Financial Statements and Report of Independent Certified Public Accountants

Children's Miracle Network Hospitals and Subsidiaries

For the sixteen month period ended December 31, 2011 and the year ended August 31, 2010

Contents

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Report of Independent Certified Public Accountants

Audit and Compliance Committee and Board of Trustees
Children's Miracle Network Hospitals and Subsidiaries

We have audited the accompanying consolidated statements of financial position of Children's Miracle Network Hospitals and subsidiaries (the Organization) as of December 31, 2011 and August 31, 2010, and the related consolidated statements of activities, functional expenses and cash flows for the sixteen month period ended December 31, 2011 and the year ended August 31, 2010. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2011 and August 31, 2010, and its changes in net assets, its functional expenses and its cash flows for the sixteen month period ended December 31, 2011 and the year ended August 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Salt Lake City, Utah
April 20, 2012

CONSOLIDATED FINANCIAL STATEMENTS

Children's Miracle Network Hospitals
and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and August 31, 2010

ASSETS

	2011	2010
ASSETS		
Cash and cash equivalents		
Unrestricted	$ 11,971,277	$ 12,615,838
Restricted	28,193,310	16,642,074
Investments	11,733,531	10,738,784
Accounts receivable, net of allowance for doubtful accounts of $49,133 in 2011 and $53,719 in 2010	3,715,577	2,108,519
Contributions receivable	567,653	697,481
Prepaid expenses and other current assets	245,835	671,114
Property, furniture and equipment, net	8,813,236	9,052,902
Non-current contributions receivable, net of allowance for doubtful accounts of $1,830 in 2011 and $20,919 in 2010	30,749	243,426
Other non-current assets	186,720	182,080
Total assets	$ 65,457,888	$ 52,952,218

LIABILITIES AND NET ASSETS

	2011	2010
LIABILITIES		
Accounts payable	$ 1,020,996	$ 2,270,813
Accrued liabilities	167,038	435,244
Payable to participating hospitals	26,524,095	15,765,097
Payable to partners	1,669,215	876,977
Deferred revenue	11,600,477	7,389,035
Notes payable - current portion	153,876	145,707
Notes payable	4,414,031	4,617,813
Total liabilities	45,549,728	31,500,686
NET ASSETS		
Unrestricted	17,006,962	18,354,541
Temporarily restricted	567,573	1,032,092
Permanently restricted	2,333,625	2,064,899
Total net assets	19,908,160	21,451,532
Total liabilities and net assets	$ 65,457,888	$ 52,952,218

The accompanying notes are an integral part of these financial statements

Children's Miracle Network Hospitals
and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES

For the sixteen month period ended December 31, 2011

Revenues:	Unrestricted	Temporarily restricted	Permanently restricted	Totals
Hospital fees	$ 22,690,512	$ -	$ -	$ 22,690,512
Direct mail	6,211,001	-	-	6,211,001
Licensing fees	437,345	-	-	437,345
Production underwriting gifts	6,824,355	303,333	-	7,127,688
Hospital market management fees	1,444,650	-	-	1,444,650
Donations-in-kind	1,313,749	66,234	-	1,379,983
Campaign	3,669,357	-	-	3,669,357
Ancillary revenue	1,672,327	-	-	1,672,327
Total revenues	44,263,296	369,567	-	44,632,863
Other revenue:				
Endowments, major gifts, and grants	34,898	-	268,726	303,624
Gain on sale of fixed assets, net	3,315	-	-	3,315
Interest and dividend income	636,560	67,872	-	704,432
Net realized gain on investments	417,718	184,125	-	601,843
Net unrealized gain/(loss) on investments	100,400	(97,309)	-	3,091
Net assets released from restrictions	988,774	(988,774)	-	-
Total revenues, gains and other support	46,444,961	(464,519)	268,726	46,249,168
Expenses and losses:				
Program services				
Public education and awareness	18,210,165	-	-	18,210,165
Fundraising program services	25,397,058	-	-	25,397,058
Total program services	43,607,223	-	-	43,607,223
Support services				
Fundraising	765,742	-	-	765,742
Management and general	3,446,364	-	-	3,446,364
Total support services	4,212,106	-	-	4,212,106
Total expenses and losses	47,819,329	-	-	47,819,329
Other gain	(26,789)	-	-	(26,789)
Change in net assets	(1,347,579)	(464,519)	268,726	(1,543,372)
Net assets, beginning of period	18,354,541	1,032,092	2,064,899	21,451,532
Net assets, end of period	$ 17,006,962	$ 567,573	$ 2,333,625	$ 19,908,160

