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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 black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 04-01-2010 and ending 03-31-2011

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

C Name of organization
LEGACY MOUNT HOOD MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 24800 SE STARK ST | Room/suite

City or town, state or country, and ZIP + 4
GRESHAM, OR 97030

D Employer identification number
93-0591528

E Telephone number
(503) 415-5600

G Gross receipts $ 104,354,585

F Name and address of principal officer
GEORGE J BROWN MD
C/O 1919 NW LOVEJOY STREET
PORTLAND, OR 97209

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW LEGACYHEALTH ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1922 | **M** State of legal domicile OR

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Legacy Mount Hood Medical Center (LMHMC) was founded in 1922 and is a community hospital in Gresham, Oregon with 115 licensed beds LMHMC offers a wide range of services including family birth, diagnostic services, cancer treatment, surgery and emergency services LMHMC is part of Legacy Health (Legacy) Our mission Our legacy is good health for our people, our patients, our communities, and our world We will work as a team to demonstrate our values Respect - Treat all people with respect and compassion Service - Put the needs of our patients and their families first Quality - Deliver outstanding clinical services within healing environments Excellence - Set high standards and achieve them Responsibility - Be good stewards of our resources, ensuring access to care for all Innovation - Be progressive in our thinking and actions Leadership - Serve as a role model of good health and good citizenship

Activities & Governance

2	Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
3	Number of voting members of the governing body (Part VI, line 1a)	**3**	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	13
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	0
6	Total number of volunteers (estimate if necessary)	**6**	210
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	197,586	69,876
	9 Program service revenue (Part VIII, line 2g)	96,204,890	102,364,987
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,445,281	1,878,639
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		0
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	98,847,757	104,313,502
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)		0
	14 Benefits paid to or for members (Part IX, column (A), line 4)		0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	41,851,275	43,766,320
	16a Professional fundraising fees (Part IX, column (A), line 11e)		0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	50,550,002	53,233,948
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	92,401,277	97,000,268
	19 Revenue less expenses Subtract line 18 from line 12	6,446,480	7,313,234

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	64,534,357	76,961,913
	21 Total liabilities (Part X, line 26)	56,648,106	62,650,842
	22 Net assets or fund balances Subtract line 21 from line 20	7,886,251	14,311,071

Part II Signature Block

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

Sign Here

****** | 2012-03-30
Signature of officer | Date

DAVID E EAGER CFO & TREASURER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶☐	PTIN
Firm's name ▶				Firm's EIN ▶
Firm's address ▶				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 to any question in this Part III . . . . . ☐

1 Briefly describe the organization's mission

Legacy Mount Hood Medical Center (LMHMC) was founded in 1922 and is a community hospital in Gresham, Oregon with 115 licensed beds LMHMC offers a wide range of services including family birth, diagnostic services, cancer treatment, surgery and emergency services LMHMC is part of Legacy Health (Legacy) Our mission Our legacy is good health for our people, our patients, our communities, and our world We will work as a team to demonstrate our values Respect - Treat all people with respect and compassion Service - Put the needs of our patients and their families first Quality - Deliver outstanding clinical services within healing environments Excellence - Set high standards and achieve them Responsibility - Be good stewards of our resources, ensuring access to care for all Innovation - Be progressive in our thinking and actions Leadership - Serve as a role model of good health and good citizenship

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 exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts 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 $ 73,750,724 including grants of $) (Revenue $ 102,364,987)

LMHMC provides inpatient and outpatient healthcare services to the communities it serves In support of its mission, LMHMC voluntarily provides medically necessary patient care services that are discounted or free of charge to persons who have insufficient resources and/or who are uninsured During fiscal year 2011, LMHMC provided financial assistance on approximately 19,900 patient accounts (of which 44% received discounts totaling 100% of costs) and resulted in LMHMC incurring roughly $8,883,000 in uncompensated costs associated with this program In addition to charity care, LMHMC provides services under various states' Medicaid programs for financially needy patients, Medicare beneficiaries and other government programs for which the cost of treating these patients exceeds the government payments received During fiscal year 2011, LMHMC incurred approximately $2,605,300, $829,000 and $282,000 in uncompensated costs attributable to Medicaid, Medicare, and other government programs, respectively LMHMC also provides a variety of other community benefit activities such as medical education, donations to other charitable entities, research, and other health improvement services which totaled roughly $590,000 during fiscal year 2011 LMHMC is part of Legacy, which collectively provided over $78 million, $59 million, $48 million, and $2 million in uncompensated care attributable to its financial assistance, Medicaid, Medicare, and other government programs, respectively, in fiscal year 2011 In addition, Legacy provided over $19 million in other community benefit activities during fiscal year 2011

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** ▶ $ 73,750,724

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☐ **Yes** ☑ **No**			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	**1a**	0		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	**1c**			No
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	0		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	**2b**			No
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?	**3a**			No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	**3b**			No
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	**4a**			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	**5a**			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	**5b**			No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	**5c**			No
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?	**6a**			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	**6b**			No
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	**7a**			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	**7b**			No
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	**7c**			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**	0		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	**7e**			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	**7f**			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	**7g**			No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	**7h**			No
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	**8**			No
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	**9a**			No
b	Did the organization make a distribution to a donor, donor advisor, or related person?	**9b**			No
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	**11a**			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	**12a**			No
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	**13a**			No
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**			
c	Enter the amount of reserves on hand	**13c**			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	**14a**			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	**14b**			No

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

Check if Schedule O contains a response to any question in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	14		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	13		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5			No
6	Does the organization have members or stockholders?	6		Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a		Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b		Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	8a		Yes	
b	Each committee with authority to act on behalf of the governing body?	8b		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9			No

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

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

Section C. Disclosure

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

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 make these available Check all that apply

☐ Own website ☑ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

DAVID E EAGER
1919 NW LOVEJOY STREET
PORTLAND, OR 97209
(503) 415-5600

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

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

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

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(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			
See Additional Data Table										

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(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			
See Additional Data Table										
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								1,107,870	4,726,297	1,523,088

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 37

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
ZIMMER GUNSUL FRANSCA ARCHITECTS LLP 320 SW OAK ST SUITE 500 PORTLAND, OR 97204	ARCHITECT DESIGN	611,376
WAVE FORM SYSTEMS INC PO BOX 6989 PORTLAND, OR 972086989	MEDICAL SERVICES	172,165
IMAGING ADVANTAGE LLC 1351 4TH ST 300 SANTA MONICA, CA 904011355	MEDICAL SERVICES	194,082
HURON CONSULTING LLC 8044 SOLUTIONS CTR CHICAGO, IL 606778000	CONSULTANTS	418,155
BAUGH SKANSKA INC PO BOX 767 BEAVERTON, OR 97075	CONSTRUCTION	2,933,050

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 9

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations . . . 1d	69,876				
	e Government grants (contributions) 1e					
	f All other contributions, gifts, grants, and similar amounts not included above 1f					
	g Noncash contributions included in lines 1a-1f $	2,572				
	h **Total.** Add lines 1a-1f . . . . . ▶		69,876			
Program Service Revenue		Business Code				
	2a PATIENT PROGRAM REV		247,957,954	247,957,954		
	b CONTRACTUAL ALLOWANCE		-121,572,598	-121,572,598		
	c CHARITY CARE		-24,549,994	-24,549,994		
	d CAFE, PHARMACY & ETC		529,625			529,625
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		102,364,987			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		1,918,722			1,918,722
	4 Income from investment of tax-exempt bond proceeds . . ▶		0			
	5 Royalties . . . . . ▶		0			
		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss) . . . . . ▶		0			
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory		1,000			
	b Less cost or other basis and sales expenses		41,083			
	c Gain or (loss)		-40,083			
	d Net gain or (loss) . . . . . ▶		-40,083			-40,083
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a					
	b Less direct expenses . . . b					
	c Net income or (loss) from fundraising events . . ▶		0			
	9a Gross income from gaming activities See Part IV, line 19 . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . . ▶		0			
	10a Gross sales of inventory, less returns and allowances . a					
	b Less cost of goods sold . . b					
	c Net income or (loss) from sales of inventory . . ▶		0			
	Miscellaneous Revenue	Business Code				
	11a					
	b					
	c					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶		0			
	12 **Total revenue.** See Instructions . . . ▶		104,313,502	101,835,362		2,408,264

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) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U S See Part IV, line 21	0			
2 Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	299,253	259,955	39,298	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	33,708,474	29,281,913	4,426,561	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,928,279	1,675,059	253,220	
9 Other employee benefits	5,097,719	4,428,292	669,427	
10 Payroll taxes	2,732,595	2,373,754	358,841	
a Fees for services (non-employees) Management	0			
b Legal	0			
c Accounting	0			
d Lobbying	0			
e Professional fundraising services *See Part IV, line 17*	0			
f Investment management fees	0			
g Other	2,715,932	2,715,932		
12 Advertising and promotion	0			
13 Office expenses	11,563,835	10,839,116	724,719	
14 Information technology	0			
15 Royalties	0			
16 Occupancy	157,896	122,654	35,242	
17 Travel	52,923	41,111	11,812	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	0			
20 Interest	1,401,368	1,088,584	312,784	
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	4,673,645	3,630,493	1,043,152	
23 Insurance	-158,947	-214,609	55,662	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a PROVIDER TAX	3,581,172	3,581,172		
b MANAGEMENT FEES	14,214,597		14,214,597	
c CONTRACT SERVICES	6,052,086	5,560,752	491,334	
d CONSULTING	393,777		393,777	
e BAD DEBTS	8,215,401	8,215,401		
f All other expenses	370,263	151,145	219,118	
25 **Total functional expenses.** Add lines 1 through 24f	97,000,268	73,750,724	23,249,544	0
26 **Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		93,736	1	223,437
	2	Savings and temporary cash investments			2	0
	3	Pledges and grants receivable, net			3	0
	4	Accounts receivable, net		11,224,166	4	12,536,739
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	0
	6	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) Schedule L			6	0
	7	Notes and loans receivable, net			7	0
	8	Inventories for sale or use		1,482,745	8	1,524,789
	9	Prepaid expenses and deferred charges		326,609	9	24,648
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 92,825,396			
	b	Less accumulated depreciation	10b 52,569,813	37,873,990	10c	40,255,583
	11	Investments—publicly traded securities			11	0
	12	Investments—other securities See Part IV, line 11		13,533,111	12	22,396,717
	13	Investments—program-related See Part IV, line 11			13	0
	14	Intangible assets			14	0
	15	Other assets See Part IV, line 11			15	0
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		64,534,357	16	76,961,913
Liabilities	17	Accounts payable and accrued expenses		8,547,502	17	10,775,962
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		48,100,604	25	51,874,880
	26	**Total liabilities.** Add lines 17 through 25		56,648,106	26	62,650,842
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		7,886,251	27	14,311,071
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		7,886,251	33	14,311,071
	34	Total liabilities and net assets/fund balances		64,534,357	34	76,961,913

