTERPRETER/TRANSLATOR PROGRAM IS THE NATIONAL MODEL TO IMPROVE COMMUNICATION AND SAFETY WITH THE HISPANIC POPULATION AT 20 CHILDREN'S HOSPITALS MEDICAL INTERPRETER TRAINERS FROM NATIONAL AND LOCAL HOSPITALS GATHERED AT PHOENIX CHILDREN'S FOR TRAINING DESIGNED TO IMPROVE COMMUNICATION AND SAFETY FOR PATIENTS AND THEIR FAMILIES ATTENDEES WERE TRAINED IN TEACHING BILINGUAL HEALTHCARE WORKERS MEDICAL TERMS, INTERPRETING PROTOCOL AND MULTICULTURAL UNDERSTANDING SINCE 2001, THE HOSPITAL HAS TRAINED NEARLY 1,000 STUDENTS IN MEDICAL TERMINOLOGY, INTERPRETING ETHICS, LEADERSHIP, CULTURAL DIFFERENCES AND TEAM BUILDING SCHEDULE H, PART III, LINE 2 THE METHODOLOGY USED WAS TO TAKE TOTAL BAD DEBT CHARGES WRITTEN OFF MULTIPLIED BY THE HOSPITAL COST-TO-CHARGE RATIO SCHEDULE H, PART III, LINE 4 PAGE 18 OF THE AUDITED FINANCIAL STATEMENTS CONTAINS THE FOOTNOTE THAT ADDRESSES ALLOWANCE FOR DOUBTFUL ACCOUNTS

Form and Line Reference	Explanation
SCHEDULE H, PART III, LINE 8	THE SHORTFALL OF REVENUE OVER THE COST TO PROVIDE CARE WHICH IS CALCULATED USING THE HOSPITAL'S COST TO CHARGE RATIO SHOULD BE CONSIDERED CHARITY CARE THE COSTS WERE CALCULATED USING THE COST TO CHARGE RATIO FROM THE MOST RECENTLY FILED MEDICARE COST REPORT
SCHEDULE H, PART VI, LINE 2	COMMUNITY NEEDS ARE DETERMINED VIA AN ASSESSMENT OF MULTIPLE STAKEHOLDERS, STATE AND FEDERAL GOVERNMENT REPORTS, AND PATIENT DATA PRIORITIES AND PROGRAMS ARE DEVELOPED TO SERVE THESE DEMONSTRATED NEEDS, WITH A SPECIAL FOCUS ON POPULATIONS THAT ARE KNOWN TO HAVE DIFFICULTY ACCESSING CARE AND PROGRAMS THAT IMPROVE OVERALL PEDIATRIC HEALTH AND SAFETY

Form and Line Reference	Explanation
SCHEDULE H, PART VI, LINE 3	FINANCIAL COUNSELORS ARE AVAILABLE TO ASSIST PATIENTS WITH INSURANCE COMPANIES, STATE AGENCIES, ACCESS TO PCH DISCOUNTED CARE OR APPLYING FOR THE HOSPITAL'S CHARITY CARE POLICY INFORMATION REGARDING THE CHARITY CARE POLICY IS AVAILABLE ON OUR WEB SITE FINANCIAL COUNSELORS INTERVIEW PARENTS OF CHILDREN WHO ARE UNINSURED AND UNDERINSURED AHCCCS APPLICATIONS ARE INITIATED BY PCH ON BEHALF OF THE PATIENTS AND IF THE PARENTS DO NOT QUALIFY, FINANCIAL COUNSELORS PROCEED WITH THE FINANCIAL ASSISTANCE PROCESS
SCHEDULE H, PART VI, LINE 4	BASED ON THE MOST RECENT STATISTICS GATHERED BY THE ANN E CASEY KIDSCOUNT SURVEY, THE STATE OF ARIZONA HAS A POPULATION OF OVER 1 6 MILLION PEOPLE UNDER THE AGE OF 18, 28% OF WHICH ARE 4 YEARS AND UNDER THE SAME POPULATION IS 41% WHITE AND 43% HISPANIC THE U S CENSUS BUREAU RELEASED NEW HEALTH INSURANCE COVERAGE DATA FROM THE CURRENT POPULATION SURVEY THE MOST RECENT TWO YEAR PERIOD, 2011/2012, SHOWS THAT ARIZONA HEALTH INSURANCE COVERAGE FOR CHILDREN REMAINED UNCHANGED FROM THE PREVIOUS TWO YEARS, 2009/2010 THIS MEANS THAT NEARLY A QUARTER OF A MILLION CHILDREN OR ROUGHLY 14% OF ALL CHILDREN IN ARIZONA CONTINUE TO GO WITHOUT HEALTH CARE SERVICES THAT HEALTH INSURANCE PROVIDES

Form and Line Reference	Explanation
<p>SCHEDULE H, PART VI, LINE 5</p>	<p>PCH HAS IDENTIFIED THREE MAJOR AREAS OF FOCUS FOR COMMUNITY OUTREACH AND EDUCATION INJURY PREVENTION, HEALTHY CHILDREN AND FAMILIES, AND CHILD ABUSE PREVENTION PCH SPONSORS AND ADMINISTERS MULTIPLE PROGRAMS IN THESE THREE CATEGORIES COMMUNITY BENEFIT ENCOMPASSES A WIDE VARIETY OF RESOURCES AND PROGRAMS HIGHLIGHTS INCLUDE CHARITY CARE BECAUSE NO CHILD IS DENIED NEEDED CARE DUE TO AN INABILITY TO PAY, FREE OR DISCOUNTED CARE WAS ADMINISTERED TO UNINSURED OR UNDERINSURED PATIENTS GOVERNMENT-SPONSORED HEALTHCARE PCH ALSO DELIVERS HEALTHCARE TO INDIGENT PATIENTS GOVERNMENT-SPONSORED HEALTHCARE COVERAGE REIMBURSES ONLY A PORTION OF THE COSTS OF THIS CARE THE UNREIMBURSED PORTION IS A COMMUNITY BENEFIT DELIVERED BY PCH COMMUNITY OUTREACH PROGRAMS PCH HAS DEVELOPED SIGNATURE COMMUNITY OUTREACH PROGRAMS THAT SERVE SPECIFIC POPULATIONS WITH SERIOUS HEALTHCARE NEEDS AND LIMITED ACCESS TO CARE ONE EXAMPLE IS THE CREWS'N HEALTHMOBILE MOBILE MEDICAL VAN THAT SERVES HOMELESS YOUTH SUBSIDIZED PROGRAMS PCH SUBSIDIZES CERTAIN MEDICAL PROGRAMS WHERE WE ARE UNIQUELY QUALIFIED TO PROVIDE THE CARE OR WHERE PATIENTS HAVE LIMITED ACCESS TO CARE EXAMPLES INCLUDE THE BILL HOLT HIV/AIDS CLINIC AND THE HEALTHY STEPS PROGRAM EDUCATION CONTINUING EDUCATION FOR TODAY'S PHYSICIANS AND NURSES, AS WELL AS EDUCATING THE NEXT GENERATION OF HEALTHCARE PROVIDERS IS A PRIME FOCUS FOR PCH CONTINUING MEDICAL EDUCATION PROGRAMS INCLUDE RESIDENCY AND FELLOWSHIP TRAINING, A SERIES OF CLINICAL EDUCATION PROGRAMS, AND THE HOSPITAL'S PREMIER PROGRAM -- GAPP, WHICH PROVIDES SPECIALIZED TRAINING TO NURSES WHO ARE NEW TO PEDIATRICS RESEARCH PCH'S CLINICIANS CONDUCTED RESEARCH STUDIES TO ADVANCE MEDICAL KNOWLEDGE THE INSTITUTIONAL REVIEW BOARD PROVIDES INSTITUTIONAL INFRASTRUCTURE TO SUPPORT RESEARCH EFFORTS AT PCH, AS WELL AS IN COLLABORATION WITH OTHER INSTITUTIONS SUCH AS MAYO CLINIC, UNIVERSITY OF ARIZONA SCHOOL OF MEDICINE, AND TRANSLATIONAL GENOMICS RESEARCH INSTITUTE COMMUNITY BENEFIT OPERATIONS PCH UNDERWRITES THE ADMINISTRATIVE COSTS OF MANAGING COMMUNITY BENEFIT PROGRAMS AND CONTRIBUTES TIME, MEETING SPACE, AND OTHER RESOURCES THAT ENHANCE THE ABILITY OF OUR COMMUNITY'S MOST EFFECTIVE COMMUNITY SERVICE PROGRAMS TO MEET HUMAN NEEDS CHARITY CARE POLICY PCH'S CHARITY CARE POLICY WAS ESTABLISHED IN ORDER TO IDENTIFY AND ASSIST PATIENTS WHO LACK THE FINANCIAL RESOURCES TO MEET ALL OR PART OF THEIR FINANCIAL LIABILITY FOR SERVICES RENDERED AND TO DETERMINE THEIR ELIGIBILITY FOR PCH-BASED FINANCIAL ASSISTANCE MEDICAL INTERPRETER/TRANSLATION SERVICES CLEAR COMMUNICATION BETWEEN PATIENTS AND PROVIDERS IS AN URGENT HEALTH AND SAFETY ISSUE PHOENIX CHILDREN'S MEDICAL INTERPRETER/TRANSLATOR PROGRAM IS THE NATIONAL MODEL TO IMPROVE COMMUNICATION AND SAFETY WITH THE HISPANIC POPULATION AT 20 CHILDREN'S HOSPITALS MEDICAL INTERPRETER TRAINERS FROM NATIONAL AND LOCAL HOSPITALS GATHERED AT PHOENIX CHILDREN'S FOR TRAINING DESIGNED TO IMPROVE COMMUNICATION AND SAFETY FOR PATIENTS AND THEIR FAMILIES ATTENDEES WERE TRAINED IN TEACHING BILINGUAL HEALTHCARE WORKERS MEDICAL TERMS, INTERPRETING PROTOCOL AND MULTICULTURAL UNDERSTANDING CHILD ABUSE PREVENTION MORE THAN FIVE U S CHILDREN DIE AS A RESULT OF CHILD ABUSE EVERY DAY ACCORDING TO THE ARIZONA DEPARTMENT OF HEALTH SERVICES, 70 ARIZONA CHILDREN DIED BECAUSE OF MALTREATMENT IN 2010 - OVER HALF OF THEM WERE UNDER ONE YEAR OLD PHOENIX CHILDREN'S IS COMMITTED TO REDUCING THE RISK OF ABUSE FOR CHILDREN IN OUR COMMUNITY TO KEEP CHILDREN SAFE, WE HAVE TO FIX THE PROBLEM INSTEAD OF ONLY TREATING THE SYMPTOM AS A LEADER IN THE COMMUNITY, PHOENIX CHILDREN'S HOSPITAL BRINGS THE LATEST RESEARCH AND CUTTING EDGE PREVENTION PROGRAMS TO PHOENIX AND REACHES OUT TO THE ENTIRE STATE OF ARIZONA PROJECT SAFE WITNESSING AN ADULT TALKING TO OR TREATING A CHILD HARSHLY CAN CREATE AN AWKWARD AND FRUSTRATING SITUATION FOR OTHER ADULTS ONLOOKERS MAY WANT TO INTERVENE, BUT AREN'T ALWAYS SURE HOW TO DO SO SAFELY AND EFFECTIVELY PROJECT SAFE (SUPPORTING A FAMILY FRIENDLY ENVIRONMENT) IS A CHILD ABUSE PREVENTION TRAINING PROGRAM THAT TEACHES INDIVIDUALS - FROM HEALTHCARE PROFESSIONALS TO RETAIL WORKERS - HOW TO EFFECTIVELY MODEL APPROPRIATE BEHAVIOR AND INTERVENE IN POTENTIALLY ABUSIVE SITUATIONS MORE THAN 800 INDIVIDUALS HAVE COMPLETED SAFE TRAINING, WHILE ANOTHER 120,000 EDUCATIONAL PAMPHLETS HAVE BEEN DISTRIBUTED TO VARIOUS ORGANIZATIONS THROUGHOUT THE COMMUNITY DARKNESS TO LIGHT'S STEWARD'S OF CHILDREN ONE IN FOUR GIRLS AND ONE IN SIX BOYS WILL BE SEXUALLY ABUSED BEFORE THEIR 18TH BIRTHDAY FEWER THAN ONE IN 10 WILL EVER TELL STEWARDS OF ARIZONA'S CHILDREN IS AN INNOVATIVE CHILD SEXUAL ABUSE PREVENTION TRAINING PROGRAM THAT TEACHES ADULTS HOW TO PREVENT, RECOGNIZE, AND REACT RESPONSIBLY TO CHILD SEXUAL ABUSE DESIGNED FOR ORGANIZATIONS AND CORPORATIONS THAT SERVE CHILDREN AND YOUTH AND FOR INDIVIDUALS WHO HAVE DIRECT RESPONSIBILITY FOR THE PROTECTION OF THEIR OWN OR OTHERS CHILDREN, THIS THREE-HOUR TRAINING PROGRAM PROVIDES TOOLS TO CREATE POLICIES AND PROCEDURES THAT HELP KEEP CHILDREN SAFE AND FOR TRAINING STAFF AND VOLUNTEERS ON CHILD PROTECTION SINCE ITS INCEPTION, NEARLY 1000 INDIVIDUALS HAVE PARTICIPATED IN THE PROGRAM THE PROGRAM ALSO TRAINED 43 FACILITATORS, ALLOWING THEM TO IMPLEMENT TRAINING IN THEIR LOCAL COMMUNITIES</p>
<p>ADVERSE CHILDHOOD EXPERIENCES (ACE) CONSORTIUM</p>	<p>THE ACE STUDY CONSORTIUM BRINGS TOGETHER A DIVERSE GROUP OF COMMUNITY LEADERS ALL WORKING TO IMPROVE PREVENTION, IDENTIFICATION AND TREATMENT TO ENSURE BETTER OUTCOMES FOR PEOPLE WHOSE LIVES START OUT IN THE MOST CHALLENGING WAYS SCIENTIFIC RESEARCH CLEARLY SHOWS THE LINK BETWEEN ADVERSE EXPERIENCES IN CHILDHOOD (ABUSE, NEGLECT, HOUSEHOLD VIOLENCE AND DYSFUNCTION) AND RISKY BEHAVIORS AND HEALTH PROBLEMS IN ADULTHOOD THIS CONNECTION MAKES IT IMPERATIVE THAT PEDIATRIC CARE PROVIDERS RECOGNIZE THIS IMPORTANT LINK AND BEGIN DEVELOPING STRATEGIES TO PROTECT CHILDREN FROM THE HARMFUL EFFECTS OF ADVERSE CHILDHOOD EXPERIENCE THE ACE CONSORTIUM'S "STRONG COMMUNITIES RAISE STRONG KIDS" INITIATIVE SEEKS TO INSPIRE COMMUNITIES AROUND ARIZONA TO COME TOGETHER IN SUPPORTING YOUNG CHILDREN AND FAMILIES REPORT ON PHYSICAL PUNISHMENT WHAT RESEARCH TELLS US ABOUT ITS EFFECTS ON CHILDREN PHOENIX CHILDREN'S HOSPITAL HAS BEEN SELECTED AS THE "INSTITUTIONAL HOME" FOR A NEW REPORT SYNTHESIZING ONE HUNDRED YEARS OF SOCIAL SCIENCE RESEARCH ON THE EFFECTS PHYSICAL PUNISHMENT HAS ON CHILDREN THE REPORT IS NATIONALLY AND INTERNATIONALLY RECOGNIZED AS PROVIDING CONCISE AND ACCURATE SUMMARY OF OVER 100 STUDIES THAT SUPPORT THE CONCLUSION THAT PHYSICAL PUNISHMENT OF CHILDREN IS AN INEFFECTIVE PARENTING PRACTICE PHOENIX CHILDREN'S IS WORKING TO PUBLICIZE THIS IMPORTANT INFORMATION AS WELL AS PROVIDE EDUCATION ON MORE EFFECTIVE ALTERNATIVES TO ITS USE THE REPORT HAS BEEN ENDORSED BY THE AMERICAN ACADEMY OF PEDIATRICS, THE AMERICAN MEDICAL ASSOCIATION, THE AMERICAN ACADEMY OF CHILD AND ADOLESCENT PSYCHIATRY AND MANY OTHERS IT IS BEING WIDELY USED FOR EDUCATIONAL PURPOSES BY PARENTS, PROFESSIONAL ORGANIZATIONS SERVING CHILDREN AND FAMILIES, AND THE GENERAL PUBLIC APRIL IS CHILD ABUSE PREVENTION MONTH APRIL IS A TIME TO RAISE AWARENESS ABOUT CHILD ABUSE AND NEGLECT AND ENCOURAGE INDIVIDUALS AND COMMUNITIES TO SUPPORT CHILDREN AND FAMILIES NO ONE CAN DO EVERYTHING NO ONE PARENT, GRANDPARENT, TEACHER, NEIGHBOR OR ELECTED OFFICIAL, AGENCY OR INDIVIDUAL BUT EVERYONE CAN DO SOMETHING PHOENIX CHILDREN'S HAD BECOME A LEADER IN THE ONGOING FIGHT AGAINST CHILD ABUSE PLACING FOCUS ON PREVENTION THROUGHOUT THE MONTH OF APRIL, THE HOSPITAL HOSTS A SERIES OF EVENTS INCLUDING THE ANNUAL CHILDREN'S MARCH ON CHILD ABUSE PREVENTING CHILD ABUSE AND NEGLECT PARENT-PROVIDER PARTNERSHIP IN CHILD CARE (PCAN) RESEARCH HAS SHOWN EARLY CHILDHOOD PROGRAMS CAN SERVE AS AN EFFECTIVE "EARLY WARNING SYSTEM" TO DETECT RISKY SITUATIONS THAT COULD LEAD TO INFANT OR CHILD ABUSE AND WITH APPROXIMATELY 50 PERCENT OF INFANTS, 69 PERCENT OF 3 YEAR OLDS, AND 84% OF 5 YEAR OLDS IN SOME FORM OF CHILD CARE WHILE THEIR PARENT(S) WORK, IT'S ESSENTIAL CHILD CARE PROVIDERS KNOW HOW TO READ THOSE EARLY WARNING SIGNS PCAN TRAINS CHILD CARE PROFESSIONALS TO USE THEIR EVERY DAY RELATIONSHIPS WITH PARENTS - AS WELL AS CURRENT RESEARCH AND INFORMATION - TO SUPPORT AND STRENGTHEN FAMILIES IN THE EFFORT TO PREVENT CHILD ABUSE INJURY PREVENTION EACH YEAR, MORE THAN 6,500 U S CHILDREN UNDER THE AGE OF 14 ARE KILLED BY PREVENTABLE INJURIES VERIFIED TRAUMA CENTERS ARE NATIONAL LEADERS IN PREVENTING INJURIES IN CHILDREN AT PHOENIX CHILDREN'S, OUR INJURY PREVENTION PROGRAMS ADDRESS THE MOST COMMON CAUSES OF CHILDHOOD INJURY WITH PROGRAMS THAT REACH PARENTS AND CHILDREN WITH IMPORTANT SAFETY MESSAGES AND SKILLS DROWNING AWARENESS AND PREVENTION WITH THE HELP OF A VERY SPECIAL FAMILY, PHOENIX CHILDREN'S DEVELOPED WATER WATCHERS, A SIGNATURE INJURY PREVENTION PROGRAM TO COUNTER THE EPIDEMIC OF CHILD DROWNINGS IN OUR DESERT CITY FOR THE COMMUNITY AND THE WATER WATCHERS PROGRAM, 2008 WAS A YEAR OF MANY HIGHS AND LOWS -- THE FAMILY OF WESTON LETTER RECOGNIZED THE TEN YEAR ANNIVERSARY OF HIS DEATH AT THE AGE OF THREE AND A HALF, HE DROWNED IN HIS FAMILY'S BACKYARD SWIMMING POOL THE WATER WATCHERS PROGRAM WAS DEVELOPED IN HIS HONOR THE ACCOMPLISHMENTS OF THE PROGRAM BRING HIS FAMILY COMFORT - TEACHING THE COMMUNITY THAT TRAGEDY KNOWS NO BOUNDARIES IS IMPORTANT, AND PROVIDING FAMILIES WITH REAL-LIFE SOLUTIONS TO KEEPING CHILDREN SAFE AROUND WATER HELPS THEM TO KNOW THAT THEY'VE MADE A DIFFERENCE AND THE WATER WATCHERS PROGRAM DID MAKE A DIFFERENCE IN THE COMMUNITY PHOENIX CHILDREN'S IS A LEADER IN CHILDREN'S WATER SAFETY EDUCATION, BRINGING SOME OF THE MOST INNOVATIVE PROGRAMS IN THE COUNTRY TO OUR COMMUNITY OUR ANNUAL WATER SAFETY DAY IS HELD RIGHT AT THE OFFICIAL KICKOFF OF SWIMMING SEASON AT THIS ANNUAL EVENT, WE BRING MORE THAN 1,000 FIRST GRADE STUDENTS TO A LOCAL COMMUNITY COLLEGE TO LEARN ABOUT WATER SAFETY USING OUR AWARD-WINNING CURRICULUM, "WATER SAFETY IS FOR YOU," AND THE HANDS-ON LEARNING ACTIVITIES AT THE EVENT, WE HAVE BEEN ABLE TO PRODUCE CONSISTENT IMPROVEMENT IN CHILDREN'S COMPREHENSION OF KEY WATER SAFETY CONCEPTS ACROSS THE VALLEY, MANY SCHOOLS DOWNLOADED AND UTILIZED FREE WATER WATCHER'S CURRICULUM TO EDUCATE CHILDREN ABOUT THE DANGERS OF DROWNINGS CURRICULUM MATERIALS WERE PROVIDED TO MORE THAN 100 SCHOOLS THIS STATEWIDE EFFORT FOCUSES ON PURPLE RIBBONS TO REMEMBER THOSE TOUCHED BY CHILD DROWNINGS AND ENCOURAGES SAFETY AROUND THE WATER DROWNING IMPACT AWARENESS MONTH IS ARIZONA'S LARGEST COLLABORATIVE EFFORT TO PREVENT DROWNINGS SINCE THE FIRST YEAR OF THIS VITAL CAMPAIGN, MORE THAN 700,000 PURPLE RIBBONS HAVE BEEN DISTRIBUTED THE EFFORT INCLUDES RIBBONS WORN BY SUPPORTERS, PROCLAMATIONS FROM THE GOVERNOR AND MAYORS ACROSS THE STATE, EVENTS, AND A STATEWIDE FOCUS ON WATER SAFETY WORKING WITH THE MEDIA REGULARLY, THE WATER WATCHERS PROGRAM HELPS FAMILIES TO UNDERSTAND HOW DROWNINGS OCCUR AND TO RECOGNIZE NEW TRENDS IN INCIDENTS AND PREVENTION STRATEGIES THROUGHOUT THE VALLEY, WATER WATCHERS REPRESENTATIVES ATTENDED COMMUNITY EVENTS, PROVIDED SUPPLIES, AND GAVE EDUCATIONAL PRESENTATIONS TO MORE THAN 4,000 FAMILIES ON A LOCAL AND NATIONAL LEVEL, WATER WATCHERS REPRESENTATIVES SUPPORT DROWNING PREVENTION ORGANIZATIONS LIKE THE NATIONAL DROWNING PREVENTION ALLIANCE, ACTING AS AN ADVOCATE FOR FAMILIES TOUCHED BY DROWNING AND HELPING TO ADVANCE EDUCATION ABOUT PREVENTION ACROSS AMERICA HELMET YOUR BRAIN ACCORDING TO THE 2005 ARIZONA YOUTH RISK BEHAVIOR SURVEY, 87 PERCENT OF STUDENTS WHO RODE A BICYCLE DURING THE PREVIOUS 12 MONTHS REPORTED THAT THEY NEVER OR RARELY WORE A BICYCLE HELMET WHILE WEARING A HELMET WON'T PREVENT A CRASH, IT CAN PREVENT LIFE-LONG DISABILITY - OR EVEN DEATH - THAT CAN RESULT FROM A BRAIN INJURY WEARING A HELMET REDUCES A CHILD'S RISK OF SERIOUS BRAIN INJURY BY 88 PERCENT NEARLY HALF OF ALL BIKE-RELATED HOSPITALIZATIONS HAVE A DIAGNOSIS OF TRAUMATIC BRAIN INJURY THE GOAL OF PHOENIX CHILDREN'S HELMET YOUR BRAIN PROGRAM IS TO TEACH CHILDREN TO GET INTO THE HELMET HABIT THIS SAFETY AWARENESS PROGRAM REACHED MORE THAN 2,000 KIDS AND FAMILIES IN 2006 A HELMET YOUR BRAIN PROGRAM BOX AND CURRICULUM IS AVAILABLE TO TEACHERS AND COMMUNITY ORGANIZATIONS BICYCLE "DRIVER" EDUCATION MORE THAN 80 PERCENT OF BICYCLE-RELATED FATALITIES INVOLVING CHILDREN UNDER THE AGE OF 14 ARE DUE TO THE BICYCLIST'S BEHAVIOR BICYCLE "DRIVER" EDUCATION IS SIMILAR TO DRIVER'S EDUCATION, BUT THE VEHICLE IS A BIKE, SKATEBOARD OR SCOOTER TEACHING CHILDREN HOW TO THINK, BEHAVE AND RESPOND LIKE A "DRIVER" ADDS A NEW DIMENSION OF RESPONSIBILITY TO RIDING A BICYCLE THIS CURRICULUM PROVIDED BY PHOENIX CHILDREN'S TEACHES MIDDLE SCHOOL STUDENTS ACROSS THE VALLEY HOW TO PREVENT ACCIDENTS, HOW TO CROSS INTERSECTIONS, OBEY TRAFFIC SIGNALS, RIDE SAFELY AT NIGHT, AND MAKE SAFE DECISIONS IN TRAFFIC KIDS RIDE SAFE IN ARIZONA, MOTOR VEHICLE COLLISIONS ARE THE MOST COMMON CAUSE OF PREVENTABLE DEATHS OF CHILDREN USING THE APPROPRIATE CAR SEAT DRASTICALLY REDUCES A CHILD'S RISK OF INJURY OR DEATH THE RIDE SAFE PROGRAM REACHES OUT TO PARENTS ABOUT THE IMPORTANCE AND CORRECT USE OF CAR SEATS, BOOSTER SEATS AND RESTRAINTS PHOENIX CHILDREN'S PARTNERS WITH "SAFE KIDS," AS WELL AS LOCAL FIRE AND POLICE DEPARTMENTS TO HOST COMMUNITY CAR SEAT CHECKS OUR TRAINED TECHNICIANS CHECK CAR SEAT INSTALLATIONS, TRAIN PARENTS AND, IN SOME CASES, DISTRIBUTE DONATED CAR SEATS</p>