The accompanying notes are an integral part of this financial statement

Children's Miracle Network Hospitals

and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended August 31, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Totals
Revenues:				
Hospital fees	$ 17,410,455	$ -	$ -	$ 17,410,455
Direct mail	3,556,688	-	-	3,556,688
Licensing fees	446,745	-	-	446,745
Production underwriting gifts	5,922,410	471,346	-	6,393,756
Hospital market management fees	1,041,163	-	-	1,041,163
Donations-in-kind	470,869	517,428	-	988,297
Campaign	2,481,249	-	-	2,481,249
Ancillary revenue	854,405	-	-	854,405
Total revenues	32,183,984	988,774	-	33,172,758
Other revenue:				
Endowments, major gifts, and grants	24,447	-	165,825	190,272
Gain on sale of fixed assets, net	1,097	-	-	1,097
Interest and dividend income	370,962	29,458	-	400,420
Net realized (loss)/gain on investments	(70,978)	7,062	-	(63,916)
Net unrealized gain on investments	494,891	6,798	-	501,689
Donor recharacterization of gift	83,676	-	(83,676)	-
Net assets released from restrictions	609,830	(609,830)	-	-
Total revenues, gains and other support	33,697,909	422,262	82,149	34,202,320
Expenses and losses:				
Program services				
Public education and awareness	12,508,151	-	-	12,508,151
Fundraising program services	16,894,046	-	-	16,894,046
Total program services	29,402,197	-	-	29,402,197
Support services				
Fundraising	430,135	-	-	430,135
Management and general	2,542,852	-	-	2,542,852
Total support services	2,972,987	-	-	2,972,987
Total expenses and losses	32,375,184	-	-	32,375,184
Other loss/(gain)	(95,526)	-	4,184	(91,342)
Change in net assets	1,418,251	422,262	77,965	1,918,478
Net assets, beginning of year	16,936,290	609,830	1,986,934	19,533,054
Net assets, end of year	$ 18,354,541	$ 1,032,092	$ 2,064,899	$ 21,451,532

The accompanying notes are integral part of this financial statement

Children's Miracle Network Hospitals
and Subsidiaries

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the sixteen month period ended December 31, 2011

	Program services		Support services		
	Public education and awareness	Fundraising program services	Fundraising	Management and general	Totals
Travel	$ 1,619,666	$ 3,032,184	$ 90,620	$ 254,350	$ 4,996,820
Employment costs	4,513,463	9,715,533	597,259	1,851,350	16,677,605
Contract services	1,616,967	2,189,909	29,288	209,053	4,045,217
Advertising, printing and photography	9,758,540	281,474	4,728	39,063	10,083,805
Corporate campaign	-	3,592,952	-	-	3,592,952
Sponsorship support	185,821	1,329,533	16,789	86,583	1,618,726
Program support	-	3,966,451	-	-	3,966,451
Occupancy, utilities and rentals	118,288	224,957	7,566	39,608	390,419
Telephone	72,847	177,597	7,410	25,663	283,517
Depreciation	4,630	165,675	374	396,539	567,218
Professional and license fees	115,264	285,481	4,402	254,184	659,331
Insurance	46,975	49,016	1,393	38,738	136,122
Interest	1,634	84,303	-	208,143	294,080
Postage and shipping	29,696	110,131	1,598	13,652	155,077
Supplies	126,374	191,862	4,315	22,488	345,039
Unrelated business income tax expense	-	-	-	6,950	6,950
	$ 18,210,165	$ 25,397,058	$ 765,742	$ 3,446,364	$ 47,819,329

The accompanying notes are an integral part of this financial statement

Children's Miracle Network Hospitals
and Subsidiaries

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2010

	Program services		Support services		
	Public education and awareness	Fundraising program services	Fundraising	Management and general	Totals
Travel	$ 1,053,388	$ 1,756,736	$ 42,982	$ 148,390	$ 3,001,496
Employment costs	2,821,001	6,970,125	312,016	1,516,660	11,619,802
Contract services	745,563	1,298,312	19,725	97,638	2,161,238
Advertising, printing and photography	7,290,076	353,614	4,313	11,034	7,659,037
Corporate campaign	-	2,400,302	-	-	2,400,302
Sponsorship support	173,739	789,549	13,642	14,476	991,406
Program support	-	2,425,573	-	-	2,425,573
Occupancy, utilities and rentals	77,456	153,332	8,121	23,133	262,042
Telephone	58,964	158,509	3,019	12,742	233,234
Depreciation	759	47,850	379	380,181	429,169
Professional and license fees	95,389	179,735	11,941	267,991	555,056
Insurance	20,472	40,532	2,482	15,376	78,862
Interest	55,852	116,173	6,702	44,682	223,409
Postage and shipping	28,039	75,790	1,757	7,853	113,439
Supplies	87,453	129,211	3,056	14,368	234,088
Unrelated business income tax benefit	-	(1,297)	-	(11,672)	(12,969)
	$ 12,508,151	$ 16,894,046	$ 430,135	$ 2,542,852	$ 32,375,184