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	104,313,502
2	Total expenses (must equal Part IX, column (A), line 25)	2	97,000,268
3	Revenue less expenses Subtract line 2 from line 1	3	7,313,234
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	7,886,251
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-888,414
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	14,311,071

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (See instructions) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15
16	Public support percentage from 2009 Schedule A, Part III, line 15	16

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	17
18	Investment income percentage from **2009** Schedule A, Part III, line 17	18

19a **33 1/3% support tests—2010.** 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—2009.** 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.** Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Additional Data

Software ID: 10000105
Software Version: 2010v3.2
EIN: 93-0591528
Name: LEGACY MOUNT HOOD MEDICAL CENTER

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	(C) Position (check all that apply)						(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			
TRENT S GREEN SR VP	40 00				X			0	311,012	92,160
STEPHEN NEWBERRY MD BOARD DIRECTOR	3 00	X						0	6,403	0
SONJA O STEVES SR VP	40 00				X			0	305,491	118,183
SHARON L TRUJILLO NURSE ANES	40 00					X		183,113	0	28,813
SCOTT H JOHNSON Treasurer	40 00	X		X				0	306,533	83,716
RT REV MICHAEL J HANLEY BOARD DIRECTOR	3 00	X						0	0	0
RONALD S KING BOARD DIRECTOR	4 00	X						0	427	0
ROBERT W BENTLEY MD BOARD DIRECTOR	4 00	X						0	206	0
ROBERT ROWBOTHAM LEAD NURS ANES	40 00					X		164,143	0	31,494
ROBERT L CORNIE BOARD DIRECTOR	4 00	X						0	284	0
ROBERT J PALLARI FORMER CEO	0 00						X	0	460,485	25,878
RICHARD F GIBSON MD FORMER SR VP	0 00						X	0	438,532	43,081
PAMELA S VUKOVICH SR VP & TREAS	40 00	X		X				0	499,553	206,459
P CAMPBELL GRONER III SR VP & SEC	40 00	X		X				0	457,351	161,807
MAURI TRAYLOR NURSE ANES	40 00					X		184,123	0	23,949
JOHN W WINTER JR BOARD DIRECTOR	4 00	X						0	381	0
JEFFREY S GORDON VICE CHAIR	5 00	X		X				0	0	0
JEFFREY D FULLMAN MD BOARD DIRECTOR	3 00	X						0	268	0
JEANNIE C LEE NURSE ANES	40 00					X		165,371	0	29,106
JACK L ORCHARD BOARD DIRECTOR	4 00	X						0	352	0
HOLLIS J HENDRICKS BOARD DIRECTOR	4 00	X						0	0	0
GRETCHEN M NICHOLS VP HOSP ADMIN	40 00				X			231,946	0	67,307
GEORGE J BROWN MD President & CEO	40 00	X		X				0	828,524	225,427
GEORGE A CIOFFI MD SR VP	40 00				X			0	347,823	152,103
EVERETT NEWCOMB III SR VP	40 00				X			0	425,947	96,129

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	(C) Position (check all that apply)						(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			
DUANE C MCDOUGALL BOARD DIRECTOR	3 00	X						0	0	0
DEAN WILLIAM B LUPFER BOARD DIRECTOR	3 00	X						0	72	0
CORLISS A MCKEEVER BOARD DIRECTOR	3 00	X						0	298	0
COLLEEN A CAIN Chairman	7 00	X		X				0	206	0
CHRISTOPHER S THOMING MD BOARD DIRECTOR	3 00	X						0	289	0
CAROL A BRADLEY SR VP	40 00				X			0	335,860	90,018
BISHOP DAVID BRAUER-RIEKE BOARD DIRECTOR	3 00	X						0	0	0
BARBARA K FERRE MD BOARD DIRECTOR	4 00	X						0	0	0
BARBARA A JACOBS-BLANCHARD RN	55 00					X		179,174	0	47,458

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2010

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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 35a (Proxy Tax), then

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

Name of the organization	Employer identification number
LEGACY MOUNT HOOD MEDICAL CENTER	93-0591528

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 funtion activities ▶ $ _____

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

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

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

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

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

A Check ☑ if the filing organization belongs to an affiliated group
B Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)	16,730	168,884
c Total lobbying expenditures (add lines 1a and 1b)	16,730	168,884
d Other exempt purpose expenditures	83,697,481	1,161,227,246
e Total exempt purpose expenditures (add lines 1c and 1d)	83,714,211	1,161,396,130
f Lobbying nontaxable amount Enter the amount from the following table in both columns	1,000,000	1,000,000
g Grassroots nontaxable amount (enter 25% of line 1f)	250,000	250,000
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount	1,000,000	2,000,000	2,000,000	2,000,000	7,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					10,500,000
c Total lobbying expenditures	20,000	59,359	263,925	185,614	528,898
d Grassroots non-taxable amount	250,000	500,000	500,000	500,000	1,750,000
e Grassroots ceiling amount (150% of line 2d, column (e))					2,625,000
f Grassroots lobbying expenditures					

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

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

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

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

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

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

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1i. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
Part II-B, Line 1i	Part II-B, Line 1i - Other Activities Description	Schedule C, Part II-A, 501(h) election Listing of Affiliated Members Legacy Health, EIN 23-7426300, Lobby Exp $163,804 Legacy Emanuel Hospital & Health Center, EIN 93-0386823, Lobby Exp $17,657Legacy Good Samaritan Hospital and Medical Center EIN 93-0386793, Lobby Exp $0Legacy Meridian Park Hospital, EIN 93-0618975, Lobby Exp $4,047Legacy Mount Hood Medical Center, EIN 93-0591528, Lobby Exp $16,730Legacy Salmon Creek Hospital, EIN 33-1065485, Lobby Exp $147,180 Legacy Visiting Nurse Assn, EIN 93-0848530, Lobby Exp $0There were no excess lobbying expenditures for any of the above affiliates All affiliated entities addresses can be found on Schedule R

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

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

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

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

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

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

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

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 Using the organization's 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 XIV

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 XIV and complete the following table

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

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

b If "Yes," explain the arrangement in Part XIV

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	71,518	115,981	108,298		
b Contributions	46,401	157,461	43,990		
c Investment earnings or losses	40				
d Grants or scholarships					
e Other expenditures for facilities and programs	34,972	201,924	36,307		
f Administrative expenses					
g End of year balance	82,987	71,518	115,981		

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶ 100 000 %
- b Permanent endowment ▶
- c Term endowment ▶

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

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

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

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

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,494,569		1,494,569
b Buildings		52,334,456	26,852,853	25,481,603
c Leasehold improvements		1,455,796	1,076,387	379,409
d Equipment		35,589,116	24,640,573	10,948,543
e Other		1,951,459		1,951,459
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				40,255,583

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests	1,092,250	C
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	22,396,717	

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

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

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
rounding	-6
NONCURRENT WORKERS' COMP LIABILITY	258,299
NONCURRENT PENSION LIABILITY	5,686,247
I/C AFFILIATE DEBT	45,930,340
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	51,874,880

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	104,313,502
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	97,000,268
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	7,313,234
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-888,414
9	Total adjustments (net) Add lines 4 - 8	9	-888,414
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	6,424,820

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	104,345,000
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	214,326		
e	Add lines **2a** through **2d**			2e	214,326
3	Subtract line **2e** from line **1**			3	104,130,674
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b	182,828		
c	Add lines **4a** and **4b**			4c	182,828
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	104,313,502

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	96,997,515
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d	214,326		
e	Add lines **2a** through **2d**			2e	214,326
3	Subtract line **2e** from line **1**			3	96,783,189
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b	217,079		
c	Add lines **4a** and **4b**			4c	217,079
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	97,000,268

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
Part XIII, Line 4b	Part XIII, Line 4b Other revenue amounts included on 990 but not included in F/S	AUXILIARY EXPENSE $23946 FOUNDATION CONTRIBUTION $53340 ROUNDING $-1796 OCCUPANCY EXPENSE $157896 OTHER EXPENSE $-142452 MEDICAL STAFF EXPENSE $166229 GAIN / LOSS OF SALE OF ASSETS $-40084
Part XIII, Line 2d	Part XIII, Line 2d Other expenses and losses per audited F/S	PROGRAM SERVICE REVENUE RECLASS $214326
Part XII, Line 4b	Part XII, Line 4b Other revenue amounts included on 990 but not included in F/S	AUXILIARY INCOME $24821 FOUNDATION CONTRIBUTION $53340 ROUNDING $-1437 OCCUPANCY EXPENSE $157896 OTHER EXPENSE $-142450 MEDICAL STAFF INCOME $114206 GAIN / LOSS OF SALE OF ASSETS $-40084 IN KIND DONATIONS $2572 FOUNDATION CAPITAL CONTRIBUTION $13964
Part XII, Line 2d	Part XII, Line 2d Other revenue amounts included in F/S but not included on form 990	PROGRAM SERVICE REVENUE RECLASS $214326
Part XI, Line 8	Part XI, Line 8 Other Changes in Net Assets or Fund Balances	TRANSFER TO LEGACY HEALTH SYSTEM, EIN 23-7426300 $ -0 IN KIND DONATIONS $ -2572 AUXILIARY $ -0 MEDICAL STAFF $ -0 CHANGE IN ADDITIONAL MINIMUM PENSION LIABILITY $ -885841 ROUNDING $ -1
Part V, Line 4	Part V, Line 4 Intended uses of the endowment fund	Endowment funds disclosed in Part V are used to improve the healthcare of the community as designated by the donors Mount Hood Medical Center Foundation (MHMCF) maintains all charitable gifts including endowment funds for the benefit of LMHMC and it's programs Income from permanently restricted net assets is accounted for in accordance with the donors' instructions Legacy follows the guidance in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in determining the net asset classification of all donor-restricted endowment funds In accordance with UPMIFA and board policy, assets classified as permanent endowments in accordance with donor intent are only utilized for current period expenditures to the extent that earnings on the endowment exceed the original fair value of the donation To the extent earnings on endowment funds exceed identified expenditures on which to apply those earnings, the earnings are classified as temporarily restricted net assets Legacy has adopted investment and spending policies for endowment assets to provide a predictable stream of funding to programs supported by its endowment and to maintain the value of the endowment assets Asset allocation is reviewed quarterly with respect to i) Legacy's tolerance for risk based on its financial condition and need for cash from investments to support operations, ii) expected asset class return, risk and correlation characteristics, iii) changes in accounting guidance or tax law and iv) changes in bond covenants or other restrictions Legacy's spending practices are intended to comply with donor's wishes and meet all applicable laws and regulations Spending must be for a purpose that is consistent with the documented intent of the donor, and may not exceed the amounts annually determined by Legacy Factors that are considered in addressing the annual spending allocation are i) market value of the fund relative to the principal of the gift and ii) the level of spending in prior years From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Legacy to retain as a fund of perpetual duration Deficiencies of this nature are reported as a reduction to unrestricted net assets and are excluded from the performance indicator