Form and Line Reference	Explanation
SCHEDULE H, PART VI, LINE 6	IN 2011 PCH ENTERED A STRATEGIC ALLIANCE WITH DIGNITY HEALTHCARE BY COMBINING OUR PEDIATRIC PROGRAMS, WE ELEVATE THE OVERALL PEDIATRIC CARE OFFERED IN THE STATE OF ARIZONA AND ACHIEVE A LEVEL THAT WILL BE ON PAR WITH LEADING CHILDREN'S HOSPITALS MORE QUICKLY AND EFFICIENTLY THAN DOING SO ALONE THIS STRATEGIC ALLIANCE WITH DIGNITY WILL HELP US TO - IMPROVE ACCESS TO HIGHER QUALITY PEDIATRIC HEALTHCARE SERVICES IN A COST EFFECTIVE MANNER, WHICH IS ESSENTIAL IN THIS ECONOMIC ENVIRONMENT - ENHANCE RECRUITMENT AND DEVELOPMENT OF RESOURCES FOR NEW AND EXISTING HOSPITAL SERVICES AND PROGRAMS - MAINTAIN AND ENHANCE MEDICAL SERVICES FOR THE UNDERSERVED - DEVELOP COMPREHENSIVE PROGRAMS AND REGIONAL CENTERS OF EXCELLENCE - MEET THE NEEDS OF THE TREMENDOUS GROWTH IN DEMAND FOR PEDIATRIC HEALTHCARE SERVICES IN ARIZONA - SUPPORT OUR VISION TO BE THE PRIMARY AND TRUSTED RESOURCE FOR THE DEVELOPMENT OF PUBLIC POLICY RELATED TO CHILDREN'S HEALTHCARE IN ARIZONA - ACCELERATE THE DEVELOPMENT OF RESEARCH PROGRAMS



**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.

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

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

<b>Return Reference</b>	<b>Explanation</b>
SCHEDULE I, PART I, LINE 2	PHOENIX CHILDREN'S HOSPITAL (PCH) MAKES CONTRIBUTIONS TO OTHER HEALTH RELATED ORGANIZATIONS TO SUPPORT VARIOUS PROGRAMS PCH RELIES ON THE GOVERNANCE PRACTICES OF THE RECIPIENT ORGANIZATIONS TO MONITOR USE OF THE FUNDS

**Schedule J**  
(Form 990)

**Compensation Information**

OMB No 1545-0047

**2013**

**Open to Public Inspection**

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

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

▶ **Attach to Form 990. ▶ See separate instructions.**

▶ **Information about Schedule J (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
Phoenix Children's Hospital

Employer identification number

86-0422559

**Part I Questions Regarding Compensation**

- 1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.
- |   |  |
|---|--|
| <input type="checkbox"/> First-class or charter travel            | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions                    | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax idemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees   |
| <input type="checkbox"/> Discretionary spending account           | <input type="checkbox"/> 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

**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?

**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

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee              | <input type="checkbox"/> Written employment contract                                |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study                    |
| <input type="checkbox"/> Form 990 of other organizations                | <input checked="" type="checkbox"/> 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?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?
- If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

**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?
- b** Any related organization?
- 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?
- b** Any related organization?
- 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

**8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III

**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
<b>1b</b>		
<b>2</b>		
<b>4a</b>		No
<b>4b</b>	Yes	
<b>4c</b>		No
<b>5a</b>		No
<b>5b</b>		No
<b>6a</b>		No
<b>6b</b>		No
<b>7</b>	Yes	
<b>8</b>		No
<b>9</b>		

**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
SCHEDULE J, PART I, LINE 4b	PHOENIX CHILDREN'S HOSPITAL OFFERS A SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN TO CERTAIN EXECUTIVES OF THE ORGANIZATION. ELIGIBLE PARTICIPANTS ARE SELECTED BY THE BOARD OF DIRECTORS. PARTICIPANT VESTING OCCURS UPON RETIREMENT, DISABILITY BEFORE SEPARATION, INVOLUNTARY SEPARATION (OTHER THAN FOR CAUSE) OR DEATH. THE FOLLOWING INDIVIDUALS PARTICIPATED IN THE SERP PLAN DURING 2013 AND THEIR DEFERRED COMPENSATION AMOUNTS ARE INCLUDED IN PART II, COLUMN (C): THOMAS DIEDERICH, DAVID HIGGINSON, PAMELA JOHNSON-CARLSON, BETSY KUZAS, ROGER LOGAN, DENNIS LUND, CRAIG MCKNIGHT, CARMEN NEUBERGER. THE FOLLOWING INDIVIDUALS PARTICIPATED IN THE SERP PLAN AND RECEIVED TAXABLE SERP PAYOUTS DURING 2013 THAT ARE INCLUDED IN PART II, COLUMN (B)(III): THOMAS DIEDERICH - \$321,237; DENNIS LUND - \$7,215; ROBERT L. MEYER - \$233,618; MURRAY POLLACK, MD - \$36,466.
SCHEDULE J, PART I, LINE 7	ROBERT MEYER, CRAIG MCKNIGHT, MURRAY POLLACK, MD, DENNIS LUND, MD, BETSY KUZAS, CARMEN NEUBERGER, TOM DIEDERICH, PAMELA JOHNSON-CARLSON, DAVID HIGGINSON AND ROGER LOGAN WERE ELIGIBLE FOR THE DISCRETIONARY EXECUTIVE INCENTIVE PLAN OF PHOENIX CHILDREN'S HOSPITAL IN WHICH ONE OF THE PERFORMANCE MEASURES WAS EARNINGS BEFORE INTEREST, DEPRECIATION AND AMORTIZATION. THIS INCENTIVE PLAN WAS APPROVED BY THE COMPENSATION COMMITTEE.
COMPENSATION FOOTNOTE	ELIZABETH ZORN, MD RECEIVED COMPENSATION FOR MEDICAL SERVICES RENDERED IN THE CAPACITY OF STAFF PHYSICIAN FOR PHOENIX CHILDREN'S HOSPITAL, NOT FOR HER DUTIES AS CURRENT OR FORMER BOARD MEMBER. RANDALL CHRISTENSEN, MD RECEIVED COMPENSATION FOR MEDICAL SERVICES RENDERED IN THE CAPACITY OF STAFF PHYSICIAN FOR PHOENIX CHILDREN'S HOSPITAL, NOT FOR HIS DUTIES AS CURRENT BOARD MEMBER.