The accompanying notes are an integral part of this financial statement

Children's Miracle Network Hospitals
and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the sixteen month period ended December 31, 2011 and the year ended August 31, 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	$ (1,543,372)	$ 1,918,478
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	567,218	429,169
Unrealized gain on investments	(3,091)	(501,689)
Realized loss/(gain) on investments	(601,843)	63,916
Gain on sale of fixed assets	(3,315)	(1,097)
Proceeds from endowment contributions	(268,726)	(251,514)
Provision for uncollectible accounts	(19,089)	-
Other gain	(32,883)	(91,342)
Changes in assets and liabilities		
Restricted cash	(11,274,670)	(498,272)
Accounts and contributions receivable	(1,608,883)	7,549,679
Prepaid expenses and other current assets	403,537	69,821
Other non-current assets	230,187	188,256
Accounts payable	(1,267,278)	(2,243,007)
Accrued liabilities	(269,949)	(121,955)
Payable to participating hospitals	10,482,432	(7,544,387)
Payable to partners	792,238	(5,294)
Deferred revenue	4,231,800	(1,740,122)
Other long-term liabilities	-	(76,440)
Total adjustments	1,357,685	(4,774,278)
Net cash used in operating activities	(185,687)	(2,855,800)
Cash flows from investing activities		
Purchase of property and equipment	(328,910)	(139,273)
Proceeds from sale of property and equipment	16,646	2,292
Purchase of investments	(8,660,488)	(1,118,928)
Proceeds from sales of investments	8,270,675	666,015
Net cash used in investing activities	(702,077)	(589,894)
Cash flows from financing activities		
Principal payments on notes payable	(195,613)	(139,906)
Proceeds from endowment contributions	446,394	251,514
Net cash provided by financing activities	250,781	111,608
Effect of exchange rate changes on cash	(7,578)	77,051
Net decrease in cash and cash equivalents	(644,561)	(3,257,035)
Cash and cash equivalents, at beginning of period	12,615,838	15,872,873
Cash and cash equivalents, at end of period	$ 11,971,277	$ 12,615,838
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 292,881	$ 224,378
Cash paid/(refunded) for unrelated business income tax	$ 6,342	$ (5,711)
Noncash investing and financing activities		
Property and equipment financed with accounts payable	$ 11,277	$ 33,566

The accompanying notes are an integral part of these financial statements

NOTE A - ORGANIZATION

Children’s Miracle Network Hospitals (the Organization) is a charitable organization, recognized by the Internal Revenue Service as an organization that is qualified under Section 501(c)(3) of the United States Internal Revenue Code, organized for the purposes of:

1. Making distributions to other charitable organizations.
2. Supporting fundraising for the benefit of sick and injured children and youth, including treatment, healthcare research, and acquisition of healthcare equipment and supplies.
3. Generating awareness programs concerning the healthcare needs of children and youth and the institutions and people who care for them.
4. Generating educational programs to promote good healthcare practices for children and youth; educating the public in the healthcare needs of children and youth; and educating the public in the needs and practices of institutions and people who provide healthcare to them.

Children’s Miracle Network Hospitals raises awareness of children’s healthcare needs and supports fundraising for nonprofit children’s hospitals. The Organization facilitates fundraising for member children’s hospitals by 1) establishing and maintaining relationships with corporate and media partners and 2) creating, maintaining and facilitating fundraising programs that are executed by corporate, media and hospital partners to benefit children’s health care. The majority of fundraising solicitations are made by Children's Miracle Network Hospitals partners—corporate sponsors, media sponsors and member hospitals.

Contributions solicited through corporate-sponsored campaigns and through Children’s Miracle Network Hospitals programs are generally received by Children's Miracle Network Hospitals, acting as an agent, and then paid to member hospitals. Children’s Miracle Network Hospitals has no discretionary variance power over the distribution of such contributions and, in accordance with the Financial Accounting Standards Board Codification of Accounting Standards (ASC) 958-605, *Not-for-Profit Entities - Revenue Recognition,* such contributions are not reflected as revenues in Children's Miracle Network Hospitals financial statements. Children’s Miracle Network Hospitals campaign year is January 1 through December 31. Contributions are distributed to member hospitals quarterly.

To participate in an upcoming year’s fundraising and awareness campaign, hospitals pay a membership fee and license the use of the Children’s Miracle Network Hospitals name and logo. They become sole Children’s Miracle Network Hospitals licensees in their respective markets (geographic areas); the funds raised within these markets are unrestricted funds and may be used by member hospitals as needed. Most funds raised benefit patients, pediatric programs, equipment and ongoing research to create better treatments and cure childhood diseases. Corporate sponsors need not become licensees; however, they are generally required to donate all funds they raise to hospitals affiliated with Children’s Miracle Network Hospitals.

The Organization’s operational activities are primarily supported by hospital membership fees, mentioned above, and corporate underwriting. Corporate underwriting represents donations from corporate sponsors to Children’s Miracle Network Hospitals.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Basis of presentation

The Organization presents its accounts in accordance with the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations (Audit Guide). Under the Audit Guide, not-for-profit organizations are required to provide a statement of financial position, a statement of activities, and a statement of cash flows which are prepared to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Not-for-profit organizations are required to report total assets, liabilities, and net assets in a statement of financial position; change in net assets in a statement of activities; and changes in cash and cash equivalents in a statement of cash flows. The Audit Guide also requires that not-for-profit organizations report expenses by their functional classification, such as major programs and supporting activities. The Organization presents expenses by functional classification in a statement of functional expenses.

The Organization maintains its accounts on the accrual basis of accounting. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Children's Miracle Network Hospitals has an ongoing long-term funding campaign to benefit its endowment fund. Endowment contributions received with donor restrictions are classified as permanently restricted net assets. Earnings and appreciation thereon are classified as temporarily restricted net assets until such time as the Board appropriates use of the funds. As of December 31, 2011 and August 31, 2010, permanently restricted net asset balances were $2,333,625 and $2,064,899, respectively.

Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted net assets

Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1. Basis of presentation (continued)

Expirations of temporary restrictions on net assets, i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets. Occasionally, permanent restrictions will be released when a donor communicates to the Organization that a previously permanently restricted endowment contribution can be used for unrestricted purposes. These modifications are reported as reclassifications between the applicable classes of net assets.