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other ____ %	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other ____ %	3b	Yes	
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			8,882,573		8,882,573	9 160 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			17,440,928	14,835,607	2,605,321	2 690 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			26,323,501	14,835,607	11,487,894	11 850 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			115,243	14,182	101,061	0 100 %
f Health professions education (from Worksheet 5)			340,526		340,526	0 350 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			148,464		148,464	0 150 %
j **Total** Other Benefits			604,233	14,182	590,051	0 600 %
k **Total.** Add lines 7d and 7j			26,927,734	14,849,789	12,077,945	12 450 %

Part II **Community Building Activities** during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

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

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

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1			No
2	Enter the amount of the organization's bad debt expense (at cost)	2	2,789,950		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	1,869,267		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	12,251,126		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	14,700,322		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-2,449,196		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes		
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	Yes		

Part IV **Management Companies and Joint Ventures**

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
0	LEGACY MT HOOD MEDICAL CENTER 24800 SE STARK ST PORTLAND,OR 97030	X	X					X		

Part V **Facility Information** *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

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

	Name and address	Type of Facility (Describe)
1		
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
	Part VI - States Where Community Benefit Report Filed	OR

Identifier	ReturnReference	Explanation
	Part VI - Affilated Health Care System Roles and Promotion	LMHMC is a subsidiary of Legacy Health (Legacy) Legacy is an integrated health system based in Portland, Oregon and primarily operates five acute care hospitals and related services (e g physician practices, hospice, preferred provider network) in the greater Portland, Oregon and southwest Washington area The Legacy Health Board is comprised of community and business leaders as well as representatives of the medical staff The LMHMC medical staff is open, with physicians submitting credentialing information reviewed according to LMHMC policies and standards While there is investment in a variety of community-based activities and programs as a part of its non-profit status, an overwhelming majority of Legacy and LMHMC's community benefit comes in the form of providing uncompensated care Legacy's policy of providing care regardless of the ability to pay makes it one of the region's largest providers of uncompensated care in the four-county metropolitan area In 1999, the Legacy Board allocated $10 million to establish a Community Health Fund from operating revenue to address major community health issues For more than a decade, about $500,000 has been granted annually to community-based projects addressing racial and ethnic inequities and root causes These dollars are in addition to Legacy's other charitable contributions The Community Health Fund has provided 40 grants since 1999 totaling more than $5 8 million Recognizing that education, employment and income inequities exist for communities of diversity, and that health professions are lacking in diversity, Legacy established the Youth Employment in Summer program African American and Hispanic youth receive paid summer employment in departments where they worked with health professionals and earned college scholarships between $2,500 and $5,000 annually Students can remain in the program as long as they stay in school and pursued healthcare careers Some students have remained in this program for as long as seven years and graduated with degrees in a variety of healthcare fields Legacy encourages and supports employee volunteerism Legacy donates $100 to nonprofit health, human service or education organizations in honor of employees who volunteer on personal time 50 hours a year Employees may receive paid time when volunteering in one or two week time periods in local nonprofit organizations through Legacy's community service leave program Non-cash donations of resources include clinical and non-clinical services and items, e g , screenings and support services, internships, information and referral services and health fairs Legacy's warehouse is open to nonprofit organizations to obtain surplus equipment and furniture In addition, conference room space is made available to local nonprofits for Board and community meetings LMHMC provides meeting space to a variety of not for profit organizations free of charge to further their respective missions within the community These activities are reported as "in-kind contributions "

Identifier	ReturnReference	Explanation
	Part VI - Community Information	LMHMC is located in within a suburban area, and includes the Oregon communities of Gresham, Troutdale, Fairview, and Corbett People living in this area perceive their communities as distinct from Portland, Oregon, although the majority of residents work in Portland East Multnomah and North Clackamas counties are experiencing growth in both population and economic development The primary five mile service area includes about approximately 116,486 people and the Greater Portland Area 2 1 million By ethnicity, the LMHMC area includes 79% non-Hispanic white, 12% Hispanic, 3% Asian, and 6% other As home and rental costs in the City of Portland have increased significantly in the past decade, communities of color have sought housing in the surrounding communities The range of languages spoken at home is significant within segmented areas of East Multnomah County More than 50 languages are spoken in the East metro public schools The Slavic community, in addition to the Hispanic community, have settled in the area LMHMC offers a wide range of services including family birth, diagnostic services, cancer treatment, surgery, and emergency services In addition, LMHMC partners with schools to provide training and education for nursing and other health professionals

Identifier	ReturnReference	Explanation
	Part VI - Patient Education of Eligibility for Assistance	LMHMC employs financial counselors and social workers that assist patients in obtaining coverage for their healthcare needs This includes assistance with workers compensation, motor vehicle accident policies, COBRA, veterans' assistance, LMHMC's financial assistance program, and public assistance programs, such as Medicaid The criteria for financial assistance under LMHMC's program is determined based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient's inability to pay for medically necessary services provided Specifically, the LMHMC Financial Assistance Program provides an uninsured discount of 15% to patients who have resided within LMHMC's primary service area for a period of six months, are uninsured for hospital care, and have a household income of less than $100,000 annually Further discounts are available for patients, on a sliding scale, whose household income is less than 400% of the federal poverty level or roughly $89,000 for a family of four in Portland, Oregon For patients whose household income is at or below 200% of the federal poverty level, a full subsidy is available In addition to the household income criteria, the patients' qualified assets (e g 25% of household assets), and other catastrophic or economic circumstances are considered in determining eligibility In addition to financial counselors and social workers, LMHMC makes every effort to communicate its Financial Assistance Program to all patients This includes signage in main admitting areas of each hospital and brochures explaining financial assistance in all patient care areas, as well as in appropriate languages Financial counselors are available to assist patients in understanding and applying for available resources, including the LMHMC Financial Assistance Program LMHMC's website also has information about the availability of financial assistance LMHMC offers financial assistance customer service Monday through Friday, as well as the availability of voice mail so patients can leave confidential, detailed messages during non-business hours Finally all of Legacy's billing statements include information regarding the availability of financial assistance If LMHMC requires the use of a collection agency, those agencies are required to provide a telephone number that patients can call to request financial assistance In 2010, Legacy Health established the CLEAR initiative CLEAR stands for Communication, Literacy, Education and Achieve Results CLEAR is becoming a part of Legacy's culture as nearly all departments have a direct impact on how we deliver patient care CLEAR will be rolled out in four stages awareness, education, practice and culture The first stage focuses on building awareness, educating staff in health literacy and developing department action plans The second stage will include continuing education and putting health literacy tools into consistent practice In the third stage, CLEAR will be practiced within all departments and become a part of Legacy's culture Quality, safety and cost are all affected by a patient's inability to understand medical instructions and to explain their symptoms/issues Understanding health literacy is essential Annual education is provided to all billing and admitting staff so they can be kept informed of and speak with knowledge about current financial assistance policies and options LMHMC provides copies of the latest policies in main admitting areas, as well as through newsletters and other publications Since 2008, the four county metro area health delivery systems (encompassing all hospitals in the area) and safety net clinics have partnered to establish a seamless, coordinated program to provide care for the low income uninsured, Project Access This program enables low income uninsured patients to receive continuity of care in earlier stages of acuity due to the collaboration among 2800 providers and all health systems

Identifier	ReturnReference	Explanation
	Part VI - Needs Assessment	Senior leadership, in conjunction with the Board of Directors, continually assesses the needs of the communities it serves through a compilation of primary and secondary market research (qualitative and quantitative), medical staff input, reviewing national trends and practices, working with local foundations and funders regarding their assessments, and working with local community-based partners to understand their needs The goal is to understand the needs and develop programs specific to the community Involvement is both proactive and responsive - a leadership role in initiating programs as well as being readily available as a collaborative partner when the community asks The outcome of these assessments is the development of both long-term and fiscal year plans that are supported by a yearly budget that is proposed by staff and approved by the Board of Directors During 2010, Legacy Health conducted a community needs assessment The results of the assessment were available in July of 2011 and can be found at www LegacyHealth org The region served by Legacy Mount Hood Medical Center (LMHMC), along with most of Oregon, is experiencing significant challenges in population growth, economic development, education and health care Recognizing that social and economic determinants impact health, LMHMC has been and will remain committed to addressing these issues to improve the health of all residents in the community, including equity among ethnically diverse populations

Identifier	ReturnReference	Explanation
	Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	Legacy provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its financial assistance policy Since Legacy does not pursue collection of amounts determined to qualify as charity care, they are excluded from net patient service revenues

Identifier	ReturnReference	Explanation
	Part III, Line 8 - Explanation Of Shortfall As Community Benefit	The entire Medicare shortfall should be considered a community benefit Medicare shortfalls must be absorbed by the hospital in order to continue treating the elderly in the community served by the hospital The hospital provides care regardless of this shortfall and thereby relieves the federal government of the burden of paying the full cost for Medicare beneficiaries The Medicare amounts listed in Part III Section B on lines 5, 6, and 7 do not represent all of the organization's revenues and costs associated with its participation in Medicare programs The methodology used in reporting in Part III Section B Medicare is inconsistent with the other sections in Schedule H, as the instructions limit Medicare revenues and allowable cost to those from only the Medicare Cost Report Revenue and costs from Medicare Part C patients, Part B physician services billed by the organization, and clinical laboratory services weren't included In addition, hospitals incur other costs to provide care that Medicare does not allow in the cost report, such as Physician Call pay to ensure adequate physician coverage for the ED The total revenues and costs attributable to all Medicare services are $30,119,930 and $30,949,022 respectively This results in a total Medicare shortfall of $829,092 Costing Methodology (Part III, Line 8) Medicare allowable costs were calculated using the costing methodologies in the Medicare Cost Report The cost report arrives at total allowable hospital cost through a cost finding process that includes direct cost allocations and a step-down allocation of indirect or overhead costs Inpatient operating costs are composed of general inpatient routine and ICU unit costs derived from cost per diems, as well as inpatient ancillary service costs that utilize cost to charge ratios to arrive at cost Apportionment of cost applicable to hospital outpatient services is through the application of cost to charge ratios This excludes other costs incurred to provide services of the hospital to the community that the cost report deems as unallowable costs, such as Physician on-call pay

Identifier	ReturnReference	Explanation
	Part III, Line 4 - Bad Debt Expense	The bad debt expense at cost was determined by using the same cost charge ratio as used for the charity care calculation The estimated amount of bad debt expenses attributable to charity care policy was calculated using the demographic profile of household income and average household size in the zip code areas around the hospital 67% of Households in the LMHMC service area would qualify for financial assistance with incomes under 400% of the Federal Poverty Guidelines LMHMC uses many different approaches to inform and educate patients on the availability of financial assistance as is described later in Part VI of Schedule H Still, many patients do not respond to requests for information or provide appropriate documentation to benefit from financial assistance As a result, LMHMC must report these amounts as bad debt A portion of bad debt expense should be considered as charity care, using reasonable methodologies to analyze the information

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

Part I Questions Regarding Compensation

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

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) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name	**(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 in prior Form 990 or Form 990-EZ
	(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8 Also complete this part for any additional information