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 86-0422559  
**Name:** Phoenix Children's Hospital

**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				
ROBERT L MEYER DIRECTOR/PRESIDENT & CEO	(i) (ii)	881,467 0	1,157,426 0	262,160 0	23,000 0	22,936 0	2,346,989 0	233,618 0
RANDALL CHRISTENSEN MD DIRECTOR	(i) (ii)	251,164 0	13,332 0	13,355 0	16,025 0	24,107 0	317,983 0	0 0
CRAIG MCKNIGHT EXECUTIVE VP & CFO / TREASURER	(i) (ii)	404,120 0	333,861 0	23,502 0	78,349 0	8,784 0	848,616 0	0 0
CARMEN NEUBERGER SVP/GENERAL COUNSEL/SECRETARY	(i) (ii)	308,979 0	225,900 0	20,399 0	63,054 0	9,792 0	628,124 0	0 0
DENNIS LUND MD EVP, PCMG & SURGEON IN CHIEF	(i) (ii)	599,114 0	254,065 0	30,709 0	101,649 0	30,839 0	1,016,376 0	7,215 0
THOMAS DIEDERICH SENIOR VP, HUMAN RESOURCES	(i) (ii)	296,813 0	218,370 0	341,444 0	61,425 0	19,482 0	937,534 0	321,237 0
MURRAY POLLACK MD CHIEF MEDICAL OFFICER	(i) (ii)	370,665 0	338,648 0	59,396 0	23,000 0	12,089 0	803,798 0	36,466 0
BETSY KUZAS EXECUTIVE VICE PRESIDENT & COO	(i) (ii)	411,485 0	311,340 0	19,630 0	73,955 0	12,777 0	829,187 0	0 0
ROGER LOGAN SENIOR VP, PRACTICE OPERATIONS	(i) (ii)	376,566 0	50,000 0	23,179 0	50,808 0	25,565 0	526,118 0	0 0
PAMELA JOHNSON-CARLSON SENIOR VICE PRESIDENT & CNO	(i) (ii)	238,367 0	77,544 0	19,758 0	57,762 0	21,529 0	414,960 0	0 0
DAVID HIGGINSON SENIOR VICE PRESIDENT & CIO	(i) (ii)	266,861 0	107,973 0	18,088 0	63,041 0	26,463 0	482,426 0	0 0
PHILIP ADELSON MD DIVISION CHIEF	(i) (ii)	946,655 0	119,583 0	21,348 0	23,000 0	28,676 0	1,139,262 0	0 0
RICHARD TOWBIN MD DIVISION CHIEF	(i) (ii)	633,607 0	210,484 0	28,668 0	23,000 0	23,836 0	919,595 0	0 0
DANIEL VELEZ MD Staff Physician	(i) (ii)	697,114 0	98,650 0	19,899 0	17,500 0	25,733 0	858,896 0	0 0
JOHN NIGRO MD DIVISION CHIEF	(i) (ii)	694,191 0	98,650 0	19,930 0	17,500 0	25,923 0	856,194 0	0 0
LEE S SEGAL MD DIVISION CHIEF	(i) (ii)	524,008 0	216,561 0	22,660 0	23,000 0	30,651 0	816,880 0	0 0
ELIZABETH ZORN MD PAST PRESIDENT, MEDICAL STAFF	(i) (ii)	301,614 0	4,487 0	15,750 0	17,500 0	23,379 0	362,730 0	0 0
SHANE BROPHY INTERIM CFO	(i) (ii)	414,852 0	0 0	0 0	0 0	0 0	414,852 0	0 0

**Schedule K (Form 990)**

**Supplemental Information on Tax Exempt Bonds**

OMB No 1545-0047

**2013**

**Open to Public Inspection**

▶ **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](http://www.irs.gov/form990).**

Department of the Treasury  
Internal Revenue Service

Name of the organization

Phoenix Children's Hospital

Employer identification number

86-0422559

**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
<b>A</b>	ARIZONA HEALTH FACILITIES AUTHORITY	86-0453292	040507NG6	02-26-2013	280,805,274	SEE PART VI		X		X		X
<b>B</b>	ARIZONA HEALTH FACILITIES AUTHORITY	86-0453292	040506MX2	09-06-2012	301,690,236	SEE PART VI		X		X		X

**Part II Proceeds**

		A		B		C		D	
<b>1</b>	Amount of bonds retired	0		0					
<b>2</b>	Amount of bonds legally defeased	0		0					
<b>3</b>	Total proceeds of issue	280,805,274		301,690,236					
<b>4</b>	Gross proceeds in reserve funds	13,877,073		22,124,393					
<b>5</b>	Capitalized interest from proceeds	0		0					
<b>6</b>	Proceeds in refunding escrows	0		0					
<b>7</b>	Issuance costs from proceeds	4,566,579		4,723,071					
<b>8</b>	Credit enhancement from proceeds	0		0					
<b>9</b>	Working capital expenditures from proceeds	0		0					
<b>10</b>	Capital expenditures from proceeds	0		0					
<b>11</b>	Other spent proceeds	218,328,803		274,842,772					
<b>12</b>	Other unspent proceeds	44,032,818		0					
<b>13</b>	Year of substantial completion	2012		2012					
		Yes	No	Yes	No	Yes	No	Yes	No
<b>14</b>	Were the bonds issued as part of a current refunding issue?	X		X					
<b>15</b>	Were the bonds issued as part of an advance refunding issue?		X		X				
<b>16</b>	Has the final allocation of proceeds been made?		X		X				
<b>17</b>	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
<b>1</b>	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X				
<b>2</b>	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X				

**Part III Private Business Use (Continued)**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>3a</b> Are there any management or service contracts that may result in private business use of bond-financed property?		X		X				
<b>b</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?								
<b>c</b> Are there any research agreements that may result in private business use of bond-financed property?		X		X				
<b>d</b> 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?								
<b>4</b> 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	2 000 %		2 000 %					
<b>5</b> Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %		0 %					
<b>6</b> Total of lines 4 and 5	2 000 %		2 000 %					
<b>7</b> Does the bond issue meet the private security or payment test?		X		X				
<b>8a</b> Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
<b>b</b> If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
<b>c</b> If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?		X		X				
<b>9</b> Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X					

**Part IV Arbitrage**

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

**Part IV Arbitrage (Continued)**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>5a</b> Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X				
<b>b</b> Name of provider	0		0					
<b>c</b> Term of GIC								
<b>d</b> Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
<b>6</b> Were any gross proceeds invested beyond an available temporary period?		X		X				
<b>7</b> 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 H, PART I, LINE A, COLUMN (F) DESCRIPTION OF PURPOSE - REFUNDING REMAINING SERIES 2007 BONDS AND ESTABLISHING PROJECT FUND FOR CAPITAL ACQUISITION SCHEDULE K, PART I, LINE B, COLUMN (F) DESCRIPTION OF PURPOSE - REFUNDING \$225,000,000 OF THE SERIES 2007 BONDS

Schedule L (Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

Department of the Treasury Internal Revenue Service

Name of the organization Phoenix Children's Hospital

Employer identification number

86-0422559

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

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

Table with 4 main columns: (a) Name of disqualified person, (b) Relationship between disqualified person and organization, (c) Description of transaction, (d) Corrected? (Yes/No)

- 2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958.
3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization.

Part II Loans to and/or From Interested Persons.

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

Table with 9 main columns: (a) Name of interested person, (b) Relationship with organization, (c) Purpose of loan, (d) Loan to or from the organization (To/From), (e) Original principal amount, (f) Balance due, (g) In default? (Yes/No), (h) Approved by board or committee? (Yes/No), (i) Written agreement? (Yes/No)

Part III Grants or Assistance Benefitting Interested Persons.

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

Table with 5 main columns: (a) Name of interested person, (b) Relationship between interested person and the organization, (c) Amount of assistance, (d) Type of assistance, (e) Purpose of assistance

**Part IV Business Transactions Involving Interested Persons.**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Brian Meyer	Son of CEO	233,794	Employee of PCH		No
(2) Jennifer Rispoli	Daughter of CEO	105,467	Employee of PCH		No

**Part V Supplemental Information**

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

Return Reference	Explanation
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**SCHEDULE O**  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

**Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.**

**▶ Attach to Form 990 or 990-EZ.**

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

**2013**

**Open to Public Inspection**

Name of the organization  
Phoenix Children's Hospital

**Employer identification number**

86-0422559

Return Reference	Explanation
FORM 990, PART I, LINE 6	VOLUNTEERS MAKE A DIFFERENCE FOR PATIENTS AND FAMILIES AT PHOENIX CHILDREN'S HOSPITAL (PCH) EVERY DAY BY GIVING THE GIFT OF TIME. THE VOLUNTEERS EACH HAVE SOMETHING UNIQUE TO OFFER AND COME FROM ALL BACKGROUNDS AND WALKS OF LIFE. VOLUNTEERS ARE AN IMPORTANT PART OF PCH'S TEAM THAT PROVIDES THE BEST HOPE, HEALING AND CARE TO CHILDREN AND FAMILIES. EACH WEEK, OVER 630 VOLUNTEERS DONATE THREE TO FOUR HOURS OF SERVICE IN OVER 30 AREAS IN THE HOSPITAL. PCH VOLUNTEERS PLEDGE A MINIMUM OF 100 HOURS AND MUST BE AT LEAST 16 YEARS OF AGE. VOLUNTEERS GO THROUGH THE SAME SCREENING AND ORIENTATION PROCESS AS EMPLOYEES IN TERMS OF APPLICATION, BACKGROUND CHECK, GENERAL HOSPITAL ORIENTATION, HIPAA, CONFIDENTIALITY TRAINING, EXTENSIVE HANDS-ON TRAINING AND ADDITIONAL TRAINING AS NECESSARY FOR DIFFERENT POSITIONS.

Return Reference	Explanation	
FORM 990, PART III, LINE 4		<p>PHOENIX CHILDREN'S HOSPITAL (PCH) IS ARIZONA'S ONLY LICENSED NONPROFIT CHILDREN'S HOSPITAL PROVIDING CARE IN MORE THAN 70 PEDIATRIC SUBSPECIALTIES TO THE STATE'S PEDIATRIC PATIENTS SIX CENTERS OF EXCELLENCE AT PCH OFFER INTERDISCIPLINARY CARE, INCLUDING (1) THE CENTER FOR CANCER AND BLOOD DISORDERS, (2) THE CHILDREN'S HEART CENTER, (3) THE CHILDREN'S NEURO SCIENCES INSTITUTE, (4) THE CENTER FOR PEDIATRIC ORTHOPAEDICS, (5) TRAUMA AND (6) THE NEWBORN INTENSIVE CARE UNIT (NICU) PCH IS ONE OF THE 10 LARGEST FREESTANDING CHILDREN'S HOSPITALS IN THE UNITED STATES ON NUMBER OF BEDS AND IS THE SINGLE LARGEST PROVIDER OF PEDIATRIC SERVICES TO LOW-INCOME CHILDREN IN ARIZONA, 52 PERCENT OF PATIENTS ARE MEDICAID BENEFICIARIES IN ADDITION TO THE HOSPITAL'S MAIN CAMPUS NEAR DOWNTOWN PHOENIX, ARIZONA, THE HOSPITAL OPERATED A SECOND, 110-LICENSED-BED NICU IN PHOENIX ON THE CAMPUS OF BANNER GOOD SAMARITAN REGIONAL MEDICAL CENTER UNTIL MARCH OF 2013, THE NICU OPERATES IN CLOSE COLLABORATION WITH A HIGH RISK OBSTETRICS PROGRAM, CARING FOR BABIES OF HIGH RISK PREGNANCIES, INCLUDING THOSE BORN PREMATURELY, THOSE BORN WITH CONGENITAL ANOMALIES, AND MULTIPLE BIRTHS THE HOSPITAL ALSO OPERATES FOUR FREESTANDING PEDIATRIC CLINICS IN MESA, AVONDALE, SCOTTSDALE AND GLENDALE, ARIZONA THAT OFFER SPECIALTY CARE AND ADVANCE URGENT CARE THROUGH ITS BROAD RANGE OF SUPERIOR PEDIATRIC SERVICES INCLUDING NEUROLOGY, ENDOCRINOLOGY, CHEMOTHERAPY, CARDIOLOGY AND OTHER MEDICAL SERVICES, PCH HAS PROVIDED A DISTINGUISHED INDEPENDENT HEALTH FACILITY FOR THE CHILDREN OF ARIZONA PCH DELIVERS ON ITS MISSION TO PROVIDE HOPE, HEALING, AND THE BEST CARE FOR CHILDREN AND FAMILIES BY PROVIDING ACCESS TO THE MOST ADVANCED SPECIALTY AND SUBSPECIALTY PEDIATRIC CARE IN ARIZONA PCH EXTENDS THIS MISSION BEYOND OUR PATIENT POPULATION BY DELIVERING DIRECT FUNDING, PROGRAM SUPPORT, HEALTHCARE EXPERTISE, AND OTHER RESOURCES TO THE MOST VULNERABLE MEMBERS OF OUR COMMUNITY AND TO THE COMMUNITY AT LARGE THE FOLLOWING DESCRIBES PCH'S SIX CENTERS OF EXCELLENCE AND OTHER MEDICAL SERVICES (1) CENTER FOR CANCER AND BLOOD DISORDERS THE CENTER FOR CANCER AND BLOOD DISORDERS AT PHOENIX CHILDREN'S HOSPITAL IS THE LARGEST PEDIATRIC PROGRAM OF ITS KIND IN ARIZONA, PROVIDING COMPLETE CARE FOR CHILDREN DIAGNOSED WITH MALIGNANCIES AND/OR LIFE-THREATENING HEMATOLOGIC DISEASES USING A FAMILY-CENTERED APPROACH, THE CENTER PROVIDES COMPREHENSIVE, PERSONALIZED CARE TO EVERY HEMATOLOGY AND ONCOLOGY PATIENT EVERY CHILD HAS HIS OR HER OWN TEAM OF PHYSICIANS, NURSES, SOCIAL WORKERS, PHYSICAL THERAPISTS, NUTRITIONISTS AND MORE THAT PROVIDE CARE THROUGHOUT THE TREATMENT AND HEALING PROCESS THE TEAM WORKS TO MAKE SURE THAT THE CARE REGIMEN FITS IN WITH THE CHILD'S - AND THE FAMILY'S - NEEDS THE CENTER'S TEAM OF MEDICAL PRACTITIONERS INCLUDES MANY SPECIALISTS, EACH WITH A SPECIFIC AREA OF EXPERTISE WITHIN THE HEMATOLOGY AND ONCOLOGY FIELDS ENCOURAGING EACH PROVIDER TO SPECIALIZE IN CERTAIN DISEASES HAS ALLOWED THE CENTER'S TEAM TO COLLECTIVELY KEEP UP WITH THE LATEST ADVANCEMENTS IN THE TREATMENT OF CANCER AND HEMATOLOGIC DISORDERS AS A RESULT, THE CENTER IS ABLE TO PROVIDE TOP-NOTCH, CUTTING EDGE CARE TO ALL OF ITS PATIENTS (2) CHILDREN'S HEART CENTER PHOENIX CHILDREN'S HEART CENTER IS THE PREMIER REGIONAL REFERRAL CENTER IN THE SOUTHWEST AND IS THE FIFTH LARGEST PROGRAM OF ITS KIND IN THE U.S IT OFFERS THE MOST COMPREHENSIVE INPATIENT AND OUTPATIENT PEDIATRIC CARDIAC CARE SERVICES TO INFANTS, CHILDREN AND TEENS WITH CONGENITAL HEART DEFECTS, RHYTHM DISTURBANCES, HEART FAILURE AND OTHER CARDIAC-RELATED PROBLEMS THE PHOENIX CHILDREN'S HEART CENTER HAS A COMPREHENSIVE, MULTIDISCIPLINARY TEAM, WHICH INCLUDES SUBSPECIALTY TRAINED PHYSICIANS AND CARDIAC NURSES WHO PROVIDE ADVANCED FAMILY-CENTERED CARE FOR SIMPLE AND COMPLEX HEART CONDITIONS THE AVAILABILITY OF VARIED CARDIAC CLINICAL STAFF ON PHOENIX CHILDREN'S CAMPUS MEANS EVEN THE MOST COMPLEX PATIENTS CAN RECEIVE ALL OF THEIR CARE IN ONE PLACE, WHICH LEADS TO BETTER OUTCOMES AND ONGOING FOLLOW-UP (3) BARROW NEUROLOGICAL INSTITUTE BARROW NEUROLOGICAL INSTITUTE AT PHOENIX CHILDREN'S HOSPITAL OFFERS THE MOST COMPREHENSIVE INPATIENT AND OUTPATIENT NEUROLOGICAL CARE AND SERVICES TO INFANTS, CHILDREN AND TEENS WITH NEUROLOGICAL-RELATED PROBLEMS OUR COLLABORATIVE AND COMPREHENSIVE APPROACH TO MEDICINE, EDUCATION AND RESEARCH HAS RESULTED IN BARROW AT PHOENIX CHILDREN'S HOSPITAL BEING THE LARGEST PEDIATRIC NEUROSCIENCE CENTER IN THE SOUTHWEST WE ARE PROUD TO BE ONE OF THE FEW HOSPITALS TO OFFER PEDIATRIC NEUROLOGICAL DIAGNOSIS, NEUROSURGERY AND REHABILITATION IN ONE CENTRAL LOCATION WHEN IT COMES TO CARING FOR CHILDREN WITH NEUROLOGICAL AND BEHAVIORAL DISORDERS, THE OLD SAYING IS OFTEN TRUE "IT TAKES A VILLAGER" OR, MORE PRECISELY, IT TAKES MULTIPLE MEDICAL PROFESSIONALS TO CARE FOR PATIENTS THAT SUFFER FROM COMPLEX AND INTERRELATED NEUROLOGICAL AND BEHAVIORAL CONDITIONS COLLABORATING TO TREAT THESE SPECIAL PEDIATRIC PATIENTS ENHANCES</p>

Return Reference	Explanation	
	FORM 990, PART III, LINE 4	CES CARE AND IMPROVES OUTCOMES AT PHOENIX CHILDREN'S HOSPITAL, FUNDING ENABLED THE DIVISIONS OF NEUROLOGY, NEUROSURGERY, PSYCHIATRY, AND PSYCHOLOGY TO COME TOGETHER IN ONE SUCH COLLABORATION BARROW NEUROLOGICAL INSTITUTE AT PHOENIX CHILDREN'S HOSPITAL SPECIALIZED MEDICAL EQUIPMENT, PEDIATRIC PATIENT ROOMS, AND PEDIATRIC SPECIALISTS -- IN ADDITION TO THE HOSPITAL'S FAMILY-CENTERED FOCUS - MAKE THE CENTER UNIQUELY QUALIFIED TO TREAT COMPLEX NEUROLOGICAL DISORDERS IN PEDIATRIC PATIENTS