2. Principles of consolidation

The consolidated financial statements include the accounts and operations of Children's Miracle Network Hospitals, Children's Miracle Network UK, and Children's Miracle Network Enterprises Limited for the sixteen month period ended December 31, 2011. In addition to the aforementioned entities, accounts and operations of Children's Miracle Network Ireland and Children's Miracle Network Australia are included in the financial statements for the year ended August 31, 2010. These subsidiaries were dissolved as of August 31, 2010. All intercompany accounts and transactions have been eliminated in the consolidation.

3. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and net assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and other support, and expenses during the reporting period. On an ongoing basis, the Organization evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from these estimates under different future conditions.

4. Cash and cash equivalents

The Organization considers all highly liquid instruments with an original maturity of three months or less when purchased to be cash equivalents. The Organization's cash equivalents consist of money market funds.

5. Restricted cash

Restricted cash and cash equivalents are resources received from the Organization's campaigns and programs which are payable to member hospitals or partners. Restricted cash is excluded from cash and cash equivalents for the purposes of the statement of cash flows.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Investments

Investments are stated at fair value determined by quoted market prices as of year-end. Investment income or loss (including realized gains and losses on investments, interest, and dividends) and unrealized gains and losses on investments are recognized in the statements of activities.

7. Contributions

Contributions, grants, and bequests including unconditional promises to give, are recognized upon receipt 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 is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Results of fundraising efforts of corporate-sponsored campaigns and Children's Miracle Network Hospitals programs that are received as agency funds and later paid to member hospitals are not recognized as revenues; instead, these funds are recorded as restricted cash and payables to member hospitals. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that will be received within one year from the statement of financial position date are not discounted. Contribution pledges that are to be received over multiple years are discounted in accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. Interest income associated with these receivables is recognized on a straight-line basis which approximates the effective interest method. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization received service and material donations included in the accompanying statement of activities at an estimated fair market value of approximately $1.4 million and $1.0 million in 2011 and 2010, respectively. The Organization received a work of art valued at approximately $80,000 in 2009 that is included in other non-current assets in the statements of financial position. The Organization received cash donations included in the accompanying statements of activities of approximately $3.3 million and $3.8 million from three and four major donors during the sixteen month period ended December 31, 2011 and the year ended August 31, 2010, respectively.

The Organization has a substantial number of volunteers that have donated a significant amount of time to the Organization's programs and activities. No amounts have been reflected in the financial statements for these services inasmuch as no objective basis is available to measure the value of such services.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Temporarily restricted net assets

The Organization has adopted the following accounting policies with respect to temporarily restricted net assets:

- Contributions with restrictions met in the same year

  Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of unrestricted net assets.

- Release of restrictions on net assets for acquisition of land, building and equipment

  Contributions of land, building, and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with donor stipulations are reported as revenues of temporarily restricted net assets; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

9. Accounts receivable

Accounts receivable represent billings to member hospitals for membership fees and various ancillary services. Accounts receivable are expected to be collected during the next fiscal year and are recorded at net realizable value. The allowance for doubtful accounts is directly related to receivables for the ancillary services provided to member hospitals and to pledges receivable.

Accounts outstanding longer than the contractual payment terms are considered past due. The Organization determines its allowance by considering a number of factors, including the length of time receivables are past due, the Organization's previous loss history, the member hospital's current ability to pay its obligation to the Organization, and the condition of the general economy and the industry as a whole. The Organization writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

10. Property, furniture and equipment

Property, furniture and equipment are recorded at cost when purchased or fair market value at the date of gift, if contributed. Expenditures over $2,000 that will benefit future periods are capitalized and expensed over the useful life of the asset. Property, furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years for furniture and equipment and thirty years for property. The cost and accumulated depreciation of property and equipment sold or otherwise retired are removed from the accounts and the gain or loss on disposition is reflected in the statement of activities in the period of disposition.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Membership and licensing fees

Cash is received in advance from hospitals for membership fees. Membership fee revenue is deferred and amortized ratably over the one-year contract period.

During the sixteen month period ended December 31, 2011 and the year ended August 31, 2010, the Organization recognized approximately $437,000 and $447,000, respectively, of revenue from licensing agreements. Fees received under licensing agreements are accounted for as exchange transactions and are recognized in the statement of activities when earned under the terms of the contracts.

12. Foreign currency translation

The accounts of Children's Miracle Network Hospitals Canadian office, Children's Miracle Network UK, Children's Miracle Network Enterprises Limited, Children's Miracle Network Ireland and Children's Miracle Network Australia are translated into U.S. dollars in the accompanying financial statements in accordance with ASC 830-30, *Foreign Currency Matters – Translation of Financial Statements*. The functional currency of Children's Miracle Network's Canadian office is the Canadian dollar; the functional currency of Children's Miracle Network UK and Children's Miracle Network Enterprises Limited is the pound; the functional currency of Children's Miracle Network Ireland is the euro; and the functional currency of Children's Miracle Network Australia is the Australian dollar.

13. Income taxes

The Organization received a tax determination letter from the Internal Revenue Service indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and that it is exempt from federal income tax except to the extent of unrelated business income. The Organization has also been recognized by the State of Utah as an organization exempt from state income taxation except to the extent of unrelated business income.