Identifier	Return Reference	Explanation
Sch J, Part III, Additional Information	Part III, Additional Information	Sch J, Part 1, Question 3 Regarding Compensation PracticesDirectors for Legacy are not compensated, but receive expense reimbursements related to their duties Any expense reimbursements to board members require review and approval by the Director of Management Audit During 2010, the board meeting included spouses or a guest Any reimbursed expense related to the spouse or guest's travel is reported on part VII of the form 990 Compensation received by Dr Newberry during 2010 related to his responsibilities as Past President of the Medical Staff at Legacy Meridian Park Hospital Executive compensation for Legacy is designed to recruit, retain and motivate qualified senior management personnel The comprehensive compensation plan is designed for positions that have a significant impact on the high-level strategic and policy direction of Legacy and its affiliates Base pay and total compensation (including incentive compensation) for similar positions is established at a level comparable to market compensation for healthcare organizations External consultants are regularly used to review published compensation surveys of comparable organizations and comparable benchmark positions in the market The Compensation Committee of the Board of Directors, none of whom is a Legacy employee, reviews the compensation for executive positions The Committee oversees the system's governance procedures with respect to intermediate sanctions legislation and the evaluation of reasonableness of compensation The Committee reports to the Board in sufficient detail to enable the entire Board to take such actions as are required to obtain the rebuttable presumption of reasonableness The Compensation Committee also reviews tax-reporting disclosures Sch J, Part II, Column Breakdown Of W-2 Or Misc-1099 Column B(i) - Base compensation consists of regular base pay including employee elected deferrals for retirement plans (403(b) and 457(b) plans) Column B(ii) - The incentive compensation program for Legacy is based on predetermined criteria and reviewed and approved by the Board Bonuses are paid to key employees for interim duties outside their primary responsibilities (e g Acting in Capacity) Column B(iii) - Other compensation consists of deferred compensation amounts paid to executives during the current year and were reported on prior form 990 returns These amounts include arrangements that contain elements of a substantial risk of forfeiture conditioned on continued employment, vesting and/or a noncompete provision upon termination of employment In addition, imputed income for insurance, cell phone and other benefits is included in other compensation as well as any severance related payments Column C - Deferred compensation includes the value of defined benefit plans, contributions to defined contribution plans, amounts deferred under the 457(f) plan including earnings, earnings in the 457(b) plan, and the value of the pension restoration plan Earnings on the 457(f) and 457(b) include gains and losses on the underlying investments The defined contribution and benefit plans are available to all employees as they become qualified to participate The pension restoration plan provides executive pension benefits in excess of IRS mandated limits on eligible compensation to key executives The benefits are unfunded and subject to forfeiture Executive pension benefits are intended to make the executive's retirement benefit, as a proportion of their final average salary, comparable to all other employees, and are treated as income when paid Column D - Nontaxable benefits include company paid health and welfare and long term care and disability benefits under group plans Column F - Current year compensation reported as deferred in prior years
Sch J, Part I, Line 8	Part I, Line 8 Amounts reported on 990 VII pursuant to initial contract exemption described in Regs	Legacy enters into initial employment agreements with executives that qualify under the initial contract exception The Compensation Committee of the Board of Directors, none of whom is a Legacy employee, reviews the compensation for key executive positions The Committee relies on comparable market data and all decisions are documented
Sch J, Part I, Line 6b	Part I, Line 6b Explanation of organization compensation contingent on net earnings from related or	Legacy has an at-risk incentive compensation plan for management The plan is based on meeting goals related to employee engagement, work processes, customer service, clinical quality, financial management, and certain key strategic tactics In order to payout any at-risk incentive compensation, Legacy must exceed operating margin targets

Additional Data

Return to Form

Software ID: 10000105
Software Version: 2010v3.2
EIN: 93-0591528
Name: LEGACY MOUNT HOOD MEDICAL CENTER

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				
TRENT S GREEN	(I) (II)	308,620		2,392	67,399	24,761	403,172	
SONJA O STEVES	(I) (II)	273,706		31,785	87,567	30,616	423,674	31,196
SHARON L TRUJILLO	(I) (II)	175,139		7,974	13,623	15,190	211,926	
SCOTT H JOHNSON	(I) (II)	271,308		35,225	47,421	36,295	390,249	14,568
ROBERT ROWBOTHAM	(I) (II)	165,819		-1,676	13,669	17,825	195,637	
ROBERT J PALLARI	(I) (II)			460,485		25,878	486,363	132,478
RICHARD F GIBSON MD	(I) (II)	98,351		340,181	24,309	18,772	481,613	45,988
PAMELA S VUKOVICH	(I) (II)	441,515		58,038	179,774	26,685	706,012	6,874
P CAMPBELL GRONER III	(I) (II)	364,852		92,499	124,696	37,111	619,158	88,308
MAURI TRAYLOR	(I) (II)	185,101	189	-1,167	15,504	8,445	208,072	
JEANNIE C LEE	(I) (II)	165,793		-422	14,002	15,104	194,477	
GRETCHEN M NICHOLS	(I) (II)	232,491		-545	49,191	18,116	299,253	
GEORGE J BROWN MD	(I) (II)	766,346		62,178	181,121	44,306	1,053,951	33,019
GEORGE A CIOFFI MD	(I) (II)	342,133		5,690	125,999	26,104	499,926	
EVERETT NEWCOMB III	(I) (II)	385,476	30,000	10,471	72,357	23,772	522,076	
CAROL A BRADLEY	(I) (II)	310,003	20,000	5,857	61,146	28,872	425,878	
BARBARA A JACOBS-BLANCHARD	(I) (II)	171,994	12,475	-5,295	23,568	23,890	226,632	

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

Identifier	Return Reference	Explanation
	Form 990, Schedule J	Schedule J Reporting of Officers and Senior Management on Legacy Affiliate Returns The Legacy Officers, Senior Vice Presidents and other key employees may have responsibilities for the operations of the entire health system, including the affiliated entities Their compensation is paid from and reported on the Legacy return(EIN 23-7426300) The compensation is reported again for informational purposes on related affiliated entity returns including, Legacy Emanuel Hospital & Health Center, Legacy Good Samaritan Hospital and Medical Center, Legacy Meridian Park Hospital, Legacy Mount Hood Medical Center, Legacy Salmon Creek Hospital, Legacy Visiting Nurse Association, and Legacy Adventist Venture

Identifier	Return Reference	Explanation
	Form 990, Part X	LMHMC participates in the Legacy investment pooled funds which include professionally managed equity and fixed income securities in both separately managed portfolios and commingled investment accounts Investment returns are prorated according to each affiliate's share of the pool

Identifier	Return Reference	Explanation
	Form 990, Part VI, question 2	Legacy Health System CPC, LLC (CPC) is a common pay agent for Legacy and its affiliates The CPC files all required federal employment tax returns for Legacy and its affiliates The number of employees reported on Form W-3 for LMHMC is 670

Identifier	Return Reference	Explanation
	Form 990, Part IV, question 12	Legacy has an audit of its consolidated financial statement which includes consolidating schedules highlighting LMHMC's financial results

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 19	Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	Legacy Health's audited and interim consolidated financial statements are publicly available on the Electronic Municipal Market Access (EMMA) (www emma msrb org) and DAC Bond (www dacbond com) websites Legacy's audited consolidated financial statements include consolidating schedules which highlights LMHMC's financial results When changes are made to the LMHMC Articles or Bylaws, LMHMC discloses and attaches copies to the IRS Form 990, which are publicly available by request or on various public websites such as Guidestar(www guidestar org) Other governing documents are not available to the public

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 15b	Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	The following describes the compensation practices of Legacy and its affiliates Executive compensation for Legacy is designed to recruit, retain and motivate qualified senior management personnel The comprehensive compensation plan is designed for positions that have a significant impact on the high-level strategic and policy direction of Legacy and its affiliates Base pay and total compensation (including incentive compensation) for similar positions is established at a level comparable to market compensation for healthcare organizations External consultants are regularly used to review published compensation surveys of comparable organizations and comparable benchmark positions in the market The Compensation Committee of the Board of Directors, none of whom is a Legacy employee, reviews the compensation for key executive positions The Committee oversees the system's governance procedures with respect to the evaluation of reasonableness of compensation The Committee reports to the Board in sufficient detail to enable the entire Board to take such actions as are required to obtain the rebuttable presumption of reasonableness The Compensation Committee also reviews tax-reporting disclosures

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	The following is a summary of Legacy's policy and procedures for conflict of interest disclosure, monitoring and resolution All Legacy employees and non-employees in leadership positions (e g , Board members, Foundation Trustees, Medical Directors) are required to disclose potential conflicts of interest as the conflict arises All employees attest to proper conflict of interest disclosure during their annual review Certain groups have annual formal disclosure requirements, Executives and non-employees in leadership positions complete the Conflict Disclosure Statement from the Standards of Conduct policy annually Officers, Directors, Trustees, Key and Highly Compensated employees are also required to complete a questionnaire covering business relationships, business transactions with interested parties, loans and grants Conflict Disclosure Statements and questionnaires are returned to Legacy Management Audit for review of the disclosures If a conflict is disclosed, or identified through any other means, Management Audit ensures that management mitigates the risk (e g , discontinues relationship with vendor, segregates responsibilities, recuses Board member from voting in area of conflict) and that the conflict and mitigation steps are reported to the appropriate level (e g , Compliance Committee, Audit Committee of the Board)

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 11	Form 990, Part VI, Line 11 Form 990 Review Process	The Legacy Board received a copy of the 990 return prior to filing At the direction of the entire Board, the Board Compensation Committee reviewed the compensation disclosures and the Board Audit Committee reviewed the 990 returns for Legacy and Legacy Emanuel Hospital & Health Center with Management prior to filing Any key differences in disclosure for other affiliated entities, including Legacy Mount Hood Medical Center were discussed with the Board Audit Committee

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7a	Form 990, Part VI, Line 7a How Members or Shareholders Elect Governing Body	The Board of Directors includes the following members (a) The Bishop of the Oregon Synod of the Evangelical Lutheran Church in America (the "Oregon Synod") or the Bishop's designee, who shall serve ex officio,(b) The Bishop of the Episcopal Diocese of Oregon (the "Episcopal Diocese")or the Bishop's designee, who shall serve ex officio,(c) One (1) person appointed by election of the Oregon Synod Council,(d) One (1) person appointed by election of the Convention of the EpiscopalDiocese

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 6	Form 990, Part VI, Line 6 Explanation of Classes of Members or Shareholder	Legacy Health is the sole member of Legacy Mount Hood Medical Center

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 3	Form 990, Part VI, Line 3 Description of Delegated Duties to Management Company	Legacy Health (Legacy) provides management services for all of its affiliated companies which includes, accounting, purchasing, contracting, legal, human resources, information technology, billing, facilities, budgeting, transcription, security, public relations, strategic planning, organization development

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
See Additional Data Table							

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) MANAGED HEALTHCARE NORTHWEST 422 E BURNSIDE ST 215 PORTLAND, OR97208 93-0914759	MEDICAL	OR	N/A	C	16,940	845,738	75 000 %