Return Reference	Explanation
(4) CENTER FOR PEDIATRIC ORTHOPAEDICS	<p>PHOENIX CHILDREN'S CENTER FOR PEDIATRIC ORTHOPAEDICS IS DEDICATED TO OFFERING THE MOST COMPREHENSIVE, STATE-OF-THE-ART CARE FOR CHILDREN WHO HAVE EXPERIENCED MUSCULOSKELETAL INJURY OR ARE LIVING WITH RELATED DISEASES OR CONDITIONS. PHOENIX CHILDREN'S CENTER FOR PEDIATRIC ORTHOPAEDICS RANKS AS THE SIXTH LARGEST PROGRAM OF ITS KIND IN THE UNITED STATES BASED ON PATIENT VOLUME. ONE OF THE HOSPITAL'S SIX CENTERS OF EXCELLENCE, THE GROUP OF SIX FELLOWSHIP-TRAINED PHYSICIANS PROVIDE ORTHOPAEDIC SURGICAL AND NON-SURGICAL CARE TO CHILDREN AND TEENS WITH SCOLIOSIS AND OTHER SPINAL DEFORMITIES, FRACTURES, SPORTS-RELATED INJURIES, HIP DISORDERS, DYPLASIA OF THE HIP, MUSCULAR DYSTROPHY, CLUBFOOT, SPINA BIFIDA, CEREBRAL PALSY. SPINAL FUSION SURGERY FOR SCOLIOSIS AND SPINAL DEFORMITIES IS ONE OF THE HIGHLIGHTS IN ORTHOPAEDIC SURGERY AT PHOENIX CHILDREN'S HOSPITAL. OUR SPINAL FUSION PROGRAM INCLUDES A PRE-OPERATIVE TOUR OF THE HOSPITAL SO THAT PATIENTS AND FAMILIES CAN ASK QUESTIONS AND TALK TO OTHER FORMER PATIENTS, FAMILIES AND STAFF. THIS HAS BEEN A MAJOR FACTOR IN IMPROVING PRE-OPERATIVE WORRY, POST-OPERATIVE CARE AND OVERALL RECOVERY FOR KIDS. ADDITIONALLY, PHOENIX CHILDREN'S ORTHOPAEDIC SURGEONS ARE MEMBERS OF THE STATE'S ONLY LEVEL 1 PEDIATRIC TRAUMA TEAM, PROVIDING EXPERT, LIFE-SAVING CARE TO CHILDREN AND TEENS WHO HAVE EXPERIENCED SERIOUS MUSCULOSKELETAL INJURY. AS THE CENTER FOR PEDIATRIC ORTHOPAEDICS GROWS, OTHER PROGRAMS BEING DEVELOPED INCLUDE TREATING CHILDREN WITH SPINAL DEFORMITIES, LIMB DEFICIENCIES, MUSCULOSKELETAL TUMORS AND SKELETAL DYPLASIA AND A STATE-OF-THE-ART MOTION ANALYSIS GAIT LAB.</p> <p>(5) LEVEL 1 PEDIATRIC TRAUMA CENTER PHOENIX CHILDREN'S LEVEL 1 PEDIATRIC TRAUMA CENTER IS ARIZONA'S PREMIER SITE FOR THE EVALUATION, STABILIZATION, TREATMENT, AND CARE OF CHILDREN WHO HAVE EXPERIENCED A TRAUMATIC INJURY. A LEVEL 1 PEDIATRIC TRAUMA CENTER OFFERS THE HIGHEST LEVEL OF EMERGENCY AND SURGICAL CARE TO PATIENTS, 24 HOURS A DAY, 365 DAYS OF THE YEAR. PHOENIX CHILDREN'S IS EQUIPPED TO HANDLE THE MOST SEVERELY INJURED CHILDREN IN THE SHORTEST AMOUNT OF TIME. CARE IS WAITING FOR THE PATIENT, INSTEAD OF THE PATIENT HAVING TO WAIT FOR CARE. BENEFITS INCLUDE - CARE AT A TRAUMA CENTER LOWERS THE RISK OF DEATH BY 25 PERCENT COMPARED TO NON-TRAUMA CENTERS - CHILDREN CARED FOR AT A PEDIATRIC TRAUMA CENTER HAVE A LOWER MORTALITY RATE AND SHORTER LENGTHS OF STAY COMPARED TO CHILDREN CARED FOR AT ADULT TRAUMA CENTERS - DESIGNATED TRAUMA CENTERS FOR CHILDREN HAVE 24/7 PHYSICIAN SPECIALIST COVERAGE FOR IMMEDIATE CARE OF THE INJURED CHILD. IT TAKES A DEDICATED TEAM WITH SPECIALTY TRAINING IN PEDIATRICS WORKING 24 HOURS A DAY, 7 DAYS A WEEK, TO PROVIDE THE BEST CARE FOR CHILDREN WITH TRAUMATIC INJURY. EMERGENCY TRAUMA CARE FOR INJURED CHILDREN IS SUPERVISED BY FULLY-TRAINED, BOARD-CERTIFIED SURGEONS WITH ADDITIONAL FELLOWSHIP TRAINING IN PEDIATRIC SURGERY. THESE SURGEONS LEAD A HIGHLY SKILLED TEAM THAT INCLUDES EMERGENCY MEDICINE PHYSICIANS, ANESTHESIOLOGISTS, ORTHOPAEDIC SURGEONS, NEUROSURGEONS, SPINE SURGEONS, PEDIATRIC CRITICAL CARE SPECIALISTS (INTENSIVISTS), PEDIATRIC RADIOLOGISTS, INTERVENTIONAL RADIOLOGISTS, HAND SURGEONS, CRANIOFACIAL PLASTIC SURGEONS, PEDIATRIC OPHTHALMOLOGISTS, PAIN MANAGEMENT SPECIALISTS, REGISTERED NURSES WITH SPECIAL TRAINING IN TRAUMA CARE, RESPIRATORY THERAPISTS, PHARMACISTS, RADIOGRAPHERS, PHYSICAL MEDICINE AND REHABILITATION PROVIDERS, SOCIAL WORKERS, BLOOD BANK TEAM SPECIALISTS, CHAPLAINS, CHILD LIFE SPECIALISTS, PATIENT CARE TECHNICIANS.</p>

Return Reference	Explanation	
(6) NEWBORN INTENSIVE CARE UNIT		<p>THE NEWBORN INTENSIVE CARE UNIT (NICU) AT PHOENIX CHILDREN'S HOSPITAL IS A LEVEL IIIIC NURSERY, WHICH OFFERS THE HIGHEST LEVEL OF CARE AND IS THE HIGHEST CERTIFICATION GIVEN BY THE ARIZONA PERINATAL TRUST. IT IS ALSO ARIZONA'S ONLY NEURO-NICU AND THE SECOND OF ONLY A HANDFUL BUILT IN THE ENTIRE NATION. SOME OF THE CHILDREN CARED FOR ARE "PREEMIES" BORN WITH A VARIETY OF MEDICAL CONDITIONS RELATED TO THEIR IMMATURETY, INCLUDING RESPIRATORY DISTRESS SYNDROME, HEART PROBLEMS, IMMATURE SKIN AND EYES, AND UNDER-DEVELOPED DIGESTIVE AND NEUROLOGICAL SYSTEMS. OTHER BABIES ARE BORN FULL-TERM, BUT SUFFER FROM INFECTION, CONGENITAL BIRTH DEFECTS, IN-UTERO DRUG EXPOSURE AND COMPLICATIONS FROM TRAUMATIC BIRTH. MANY OF THESE INFANTS REQUIRE SURGICAL AND SUB-SPECIALIST SERVICES, WHICH ARE ALL AVAILABLE HERE AT PHOENIX CHILDREN'S. IN THE REMARKABLY WARM, PERSONAL AND FAMILY-CENTERED SETTING PROVIDED BY PHOENIX CHILDREN'S HOSPITAL, THESE TINY AND ILL INFANTS HAVE THE BEST CHANCE TO SURVIVE AND GROW TO REACH THEIR MAXIMUM POTENTIAL. PHOENIX CHILDREN'S IS COMMITTED TO PROVIDING STATE-OF-THE-ART FACILITIES FOR THESE FRAGILE INFANTS. PHOENIX CHILDREN'S HOSPITAL'S NICU CONTAINS 33 BEDS, INCLUDING 10 PRIVATE ROOMS. THESE PRIVATE NICU ROOMS OFFER FAMILIES MORE PRIVACY AND CONTROL TO PROMOTE HEALING AND BONDING. EACH YEAR, APPROXIMATELY 1,300 BABIES THROUGHOUT ARIZONA AND THE SOUTHWEST ARE ADMITTED TO THIS NEWBORN INTENSIVE CARE NURSERY. PHOENIX CHILDREN'S NICU HAS A STAFF OF MORE THAN 250 HEALTHCARE PROFESSIONALS ALL SPECIALIZED IN THE UNIQUE CARE OF CRITICALLY ILL AND PREMATURE INFANTS. PHOENIX CHILDREN'S IS A REGIONAL REFERRAL CENTER FOR ECMO, A HEART-LUNG BYPASS PROCEDURE USING SPECIAL EQUIPMENT THAT DOES THE WORK OF THE INFANT'S HEART AND/OR LUNGS WHILE THEIR OWN HEART/LUNGS REST, RECOVER AND DEVELOP. NICU PATIENTS HAVE EASY ACCESS TO CONSULTS FROM PHOENIX CHILDREN'S LARGE STAFF OF PEDIATRIC SPECIALISTS AND SUB-SPECIALISTS. OTHER MAJOR MEDICAL SERVICES DOCTORS AND NURSES ARE VITAL COMPONENTS OF THE PERSONALIZED CARE TEAM. PHOENIX CHILDREN'S PROVIDES EACH OF ITS CHILDREN EQUALLY IMPORTANT TO THE HOSPITAL'S PHILOSOPHY OF CARE IS THE FAMILY. MOTHERS, FATHERS, SIBLINGS, GRANDPARENTS AND OTHER MEMBERS OF A FAMILY'S SUPPORT SYSTEM. IT'S THOSE FAMILY MEMBERS WHO ARE THE PRIMARY CAREGIVERS AND PROVIDE THE STRENGTH AND SUPPORT REQUIRED TO HELP OUR YOUNG PATIENTS RECOVER FROM ILLNESS AND INJURY. THEY PARTNER WITH THE HOSPITAL'S TEAM TO HELP DEVELOP A PLAN OF TREATMENT THAT BEST FITS THEIR PERSONAL SITUATIONS. THE HOSPITAL ALSO UNDERSTANDS THOSE FAMILY MEMBERS HAVE NEEDS, TOO. AND FOR THAT REASON PHOENIX CHILDREN'S - THROUGH ITS PATIENT AND FAMILY SERVICES DEPARTMENT - OFFERS A COMPREHENSIVE SUPPORT NETWORK FOR THE ENTIRE FAMILY THROUGH SOCIAL WORK, CHAPLAINCY AND CHILD LIFE, THE LATTER A PROGRAM DEVELOPED RIGHT HERE AT PHOENIX CHILDREN'S HOSPITAL THAT HELPS PATIENTS AND OFTEN THEIR SIBLINGS COPE EMOTIONALLY AND PHYSICALLY DURING THEIR HOSPITAL STAY BY PROVIDING AGE APPROPRIATE EDUCATION. PATIENTS GAIN A MEASURE OF CONTROL OVER THEIR OWN CARE BY LEARNING ABOUT IT THROUGH PLAY. ROUNDING OUT THE CARE TEAM ARE COMPASSIONATE AND CARING MEMBERS OF THE COMMUNITY, OUR VOLUNTEERS, WHO MAKE AN INDELIBLE DIFFERENCE IN THE LIVES OF OUR CHILDREN, FAMILIES AND STAFF. WHETHER THEY'RE ESCORTING A FAMILY TO ONE OF OUR CLINICS, SERVING AS A CANDY STRIPER OR ENTERTAINING CHILDREN IN ONE OF THE PLAYROOMS, PHOENIX CHILDREN'S VOLUNTEERS ARE THERE TO OFFER ANOTHER LEVEL OF COMFORT AND CARE. THE HOSPITAL'S PHILOSOPHY OF FAMILY-CENTERED CARE IS ALSO ONE OF THE MOTIVATIONS BEHIND ITS ALLIANCE WITH ST JOSEPH'S HOSPITAL AND MEDICAL CENTER. THE UNIFICATION OF THESE PEDIATRIC PROGRAMS - WHOSE MISSIONS AND VISIONS SO CLOSELY ALIGN - FORTIFIES PHOENIX CHILDREN'S COMMITMENT TO DELIVER ON ITS PROMISE TO PROVIDE HOPE, HEALING AND THE BEST HEALTH CARE TO ARIZONA'S CHILDREN AND FAMILIES. PHOENIX CHILDREN'S OFFERS WORLD-CLASS CARE IN MORE THAN 70 SUB-SPECIALTY FIELDS OF PEDIATRIC MEDICINE, INCLUDING 6 CENTERS OF EXCELLENCE. IN 2013, PHOENIX CHILDREN'S HAD 13,000 DISCHARGES, 76,240 VISITS TO THE EMERGENCY DEPARTMENT, 216,121 OUTPATIENT VISITS, AND 16,227 SURGICAL PROCEDURES. ARIZONA'S POPULATION GROWTH MEANS PHOENIX CHILDREN'S MUST GROW, TOO. THE HOSPITAL IS EXPANDING TO ADD MORE PHYSICIANS, BUILD NEW CLINICAL PROGRAMS, AND INCREASE THE NUMBER OF LICENSED BEDS TO 626 AT FULL BUILD OUT. THE CENTERPIECE OF THE EXPANSION IS AN 11-STORY TOWER THAT OPENED IN 2011. PHOENIX CHILDREN'S HAS ARIZONA'S ONLY DEDICATED PEDIATRIC DIALYSIS CENTER AND PEDIATRIC KIDNEY TRANSPLANT PROGRAM. PHOENIX CHILDREN'S HOSPITAL HAS 177 ICU BEDS, ONE OF THE LARGEST AMONG ALL FREESTANDING CHILDREN'S HOSPITALS IN THE COUNTRY, AND ONE OF ONLY A HANDFUL IN THE U.S. PERFORMING THE EXTRACORPOREAL MEMBRANE OXYGENATION (ECMO) PROCEDURE. PHOENIX CHILDREN'S HAS THE FIRST AND ONLY PEDIATRIC RADIOLOGY FELLOWSHIP PROGRAM IN ARIZONA. THE DIVISION OF RADIOLOGY OCCUPIES 45,000 SQUARE FEET OF THE FIRST FLOOR. PHOENIX CHILDREN'S</p>

Return Reference	Explanation	
	(6) NEWBORN INTENSIVE CARE UNIT	DREN'S OPERATES FOUR SPECIALTY AND URGENT CARE CENTERS, LOCATED IN SCOTTSDALE, THE EAST VALLEY, THE WEST VALLEY AND THE NORTHWEST VALLEY THE HOSPITAL WILL CONTINUE TO SPREAD ITS SPECIAL BRAND OF CARE ACROSS THE VALLEY WHEN WORK FINISHES ON ANOTHER FACILITY IN THE WEST VALLEY CITY OF AVONDALE. APPROXIMATELY 55 PERCENT OF PHOENIX CHILDREN'S PATIENTS ARE COVERED BY AHCCCS, ARIZONA'S MEDICAID PROGRAM FOR LOW-INCOME FAMILIES THE TRACHEOTOMY AND AIRWAY PROGRAM IS THE ONLY COMPREHENSIVE INPATIENT AND OUTPATIENT SERVICE IN ARIZONA THAT CARES FOR CHILDREN WITH TRACHEOSTOMIES AND HOME VENTILATORS

Return Reference	Explanation
FORM 990, PART VI, LINE 1	PCH has an executive committee that may exercise the power and authority of the Board of Directors in the intervals between meetings of the Board of Directors, except as otherwise provided in the bylaws. The executive committee may review all policy matters in connection with the operations of the corporation and may make recommendations with respect to such matters to the Board of Directors. FORM 990, PART VI, LINE 6 THE TWO MEMBERS OF PCH ARE DIGNITY HEALTH AND CHILDREN'S HEALTHCARE OF ARIZONA, INC

Return Reference	Explanation
FORM 990, PART VI, LINE 7A	MEMBERS OF THE GOVERNING BODY ARE NOMINATED BY THE TWO CORPORATE MEMBERS, AND APPROVAL FOR ELECTION IS REQUIRED BY A MAJORITY OF THE BOARD OF DIRECTORS. DECISIONS OF THE GOVERNING BODY ARE SUBJECT TO APPROVAL BY MEMBERS. FORM 990, PART VI, LINE 7B THE MEMBERS OF PCH HAVE CERTAIN RIGHTS AS OUTLINED IN THE AFFILIATION AGREEMENT AND THE BY LAWS WITH REGARD TO GOVERNANCE DECISIONS OF THE ORGANIZATION

Return Reference	Explanation
FORM 990, PART VI, LINE 11b	THE FORM 990, IN DRAFT FORM, WAS PROVIDED FOR REVIEW TO THE FINANCE COMMITTEE PRIOR TO BEING PRESENTED TO THE FINANCE COMMITTEE, THE RETURN WAS REVIEWED BY THE VP OF FINANCE AND CFO THE FINAL VERSION IS DISTRIBUTED TO BOARD MEMBERS PRIOR TO FILING WITH THE IRS

Return Reference	Explanation
FORM 990, PART VI, LINE 12C	PCH AND ITS AFFILIATE ORGANIZATIONS REQUIRES EACH OF ITS DIRECTORS, OFFICERS, AND VICE PRESIDENTS TO COMPLETE AN ANNUAL DISCLOSURE FORM, IDENTIFYING REAL OR POTENTIAL CONFLICTS, SUCH AS FINANCIAL RELATIONSHIPS OR INTERESTS, FAMILY OR BUSINESS ASSOCIATIONS OR EMPLOYEE RELATIONSHIPS WITH PCH AND/OR ITS DIRECTORS, OFFICERS AND KEY EMPLOYEES IF SITUATIONS ARE DISCLOSED THAT PRESENT ACTUAL OR POTENTIAL CONFLICTS OF INTEREST, THEY ARE REPORTED TO THE CEO AND THE BOARD OF DIRECTORS RESOLUTION AND/OR AVOIDANCE OF CONFLICT OF INTEREST SITUATIONS RESIDES WITH THE BOARD AND THE CEO

Return Reference	Explanation
FORM 990, PART VI, LINES 15A AND 15B	PCH USES THE SERVICES OF AN OUTSIDE COMPENSATION CONSULTING FIRM TO MAKE MARKET COMPARISONS OF COMPENSATION, INCLUDING BOTH BASE SALARY AND INCENTIVE PROGRAMS. THESE PLANS ARE REVIEWED WITH AND ULTIMATELY APPROVED BY THE BOARD OF DIRECTORS' COMPENSATION COMMITTEE. AFTER COMPLETION OF THE YEAR END AUDIT, THE COMPENSATION COMMITTEE MEETS TO EVALUATE PERFORMANCE OF THE CEO AND KEY EXECUTIVES AND TO APPROVE THE RECOMMENDATION OF THE VP OF HUMAN RESOURCES AND THE CEO, BASED ON THE CRITERIA IN THE PREVIOUSLY APPROVED PLAN. THIS PROCESS WAS LAST COMPLETED IN 2013.