On September 1, 2009, the Organization adopted the provisions of ASC 740-10 (FKA Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). The Organization analyzed all tax positions for all applicable tax jurisdictions for which the statute of limitations remained open, including US Federal, Utah state and foreign jurisdictions for the years ended August 31, 2007 through August 31, 2009 and determined there were no material unrecognized tax benefits as of the date of adoption. In addition, there have been no material changes in unrecognized benefits for the above tax jurisdictions since September 1, 2009, nor was there a material effect during the tax periods ended August 31, 2011 and December 31, 2011 nor is it expected that there will be a material change in the 12 months following the period ended December 31, 2011. The open tax years in the various jurisdictions are as follows: U.S. Federal, Canada, State of Utah – August 31, 2008 through December 31, 2011; Australia and Ireland – August 31, 2008 through August 31, 2010; United Kingdom – August 31, 2008 through August 31, 2011.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Income taxes (continued)

For the sixteen month period ended December 31, 2011, the Organization incurred $6,950 in unrelated business income tax expense resulting from transactions that were not within the scope of the Organization's stated mission. For the year ended August 31, 2010, $12,969 in unrelated business income tax benefit was recognized.

14. Impairment of long-lived assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

15. Advertising expenses

Advertising costs are expensed as incurred and are included in advertising, printing and photography on the statements of functional expenses. Advertising costs were approximately $9.6 million and $7.5 million for the sixteen month period ended December 31, 2011 and the year ended August 31, 2010, respectively.

16. Functional expenses

The Organization performs four functions: public education & awareness, fundraising program services, fund raising and management & general. Definitions of these functions are as follows:

Public Education & Awareness – All costs incurred to develop, package and provide public outreach programs for member children's hospitals throughout the United States, Canada, the UK, Ireland and Australia.

Fundraising Program Services – Activities performed by the Organization to develop national fundraising programs for over 170 children's hospitals throughout the United States, Canada and the UK for the sixteen month period ended December 31, 2011. Activities were performed in Ireland and Australia, in addition to the aforementioned countries, for the year ended August 31, 2010. Participation in Children's Miracle Network Hospitals provides hospitals access to corporate charity care fundraising programs. Expenses include those related to day-to-day involvement with member hospitals, corporate sponsors and media partners.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. Functional expenses (continued)

Fundraising – Activities performed by the Organization to generate funds and/or resources to support its own programs and operations.

Management & General – All costs that are not identifiable with a single program or fundraising activity, but are indispensable to the conduct of such programs and activities and to the Organization's existence. This includes expenses for the overall direction of the Organization, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, supplies, equipment, and other general overhead.

The majority of the Organization's expenses are classified as *Public Education & Awareness* and *Fundraising Program Services* as the majority of expenses incurred by the Organization fulfill the purposes or mission for which the Organization exists. Furthermore, the majority of *Fundraising Program Services* expenses are incurred to create, maintain and facilitate fundraising programs that are executed by corporate, media and hospital partners to benefit children's health care. Most actual solicitations to current and potential donors are not made by the Organization; rather, the solicitations are usually made by representatives of the corporate sponsors, media sponsors and member hospitals.

Wherever practicable, expenses are assigned to functional categories on an item-by-item basis. Other expenses that relate to two or more major programs are allocated in accordance with ASC 958-720, *Not-for-Profit Entities – Other Expenses.* These expenses are subject to systematic review and allocation.

17. Recent accounting pronouncements

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements.* This amends ASC 820 to require additional disclosures. The guidance requires entities to disclose certain transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy, and the reasons for those transfers. These disclosures are effective for the Organization for the period ended December 31, 2011. The Organization adopted this guidance and it did not have a material impact on the financial statements. In addition, the guidance requires a separate presentation of purchases and sales in the Level 3 asset reconciliation which is effective for financial statements with periods beginning on or after December 15, 2010. The adoption of this guidance in subsequent years is not expected to have a material effect on the Organization's financial statements.

18. Reclassifications

Certain immaterial reclassifications have been made to fiscal year 2010 financial information to conform to the 2011 presentation.

NOTE C – INVESTMENTS

Investments, at fair value, consist of the following at:

	December 31, 2011	August 31, 2010
Equities:		
International	$ 2,198,909	$ -
U.S. Domestic	2,838,483	-
Commodities:		
International	-	-
U.S. Domestic	231,061	-
Mutual funds:		
International	623,850	4,444,012
U.S. Domestic	5,841,228	6,294,772
Total	$ 11,733,531	$ 10,738,784

The net realized gain on investments was $601,843 and the net unrealized gain on investments was $3,091 for the sixteen month period ended December 31, 2011. The net realized loss on investments was $63,916 and the net unrealized gain on investments was $501,689 for the year ended August 31, 2010. The net realized gains or losses are reported net of investment advisor commissions of $96,319 and $34,400 for the sixteen month period ended December 31, 2011 and the year ended August 31, 2010, respectively. Interest and dividend income was $704,432 and $400,420 for the sixteen month period ended December 31, 2011 and the year ended August 31, 2010, respectively.

NOTE D – FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Cash equivalents and investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Financial instruments with unadjusted, quoted prices listed on active market exchanges. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 2 inputs include a) quoted prices for similar assets or liabilities in active markets b) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly. Although individual investments of a fund may be publicly traded, they are commingled and as a fund are not traded in the open market.