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III or IV			
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to other organization(s)	1b	Yes	
c Gift, grant, or capital contribution from other organization(s)	1c	Yes	
d Loans or loan guarantees to or for other organization(s)	1d		No
e Loans or loan guarantees by other organization(s)	1e		No
f Sale of assets to other organization(s)	1f		No
g Purchase of assets from other organization(s)	1g	Yes	
h Exchange of assets	1h	Yes	
i Lease of facilities, equipment, or other assets to other organization(s)	1i	Yes	
j Lease of facilities, equipment, or other assets from other organization(s)	1j	Yes	
k Performance of services or membership or fundraising solicitations for other organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by other organization(s)	1l	Yes	
m Sharing of facilities, equipment, mailing lists, or other assets	1m	Yes	
n Sharing of paid employees	1n		No
o Reimbursement paid to other organization for expenses	1o		No
p Reimbursement paid by other organization for expenses	1p		No
q Other transfer of cash or property to other organization(s)	1q		No
r Other transfer of cash or property from other organization(s)	1r		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 other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) MT HOOD MEDICAL CENTER FOUNDATION	l	64,291	Actual Cost
(2) MT HOOD MEDICAL CENTER FOUNDATION	c	69,876	Cash
(3)			
(4)			
(5)			
(6)			

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data Return to Form

Software ID: 10000105
Software Version: 2010v3.2
EIN: 93-0591528
Name: LEGACY MOUNT HOOD MEDICAL CENTER

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
LEGACY ADVENTIST VENTURE 1919 NW LOVEJOY ST PORTLAND, OR97209 93-1121816	HEALTHCARE	OR	501(C)(3)	9	N/A		No
SALMON CREEK HOSPITAL FOUNDATION PO BOX 4484 PORTLAND, OR97208 83-0433165	CHARITABLE FOUNDATION	WA	501(C)(3)	7	N/A		No
MERIDIAN PARK MEDICAL FOUNDATION PO BOX 4484 PORTLAND, OR97208 93-0773410	CHARITABLE FOUNDATION	OR	501(C)(3)	11a	N/A		No
GOOD SAMARITAN FOUNDATION PO BOX 4484 PORTLAND, OR97208 23-7017276	CHARITABLE FOUNDATION	OR	501(C)(3)	11a	N/A		No
THE CHILDRENS HOSPITAL FOUNDATION PO BOX 4484 PORTLAND, OR97208 93-1314469	CHARITABLE FOUNDATION	OR	501(C)(3)	7	N/A		No
EMANUEL MEDICAL CENTER FOUNDATION PO BOX 4484 PORTLAND, OR97208 93-6095667	CHARITABLE FOUNDATION	OR	501(C)(3)	7	N/A		No
MT HOOD MEDICAL CENTER FOUNDATION PO BOX 4484 PORTLAND, OR97208 93-0794951	CHARITABLE FOUNDATION	OR	501(C)(3)	11a	N/A	Yes	
LEGACY VISITING NURSE ASSOCIATION 815 NE DAVIS ST PORTLAND, OR97210 93-0848530	HOSPICE	OR	501(C)(3)	9	N/A		No
LEGACY SALMON CREEK HOSPITAL 2211 NE 139TH ST VANCOUVER, WA98686 33-1065485	HOSPITAL	WA	501(C)(3)	3	N/A		No
LEGACY MERIDIAN PARK HOSPITAL 19300 SW 65TH AVE TUALATIN, OR97062 93-0618975	HOSPITAL	OR	501(C)(3)	3	N/A		No
LEGACY GOOD SAMARITAN HOSPITAL & MEDICAL 1015 NW 22ND AVE PORTLAND, OR97210 93-0386793	HOSPITAL	OR	501(C)(3)	3	N/A		No
LEGACY EMANUEL HOSPITAL & HEALTH CENTER 2801 N GANTENBEIN AVE PORTLAND, OR97227 93-0386823	HOSPITAL	OR	501(C)(3)	3	N/A		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
LEGACY HEALTH 1919 NW LOVEJOY ST PORTLAND, OR97209 23-7426300	HEALTHCARE	OR	501(C)(3)	11b	N/A		No

LEGACY HEALTH AND AFFILIATES

Consolidated Financial Statements and Other Financial Information

March 31, 2011 and 2010

(With Independent Auditors' Reports Thereon)

LEGACY HEALTH AND AFFILIATES

Table of Contents

LEGACY
HEALTH

Report of Management

The management of Legacy Health (Legacy) is responsible for the integrity and objectivity of the consolidated financial statements of Legacy and all of its affiliates The annual consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, and include amounts that are based on our best judgments with due consideration given to materiality.

Management is responsible for establishing and maintaining a system of internal controls over financial reporting and safeguarding assets against unauthorized acquisition, use or disposition. This system is designed to provide reasonable assurance as to the integrity and reliability of financial reporting and safeguarding of assets. The concept of reasonable assurance is based on the recognition that there are inherent limitations in all systems of internal controls, and that the cost of such systems should not exceed the benefits to be derived from them.

Management believes that the foundation of an appropriate system of internal controls is the expectation from all covered individuals throughout Legacy to conduct themselves in an ethical and responsible manner This responsibility is characterized and reflected in Legacy's Standards of Conduct Policy that is distributed throughout Legacy and its affiliates. Management maintains a systematic program to ensure compliance with this policy.

The Audit Committee of the Board of Directors, which is composed of independent directors who are not employees, meets periodically with management, the internal auditors and the independent auditors to review the manner in which these groups are performing their responsibilities and to carry out the Audit Committee's oversight role with respect to auditing, internal controls and financial reporting matters Both the internal auditors and the independent auditors periodically meet privately with the Audit Committee and have access to its individual members

Legacy engaged KPMG, independent auditors, to audit our consolidated financial statements in accordance with auditing standards generally accepted in the United States of America Their report follows.

George J Brown, MD, FACP
President and Chief Executive Officer

Scott H. Johnson
Interim Chief Financial Officer

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
Legacy Health

We have audited the accompanying consolidated balance sheets of Legacy Health (an Oregon nonprofit corporation) and Affiliates as of March 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended These consolidated financial statements are the responsibility of Legacy Health and Affiliates' management Our responsibility is to express an opinion on these consolidated financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the 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 Legacy Health and Affiliates' internal control over financial reporting Accordingly, we express no such opinion An audit 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 overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Legacy Health and Affiliates as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with U S generally accepted accounting principles

KPMG LLP

June 23, 2011

LEGACY HEALTH AND AFFILIATES

Consolidated Balance Sheets

March 31, 2011 and 2010

(Dollars in thousands)

Assets		2011	2010
Current assets			
Cash and cash equivalents	$	55,587	53,234
Short-term investments		43,978	42,777
Receivable under securities lending program		13,951	10,533
Accounts receivable from patients, less allowance for uncollectible accounts of $56,580 in 2011 and $62,265 in 2010		164,784	154,262
Other receivables		11,191	11,697
Inventories, at cost		16,777	16,440
Prepaid expenses		7,490	9,515
Current funds held by trustee			10,982
Total current assets		313,758	309,440
Assets limited as to use			
Held by trustee		86,358	145,856
Community health fund		9,867	9,804
Noncurrent investments restricted for capital acquisitions		9,785	2,836
		106,010	158,496
Other assets			
Property, plant and equipment, net		752,098	702,206
Noncurrent investments		523,139	440,887
Property held for development		22,013	23,654
Goodwill and other intangibles		27,121	27,858
Other assets		18,629	17,142
		1,343,000	1,211,747
	$	1,762,768	1,679,683

See accompanying notes to consolidated financial statements

Liabilities and Net Assets		2011	2010
Current liabilities			
Accounts payable	$	43,315	42,109
Accrued wages, salaries, and benefits		80,940	70,182
Accrued interest		4,654	4,648
Settlements payable to third-party payors, net		6,823	4,030
Other current liabilities		27,447	34,901
Payable under securities lending program		14,015	10,597
Current portion of long-term debt		20,781	20,308
Total current liabilities		197,975	186,775
Long-term debt, less current portion		525,734	546,486
Other liabilities			
Estimated general and professional claims liability		30,288	30,219
Accrued pension liability		95,513	81,043
Other noncurrent liabilities		18,470	15,608
		144,271	126,870
Total liabilities		867,980	860,131
Net assets			
Unrestricted		822,543	756,851
Unrestricted, noncontrolling interest		21,979	20,928
Temporarily restricted		37,567	29,441
Permanently restricted		12,699	12,332
		894,788	819,552
	$	1,762,768	1,679,683

See accompanying notes to consolidated financial statements

LEGACY HEALTH AND AFFILIATES

Consolidated Statements of Operations

Years ended March 31, 2011 and 2010

(Dollars in thousands)

	2011	2010
Net patient service revenues	$ 1,263,680	1,218,284
Other revenues	33,582	31,214
Total operating revenues	1,297,262	1,249,498
Operating expenses		
Wages, salaries, and benefits	706,677	667,423
Supplies	201,326	194,766
Professional fees	45,531	53,099
Purchased services	73,571	66,516
Utilities, insurance, and other expenses	70,499	55,296
Depreciation	89,469	88,551
Provision for bad debts	53,402	65,300
Interest and amortization	14,502	13,724
Total operating expenses	1,254,977	1,204,675
Income from operations	42,285	44,823
Other income (expenses)		
Investment income, net	56,302	93,782
Loss on extinguishment of debt		(909)
Other, net	(11,371)	(12,364)
Total other income	44,931	80,509
Revenues in excess of expenses	87,216	125,332
Net assets released from restriction used for property, plant and equipment	790	573
Pension and other postretirement adjustments	(14,284)	51,743
Distributions to joint venture partners	(6,014)	(1,744)
Contributions from joint venture partners		16,133
Other transfers	(965)	513
Change in unrestricted net assets	$ 66,743	192,550

See accompanying notes to consolidated financial statements

LEGACY HEALTH AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2011 and 2010

(Dollars in thousands)

	2011	2010
Unrestricted net assets, controlling interest		
Revenues in excess of expenses	$ 80,151	123,356
Net assets released from restriction used for property, plant and equipment	790	573
Pension and other postretirement adjustments	(14,284)	51,743
Investment gain, other than trading securities	6	513
Other transfers	(971)	
Change in unrestricted net assets, controlling interest	65,692	176,185
Unrestricted net assets, noncontrolling interest		
Revenues in excess of expenses	7,065	1,976
Distributions	(6,014)	(1,744)
Contributions		16,133
Change in unrestricted net assets, noncontrolling interest	1,051	16,365
Temporarily restricted net assets		
Donor-restricted contributions and grants	18,568	16,931
Investment gain, net	3,586	7,083
Net assets released from restriction	(14,999)	(16,372)
Other transfers	971	
Change in temporarily restricted net assets	8,126	7,642
Permanently restricted net assets		
Donor-restricted contributions and grants	367	932
Change in permanently restricted net assets	367	932
Change in net assets	75,236	201,124
Net assets, beginning of year	819,552	618,428
Net assets, end of year	$ 894,788	819,552