Return Reference	Explanation
FORM 990, PART VI, LINE 19	SUCH DOCUMENTS ARE NOT REQUIRED TO BE MADE AVAILABLE, HOWEVER, THEY WILL BE PROVIDED UPON REASONABLE REQUEST

Return Reference	Explanation
FORM 990, PART XI, LINE 9	CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS \$ 40,816,028 NET ASSETS RELEASED FROM RESTRICTION \$ (1,450,000) TOTAL ----- \$ 39,366,028 =====

**SCHEDULE R  
(Form 990)**

**Related Organizations and Unrelated Partnerships**

OMB No 1545-0047

**2013**

**Open to Public Inspection**

▶ **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](http://www.irs.gov/form990).**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
Phoenix Children's Hospital

**Employer identification number**

86-0422559

**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
<b>(1)</b> PHOENIX CHILDREN'S CARE NETWORK LLC 1919 E THOMAS ROAD PHOENIX, AZ 85016 46-2046629	HEALTHCARE	AZ	0	0	PCH

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
<b>(1)</b> PHOENIX CHILDREN'S HOSPITAL FOUNDATION 1919 E THOMAS ROAD PHOENIX, AZ 85016 74-2421549	SUPPORT	AZ	501(c)(3)	7	PCH	Yes	
<b>(2)</b> CAMBRIDGE ARIZONA INSURANCE COMPANY 333 EAST OSBORN ROAD SUITE 300 PHOENIX, AZ 85012 26-1756912	INSURANCE	AZ	501(c)(3)	11A - I	PCH	Yes	
<b>(3)</b> CHILDREN'S HEALTHCARE OF ARIZONA INC 1919 E THOMAS ROAD PHOENIX, AZ 85016 45-1474342	SUPPORT	AZ	501(c)(3)	11A - I	NA		No

**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) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

**Part IV Identification of Related Organizations Taxable as a Corporation or Trust** Complete if the organization answered "Yes" 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	No
(1) CHARITABLE REMAINDER TRUST (2)	TRUST	AZ	NA						

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

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

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

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)

- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)

- p** Reimbursement paid to related organization(s) for expenses
- q** Reimbursement paid by related organization(s) for expenses

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

	Yes	No
<b>1a</b>		No
<b>1b</b>		No
<b>1c</b>	Yes	
<b>1d</b>		No
<b>1e</b>		No
<b>1f</b>		No
<b>1g</b>		No
<b>1h</b>		No
<b>1i</b>		No
<b>1j</b>		No
<b>1k</b>		No
<b>1l</b>		No
<b>1m</b>		No
<b>1n</b>	Yes	
<b>1o</b>	Yes	
<b>1p</b>	Yes	
<b>1q</b>	Yes	
<b>1r</b>		No
<b>1s</b>		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
<b>(1)</b> Phoenix Children's Hospital Foundation	c	11,199,117	book value
<b>(2)</b> Phoenix Children's Hospital Foundation	n	3,195,574	book value
<b>(3)</b> Phoenix Children's Hospital Foundation	p	3,477,354	book value
<b>(4)</b> Cambridge Arizona Insurance Company	q	4,821,773	book value



**Part VII Supplemental Information**

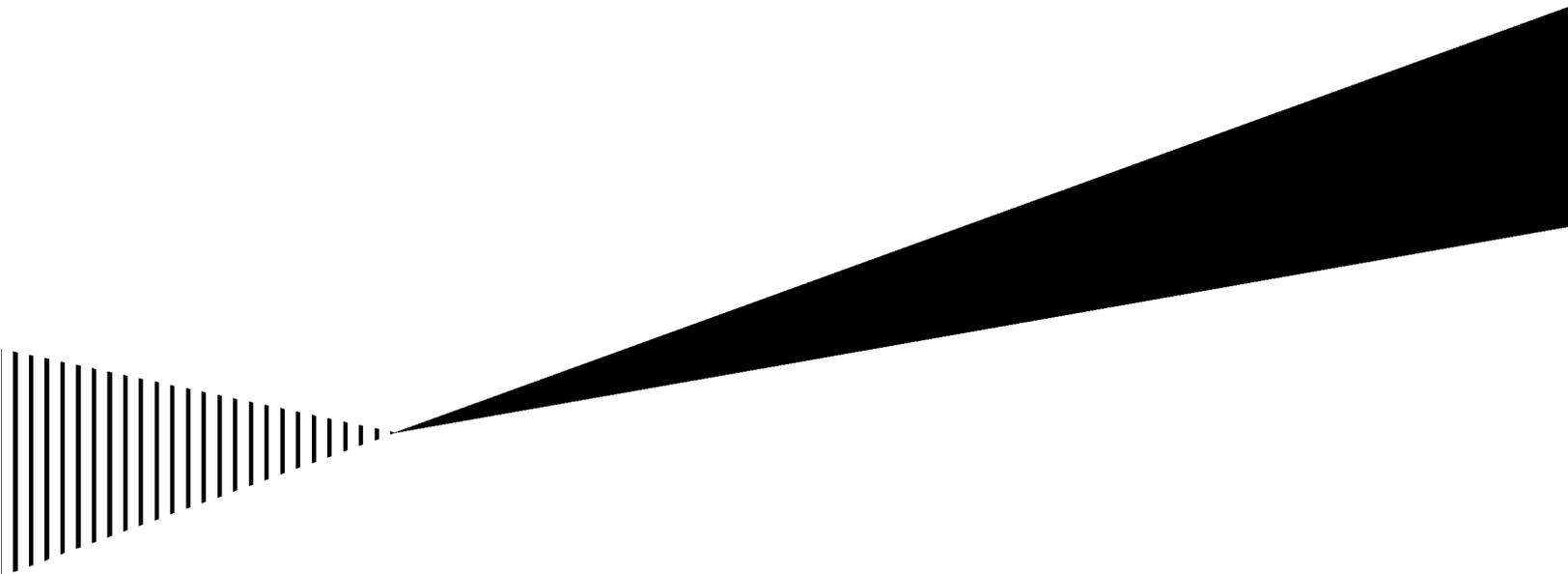
Provide additional information for responses to questions on Schedule R (see instructions)

**Return Reference****Explanation**

CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

Phoenix Children's Hospital and Affiliates  
Years Ended December 31, 2013 and 2012  
With Report of Independent Auditors

Ernst & Young LLP



**Building a better  
working world**

Phoenix Children’s Hospital and Affiliates

Consolidated Financial Statements and  
Supplementary Information

Years Ended December 31, 2013 and 2012

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## Report of Independent Auditors

The Board of Directors  
Phoenix Children's Hospital and Affiliates

We have audited the accompanying consolidated financial statements of Phoenix Children's Hospital 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 Phoenix Children's Hospital 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

*Ernst + Young LLP*

April 28, 2014

Phoenix Children's Hospital and Affiliates

Consolidated Balance Sheets

(In Thousands)

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 109,607	\$ 150,319
Short-term investments	272,569	96,806
Accounts receivable, net of allowance for doubtful accounts of \$9,285 and \$7,505 in 2013 and 2012, respectively	65,863	77,776
Contributions receivable, net	9,850	8,273
Inventory	9,416	8,831
Other current assets	14,732	16,407
Total current assets	<b>482,037</b>	358,412
Assets limited as to use		
Assets held by trustee	47,949	22,612
Other restricted cash and cash equivalents	21,926	70,484
Short-term investments	19,625	15,173
Charitable remainder trust investments	1,514	1,392
Endowment investments	7,029	5,976
Total assets limited as to use	<b>98,043</b>	115,637
Contributions receivable, less current portion	3,827	5,774
Interest rate swap assets	9,817	5,864
Deferred financing costs, net of accumulated amortization of \$1,764 and \$1,408 in 2013 and 2012, respectively	9,377	7,383
Property and equipment, net	551,883	559,721
Prepaid lease and other	4,187	10,843
Total assets	<b>\$ 1,159,171</b>	<b>\$ 1,063,634</b>

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 103,024	\$ 127,176
Capital lease obligations	2	79
Total current liabilities	<u>103,026</u>	<u>127,255</u>
Capital lease obligations, less current portion	–	1
Annuities payable, less current portion	190	239
Interest rate swap obligations	37,602	74,464
Bonds payable	579,556	526,500
Other liabilities	62,165	53,620
Total liabilities	<u>782,539</u>	<u>782,079</u>
Net assets		
Unrestricted	327,942	240,846
Temporarily restricted	40,472	33,674
Permanently restricted	8,218	7,035
Total net assets	<u>376,632</u>	<u>281,555</u>
Total liabilities and net assets	<u><u>\$ 1,159,171</u></u>	<u><u>\$ 1,063,634</u></u>

*See accompanying notes.*

Phoenix Children's Hospital and Affiliates

Consolidated Statements of Operations

(In Thousands)

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Unrestricted revenues		
Patient service revenue before provision for bad debts	\$ 645,612	\$ 656,688
Provision for bad debts	<b>(16,096)</b>	(16,701)
Net patient service revenue	<b>629,516</b>	639,987
Other operating revenue	<b>8,749</b>	13,068
Donations, gifts, and contributions	<b>8,096</b>	7,892
Net assets released from restrictions used for operations	<b>7,491</b>	7,738
	<b>653,852</b>	668,685
Expenses		
Employee compensation and benefits	<b>310,808</b>	304,566
Supplies, purchased services, and professional fees	<b>194,294</b>	227,615
Operating and other expenses	<b>59,069</b>	52,313
Depreciation and amortization	<b>35,470</b>	34,941
Interest, net	<b>27,309</b>	21,116
	<b>626,950</b>	640,551
Income from operations	<b>26,902</b>	28,134
Other income (loss)		
Net investment income	<b>17,856</b>	6,204
(Loss) gain on bond redemption	<b>(2,185)</b>	1,205
Change in fair value of interest rate swaps	<b>40,815</b>	(2,708)
Total other income	<b>56,486</b>	4,701
Excess of revenues over expenses	<b>83,388</b>	32,835
Property and equipment transferred from parent	–	872
Net assets released from restrictions used for purchase of property and equipment	<b>3,708</b>	1,162
Increase in unrestricted net assets	<b>\$ 87,096</b>	\$ 34,869

See accompanying notes.

Phoenix Children's Hospital and Affiliates

Consolidated Statements of Changes in Net Assets  
(In Thousands)

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Unrestricted net assets		
Excess of revenues over expenses	\$ 83,388	\$ 32,835
Property and equipment transferred from parent	–	872
Net assets released from restrictions used for purchase of property and equipment	<u>3,708</u>	1,162
Increase in unrestricted net assets	<u>87,096</u>	34,869
Temporarily restricted net assets		
Donations, gifts, and contributions	16,447	15,356
Net assets released from restrictions used for operations and purchase of property and equipment	<u>(11,199)</u>	(8,900)
Investment income	1,550	864
Increase in temporarily restricted net assets	<u>6,798</u>	7,320
Permanently restricted net assets		
Contributions and other	<u>1,183</u>	1,109
Increase in permanently restricted net assets	<u>1,183</u>	1,109
Change in net assets	<u>95,077</u>	43,298
Net assets, beginning of year	<u>281,555</u>	238,257
Net assets, end of year	<u>\$ 376,632</u>	<u>\$ 281,555</u>

*See accompanying notes.*

Phoenix Children's Hospital and Affiliates

Consolidated Statements of Cash Flows

(In Thousands)

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>Operating activities</b>		
Change in net assets	\$ 95,077	\$ 43,298
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Provision for bad debts	(16,096)	16,701
Provision for contributions receivable	5,860	2,776
Loss (gain) on bond redemption	2,185	(1,205)
Investments classified as trading and other restricted cash	(132,832)	(42,827)
Change in fair value of interest rate swaps	(40,815)	(50,023)
Depreciation and amortization	35,470	34,941
Restricted contributions received	(17,630)	(16,465)
(Increase) decrease in		
Accounts receivable	28,009	(25,409)
Contributions receivable	(5,490)	(3,992)
Inventory	(585)	(1,091)
Other current assets	1,675	(5,211)
Prepaid lease and other	6,656	(1,706)
(Decrease) increase in		
Accounts payable and accrued liabilities	(11,152)	33,926
Other liabilities	6,349	5,949
Net cash (used in) provided by operating activities	<u>(43,319)</u>	<u>(10,338)</u>
<b>Investing activities</b>		
Purchase of property and equipment	(25,129)	(8,285)
Proceeds from assets held by trustee	30,461	10,411
Purchase of assets held by trustee	(55,798)	(22,214)
Net cash used in investing activities	<u>(50,466)</u>	<u>(20,088)</u>

Phoenix Children's Hospital and Affiliates

Consolidated Statements of Cash Flows (continued)

(In Thousands)

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>Financing activities</b>		
Proceeds from restricted contributions	\$ 17,630	\$ 16,465
Proceeds from issuance bonds payable	278,056	301,500
Repurchase and extinguishment of bonds payable	(225,000)	(221,550)
Payments of financing costs	(4,535)	(5,240)
Proceeds from credit line	13,000	284,275
Payments on credit line	(26,000)	(295,800)
Principal payments on capital lease obligations	(78)	(206)
Net cash provided by financing activities	<u>53,073</u>	<u>79,444</u>
Net (decrease) increase in cash and cash equivalents	(40,712)	49,018
Cash and cash equivalents, beginning of year	150,319	101,301
Cash and cash equivalents, end of year	<u>\$ 109,607</u>	<u>\$ 150,319</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ 25,030</u>	<u>\$ 25,411</u>
<b>Supplemental disclosures of noncash investing and financing activity</b>		
Financing obligation for build-to-suit lease	<u>\$ 2,057</u>	<u>\$ 7,937</u>
Acquisitions of property and equipment included in accounts payable and other liabilities	<u>\$ 1,967</u>	<u>\$ 316</u>

See accompanying notes.

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements

December 31, 2013

### **1. Organization and Operations**

Phoenix Children's Hospital (the Hospital) is Arizona's only licensed nonprofit children's hospital providing care in more than 35 pediatric specialties to the state's pediatric patients. Six Centers of Excellence at the Hospital offer interdisciplinary care, including the Center for Cancer and Blood Disorders, the Children's Heart Center, the Children's Neurosciences Institute, the Center for Pediatric Orthopedics, Trauma, and the Newborn Intensive Care Unit (NICU). The Hospital is one of the ten largest freestanding children's hospitals in the United States based on number of beds.

In addition to the Hospital's main campus near downtown Phoenix, Arizona, the Hospital operated a second 110-licensed-bed NICU in Phoenix on the campus of Banner Good Samaritan Regional Medical Center until March 31, 2013 (see Note 17). The NICU operated in close collaboration with a high-risk obstetrics program, caring for babies of high-risk pregnancies, including those born prematurely, those born with congenital anomalies, and multiple births. The Hospital continues to operate a NICU at its main campus. The Hospital also operates four freestanding pediatric clinics in Mesa, Scottsdale, Glendale, and Avondale, Arizona, that offer specialty care and advanced urgent care. The Avondale clinic opened in March 2013.

The Phoenix Children's Hospital Foundation (the Foundation) was established to solicit gifts and grants, manage fundraising, and provide other philanthropic support for the Hospital, which is the sole statutory member of the Foundation. Funds raised by the Foundation are used for clinical programs, support services, charitable care coverage, research initiatives, capital programs, facility upgrades, and community outreach.

Cambridge Arizona Insurance Company (the Captive), a wholly owned subsidiary of the Hospital, provides captive insurance coverage to Phoenix Children's Hospital and related affiliates. The Captive specifically provides professional and general liability insurance pursuant to the provisions of Arizona Revised Statutes 20-1098, and has been approved by the State of Arizona Department of Insurance.

During 2012, the Hospital changed from a non-member-based Arizona nonprofit corporation to a member-based Arizona nonprofit corporation in order to enable a strategic affiliation with Dignity Health (Dignity), formerly Catholic Healthcare West (see Note 19). At December 31, 2013, the Hospital's members were Children's Healthcare of Arizona, Inc. (the Parent), an Arizona nonprofit holding corporation exempt from income taxes under Internal Revenue Code Section 501(c)(3), and Dignity.