Level 3 - Financial instruments where inputs are unobservable. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques. This level is primarily funds in trusts held by others and private programs in private equity, real estate, venture capital and natural resources. These funds are not traded in the open market until a point in the future, they contain fair values with no observable inputs, and the fair value unobservable inputs contain assumptions market participants would use in pricing the asset or liability.

NOTE D – FAIR VALUE MEASUREMENTS – CONTINUED

The following tables present assets that are measured at fair value on a recurring basis.

	Fair value December 31, 2011	Fair value measurements at December 31, 2011: Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$ 893,573	$ -	$ 893,573	$ -
Investments in equities:				
International	2,198,909	2,198,909	-	-
U.S. Domestic	2,838,483	2,838,483		
Investments in commodities:				
International	-	-	-	-
U.S. Domestic	231,061	231,061	-	-
Investments in mutual funds:				
International	623,850	623,850	-	-
U.S. Domestic	5,841,228	5,841,228	-	-
	$ 12,627,104	$ 11,733,531	$ 893,573	$ -

	Fair value August 31, 2010	Fair value measurements at August 31, 2010: Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$ 3,309,590	$ 399,520	$ 2,910,070	$ -
Investments in mutual funds:				
International	4,444,012	4,444,012	-	-
U.S. Domestic	6,294,772	6,294,772	-	-
	$ 14,048,374	$ 11,138,304	$ 2,910,070	$ -

NOTE E – PROPERTY, FURNITURE AND EQUIPMENT

A summary of property, furniture and equipment and estimated useful lives are as follows:

	December 31, 2011	August 31, 2010	Useful lives
Land	$ 1,912,889	$ 1,912,889	
Building and improvements	6,904,848	6,808,382	30 years
Office furniture and equipment	1,570,994	1,486,986	3-10 years
	10,388,731	10,208,257	
Less accumulated depreciation and amortization	(1,575,495)	(1,155,355)	
	$ 8,813,236	$ 9,052,902	

Depreciation expense was $567,218 and $429,169 for the sixteen month period ended December 31, 2011 and the year ended August 31, 2010, respectively.

NOTE F – COMMITMENTS AND CONTINGENCIES

Children's Miracle Network Hospitals is involved in litigation and claims arising in the ordinary course of its operations. The Organization's management believes that the liabilities, if any, arising from such litigation and claims will have no material adverse effect on Children's Miracle Network Hospitals financial statements.

The Organization leases certain of its property under long-term operating leases. Certain of the leases have options to renew the lease beyond the initial term. Future minimum lease payments required under operating lease agreements as of December 31, 2011 are as follows:

2012	$ 73,193
2013	74,806
2014	69,274
2015	23,979
2016	4,721
Thereafter	997
Total future minimum lease payments	$ 246,970

Rent expense for the sixteen month period ended December 31, 2011 and the year ended August 31, 2010 was $185,048 and $118,778, respectively.

NOTE F – COMMITMENTS AND CONTINGENCIES – CONTINUED

During 2011, Children's Miracle Network Hospitals entered into an agreement with a professional athlete (Athlete). The Athlete granted the Organization the rights to utilize the Athlete's name, photograph, signature and statements to promote the Organization. Additionally, the Athlete will make appearances on behalf of the Organization in accordance with the contract. The contract term is from January 1, 2011 through December 31, 2012 with an automatic renewal option to extend the contract term through December 31, 2013. The Organization has future payments required under the agreement of $500,000 for the year ended December 31, 2012. Should the automatic renewal be exercised, payments for the year ended December 31, 2013 would be $500,000.

The Organization recorded $500,000 of expense related to this agreement in the sixteen month period ended December 31, 2011.

NOTE G – NOTES PAYABLE

During 2008, the Organization entered into a 10-year, 6.25 percent, $2.5 million mortgage to finance renovations on its new international headquarters building in Salt Lake City, Utah. The loan is amortized over a 25 year period with a balloon payment after 10 years. The loan is secured by the new headquarters building. Debt issuance costs related to this loan were capitalized and are being amortized over the term of the loan. Unamortized debt issuance costs are included in other non-current assets in the financial statements.

During 2009, the Organization entered into a subordinated 10-year, 3.0 percent, $2.5 million long-term financing arrangement with the Redevelopment Agency (RDA) of Salt Lake City to provide the balance of funds for renovating its new international headquarters building in Salt Lake City, Utah. The loan is amortized over a 20 year period with a balloon payment after 10 years. The loan is secured by the new headquarters building.

The following is a schedule by years of aggregate maturities of principal payments for these loans for December 31, 2011:

2012	$	153,876
2013		160,345
2014		167,127
2015		174,237
2016		181,693
Thereafter		3,730,629
Total	$	4,567,907

Interest expense for the sixteen month period ended December 31, 2011 was $294,080. Interest expense for the year ended August 31, 2010 was $223,409.

NOTE H – CONTRIBUTION RECEIVABLES

Contributions receivable are as follows:

	December 31, 2011	August 31, 2010
Due within one year	$ 567,653	$ 697,481
Due in one to five years	47,096	329,006
	614,749	1,026,487
Less discount (6.25%)	(14,517)	(64,661)
Less allowance for uncollectible receivables	(1,830)	(20,919)
	$ 598,402	$ 940,907

NOTE I – CONTRIBUTION PLEDGES

The Organization received $3,863,000 and $5,647,000 in conditional contribution pledges and unconditional intentions to give as of December 31, 2011 and August 31, 2010, respectively, that were not recognized in the current period financial statements in accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. These conditional pledges will be recognized in the financial statements in the period when the donor-stipulated conditions are satisfied. Approximately $3.1 million and $4.7 million relate to contributions conditional on future events and sponsor recognition as of December 31, 2011 and August 31, 2010, respectively. Approximately $600,000 relates to contributions that are conditional until the death of the donor as of December 31, 2011 and August 31, 2010. The remaining amounts are either intentions to give or are conditional on future fundraising by the donor.