See accompanying notes to consolidated financial statements

LEGACY HEALTH AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended March 31, 2011 and 2010

(Dollars in thousands)

	2011	2010
Cash flows from operating activities and other income		
Change in net assets	$ 75,236	201,124
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net contributions from noncontrolling partners	6,014	(14,587)
Depreciation and amortization	97,995	99,035
Loss on disposal of assets	111	490
Provision for bad debts	53,402	65,300
Change in net realized and unrealized losses on investments	(44,674)	(92,596)
Restricted contributions	(8,265)	(3,341)
Equity earnings from joint ventures and investment companies, net	(10,829)	(7,175)
Pension and other postretirement adjustments	14,284	(51,743)
Change in certain current assets and current liabilities	(49,528)	(59,101)
Change in long-term operating assets and liabilities	3,793	(8,493)
Net cash provided by operating activities	137,539	128,913
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(153,566)	(147,349)
Proceeds from sale of assets	2,481	103
Change in funds held by trustee	70,480	(77,815)
Change in other long-term assets	(7,683)	(921)
Change in securities lending receivable	(3,418)	(7,685)
Acquisition of business, net of cash received		(16,171)
Investment in joint ventures and investment companies	(5,500)	(6,160)
Distributions from joint ventures and investment companies	3,681	1,061
Purchases of trading securities	(180,581)	(244,470)
Sales of trading securities	153,530	164,529
Net cash used in investing activities	(120,576)	(334,878)
Cash flows from financing activities		
Proceeds from issuance of long-term debt		287,605
Repayment of long-term debt	(20,279)	(138,444)
Payment of debt issuance costs		(1,950)
Change in securities lending payable	3,418	7,685
Distributions to noncontrolling partners	(6,014)	(1,546)
Contributions from noncontrolling partners		8,301
Proceeds from restricted contributions	8,265	3,341
Net cash (used in) provided by financing activities	(14,610)	164,992
Increase (decrease) in cash and cash equivalents	2,353	(40,973)
Cash and cash equivalents, beginning of year	53,234	94,207
Cash and cash equivalents, end of year	$ 55,587	53,234
Supplemental disclosures of cash flow information		
Cash paid for interest (net of amount capitalized)	$ 14,802	13,702
Amounts accrued for property, plant and equipment, net	14,286	9,695

See accompanying notes to consolidated financial statements

(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Basis of Consolidation

Legacy Health and Affiliates (Legacy) provide healthcare and various healthcare-related services. They are organized primarily as nonprofit corporations under the laws of the State of Oregon or Washington.

The consolidated financial statements include the accounts of Legacy and its direct affiliates, including the following:

Legacy Emanuel Hospital & Health Center
Legacy Good Samaritan Hospital and Medical Center
Legacy Meridian Park Hospital
Legacy Mount Hood Medical Center
Legacy Salmon Creek Hospital
Legacy Visiting Nurse Association and Affiliates
Managed HealthCare Northwest, Inc. (MHN)
Legacy Health System Insurance Company (LHSIC)
Legacy USP Surgery Centers, LLC (LUSC)

All significant interentity accounts and transactions have been eliminated.

The consolidated financial statements also include the accounts of Emanuel and Emanuel Children's Hospital, Good Samaritan, Meridian Park, Mount Hood, and Salmon Creek Hospital Foundations (collectively, the Foundations) whose activities benefit and are controlled by the corresponding facilities of Legacy Emanuel Hospital & Health Center, Legacy Good Samaritan Hospital and Medical Center, Legacy Meridian Park Hospital, Legacy Mount Hood Medical Center, and Legacy Salmon Creek Hospital, respectively.

Investments in joint ventures, which represent 20% or more ownership or control, are accounted for by the equity method and are included in the consolidated balance sheets as other assets.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Key estimates include uncollectible and contractual allowances on patient accounts receivable, third-party payor settlements, self-insured liabilities, fair value of investments, and pension obligations.

(Continued)

(c) Income Taxes

Legacy, except for MHN, LHSIC, and LUSC, has been recognized as exempt from federal income taxes, except on unrelated business income under the provisions of the Internal Revenue Code

Legacy's wholly owned insurance captive, LHSIC, operates in the Cayman Islands and is currently not subject to income taxes

For the taxable affiliates, income taxes are accounted for on the liability method Accordingly, deferred income taxes are provided to reflect temporary differences between financial and tax reporting Deferred tax assets and liabilities are measured based on enacted tax laws and rates without anticipation of future changes

(d) Net Patient Service Revenues

Legacy has agreements with third-party payors that provide for payments to Legacy at amounts different from its established rates Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered

Contractual adjustments arising under reimbursement arrangements with third-party payors are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined

(e) Income from Operations

Income from operations excludes certain items that Legacy deems to be outside the scope of its primary business Investment income includes interest income, dividends, realized and unrealized gains and losses on short-term and noncurrent investments and equity earnings from investment companies Other income includes rental income and research activities, net of any corresponding expenses to operate these programs

(f) Performance Indicator

The performance indicator is revenues in excess of expenses Changes in unrestricted net assets, which are excluded from revenues in excess of expenses, consistent with industry practice, include unrealized gains and losses on investments for other-than-trading securities, permanent transfers of assets to and from affiliates for other than goods and services, pension and other postretirement adjustments, the cumulative effect of changes in accounting principles, and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purpose of acquiring such assets)

(Continued)

(g) Charity Care

Legacy provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its financial assistance policy Since Legacy does not pursue collection of amounts determined to qualify as charity care, they are excluded from net patient service revenues

(h) Cash and Cash Equivalents

Cash equivalents include investments in money market funds and highly liquid debt instruments with original maturities of three months or less

Legacy maintains cash and cash equivalents on deposit at financial institutions, which at times exceed the limits insured by the Federal Deposit Insurance Corporation This exposes Legacy to potential risk of loss in the event the financial institution becomes insolvent

(i) Short-Term Investments

Short-term investments include corporate and government obligation securities, which are included in managed, low-duration portfolios The maturities of these related securities can exceed one year Management anticipates the securities will be liquidated within the next year These investments are considered trading securities

(j) Securities Lending Program

Legacy participates in securities lending transactions with its custodian whereby Legacy lends a portion of its investments to various brokers in exchange for cash and cash equivalents from the brokers as collateral for the securities loaned Collateral provided by brokers is maintained at levels approximating 102% of the fair market value of the securities on loan Legacy maintains effective control, except it waives its right to vote such securities, of the loaned securities through its custodian in that they may be recalled at any time The market value of the loaned securities is reported as a receivable held under securities lending program, and a corresponding obligation exists for repayment of such collateral upon settlement of the lending transaction The market value of the securities on loan (exclusive of collateral) was $13,951 and $10,533 as of March 31, 2011 and 2010, respectively

(k) Inventories

Inventories are stated at the lower of average cost, as determined by the first-in, first-out method, or market

(l) Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements Community health fund represents designated assets set aside by the Board of Directors to provide funding for certain community health projects The Board of Directors retains control over these assets and may, at its discretion, use these assets for other purposes

(m) Property, Plant and Equipment

Property, plant and equipment is reported at cost Donated items are reported on the basis of fair market value at the date of donation

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of acquiring those assets In 2011 and 2010, Legacy capitalized $7,446 and $6,344, respectively, of interest expense Legacy capitalizes payroll and payroll-related costs associated with the development of software for internal use For the years ended March 31, 2011 and 2010, Legacy capitalized approximately $7,067 and $7,013, respectively, of payroll and payroll-related costs

Legacy assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made recovery of an asset's carrying value unlikely An impairment loss is indicated when the sum of expected undiscounted future net cash flows is less than the carrying amount The loss recognized is the difference between the fair value and the carrying amount

Depreciation is computed under the straight-line method over estimated useful lives with average useful lives as follows building and improvements, 26 years, equipment and software, 7 years, and land improvements, 13 years Leased assets that have been capitalized are amortized over the term of the leases or the useful lives of the assets, whichever is shorter Leased asset amortization is reported as part of depreciation

(n) Noncurrent Investments

Noncurrent investments include investments in equity securities of publicly traded U S and international companies, investments in foreign government and commercial bank obligations, real estate, market neutral hedge funds, alternative investments (which include private equity and distressed debt) and interest rate swaps Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the consolidated balance sheets Investments in limited liability partnerships or companies, which are investment companies, are recorded at the fair value of the underlying assets using the equity method of accounting As of March 31, 2011, approximately 14 24% of noncurrent investments require advance written notice of 90 days or longer to redeem the securities For certain of these investments, it may take up to 90 days to receive the funds and certain redemptions may be subject to other restrictions in accordance with subscription agreements

Investment income or loss (including realized gains and losses on investments, equity earnings from investment companies, interest and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law Unrealized gains and losses on investments are included in investment income unless the investments are considered other-than-trading securities

(o) Temporarily and Permanently Restricted Net Assets

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

(p) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to Legacy are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received The gifts or grants are reported as either temporarily or permanently restricted contributions if they are received with donor or grantor stipulations that limit the use of the donated assets When the terms of a donor or grantor restriction are met, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations or consolidated statements of changes in net assets as net assets released from restriction Donor or grantor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions

(q) Charitable Gift Annuities

Legacy has a certificate of authority from the State of Oregon to receive transfers of money or property upon agreement to pay an annuity A charitable gift annuity is an arrangement between a donor and Legacy in which the donor contributes assets to Legacy in exchange for Legacy's agreement to pay a fixed amount for a specified period of time to the donor or other individuals and organizations as designated by the donor (annuitant) Upon execution of such an arrangement, Legacy recognizes the assets received at fair value and an annuity payment liability at the present value of future cash flows expected to be paid Unrestricted and restricted contribution revenue is recognized based upon the difference between these two amounts In subsequent periods, payments to the annuitant reduce the annuity liability Adjustments to the annuity liability to reflect amortization of the discount, changes in life expectancy, and death of the annuitant are recognized as other operating expenses The annuity liability included in other current liabilities as of March 31, 2011 and 2010 was $9 The annuities are not issued by an insurance company and are not subject to regulation by the State of Oregon or protected by an insurance guaranty association

Legacy maintains a separate and distinct trust fund adequate to meet the actuarially determined future payments of the charitable gift annuities as set forth under ORS 731 716 The trust fund is maintained with a bank custodian and, as of March 31, 2011 and 2010, held $10 of marketable securities to fund the annuity obligation These marketable securities are comprised of cash, cash equivalents and other fixed-income instruments

(r) Recently Adopted Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) established the FASB Accounting Standards Codification (ASC or Codification) to become the source of authoritative U S generally accepted accounting principles (GAAP) to be applied by nongovernmental entities The Codification does not change GAAP, except in limited circumstances The GAAP hierarchy has been modified to

include only two levels of GAAP authoritative and nonauthoritative Legacy adopted the Codification in March 2010, and references to GAAP accounting pronouncements in the notes to the consolidated financial statements have been modified accordingly