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements (continued)

### **1. Organization and Operations (continued)**

In the first quarter of 2013, the Hospital created a wholly owned network contracting company – Phoenix Children's Care Network (PCCN) – to facilitate future efforts to jointly contract, along with other area providers, with payors

### **2. Significant Accounting Policies**

The consolidated financial statements include the accounts of the Hospital, the Foundation, and the Captive (collectively, the Company) No operating activity occurred in PCCN during 2013 All significant intercompany accounts and transactions have been eliminated in the consolidation

#### **Use of Estimates**

The preparation of the consolidated 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 Estimates also affect the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

#### **Recently Issued Accounting Pronouncements**

In May 2011, an accounting standard was released that further amends fair value measurements The accounting standard requires additional disclosures relating to transfers of any financial instruments between Level 1 and Level 2 of the fair value hierarchy, disclosure of the fair value hierarchy for items that are not recorded at fair value in the consolidated financial statements, and disclosure of additional quantitative information about unobservable inputs used in fair value measurements of financial instruments categorized within Level 3 of the fair value hierarchy The accounting standard became effective for the Company on January 1, 2012, and the disclosures have been incorporated into the consolidated financial statements for the years ended December 31, 2013 and 2012

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements (continued)

### **2. Significant Accounting Policies (continued)**

In December 2011, an accounting standard was released pertaining to disclosure of offsetting assets and liabilities. The accounting standard requires financial statement disclosure relating to master netting arrangements, collateral received or paid, the gross amount of assets and liabilities, and reconciliation of the net offsetting balance recorded on the balance sheet. The effective date for the Company for this accounting standard is January 1, 2014. Management is currently evaluating the effect of adopting this accounting standard on the consolidated financial statements.

### **Subsequent Events**

The Hospital evaluates events occurring subsequent to the end of the calendar year and recognizes such events that are material in the consolidated financial statements as required by professional standards. In the preparation of the accompanying consolidated financial statements and as further discussed herein, the Company has evaluated subsequent events through April 28, 2014, the date the consolidated financial statements were issued.

### **Fair Value Measurements**

The carrying value of financial instruments classified as current assets and current liabilities approximate fair value due to their liquidity and short-term natures. The fair values of other financial instruments are disclosed in their respective notes.

### **Cash and Cash Equivalents**

Cash and cash equivalents include certain investments in highly liquid debt instruments with an original maturity of three months or less at the date of purchase. The Company invests a portion of its surplus operating funds in money market and mutual funds. These funds generally invest in highly liquid U.S. government and U.S. government agency obligations.

### **Investments and Investment Income**

Investments in equity securities with readily determinable fair values and all investments in debt securities are presented at fair value based on quoted market prices in active markets at the balance sheet date. The Company designates its investment portfolio as "trading." Accordingly,

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements (continued)

### **2. Significant Accounting Policies (continued)**

investment income or loss, including realized and unrealized gains and losses on investments, interest, and dividends, is included in the excess of revenues over expenses, unless their use is temporarily or permanently restricted by donor stipulations or by law

Investment and dividend income is recognized when earned

Donor-restricted investment income is reported as an increase or decrease in temporarily restricted net assets or permanently restricted net assets, depending on the type of restriction. Realized gains and losses are calculated based upon the specific cost of the investment

For annuity contracts, the underlying investment is carried at the fair market value, as based on quoted market prices, and the related annuity payable, as based on discounted future cash flows. The amounts reported for annuities payable relate to future payments to donors of charitable remainder trusts. The fair value of annuities payable approximates their carrying value, as the amount represents the value of the estimated future payments to be distributed over the donor's expected life. Short-term investments in certificates of deposit are recorded at amortized cost, which approximates market value

### **Inventory**

Inventory, consisting primarily of medical supplies and pharmaceuticals, is stated at the lower of cost or market value, utilizing the first-in, first-out method of accounting

### **Assets Limited as to Use**

Assets limited as to use include proceeds from bonds payable held by a trustee in the interest, debt service reserve, and expense funds as required by the 2012A Loan and Trust Agreements and the 2013A-1, A-2, A-3 and B Loan Agreements, and, additionally, the Project Fund as required by the 2013B Loan Agreement (see Note 9)

Assets limited as to use also include charitable remainder trust investments, endowment investments, amounts held by a commercial bank as collateral against mark-to-market adjustments in accordance with the Company's swap agreements and Company-held retirement funds and donor-restricted funds included in short-term investments

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements (continued)

### **2. Significant Accounting Policies (continued)**

The fair value of assets held by trustee, endowment investments, and charitable remainder trust investments were estimated based on quoted market prices of the investments in active markets

#### **Derivative Instruments**

The Company has various interest rate swaps that are used to manage the overall cost of borrowing. These interest rate swaps do not qualify as hedges. Derivatives that do not qualify as hedges must be adjusted to fair value through the statements of operations. Therefore, the changes in their fair values are recognized in the consolidated statements of operations within the excess of revenues over expenses. The derivative instruments and related collateral are recorded at gross fair value on the consolidated balance sheets.

#### **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations and leasehold improvements are amortized over the shorter period of the lease term or the estimated useful life of the asset. Such amortization is included in depreciation and amortization in the consolidated statements of operations. Interest cost incurred on borrowed funds during the period of construction, less interest income on qualified borrowed funds of capital assets, is capitalized as a component of the cost of acquiring those assets.

Costs incurred in the development and installation of software for internal use are expensed or capitalized, depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Amounts capitalized are amortized over the useful life of the developed asset following project completion.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support at fair value on the date of donation and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service, or as specified by the donor.

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements (continued)

### **2. Significant Accounting Policies (continued)**

#### **Income Taxes**

The Hospital, Foundation, and Captive are not-for-profit corporations that have been recognized as tax-exempt entities pursuant to Section 501(c)(3) of the Internal Revenue Code. PCCN is a single-member limited liability company whose sole member is the Hospital. Management is of the opinion that substantially all of the Hospital's, Foundation's, Captive's, and PCCN's activities are related to their exempt purposes, and no material uncertain tax positions have been identified or recorded in the consolidated financial statements at December 31, 2013 or 2012. The Hospital, Foundation, and Captive each currently file a Form 990 in the U.S. federal jurisdiction and comparable forms in the state of Arizona. PCCN is disregarded for federal income tax purposes and any activity of PCCN is reported on the tax return of the Hospital. The Company is not subject to income tax examinations prior to 2010 in major tax jurisdictions.

#### **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Company has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Company in perpetuity.

#### **Donor-Restricted Gifts**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in fundraising revenue. Conditional promises to give are not included as revenue until the conditions are substantially met. The promises to give are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, either through the passage of time or fulfillment of purpose, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted fundraising revenue in the consolidated statements of operations.

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements (continued)

### **2. Significant Accounting Policies (continued)**

#### **Endowments**

The Foundation's endowment consists of individual donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

Management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. In this regard, the Foundation classifies the following as permanently restricted net assets: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until those amounts are specifically considered and appropriated for expenditure by the Foundation. Decreases in the fair value of assets associated with endowment balances below the corpus of a donor's original gift are reported as adjustments to unrestricted net assets.

The Foundation's investment and spending policy for endowment assets attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation expects its endowment funds, over time, to provide an average rate of return of at least 5% annually. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield, thereby targeting a diversified asset allocation strategy that places a greater emphasis on equity-based investments. Actual returns in any given year may vary from the Foundation's estimated rate of return.

#### **Statements of Operations**

The consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets that are included in the statements of operations, but are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions that, by donor restriction, were to be used for the purposes of acquiring such assets).

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements (continued)

### **2. Significant Accounting Policies (continued)**

#### **Net Patient Service Revenue, Accounts Receivable, and Allowance for Doubtful Accounts**

The Hospital records revenue in the period health care services are provided based upon the estimated amounts due from patients and third-party payors. The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts before estimates for bad debts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. If uninsured patients are unable or unwilling to pay for services provided, the Hospital records a provision for bad debts related to the uninsured patients in the period the services are provided. For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of standard rates for services provided.

Laws and regulations governing Medicare and the Arizona Health Care Cost Containment System (AHCCCS) programs are complex and subject to interpretation. As a result, there is a reasonable possibility that actual results could differ from recorded estimates by a material amount in the near term. Amounts received from third-party payors in excess of expected reimbursement are reflected as third-party liabilities and included in accounts payable and accrued liabilities in the consolidated balance sheets. Accounts receivable consist principally of amounts due from patient services rendered.

The allowance for doubtful accounts is based on management's assessment of historical and expected net collections of accounts receivable, considering economic conditions, trends in health care coverage, and other collection indicators. Periodically, management assesses the adequacy of the allowance based on historical write-off experience by payor category. The results of these reviews are used to make modifications to the allowance as appropriate. After satisfaction of amounts due from insurance and reasonable collection efforts have been exhausted, accounts receivable are written off and deducted from the allowance. For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements (continued)

### **2. Significant Accounting Policies (continued)**

basis of past experience, which indicates that many patients are unable or unwilling to pay the portion of the bill for which they are financially responsible. The Hospital did not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors in 2013 or 2012.

#### **Charity and Uncompensated Care**

The Hospital provides care to patients who meet certain criteria under its charity care policy, either without charge or at amounts less than its established rates. Costs of providing charity care are determined using an estimated cost-to-charge ratio. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are excluded from patient service revenue.

The Hospital did not change its financial assistance policy during 2013 or 2012.

The Hospital also provides services to other indigent patients under AHCCCS, which reimburses at amounts less than the cost of the services provided to the recipients. The difference between the cost of services provided to these indigent persons and the expected reimbursement is included in the estimated cost of uncompensated care. In 2012, AHCCCS received approval of a Safety Net Care Pool waiver from the Centers for Medicare & Medicaid Services (CMS). CMS renewed the approval in 2013. Under this waiver, the Hospital received AHCCCS funding involving intergovernmental transfer payments that offset a significant portion of the shortfall in reimbursement for providing care to AHCCCS patients.

#### **Reclassification**

Certain cash and cash equivalent balances in the 2012 financial statements have been reclassified to short-term investments to conform to the 2013 presentation.

### **3. Concentrations of Credit Risk**

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investments, assets held by trustee, charitable remainder trust and endowment investments, and patient accounts receivable.

## Phoenix Children's Hospital and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 3. Concentrations of Credit Risk (continued)

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

The Hospital provides health care services and grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. An estimated allowance for doubtful accounts, as well as contractual allowances, is maintained at levels considered adequate to reduce the account balances to net realizable value.

The mix of accounts receivable from patients and third-party payors at December 31 was as follows:

	2013	2012
AHCCCS	50%	48%
Contracted health care agreements	39	42
Other commercial payors	2	2
Patients and other	9	8
	100%	100%

The Hospital's allowance for doubtful accounts increased from \$7.5 million at December 31, 2012, to \$9.3 million at December 31, 2013. The 2013 allowance for doubtful accounts was 14.1% of accounts receivable, increasing from 9.6% of accounts receivable in 2012. The increase was the result of changes to the Hospital's process of transferring patient accounts to a third-party collection company to accelerate follow-up collection activities. Write-offs of patient accounts increased \$676,000 from \$23,782,000 for 2012 to \$24,458,000 for 2013. The increases in write-offs and the allowance for doubtful accounts are a result of a more timely determination of the collectibility of accounts and the resulting assignment of such accounts to external collection agencies.

## Phoenix Children's Hospital and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 4. Investments

Short-term investments and endowment investments comprised money market funds, mutual funds, and certificates of deposit at both December 31, 2013 and 2012

Net investment income (loss) included in other income consisted of the following for the years ended December 31 (in thousands)

	<b>2013</b>	<b>2012</b>
Net investment income		
Interest and dividend income, net	\$ 8,570	\$ 3,031
Realized losses on sales of securities	(619)	(4,156)
Net unrealized gain	9,905	7,329
	\$ 17,856	\$ 6,204

#### 5. Assets Limited as to Use

An independent third-party trustee, designated in the 2012A Loan and Trust Agreements under which the Hospital's Series 2012A Bonds were issued, is the custodian of certain assets designated under the Hospital's Series 2012A Bonds and the Hospital's Series 2013 A-1, 2013 A-2, 2013 A-3, and 2013B Bonds. At December 31, assets held in trust by the third-party trustee were designated as follows (in thousands)

	<b>2013</b>	<b>2012</b>
2012A Debt Service Reserve Fund	\$ 22,168	\$ 22,132
2012A Expense Fund	—	82
2013 Reserve Funds	13,852	284
2013 Expense Funds	218	114
2013 Interest Funds	363	—
2013B Project Fund	11,348	—
	\$ 47,949	\$ 22,612

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

**5. Assets Limited as to Use (continued)**

Other restricted cash, short-term investments, endowment, and charitable remainder trust investments are designated as follows at December 31 (in thousands)

	<u>2013</u>	<u>2012</u>
Swap collateral	\$ 12,895	\$ 61,544
Donor-restricted	18,118	17,749
Deferred compensation	19,081	13,732
	<u>\$ 50,094</u>	<u>\$ 93,025</u>

The Foundation held approximately \$7,029,000 and \$5,976,000 in 2013 and 2012, respectively, in endowments that were classified as permanently restricted. The endowment portfolio incurred net unrealized gains of \$645,000 and \$729,000 in 2013 and 2012, respectively.

**6. Contributions Receivable**

Contributions receivable consisted of the following at December 31 (in thousands)

	<u>2013</u>	<u>2012</u>
Amounts due in		
Less than one year	\$ 9,850	\$ 11,650
One to five years	12,405	8,119
Total	22,255	19,769
Less allowance for uncollectible contributions and present value discount	<u>(8,578)</u>	<u>(5,722)</u>
Contributions receivable, at net present value	13,677	14,047
Less current portion, at net present value	<u>(9,850)</u>	<u>(8,273)</u>
Long-term contributions receivable, at net present value	<u>\$ 3,827</u>	<u>\$ 5,774</u>

As of December 31, 2013 and 2012, approximately \$3,286,000 and \$6,312,000, respectively, of the contributions receivable at net present value were from parties affiliated with the Company.

## Phoenix Children's Hospital and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 7. Property and Equipment

Property and equipment consisted of the following at December 31 (in thousands)

	<b>2013</b>	<b>2012</b>
Land and land improvements	\$ <b>38,720</b>	\$ 38,689
Buildings and improvements	<b>526,515</b>	522,952
Leasehold improvements	<b>8,979</b>	32,950
Equipment	<b>133,127</b>	98,270
Assets under capital lease obligations	<b>25,108</b>	15,113
	<b>732,449</b>	707,974
Less accumulated depreciation and amortization	<b>(204,556)</b>	(178,902)
	<b>527,893</b>	529,072
Construction in progress	<b>23,990</b>	30,649
	<b>\$ 551,883</b>	\$ 559,721

Accumulated amortization for amounts under capital lease obligations totaled approximately \$11,918,000 and \$11,410,000 at December 31, 2013 and 2012, respectively

The Hospital capitalizes costs associated with software developed internally or obtained for internal use. Such capitalized costs (included in equipment) totaled approximately \$22.9 million and \$22.8 million as of December 31, 2013 and 2012, respectively. Capitalized software development costs are amortized on a straight-line basis, based upon an estimated useful life of 3 to 10 years for the related asset, beginning when the asset is ready for its intended use. Amortization of capitalized software development costs for the years ended December 31, 2013 and 2012, totaled approximately \$55,000 and \$974,000, respectively.

Included in property and equipment is capitalized interest. No interest was capitalized or added to property and equipment in 2013 or 2012.

Phoenix Children's Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

**8. Accounts Payable, Accrued Liabilities, and Other**

Accounts payable and accrued liabilities consisted of the following at December 31 (in thousands)

	<u>2013</u>	<u>2012</u>
Trade accounts payable	\$ 60,899	\$ 76,040
Accrued liabilities	30,060	27,509
Accrued payroll and benefits	12,065	10,627
Line of credit	–	13,000
	<u>\$ 103,024</u>	<u>\$ 127,176</u>

**9. Bonds Payable**

Long-term bonds payable consisted of the following at December 31 (in thousands)

	<u>2013</u>	<u>2012</u>
Series 2007 Bonds	\$ –	\$ 225,000
Series 2012A Bonds	284,605	284,605
Series 2013A-1 Bonds	75,000	–
Series 2013A-2 Bonds	75,000	–
Series 2013A-3 Bonds	75,000	–
Series 2013B Bonds	50,000	–
Series 2012A Bonds original issue premium	16,421	16,895
Series 2013B Bonds original issue premium	3,530	–
Less current portion	–	–
Bonds payable, long-term portion	<u>\$ 579,556</u>	<u>\$ 526,500</u>

On September 1, 2012, in connection with a refinancing plan for its Series 2007 Bonds, the Hospital issued \$284.6 million of Series 2012A Revenue Refunding Bonds (Series 2012A Bonds) through the Arizona Health Facilities Authority (the Authority) to repurchase and extinguish \$225.0 million of the then-outstanding Series 2007 Bonds and to reduce the notional amount on three of the Hospital's outstanding interest rate swap arrangements (see Note 10). The Series 2012A Bonds were sold with an original issue premium of \$17.1 million.

## Phoenix Children's Hospital and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### **9. Bonds Payable (continued)**

The Series 2012A Bonds are collateralized by substantially all of the Hospital's assets under, and pursuant to, a Master Trust Indenture (2012A MTI) dated September 1, 2012. The 2012A Bonds bear interest at a weighted-average fixed rate of 4.57%. The Hospital is required to pay interest only until 2015 when principal payments on the Series 2012A Bonds will become payable in varying annual installments. On February 1, 2022, the Hospital can call all of the Series 2012A Bonds maturing after February 1, 2023, for par and any accrued interest. The 2012A Bonds maturing on February 1, 2027, are also subject to mandatory redemption prior to their stated maturity from the Hospital's sinking fund, in installments ranging from \$7.6 million to \$15.0 million.

The 2012A MTI also requires the Hospital to maintain a debt service reserve fund to be used by the trustee, if required, to make payments on its Series 2012A Bonds. Amounts held in the debt service reserve fund are classified as assets whose use is limited at December 31, 2013 and 2012.