NOTE J – TEMPORARILY RESTRICTED REVENUES

The Organization received contributions with donor imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. Included in these contributions are in-kind donations of airline miles and credits and hotel gift certificates that are to be used for travel and accommodations. The following is a schedule of temporarily restricted revenues recognized:

	December 31, 2011	August 31, 2010
Purpose restricted pledges	$ 66,035	$ 517,428
Time restricted pledges	303,532	471,346
Endowment appreciation and earnings	198,006	43,318
	$ 567,573	$ 1,032,092

NOTE K – EMPLOYEE BENEFIT PLAN

The Organization has a noncontributory defined contribution employee benefit plan (Benefit Plan). The Benefit Plan covers all employees who have completed at least one year of service and are 21 years of age. The Benefit Plan provides for a scheduled vesting of up to 20 percent a year beginning after two years of service.

The total expense recognized for the Benefit Plan was $1.6 million and $1.2 million for the sixteen month period ended December 31, 2011 and the year ended August 31, 2010, respectively.

NOTE L – ENDOWMENT COMPOSITION

Children's Miracle Network Hospitals adopted FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds,* in the year ended August 31, 2009. The Staff Position provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Staff Position also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Utah adopted UPMIFA effective March 7, 2007. Children's Miracle Network Hospitals has interpreted 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 donor stipulations to the contrary. As a result of this interpretation, Children's Miracle Network Hospitals classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Children's Miracle Network Hospitals in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Children's Miracle Network Hospitals considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund.
2) The purposes of the organization and the donor-restricted endowment fund.
3) General economic conditions.
4) The possible effect of inflation and deflation.
5) The expected total return from income and the appreciation of investments.
6) Other resources of Children's Miracle Network Hospitals.
7) The investment policies of the Organization.

NOTE L – ENDOWMENT COMPOSITION – CONTINUED

Children's Miracle Network Hospitals Endowment Fund is governed subject to a board-approved Endowment Fund Policy. The Board of Trustees, under provisions of the Endowment Fund Policy, has the ability to develop investment policies for the Endowment Fund. Until a separate investment policy is approved, investments of the Endowment Fund are managed in compliance with the policy that governs Children's Miracle Network Hospitals invested net assets (Investment Policy Statement).

The Board of Trustees, under provisions of the Investment Policy Statement, has adopted primary investment objectives (safety of principal, total return on investment; and liquidity needs) and investment characteristics (low degree of default risk, low degree of price risk resulting from changes in the level of interest rates, and high degree of marketability). Children's Miracle Network Hospitals targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The Board of Trustees, under provisions of the Endowment Fund Policy, has the ability to develop a disbursement policy for the Endowment Fund. Until such disbursement policy is adopted and implemented, all disbursements from the Endowment Fund must be approved by the Board of Trustees. Any expenditure approved for disbursement must be consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, the deficiencies of this nature are reported as unrestricted net assets. As of December 31, 2011 and August 31, 2010, there were no deficiencies.

Endowment net asset composition by type of fund as of December 31, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ 198,006	$ 2,333,625	$ 2,531,631
Board-designated endowment funds	1,028,699	-	-	1,028,699
Total funds	$ 1,028,699	$ 198,006	$ 2,333,625	$ 3,560,330

NOTE L – ENDOWMENT COMPOSITION – CONTINUED

Changes in endowment net assets for the sixteen month period ended December 31, 2011 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, August 31, 2010	$ 932,894	$ 43,318	$ 2,064,899	$ 3,041,111
Contributions	32,068	-	268,726	300,794
Investment income	24,144	67,872	-	92,016
Net appreciation	39,593	86,816	-	126,409
Endowment net assets, December 31, 2011	$ 1,028,699	$ 198,006	$ 2,333,625	$ 3,560,330

Endowment net asset composition by type of fund as of August 31, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ 43,318	$ 2,064,899	$ 2,108,217
Board-designated endowment funds	932,894	-	-	932,894
Total funds	$ 932,894	$ 43,318	$ 2,064,899	$ 3,041,111

Changes in endowment net assets for the year ended August 31, 2010 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, August 31, 2009	$ 829,132	$ -	$ 1,986,934	$ 2,816,066
Contributions	24,447	-	165,825	190,272
Written off receivables	-	-	(4,184)	(4,184)
Investment income	13,121	29,458	-	42,579
Net appreciation	66,194	13,860	-	80,054
Donor recharacterization of gift	-	-	(83,676)	(83,676)
Endowment net assets, August 31, 2010	$ 932,894	$ 43,318	$ 2,064,899	$ 3,041,111

NOTE M – RELATED PARTY TRANSACTIONS

The Organization currently has $2.2 million outstanding on a mortgage that was entered into in 2008 for renovations on its headquarters building. At the time the mortgage was entered into, the Executive Vice-President (VP) and Chief Operating Officer (COO) of Children's Miracle Network was an uncompensated member of the Board of Directors of the lending institution. The Executive VP and COO served in the role of President and Chief Executive Officer of Children's Miracle Network until October 24th, 2010 and continues to be employed in a limited capacity and also remains an uncompensated member of the Board of Directors of the lending institution.