In May 2009, the FASB issued ASC Topic 855, *Subsequent Events* (Topic 855) Topic 855 establishes the general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued Topic 855 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date This Topic also requires entities to evaluate subsequent events through the date the financial statements are issued Legacy adopted Topic 855 as of March 31, 2010

In April 2010, Legacy adopted ASC Subtopic 958-805, *Business Combinations* (Subtopic 958-805) Subtopic 958-805 revises the information that a not-for-profit entity provides in its financial reports about a combination with one or more other not-for-profit entities, businesses, or nonprofit activities Subtopic 958-805 also makes ASC Topic 810-10, *Consolidations*, applicable to not-for-profit entities Topic 810-10 clarifies the accounting for noncontrolling interests and establishes accounting and reporting standards for the noncontrolling interest in a subsidiary, including classification as a component of net assets

(s) New Accounting Pronouncements

In August 2010, the FASB issued Accounting Standards Update (ASU) No 2010-23, *Health Care Entities* (Topic 954) *Measuring Charity Care for Disclosure* This ASU establishes standards of measurement for disclosure of charity care expense at actual cost, including direct and indirect costs This ASU also requires disclosure of the method used to identify such costs ASU No 2010-23 is effective for Legacy effective April 1, 2011

In August 2010, the FASB issued ASU No 2010-24, *Health Care Entities – Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that insurance recoveries should not be netted against a related claim liability The claim liability amount should be calculated without consideration of insurance recoveries This standard is effective for the fiscal year ending March 31, 2012 The adoption of this standard will not have a material impact on Legacy's consolidated financial statements

(t) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation to more consistently present financial information between years

(2) Net Patient Service Revenues

Services are rendered to patients under contractual arrangements with Medicaid and Medicare programs and various other payors including preferred provider and health maintenance organizations (PPOs and HMOs), which provide for payment or reimbursement at amounts different from established rates Contractual adjustments represent the difference between established rates for services and amounts reimbursed by these third-party payors

(Dollars in thousands)

The Medicare program reimburses Legacy at prospectively determined rates for the majority of inpatient and outpatient services rendered to patients, primarily on the basis of diagnosis related groups (DRGs) and ambulatory payment classification groups (APCs), respectively Nonacute inpatient services, defined capital, certain outpatient services, and defined medical education costs are paid based on a cost reimbursement methodology The Medicaid program reimburses Legacy primarily at prospectively determined rates for inpatient services, similar to DRGs, and outpatient services under a cost reimbursement methodology When paid under cost reimbursement, Legacy is reimbursed at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the fiscal intermediaries PPOs and HMOs generally reimburse Legacy on prospectively negotiated rates or on a percentage of charges

Revenue from the Medicare and Medicaid programs accounted for approximately 33 6% and 19 4%, respectively, of Legacy's gross patient charges for the year ended March 31, 2011, and 32 6% and 18 5%, respectively, of Legacy's gross patient charges for the year ended March 31, 2010 Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term

A summary of patient revenues is as follows

	Year ended March 31	
	2011	**2010**
Gross patient charges		
Hospital inpatient services	$ 1,669,327	1,611,008
Hospital and other outpatient services	1,230,049	1,115,688
	2,899,376	2,726,696
Deductions from gross patient charges		
Charity allowances, based on charges	192,325	164,834
Medicare and Medicaid contractual adjustments	1,012,946	934,416
Commercial managed care contractual adjustments	430,425	409,162
	1,635,696	1,508,412
Net patient service revenues	$ 1,263,680	1,218,284

(Continued)

(Dollars in thousands)

Legacy grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements The proportion of net accounts receivable from significant third-party payors for 2011 and 2010 was as follows

	2011	2010
Medicare	20 3%	19 9%
Medicaid	12 0	10 9
Blue Cross	12 8	14 8
Private pay	14 3	12 7
Other	40 6	41 7
	100 0%	100 0%

Legacy provides an allowance against accounts receivable for amounts that could become uncollectible in the future Legacy estimates this allowance based on the aging of its accounts receivable, historical and expected net collections, business and economic conditions, trends in federal and state governmental and private employer healthcare coverage and other collection indicators

(3) Benefits to the Community

The Board of Directors allocated $10,000 to establish a Community Health Fund (the Fund) in 1999 An amount equal to five percent of the principal of this Fund ($500 annually) may be dedicated annually to community-sponsored initiatives geared toward improving the health of the community The Fund is intended to be a permanent source of funding for health initiatives and programs capable of impacting the health of the community either by prevention or health improvement Contributions made to community-sponsored initiatives were $257 and $268 in 2011 and 2010, respectively

(Dollars in thousands)

In addition to funding selected community health initiatives, Legacy provides services to the community both for people in need and to enhance the health status of the broader community as part of its charitable mission The following represents the estimated cost of providing certain services to the community, along with a description of selected activities sponsored by Legacy during 2011 and 2010

	Year ended March 31, 2011			
	In-kind costs	**Other costs**	**Offsetting revenue**	**Net cost**
Services for people in need				
Charity care	$	77,676		77,676
Medicaid		233,168	174,580	58,588
Medicare		401,050	352,925	48,125
Other government programs		10,275	8,745	1,530
		722,169	536,250	185,919
Benefits to the community				
Medical education and support of research	153	21,381	6,782	14,752
Community health services		2,550	180	2,370
Community benefit activities	473	80		553
Donations to charitable organizations	255	938		1,193
Community Health Fund contributions		257		257
	881	25,206	6,962	19,125
	$ 881	747,375	543,212	205,044
Percentage of total operating expenses				16 3%

(Continued)

(Dollars in thousands)

	Year ended March 31, 2010			
	In-kind costs	Other costs	Offsetting revenue	Net cost
Services for people in need				
Charity care	$	69,094		69,094
Medicaid		219,607	161,612	57,995
Medicare		375,557	334,698	40,859
Other government programs		13,214	11,972	1,242
		677,472	508,282	169,190
Benefits to the community				
Medical education and support of research	153	22,179	3,424	18,908
Community health services		2,995	135	2,860
Community benefit activities	431	38		469
Donations to charitable organizations	431	720		1,151
Community Health Fund contributions		268		268
	1,015	26,200	3,559	23,656
	$ 1,015	703,672	511,841	192,846
Percentage of total operating expenses				16 0%

(a) Services for People in Need

In support of its mission, Legacy voluntarily provides medically necessary patient care services that are discounted or free of charge to persons who have insufficient resources and/or who are uninsured The criteria for charity care is determined based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient's inability to pay for services provided Specifically, Legacy provides an uninsured discount of 15% to patients who have resided within Legacy's primary service area for a period of six months, are uninsured for hospital care, and have a household income of less than $100,000 annually Further discounts are available for patients, on a sliding scale, whose household income is less than 400% of the federal poverty level or roughly $89,000 for a family of four in Portland, Oregon For patients whose household income is at or below 200% of the federal poverty level, a full subsidy is available In addition to the household income criteria, the patients' qualified assets (e g , 25% of household assets), and other catastrophic or economic circumstances are considered in determining eligibility for charity care

During 2011 and 2010, Legacy provided charity care on 101,751 and 81,683 patient accounts, respectively, representing 9,091 and 8,735 inpatient accounts, respectively, and 92,660 and 72,948 outpatient accounts, respectively In 2011 and 2010, 22% and 21%, respectively, of the patients receiving charity care received a full subsidy representing roughly 50% and 54%, respectively, of the

total charity provided in those years The top five services provided to patients qualifying for charity care were emergency/trauma, surgery, cardiovascular, pediatrics, and general acute care

In addition to charity care, Legacy provides services under various states' Medicaid programs for financially needy patients The cost of providing services to Medicaid beneficiaries generally exceeds the reimbursement from these programs

Legacy provides services to Medicare beneficiaries and beneficiaries under other government programs (such as TRICARE), for which the cost of treating these patients exceeds the government payments received

The cost of services provided under these programs is determined based on the relationship of costs (excluding the provision for doubtful accounts and costs associated with medical education, research, community health services, and other contributions) to billed charges

Legacy also employs financial counselors and social workers who assist patients in obtaining coverage for their healthcare needs This includes assistance with workers' compensation, motor vehicle accident policies, COBRA, veterans' assistance, and public assistance programs, such as Medicaid This program assisted many patients in obtaining coverage through a third party, reducing the patients' financial responsibility The costs associated with this program were $614 and $552 in 2011 and 2010, respectively

(b) Benefits to the Community

Medical education and research includes, among other initiatives, the unreimbursed cost of nursing, graduate medical education and research

Community health services include classes provided to the community at minimal or no cost, health education for children and parents with young families, resource centers, support groups, health screenings, senior wellness, volunteer programs, caregivers respite, and support for parish nursing programs

Community benefit activities include activities that develop community health programs and partnerships

Donations to charitable organizations include direct support provided to community organizations through cash or in-kind donations to enhance those organizations' missions of supporting health and human services, civic and community causes, and business development efforts

In-kind contributions provided by Legacy include facility space, staff availability for training and education opportunities, supplies, and professional services in collaboration with charitable, educational, and government organizations throughout its community

(c) Other Benefits

In furtherance of its mission, Legacy also commits significant time and resources to endeavors and critical services that meet unfilled community needs Many of these activities are sponsored with the

(Dollars in thousands)

knowledge that they will not be self-supporting or financially viable Such programs include hospice, mental and behavioral health, primary care clinics in underserved neighborhoods, free patient transportation, lodging, meals and medications for transient patients when needed, participation in blood drives, and the provision of educational opportunities for students interested in pursuing medical-related careers

Legacy also provides additional benefits to the community through the advocacy of community service by employees Employees of Legacy serve numerous organizations through board representation, membership in associations and other related activities

Legacy also pays taxes associated with various states' local business and occupation taxes, and property taxes that local and state governments use to fund healthcare services, civil and education services to the community Legacy paid $5,456 and $4,675 in local and state taxes in 2011 and 2010, respectively

(4) Property, Plant, and Equipment

Property, plant, and equipment balances as of March 31 were as follows

		2011	2010
Buildings and improvements	$	851,416	833,272
Equipment and software		750,691	667,508
Land improvements		5,878	5,612
		1,607,985	1,506,392
Accumulated depreciation		(1,009,907)	(927,384)
		598,078	579,008
Construction in progress		129,003	98,181
Land		25,017	25,017
	$	752,098	702,206

There were capital expenditure purchase commitments outstanding as of March 31, 2011 for various construction and equipment projects The estimated cost to complete such projects at March 31, 2011 was $196,897, of which $78,958 was contractually committed

(Dollars in thousands)

(5) Long-Term Debt

A summary of long-term debt and capital lease obligations at March 31 is as follows