In February 2013, the Hospital completed the refinancing plan for its Series 2007 Bonds by issuing three series of 2013A Revenue Refunding Bonds (Series A-1, A-2 and A-3, collectively, the Series 2013A Bonds) and issuing Series 2013B Revenue Bonds (the Series 2013B Bonds) (the Series 2013A Bonds and the Series 2013B Bonds are collectively referred to as the Series 2013 Bonds). The 2013A-1, A-2, and A-3 Bonds were issued for \$75 million for each series and the 2013B Bonds were issued for \$50 million. All of the Series 2013 Bonds were issued through the Authority to refund and extinguish the remaining \$225 million Series 2007 Bonds and to provide funding for new projects, most notably the buy-out of operating leases entered into to furnish and equip the new patient service tower completed in 2011. The Series 2013A Bonds are variable rate and bear interest at the Securities Industry and Financial Markets Association (SIFMA) Index, a rate determined on the basis of the seven-day high-grade market index of tax-exempt variable-rate demand obligations, plus 1.85%. The Series 2013A-1 and A-2 Bonds are subject to mandatory tender in February 2020 and the Series 2013A-3 Bonds are subject to mandatory tender in February 2023. The 2013B Bonds bear interest at a weighted-average fixed rate of 4.31%. All of the Series 2013 Bonds mature in February 2048. The Series 2013 Bonds are equally collateralized with the Series 2012A Bonds by substantially all of the Hospital's assets under, and pursuant to, the 2012A MTI as supplemented by the Series 2013A and 2013B loan agreements.

The Hospital recognized a \$2.2 million loss on extinguishment for the Series 2007 Bonds in 2013 and a \$1.2 million gain on extinguishment for the Series 2007 Bonds in 2012.

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements (continued)

### 9. Bonds Payable (continued)

Future maturities of Series 2012A and Series 2013 Bonds payable at December 31, 2013, are as follows (in thousands)

2014	\$	–
2015		9,000
2016		9,225
2017		9,555
2018		9,995
Thereafter		521,830
	\$	<u>559,605</u>

The Master Trust Indenture and the Loan and Trust Agreements for the Series 2012A Bonds and Series 2013 Bonds contain certain restrictive covenants, including, but not limited to, the following restriction of the incurrence of additional borrowings, maintenance of defined liquidity ratios, such as maximum annual debt service coverage ratio, days cash on hand ratio, maintenance of tax-exempt status, and the delivery of audited financial statements within 150 days of the Company's fiscal year-end

The Company is in compliance with all covenants discussed above as of December 31, 2013

With the issuance of the Series 2013 Bonds, all obligations of the Series 2007 Bonds, including all covenants and pledges, were removed in favor of the requirements of the Series 2012A and Series 2013 Bonds

### 10. Interest Rate Swaps

In 2006, the Company entered into four forward-dated interest rate swaps to economically hedge a variable rate of interest to be paid in connection with the January 1, 2007, issuance of the Series 2007 Bonds. In conjunction with the Series 2012A Bond financing, the Hospital paid \$52.7 million to amend and reduce the first, second, and third swaps' notional amounts by \$112.5 million, \$75.0 million, and \$50.0 million, respectively. Concurrent with the issuance of the Series 2013 Bonds, the first three swap agreements were further amended to change the variable receiving rate component from the London Interbank Offered Rate (LIBOR) to the SIFMA Municipal Swap Index and increase the fixed payment rate for seven years. This change

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements (continued)

### 10. Interest Rate Swaps (continued)

was to better align the economics of these remaining swaps with the Series 2013 Bonds. At the end of seven years, the payment rates for all amended swaps revert back to the rates in effect prior to the amendment.

The first swap agreement hedges a notional amount of \$112.5 million (the First Swap). Until the amendment concurrent with the issuance of the Series 2013 Bonds, the Company paid a 4.728% fixed rate and received 64.5% of the one-month LIBOR plus 1.145% from the counterparty. As of the date of issuance of the Series 2013 Bonds, the fixed-rate portion was changed to 4.997%.

The second swap agreement hedges a notional amount of \$62.5 million (the Second Swap). Until the amendment concurrent with the issuance of the Series 2013 Bonds, the Company paid a 4.577% fixed rate and received 64.5% of the one-month LIBOR plus 0.995%. As of the date of the issuance of the Series 2013 Bonds, the fixed-rate portion was changed to 4.844%.

The third swap hedges a notional amount of \$50 million (the Third Swap). Until the amendment concurrent with the issuance of the Series 2013 Bonds, the Hospital paid a 4.519% fixed rate and received 64.5% of the one-month LIBOR plus 1.145% from the counterparty. As of the date of the issuance of the Series 2013 Bonds, the fixed-rate portion of the swaps was changed to 4.785%.

The fourth swap is a basis swap with an initial notional amount of \$225 million (the Basis Swap). The Hospital pays 67% of the one-month LIBOR plus 0.50% and receives 67% of the five-year USD ISDA Swap Rate plus 0.234% from the counterparty. The notional amount of the Basis Swap decreases over the term of the agreement.

The First Swap, Second Swap, and Third Swap all expire on February 1, 2042. The Basis Swap expires on January 5, 2041. All four of the Hospital's interest rate swap agreements require the Company to post collateral when the combined mark-to-market value of the swaps exceeds a net liability threshold as determined by the Company's credit rating and the Company's days cash on hand ratio, up to a maximum posting threshold of \$80.0 million. The threshold was \$20.0 million and \$15.0 million at December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012, the Hospital had collateral outstanding with a counterparty of \$12.9 million and \$61.5 million, respectively, which is included in assets limited as to use as other restricted cash and cash equivalents.

## Phoenix Children's Hospital and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### **10. Interest Rate Swaps (continued)**

The fair value of the swaps is determined based on contractual terms and discounted at the prevailing swap curve on the respective valuation date. The mark-to-market adjustment for these swaps during 2013 and 2012 totaled approximately \$40.8 million and \$2.7 million, respectively, as presented in the accompanying consolidated statements of operations. The net effect of the interest rate swaps recorded in interest expense was to increase the overall cost of borrowing in 2013 and 2012 by approximately \$7.3 million and \$12.0 million, respectively. All of the Company's derivative instruments were in liability positions except for the Basis Swap, which was in an asset position at December 31, 2013 and 2012.

#### **11. Line of Credit**

In April 2011, the Company entered into a line of credit with a local bank for up to \$10.0 million, increasing the line to \$25.0 million in June 2011. At December 31, 2012, the outstanding balance of the line of credit was \$13.0 million. In March 2013, the Company paid off and canceled the line of credit.

The line of credit required the Hospital to maintain compliance with specified financial reporting requirements and other financial covenants that were consistent with the requirements of the Bond Documents. The Hospital was in compliance with these covenants.

#### **12. Fair Value of Financial Instruments**

Fair value is defined as an exit price and represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions which market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company utilizes the following three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The Company's financial assets and liabilities in Level 1 include cash and cash equivalents and domestic and foreign mutual funds.

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements (continued)

### 12. Fair Value of Financial Instruments (continued)

Level 2 – Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's financial assets and liabilities in this category include interest rate swaps.

Level 3 – Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted techniques. The valuation techniques are as follows:

- (a) *Market approach* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- (b) *Cost approach* Amount that would be required to replace the service capacity of an asset or liability (replacement cost).
- (c) *Income approach* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option pricing, and excess earnings models).

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements (continued)

### 12. Fair Value of Financial Instruments (continued)

The following table provides information about the Company's financial assets and liabilities measured at fair value on a recurring basis at December 31, 2013 and 2012 (in thousands)

	Balance at December 31, 2013			Balance at December 31, 2012			Valuation Technique
	Level 1	Level 2		Level 1	Level 2		
<b>Assets</b>							
Included in							
Short-term investments							
Mutual funds – domestic	\$ 182,621	\$ 182,621	\$ –	\$ 52,874	\$ 52,874	\$ –	a
Mutual funds – foreign	89,948	89,948	–	26,042	26,042	–	a
Assets whose use is limited							
Cash equivalents	21,922	21,922	–	26,818	26,818	–	a
Mutual funds – domestic	70,113	70,113	–	20,969	20,969	–	a
Mutual funds – foreign	6,008	6,008	–	5,302	5,302	–	a
Interest rate swap assets	9,817	–	9,817	5,864	–	5,864	c
<b>Liabilities</b>							
Interest rate swaps	37,602	–	37,602	74,464	–	74,464	c

The Foundation received restricted contributions amounting to approximately \$15,936,000 and \$9,486,000 for the years ended December 31, 2013 and 2012, respectively, that were subject to fair value measurement on a nonrecurring basis. The restricted contributions were measured based on the actual cash received, or for pledge receivables, using discounted cash flow projections (Level 2), as outlined in the income valuation approach.

As of December 31, 2013 and 2012, the estimated fair value of the Company's debt was \$543.4 million and \$537.4 million, respectively. The estimated fair value of the Company's debt was based on quoted market prices in inactive markets (Level 2).

There are no other financial instruments subject to fair value measurement on a recurring basis.

There are no financial instruments subject to Level 3 fair value measurements in either 2013 or 2012.

Transfers to/from Levels 1, 2, and 3 are recognized at the end of the reporting period. There were no transfers between levels for either of the years ended December 31, 2013 or 2012. As of December 31, 2013 and 2012, the fair value of the swap assets and liabilities was primarily determined using techniques that are consistent with the income approach. Significant observable inputs include municipal bonds, market credit reports, treasury yields, and maturity dates.

## Phoenix Children's Hospital and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### **13. Retirement Plans**

##### **401(k) Plan**

The Company sponsors a defined contribution 401(k) plan (the Plan) For employees meeting certain eligibility requirements, the Plan permits each participant to contribute up to 30% of eligible compensation on a pretax basis, subject to federally mandated dollar maximums Under the terms of the Plan, the Company is required to provide a matching contribution for employees who meet service eligibility requirements equal to a portion of the employee's contribution each year, up to a maximum of 4% of the employee's eligible compensation Contributions by the Company totaled approximately \$6,885,000 and \$6,981,000 in 2013 and 2012, respectively The decrease in contributions was primarily the result of the decrease in employees participating in the Plan following the termination of the NICU lease at Banner Good Samaritan Medical Center at the end of March 2013 All participants are fully vested in the plan

##### **SERP Plan**

The Hospital provides a deferred compensation plan (the SERP Plan) for the exclusive benefit of certain employees who are among a select group of management or highly compensated employees The board of directors selects those employees who are eligible to become participants in the SERP Plan The Hospital contributes to the SERP Plan an amount equal to a percentage of the compensation paid to each participant during the plan year, as indicated in the SERP Plan documents Each participant may make compensation reduction contributions in accordance with rules set forth in the SERP Plan documents A participant becomes fully vested in his or her account upon one of the following events retirement date, disability before separation from service, involuntary separation from service (other than for cause), or death, as described in the SERP Plan documents

Employer contributions during 2013 and 2012 were approximately \$740,000 and \$344,000, respectively At December 31, 2013 and 2012, the SERP Plan investment and liability balances were approximately \$1,451,000 and \$1,056,000, respectively

##### **Deferred Compensation Plan**

The Hospital provides a deferred compensation plan (the 457 Plan) for a select group of management or highly compensated employees The Hospital contributes, for the benefit of each participant under the 457 Plan, an amount equal to a percentage of the compensation paid to each participant during the plan year, as identified in the 457 Plan document or as determined, as it

## Phoenix Children's Hospital and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 13. Retirement Plans (continued)

may be from time to time, by action of the board of directors. The Hospital's contribution for a plan year shall not exceed the lesser of \$15,000 (or such greater dollar limit as may be in effect under Section 457(e) of the Internal Revenue Code – the levels for 2013 and 2012 are \$17,500 and \$17,000, respectively) or 100% of the participant's includable compensation for the year. All participants are fully vested in the plan. Hospital contributions during 2013 and 2012 were approximately \$2,668,000 and \$2,444,000, respectively. At December 31, 2013 and 2012, the 457 Plan investment and liabilities were approximately \$16,943,000 and \$12,644,000, respectively.

#### 14. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31 (in thousands)

	2013	2012
Health care services		
Patient care programs	\$ 35,240	\$ 28,346
Purchase of property and equipment	3,956	4,221
Charitable remainder trusts, net	1,276	1,107
	\$ 40,472	\$ 33,674

Permanently restricted net assets, including pledges, of approximately \$8,218,000 and \$7,035,000 at December 31, 2013 and 2012, respectively, are restricted to investments to be held in perpetuity, certain income from which is expendable to support various pediatric hospital programs.

#### 15. Net Patient Service Revenue

Approximately 52.0% and 51.0% of net patient service revenue before provision for bad debts in 2013 and 2012, respectively, was derived from AHCCCS. Under this program, payment for certain services rendered to AHCCCS patients is reimbursed on a basis other than billed charges. The Hospital also provides services to the beneficiaries of certain other payors at amounts other than published rates. The difference between charges generated by the patients and the amount reimbursable is recorded as a contractual adjustment.

Phoenix Children’s Hospital and Affiliates

Notes to Consolidated Financial Statements (continued)

**15. Net Patient Service Revenue (continued)**

Patient service revenue, net of contractual allowances and discounts and before the provision for bad debts, recognized from major payor sources for the years ended December 31, is as follows (dollars in thousands)

	<u>2013</u>	<u>2012</u>
AHCCCS	\$ 335,562	\$ 334,691
Contracted health care agreements	256,824	273,987
Other commercial payors	8,402	8,528
Patients and other	44,824	39,482
	<u>\$ 645,612</u>	<u>\$ 656,688</u>

For the years ended December 31, 2013 and 2012, the Hospital was allocated approximately \$1,328,000 and \$997,000, respectively, in disproportionate share payments from AHCCCS. The Hospital also received funds for graduate medical education for children’s hospitals (a federal program) for the year ended December 31, 2013, of \$1,841,000. The Hospital did not receive direct AHCCCS funding for graduate medical education in 2013.

During 2010, the Hospital entered into an academic affiliation agreement with the University of Arizona. As part of this affiliation, the University of Arizona entered into an intergovernmental transfer agreement with AHCCCS in accordance with Arizona House Bill 2116, enacted into law in April 2010. As a result of the intergovernmental transfer agreement, the Hospital has recorded \$6,955,000 and \$7,632,000 in graduate medical education funding during the years ended December 31, 2013 and 2012, respectively.

During 2012, the Hospital received documents evidencing the final agreement between AHCCCS and CMS to fund a Safety Net Care Pool through the end of calendar year 2013. The Arizona legislature has authorized the extension of the Safety Net Care Pool for the Hospital through 2017, and CMS has approved the extension through the end of 2014. As a result, the Hospital received funding in 2012 through its intergovernmental transfer agreement with the University of Arizona of \$100.6 million, excluding payments for graduate medical education and disproportionate share funds, of which approximately \$92.0 million had been collected and \$8.6 million remained outstanding at December 31, 2012. In 2013, the Hospital received funding through the intergovernmental transfer agreement with the University of Arizona, excluding payments for graduate medical education and disproportionate share funds, of \$23.6 million.

## Phoenix Children's Hospital and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 15. Net Patient Service Revenue (continued)

In 2013, a City of Phoenix Provider Assessment was authorized by the Phoenix City Council whereby hospitals within the boundaries of the city of Phoenix were assessed a portion of their inpatient revenues. The city of Phoenix then made these funds available to AHCCCS through intergovernmental transfer agreements as a funding source for Safety Net Care Pool Funding. The Hospital received \$91.2 million from this program in 2013. Payments made in accordance with the City of Phoenix Provider Assessment of approximately \$17.1 million were recorded as operating and other expenses. The program was terminated at the end of 2013.

The policy of the Hospital is to reflect disproportionate share funds, graduate medical education funding, and other intergovernmental transfer funding as offsets to contractual adjustments. Accordingly, these amounts have been included in net patient service revenue. The estimation of funding levels to be received from the Safety Net Care Pool through use of intergovernmental funding is uncertain and subject to change until such time as CMS and AHCCCS have reviewed required filings for completeness and propriety of expenditures. Management has made estimates and assumptions based on its past experience in these programs to determine the recorded funding levels, but actual results may differ from the estimates.

#### 16. Charity and Uncompensated Care

The shortfall of reimbursements received from AHCCCS for the cost of providing medical care to AHCCCS patients is classified by the Company as uncompensated care. Unreimbursed costs for services and supplies provided under the Company's charity care policy, including uncompensated care, for the years ended December 31 are as follows (in thousands):

	<b>2013</b>	<b>2012</b>
Charity care	\$ 3,506	\$ 2,985
AHCCCS uncompensated cost of care	<b>138,880</b>	134,875
	<b>142,386</b>	137,860
Alternative funding through intergovernmental transfer arrangements	<b>(123,114)</b>	(122,694)
Net charity and uncompensated care	<b>\$ 19,272</b>	\$ 15,166

AHCCCS alternative funding included five quarters of funding in 2012 as a result of CMS approval for the Safety Net Care Pool and the University of Arizona's agreement to provide the necessary intergovernmental transfers to fund payments beginning in October 2011, the beginning of the 2012 federal fiscal year.

## Phoenix Children's Hospital and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 17. NICU Lease

Through March 31, 2013, the Hospital leased space on the campus of Banner Good Samaritan Medical Center in Phoenix, Arizona (Banner), where it operated a 110-bed NICU. In connection with the lease agreement, the Hospital prepaid a one-time lease fee of \$10 million in 2002, which was amortized ratably over the term of the lease. In January 2013, the Company and Banner reached an agreement wherein the lease with Banner for the NICU would be terminated effective March 31, 2013. Under the terms of the agreement, Banner paid the Company for unamortized tenant improvements incurred by the Company at the Banner NICU. The agreement also provided for the sale, by the Company, of certain assets used at that location. The Company received approximately \$16.9 million from Banner as payment for all amounts owed the Company under the agreement.