Accounts and contributions receivable from employees, officers and board members were $33,663 and $41,408 as of December 31, 2011 and August 31, 2010, respectively.

NOTE N - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Organization places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the FDIC insurance coverage limit of $250,000. From time to time throughout the year, the Organization's cash and investment balances may exceed the amount of the FDIC insurance coverage. The Organization, however, does not anticipate nonperformance by the institutions.

The Organization's contributions receivable includes amounts due from two large donors comprising 29% and 56% of total contributions receivable at December 31, 2011 and August 31, 2010, respectively.

NOTE O – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through April 20, 2012, the date on which the financial statements were issued.

SUPPLEMENTAL INFORMATION

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Report of Independent Certified Public Accountants on Supplemental Information

Audit and Compliance Committee and Board of Trustees
Children's Miracle Network Hospitals and Subsidiaries

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 29 and 30 is presented for purposes of additional analysis, rather than to present the financial position, results of operations, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 of America established by the American Institute of Certified Public Accountants. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Salt Lake City, Utah
April 20, 2012

Children's Miracle Network Hospitals
and Subsidiaries

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

December 31, 2011

ASSETS

	CMN	UKC	UKE	Total
ASSETS				
Cash and cash equivalents				
Unrestricted	$ 11,971,277	$ -	$ -	$ 11,971,277
Restricted	28,193,310	-	-	28,193,310
Investments				
Unrestricted	11,733,531	-	-	11,733,531
Accounts receivable, net of allowance for doubtful accounts of $49,133	3,715,577	-	-	3,715,576
Contributions receivable	567,653	-	-	567,653
Prepaid expenses and other current assets	245,835	-	-	245,835
Property, furniture and equipment, net	8,813,236	-	-	8,813,236
Non-current contributions receivable net of allowance for doubtful accounts of $1,830	30,749	-	-	30,749
Other non-current assets	186,720	-	-	186,720
Total assets	$ 65,457,888	$ -	$ -	$ 65,457,888

LIABILITIES AND NET ASSETS

	CMN	UKC	UKE	Total
LIABILITIES				
Accounts payable	$ 1,020,996	$ -	$ -	$ 1,020,996
Accrued liabilities	167,038	-	-	167,038
Payable to participating hospitals	26,524,095	-	-	26,524,095
Payable to partners	1,669,215	-	-	1,669,215
Deferred revenue	11,600,477	-	-	11,600,477
Notes payable - current portion	153,876	-	-	153,876
Notes payable	4,414,031	-	-	4,414,031
Other long-term liabilities	-	-	-	-
Total liabilities	45,549,728	-	-	45,549,728
NET ASSETS				
Unrestricted	17,006,962	-	-	17,006,962
Temporarily restricted	567,573	-	-	567,573
Permanently restricted	2,333,625	-	-	2,333,625
Total net assets	19,908,160	-	-	19,908,160
Total liabilities and net assets	$ 65,457,888	$ -	$ -	$ 65,457,888

Children's Miracle Network Hospitals
and Subsidiaries

CONSOLIDATING STATEMENTS OF ACTIVITIES

For the sixteen month period ended December 31, 2011

	CMN	UKC	UKE	Total
Revenues:				
Hospital fees	$ 22,684,120	$ -	$ 6,392	$ 22,690,512
Direct mail	6,211,001	-	-	6,211,001
Licensing fees	437,345	-	-	437,345
Production underwriting gifts	7,127,688	-	-	7,127,688
Hospital market management fees	1,444,650	-	-	1,444,650
Donations-in-kind	1,379,983	-	-	1,379,983
Campaign	3,669,357	-	-	3,669,357
Ancillary revenue	1,652,230	20,097	-	1,672,327
Total revenues	44,606,374	20,097	6,392	44,632,863
Other revenue:				
Endowments, major gifts, and grants	303,624	-	-	303,624
Gain on sale of fixed assets, net	3,315	-	-	3,315
Interest and dividend income	701,805	2,529	98	704,432
Net realized gain on investments	601,843	-	-	601,843
Net unrealized gain on investments	3,091	-	-	3,091
Total revenues, gains and other support	46,220,052	22,626	6,490	46,249,168
Expenses and losses:				
Program services				
Public education and awareness	18,210,165	-	-	18,210,165
Fundraising program services	25,382,359	18,875	(4,176)	25,397,058
Total program services	43,592,524	18,875	(4,176)	43,607,223
Support services				
Fundraising	765,742	-	-	765,742
Management and general	3,446,364	-	-	3,446,364
Total support services	4,212,106	-	-	4,212,106
Total expenses and losses	47,804,630	18,875	(4,176)	47,819,329
Other gain	(16,896)	(3,349)	(6,544)	(26,789)
Change in net assets	(1,567,682)	7,100	17,210	(1,543,372)
Net assets, beginning of period	22,054,045	745	(603,258)	21,451,532
Adjustment to net assets to remove intercompany balances	(578,203)	(7,845)	586,048	-
Net assets, end of period	$ 19,908,160	$ -	$ -	$ 19,908,160