#### 18. Functional Expenses

The Hospital provides comprehensive health care services to children within its geographical location. Expenses related to providing these services were as follows as of December 31 (in thousands):

	<u>2013</u>	<u>2012</u>
Health care services	\$ 435,443	\$ 444,143
Nonclinical and support services, including general and administrative	186,101	190,402
Fundraising	5,406	6,006
	<u>\$ 626,950</u>	<u>\$ 640,551</u>

#### 19. Strategic Affiliation With Dignity Health

In 2011, the Hospital entered into a contribution agreement (the Contribution Agreement) with Dignity wherein Dignity agreed, upon execution of a subsequent affiliation agreement, to transfer and contribute its Maricopa County, Arizona-based pediatric services business (the Pediatrics Business) to the Hospital in return for a 20% membership interest in the Hospital. Commensurate with the execution of the Contribution Agreement, the Hospital changed from a non-member-based Arizona nonprofit corporation to a member-based Arizona nonprofit corporation. Simultaneously with this change, the Hospital's sole member became Children's Healthcare of Arizona Inc., an Arizona nonprofit holding corporation exempt from income taxes under Internal Revenue Code Section 501(c)(3).

## Phoenix Children's Hospital and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### **19. Strategic Affiliation With Dignity Health (continued)**

Effective June 1, 2011, the Parent and the Hospital entered into an affiliation agreement (the Affiliation Agreement) whereby the Parent agreed to assign and transfer to Dignity a 20% member interest in the Hospital consistent with the terms of the Contribution Agreement. The Hospital agreed to make future distributions of its available free cash flow, if any, in proportion to the Parent's and Dignity's membership interests, to the extent such distributions would not result in a violation of any Hospital debt covenants and subject further to Hospital Board approval of all distributions. The Affiliation Agreement allows the Hospital to request capital contributions from its members. The Affiliation Agreement also specifies certain actions of the Hospital that require approval of the members. No distributions or capital contributions were made or required to be made during 2013 or 2012.

Beginning on the fifteenth anniversary of the Affiliation Agreement, and each five-year anniversary thereafter, each member has the right to put/call to the other member its outstanding membership interest based on the then fair market value of the Hospital, as defined in the Affiliation Agreement. The put/call rights can also be exercised in the event of adverse changes at either member. Such put/call rights are considered to be embedded financial instruments in the Hospital's membership interests but do not meet the definition of a derivative and, therefore, have not been accounted for separately.

#### **20. Commitments and Contingencies**

##### **Lease Commitments**

The Hospital leases office facilities, outpatient clinics, and equipment under noncancelable capital and operating leases.

In 2007, under a long-term lease agreement, the Hospital leased 3.73 acres of land to be used for the expansion of the Hospital's operations (the Thomas Street Expansion). The initial lease term is 75 years, with a 24-year optional extension.

# Phoenix Children's Hospital and Affiliates

## Notes to Consolidated Financial Statements (continued)

### 20. Commitments and Contingencies (continued)

Additionally, the Hospital has a 20-year operating lease agreement for its East Valley Ambulatory and Urgent Care facility (East Valley) that opened in December 2007. The monthly base rent for the lease increased in 2013 from prior years' rent due to the opening of a surgery center at East Valley.

During 2013, as a result of the issuance of the Series 2013B Bonds, the Hospital began to buy out numerous operating leases to acquire the use of various pieces of furniture and equipment, particularly in conjunction with the completion of the new patient tower in mid-2011. As of December 31, 2013, approximately \$30.5 million of the Series 2013B Project Fund monies had been expended towards that purpose, leaving a Project Fund balance for further asset acquisitions of \$11.3 million.

Rental expense under operating leases for the years ended December 31, 2013 and 2012, totaled approximately \$15.2 million and \$23.1 million, respectively.

At December 31, 2013, there is approximately \$2,000 remaining on a capital lease, which will be paid in full in 2014. Future minimum rental commitments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2013, were as follows (in thousands):

	<u>Operating</u>
2014	\$ 9,012
2015	6,926
2016	6,394
2017	5,528
2018	3,350
Thereafter	88,469
Total minimum lease payments	<u>\$ 119,679</u>

### Self-Insurance Liabilities

Prior to January 1, 2008, the Hospital maintained insurance coverage on an occurrence basis for professional malpractice claims and general liability, with no deductible, through an external insurance company. Excess professional and general liability insurance coverage was maintained for claims exceeding per-occurrence limits.

## Phoenix Children's Hospital and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### **20. Commitments and Contingencies (continued)**

Beginning in January 2008, the Hospital obtained insurance through a combination of purchased and self-insurance programs for professional malpractice, general liability, and employee health insurance claims. Under its self-insured professional malpractice and general liability programs, the Hospital contributes actuarially determined amounts to the Captive to fund estimated ultimate losses.

The self-insured, claims-made professional malpractice and general liability coverage has a limit of \$3 million per claim and a \$12 million annual aggregate. Claims in excess of this self-insured retention are insured through excess liability policies up to an aggregate of \$50 million. The Company purchases claims-made insurance to cover workers' compensation claims. The Company is involved in litigation arising during the normal course of business. There are known claims and incidents that may result in assertion of additional claims, as well as claims from unknown incidents arising from services provided to patients that may be asserted. However, management does not believe that the asserted or unasserted claims will exceed the total amount of insurance coverage.

#### **Industry and Regulatory Environment**

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

#### **21. Subsequent Events**

Subsequent to December 31, 2013, the Hospital received notification from AHCCCS that there would be additional funding available to the Hospital and other unrelated hospitals in the program from the City of Phoenix Provider Assessment. In April 2014, the Hospital received approximately \$12.6 million, which has been recorded in 2014 revenue.

# Supplementary Information



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## Report of Independent Auditors on Supplementary Information

The Board of Directors  
Phoenix Children's Hospital

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of Phoenix Children's Hospital and Affiliates as of December 31, 2013 and 2012, and for the years then ended, taken as a whole. The accompanying 2013 and 2012 consolidating balance sheets, statements of operations, and statements of changes in net assets are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. 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 28, 2014

# Phoenix Children's Hospital and Affiliates

## Consolidating Balance Sheets (In Thousands)

	December 31, 2013					December 31, 2012				
	PCH	Captive	Foundation	Eliminations	Total	PCH	Captive	Foundation	Eliminations	Total
<b>Assets</b>										
<b>Current assets</b>										
Cash and cash equivalents	\$ 64,097	\$ 1,543	\$ 43,967	\$ –	\$ 109,607	\$ 112,098	\$ 1,560	\$ 36,661	\$ –	\$ 150,319
Short-term investments	265,895	–	6,674	–	272,569	90,408	–	6,398	–	96,806
Accounts receivable, net	65,863	–	–	–	65,863	77,776	–	–	–	77,776
Contributions receivable, net	–	–	9,850	–	9,850	–	–	8,273	–	8,273
Inventory	9,416	–	–	–	9,416	8,831	–	–	–	8,831
Other current assets	14,005	404	323	–	14,732	15,622	378	407	–	16,407
Due (to) from affiliate	(28,016)	11,502	16,514	–	–	(24,494)	11,155	13,339	–	–
<b>Total current assets</b>	<b>391,260</b>	<b>13,449</b>	<b>77,328</b>	<b>–</b>	<b>482,037</b>	<b>280,241</b>	<b>13,093</b>	<b>65,078</b>	<b>–</b>	<b>358,412</b>
<b>Assets limited as to use</b>										
Assets held by trustee	47,949	–	–	–	47,949	22,612	–	–	–	22,612
Other restricted cash and cash equivalents	21,926	–	–	–	21,926	70,484	–	–	–	70,484
Short-term investments	13,221	–	6,404	–	19,625	9,413	–	5,760	–	15,173
Charitable remainder trust investments	–	–	1,514	–	1,514	–	–	1,392	–	1,392
Endowment investments	–	–	7,029	–	7,029	–	–	5,976	–	5,976
<b>Total assets limited as to use</b>	<b>83,096</b>	<b>–</b>	<b>14,947</b>	<b>–</b>	<b>98,043</b>	<b>102,509</b>	<b>–</b>	<b>13,128</b>	<b>–</b>	<b>115,637</b>
Contributions receivable, net, less current portion	–	–	3,827	–	3,827	–	–	5,774	–	5,774
Interest rate swap assets	9,817	–	–	–	9,817	5,864	–	–	–	5,864
Deferred financing costs, net	9,377	–	–	–	9,377	7,383	–	–	–	7,383
Property and equipment, net	551,883	–	–	–	551,883	559,721	–	–	–	559,721
Prepaid lease and other	5,892	–	–	(1,705)	4,187	12,548	–	–	(1,705)	10,843
<b>Total assets</b>	<b>\$ 1,051,325</b>	<b>\$ 13,449</b>	<b>\$ 96,102</b>	<b>\$ (1,705)</b>	<b>\$ 1,159,171</b>	<b>\$ 968,266</b>	<b>\$ 13,093</b>	<b>\$ 83,980</b>	<b>\$ (1,705)</b>	<b>\$ 1,063,634</b>

Phoenix Children's Hospital and Affiliates

Consolidating Balance Sheets (continued)  
(In Thousands)

	December 31, 2013					December 31, 2012				
	PCH	Captive	Foundation	Eliminations	Total	PCH	Captive	Foundation	Eliminations	Total
<b>Liabilities and net assets</b>										
Current liabilities										
Accounts payable, accrued liabilities, and other	\$ 100,543	\$ 2,344	\$ 137	\$ –	\$ 103,024	\$ 124,465	\$ 2,561	\$ 150	\$ –	\$ 127,176
Current portion of capital lease obligations	2	–	–	–	2	79	–	–	–	79
Total current liabilities	<b>100,545</b>	<b>2,344</b>	<b>137</b>	<b>–</b>	<b>103,026</b>	<b>124,544</b>	<b>2,561</b>	<b>150</b>	<b>–</b>	<b>127,255</b>
Capital lease obligations, less current portion	–	–	–	–	–	1	–	–	–	1
Annuities payable, less current portion	–	–	190	–	190	–	–	239	–	239
Interest rate swap obligations	37,602	–	–	–	37,602	74,464	–	–	–	74,464
Bonds payable	579,556	–	–	–	579,556	526,500	–	–	–	526,500
Other liabilities	54,526	7,639	–	–	62,165	44,784	8,836	–	–	53,620
Total liabilities	<b>772,229</b>	<b>9,983</b>	<b>327</b>	<b>–</b>	<b>782,539</b>	<b>770,293</b>	<b>11,397</b>	<b>389</b>	<b>–</b>	<b>782,079</b>
Net assets										
Unrestricted	275,925	3,466	50,256	(1,705)	327,942	193,352	1,696	47,503	(1,705)	240,846
Temporarily restricted	3,171	–	37,301	–	40,472	4,621	–	29,053	–	33,674
Permanently restricted	–	–	8,218	–	8,218	–	–	7,035	–	7,035
Total net assets	<b>279,096</b>	<b>3,466</b>	<b>95,775</b>	<b>(1,705)</b>	<b>376,632</b>	<b>197,973</b>	<b>1,696</b>	<b>83,591</b>	<b>(1,705)</b>	<b>281,555</b>
Total liabilities and net assets	<b>\$ 1,051,325</b>	<b>\$ 13,449</b>	<b>\$ 96,102</b>	<b>\$ (1,705)</b>	<b>\$ 1,159,171</b>	<b>\$ 968,266</b>	<b>\$ 13,093</b>	<b>\$ 83,980</b>	<b>\$ (1,705)</b>	<b>\$ 1,063,634</b>

# Phoenix Children's Hospital and Affiliates

## Consolidating Statements of Operations (In Thousands)

	Year Ended December 31, 2013					Year Ended December 31, 2012				
	PCH	Captive	Foundation	Eliminations	Total	PCH	Captive	Foundation	Eliminations	Total
Unrestricted revenues										
Patient service revenue before provision for bad debts	\$ 645,612	\$ -	\$ -	\$ -	\$ 645,612	\$ 656,688	\$ -	\$ -	\$ -	\$ 656,688
Provision for bad debts	(16,096)	-	-	-	(16,096)	(16,701)	-	-	-	(16,701)
Net patient service revenue	<u>629,516</u>	-	-	-	<u>629,516</u>	639,987	-	-	-	639,987
Other operating revenue	8,749	4,822	-	(4,822)	8,749	13,068	5,255	-	(5,255)	13,068
Donations, gifts, and contributions	-	-	8,096	-	8,096	-	-	7,892	-	7,892
Net assets released from restrictions used for operations	7,491	-	-	-	7,491	7,738	-	-	-	7,738
	<u>645,756</u>	<u>4,822</u>	<u>8,096</u>	<u>(4,822)</u>	<u>653,852</u>	660,793	5,255	7,892	(5,255)	668,685
Expenses										
Employee compensation and benefits	307,612	-	3,196	-	310,808	301,423	-	3,143	-	304,566
Supplies, purchased services, and professional fees	192,831	75	1,388	-	194,294	226,233	70	1,312	-	227,615
Operating and other expenses	60,090	2,979	822	(4,822)	59,069	50,621	5,393	1,554	(5,255)	52,313
Depreciation and amortization	35,470	-	-	-	35,470	34,941	-	-	-	34,941
Interest, net of amounts capitalized	27,309	-	-	-	27,309	21,116	-	-	-	21,116
	<u>623,312</u>	<u>3,054</u>	<u>5,406</u>	<u>(4,822)</u>	<u>626,950</u>	634,334	5,463	6,009	(5,255)	640,551
Income (loss) from operations	<u>22,444</u>	<u>1,768</u>	<u>2,690</u>	<u>-</u>	<u>26,902</u>	26,459	(208)	1,883	-	28,134
Other income (loss)										
Net investment income	17,791	2	63	-	17,856	4,020	70	2,114	-	6,204
(Loss) gain on bond redemption	(2,185)	-	-	-	(2,185)	1,205	-	-	-	1,205
Change in fair value of interest rate swaps	40,815	-	-	-	40,815	(2,708)	-	-	-	(2,708)
Total other income	<u>56,421</u>	<u>2</u>	<u>63</u>	<u>-</u>	<u>56,486</u>	2,517	70	2,114	-	4,701
Excess (deficiency) of revenues over expenses	<u>78,865</u>	<u>1,770</u>	<u>2,753</u>	<u>-</u>	<u>83,388</u>	28,976	(138)	3,997	-	32,835
Property and equipment transferred from parent	-	-	-	-	-	872	-	-	-	872
Net assets released from restrictions used for purchase of property and equipment	3,708	-	-	-	3,708	1,162	-	-	-	1,162
Increase (decrease) in unrestricted net assets	<u>\$ 82,573</u>	<u>\$ 1,770</u>	<u>\$ 2,753</u>	<u>\$ -</u>	<u>\$ 87,096</u>	\$ 31,010	\$ (138)	\$ 3,997	\$ -	\$ 34,869

## Phoenix Children's Hospital and Affiliates

### Consolidating Statements of Changes in Net Assets (In Thousands)

	Year Ended December 31, 2013					Year Ended December 31, 2012				
	PCH	Captive	Foundation	Eliminations	Total	PCH	Captive	Foundation	Eliminations	Total
Unrestricted net assets										
Excess (deficiency) of revenues over expenses	\$ 78,865	\$ 1,770	\$ 2,753	\$ —	\$ 83,388	\$ 28,976	\$ (138)	\$ 3,997	\$ —	\$ 32,835
Property and equipment transferred from parent	—	—	—	—	—	872	—	—	—	872
Net assets released from restrictions used for purchase of property and equipment	3,708	—	—	—	3,708	1,162	—	—	—	1,162
Increase (decrease) in unrestricted net assets	<b>82,573</b>	<b>1,770</b>	<b>2,753</b>	<b>—</b>	<b>87,096</b>	<b>31,010</b>	<b>(138)</b>	<b>3,997</b>	<b>—</b>	<b>34,869</b>
Temporarily restricted net assets										
Donations, gifts, and contributions	—	—	16,447	—	16,447	—	—	15,356	—	15,356
Net assets released from restrictions used for operations and purchase of property and equipment	(1,450)	—	(9,749)	—	(11,199)	(1,440)	—	(7,460)	—	(8,900)
Investment income	—	—	1,550	—	1,550	—	—	864	—	864
(Decrease) increase in temporarily restricted net assets	<b>(1,450)</b>	<b>—</b>	<b>8,248</b>	<b>—</b>	<b>6,798</b>	<b>(1,440)</b>	<b>—</b>	<b>8,760</b>	<b>—</b>	<b>7,320</b>
Permanently restricted net assets										
Contributions and other	—	—	1,183	—	1,183	—	—	1,109	—	1,109
Increase in permanently restricted net assets	<b>—</b>	<b>—</b>	<b>1,183</b>	<b>—</b>	<b>1,183</b>	<b>—</b>	<b>—</b>	<b>1,109</b>	<b>—</b>	<b>1,109</b>
Change in net assets	<b>81,123</b>	<b>1,770</b>	<b>12,184</b>	<b>—</b>	<b>95,077</b>	<b>29,570</b>	<b>(138)</b>	<b>13,866</b>	<b>—</b>	<b>43,298</b>
Net assets, beginning of year	<b>197,973</b>	<b>1,696</b>	<b>83,591</b>	<b>(1,705)</b>	<b>281,555</b>	<b>168,403</b>	<b>1,834</b>	<b>69,725</b>	<b>(1,705)</b>	<b>238,257</b>
Net assets, end of year	<b>\$ 279,096</b>	<b>\$ 3,466</b>	<b>\$ 95,775</b>	<b>\$ (1,705)</b>	<b>\$ 376,632</b>	<b>\$ 197,973</b>	<b>\$ 1,696</b>	<b>\$ 83,591</b>	<b>\$ (1,705)</b>	<b>\$ 281,555</b>

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