	2011	2010
Hospital Revenue Bonds, Series 2001, payable in installments from $2,835 to $22,550 through 2021, at rates ranging from 4 50% to 5 75%, callable on or after May 2011	$ 117,635	121,120
Hospital Revenue Bonds, Series 2008, payable in installments through 2038, subject to a seven-day put provision, interest at SIFMA index (0 22% at March 31, 2011) plus 10 basis points	150,000	150,000
Hospital Revenue Bonds, Series 2009A, payable in installments from $1,055 to $7,715 through 2035, at rates ranging from 3 0% to 5 5%, callable on or after July 2019	111,260	113,860
Hospital Revenue Bonds, Series 2009B and C, subject to mandatory tenders of $25,000 each in 2012 and 2014, respectively, at 5 0%	50,000	50,000
Hospital Revenue Bonds, Series 2010A, payable in installments from $1,120 to $12,430 through 2030, at rates ranging from 3 0% to 5 0%, $24,300 of the bonds are callable on or after March 2020	111,315	123,745
Capital lease obligations, at imputed rates of 3 00% to 4 93%	5,451	6,860
Note payable, matures 2012, interest at 6 73%	854	1,209
	546,515	566,794
Less current portion	(20,781)	(20,308)
	$ 525,734	546,486

Interest cost incurred related to funds borrowed and reflected in operating expense in 2011 and 2010 was $21,763 and $19,436, respectively Interest expense was reduced by interest capitalized for construction and other capital projects in the amount of $7,446 and $6,344 for the years ended March 31, 2011 and 2010, respectively

(Continued)

(Dollars in thousands)

Scheduled principal repayments of long-term debt and payments on capital lease obligations are according to their long-term amortization schedule as follows

	Long-term debt	Capital lease obligations
2012	$ 19,543	1,481
2013	20,506	1,404
2014	20,455	1,404
2015	20,545	1,404
2016	21,430	351
Thereafter	438,585	
	$ 541,064	6,044
Less amount representing interest under capital lease obligation		(593)
		$ 5,451

The master trust indenture and other loan agreements covering these obligations contain, among other things, provisions placing restrictions on additional borrowings and leases and requiring the maintenance of debt service coverage and other ratios

In November 2008, Legacy issued $150,000 of Revenue Bonds Series 2008 (Series 2008 Bonds), which are unsecured, variable-rate debt in an initial short-term interest rate mode, through the Hospital Facility Authority of Clackamas County, Oregon The proceeds from the Series 2008 Bonds are restricted for capital expenditures and to pay the expenses incurred with the issuance The Series 2008 Bonds, while subject to a long-term amortization period, may be put to Legacy at the option of the bondholders in connection with certain remarketing dates In conjunction with the issuance, in November 2010 Legacy entered into a three-year letter of credit and reimbursement agreement with a national bank, whereby the bank will purchase any bonds that are put by bondholders and not successfully remarketed In the event of a draw under this agreement, there are no principal payments due within a year If the bonds have not been remarketed or redeemed and amounts remain outstanding after a year, such amounts are converted to a term loan due in eight quarterly payments As a result, the Series 2008 Bonds are classified as long-term, except for the portion that matures within 12 months after March 31, 2011

In May 2009, Legacy issued $163,860 of Revenue Bonds Series 2009 (Series 2009 Bonds) in Series A, B, and C through the Hospital Facility Authority of Clackamas County, Oregon The proceeds from the Series 2009 Bonds are restricted for capital expenditures, debt service during the construction period, and expenses incurred in connection with the issuance The Series B ($25,000) of the Series 2009 Bonds is subject to a mandatory bondholder tender in July 2012, and the Series C ($25,000) of the Series 2009 Bonds is subject to a mandatory bondholder tender in July 2014 The remaining bonds are payable in annual installments beginning in 2010 through 2035 at interest rates from 3 00% to 5 50% In connection with this issuance, certain modifications to the existing master trust indenture were made In particular, a gross revenue pledge was provided to all bondholders The Series 2009 Bonds, and all outstanding

previously issued Revenue Bonds, are obligations of the revised master trust indenture (the 2009 Master Trust Indenture)

In January 2010, Legacy issued $123,745 of Revenue Bonds Series 2010A (Series 2010A Bonds) through the State of Oregon, Oregon Facilities Authority The proceeds from the Series 2010A Bonds were used to refund the Series 1999 Bonds and the Series 2003 Bonds and to pay for the cost of issuance of the Series 2010A Bonds The Series 2010A Bonds are payable in annual installments beginning in 2011 at interest rates ranging from 3% to 5% The Series 2010A Bonds are obligations of the 2009 Master Trust Indenture During the year ended March 31, 2010, Legacy recognized a loss of $909 related to the early extinguishment of the Series 1999 and the Series 2003 Bonds

In September 2010, Legacy entered into a credit agreement with a commercial bank to secure a $30,000 line of credit to meet short-term cash needs The line of credit was issued as an obligation of the 2009 Master Trust Indenture Interest on the line is LIBOR plus 95 basis points There were no amounts borrowed on the line during fiscal year 2011 and no amounts were outstanding as of March 31, 2011

In May 2011, Legacy issued $111,470 of Refunding Revenue Bonds Series 2011 Series A (Series 2011 Bonds) through the State of Oregon, Oregon Facilities Authority The proceeds from the Series 2011 Bonds were used to refund the Series 2001 Bonds and to pay for the cost of issuance of the Series 2011 Bonds The Series 2011 Bonds are payable in annual installments beginning in May 2012 at interest rates ranging from 3 00% to 5 25% The Series 2011 Bonds are obligations of the 2009 Master Trust Indenture In conjunction with the issuance of the Series 2011 Bonds, the obligated group of the 2009 Master Trust Indenture was expanded to include Legacy Salmon Creek Hospital, formerly a designated affiliate

(Dollars in thousands)

(6) Investments

Legacy invests in different classes of securities for a variety of financial assets, including short-term investments, assets limited as to use, and noncurrent investments The composition of these assets is as follows

	Year ended March 31	
	2011	2010
Cash and cash equivalents	$ 97,664	88,362
Short-term notes	16,166	79,956
State government obligations	4,262	12,149
Small/mid cap domestic equity securities	38,058	40,914
Large cap domestic equity securities	82,721	78,672
International equity securities	11,432	10,342
International common/collective trust	28,541	32,319
Investment-grade quality fixed-income mutual fund	232,195	181,622
Absolute return funds	70,683	55,879
U S Treasury securities	42,328	20,610
Real estate partnerships	34,129	29,476
Private equity funds – funds of funds	6,613	7,218
Interest rate swaps	6,792	7,826
Guaranteed interest investment contracts (GIICs)	1,106	7,360
Other	437	437
	$ 673,127	653,142

As of March 31, 2011, Legacy has a remaining capital commitment of $958 to private equity funds in the form of limited partnership/trust investments These commitments are due on demand from the general partners/advisors These private equity funds invest in emerging companies, venture capital funds, and other alternative investments The termination of these partnerships/trusts is based upon specific provisions in the agreement In most cases the life of the trusts are for a minimum of ten years Legacy can only transfer its interest in the investments with the consent of the general partner/advisor The fair values of these investments are determined either by the underlying security value on the open market or by the general partner/advisor utilizing fair value principles Legacy is accounting for these investments under the equity method

Debt service reserve funds and unspent construction funds related to the Series 2009A, B and C Bonds are held in trust at a national bank and are invested in accordance with the respective bond indentures, primarily in government obligations with maturities of one year or less and in money market funds

Interest Rate Swaps

In February 2004, Legacy executed a 20-year basis swap with an investment-banking firm The notional amount of the transaction was $82,000, and the cash flows settle semiannually Under the transaction, Legacy pays at the SIFMA index, in exchange for receiving 62% of LIBOR plus 0 814%

(Continued)

(Dollars in thousands)

In May 2004, Legacy entered into a fixed-to-variable interest rate swap with an investment bank for five years, with a $25,000 notional amount Under the terms of this agreement, Legacy pays at the SIFMA index, in exchange for a fixed rate of 3 125% This agreement expired in April 2009 and was not extended or replaced

In September 2006, Legacy entered into a basis swap with an investment-banking firm The notional amount of the transaction was $82,000, and the cash flows settled semiannually Under the transaction, Legacy paid 62% of the LIBOR in exchange for 62% of the USD-ISDA swap rate (ten-year) minus 0 392% This swap was terminated in August 2010 for a gain of $4,141

In April 2009, Legacy entered into a basis swap with an investment-banking firm The notional amount of the transaction was $50,000, and the cash flows settle quarterly Under the transaction, Legacy pays SIFMA and receives 67% of LIBOR plus 0 60% for three years, and thereafter receives 94 1% of LIBOR until April 2029

In September 2010, Legacy entered into two basis swaps with two investment-banking firms The notional amount of each transaction was $50,000, and the cash flows settle quarterly Under both transactions, Legacy pays SIFMA and receives 67% of LIBOR plus 0 60% for three years, and thereafter receives 84 45% of LIBOR on one swap and 84 0% of LIBOR on the other swap until September 2030

The objective of these transactions is to assume the tax-basis risk for a portion of the fixed-rate exposure on outstanding long-term indebtedness in exchange for positive cash flows These transactions do not meet the criteria for hedge accounting, therefore, any changes in fair value under these agreements are recorded as part of investment income in the accompanying consolidated statements of operations

The fair value of these swaps is determined by the spread in interest rates The fair value as of March 31, 2011 and 2010 represents a receivable of $6,792 and $7,826, respectively, and is included in noncurrent investments in the consolidated balance sheets

Investment income, gains, and losses for cash and cash equivalents, short-term investments, assets limited as to use, and noncurrent investments comprise the following

	Year ended March 31	
	2011	2010
Interest and dividend income	$ 1,094	751
Realized gains on investments	28,728	8,507
Realized gain from swap termination	4,141	
Equity earnings from investment companies	9,208	6,359
Change in fair value of trading securities and interest rate swaps	16,724	85,761
Total investment income	$ 59,895	101,378

(Continued)

(7) Fair Value of Financial Instruments

Legacy applies ASC Topic 820, *Fair Value Measurements and Disclosures*, (Topic 820) for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 1 securities include marketable equity securities and mutual funds.

- Level 2 inputs are other than quoted prices included within Level 1 that are observable in the market for the asset or liability, either directly or indirectly. Level 2 securities include fixed-income securities, corporate equity funds, common/collective trust funds and absolute return funds that are priced based on the net asset values (NAV) provided by fund administrators.

  ASC Subtopic 820-10 allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by Legacy is the NAV per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. Valuations provided by fund administrators consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit prices. Legacy reviews valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

- Level 3 inputs are unobservable inputs for an asset or liability. Level 3 securities primarily include private equity funds but also include illiquid fixed-income securities that have no active trading. Private equity securities use a NAV equivalent as a practical expedient to estimate fair value. The transaction price is initially used as the best estimate of fair value. Accordingly, when a valuation is provided by a private equity fund administrator, the valuation is adjusted so that the value at inception equals the transaction price. The initial valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as transactions in similar securities, completed or pending third-party transactions in the underlying security or comparable entities, offerings in the capital markets, and changes in financial results, data or cash flows. For positions that are not traded in active markets or are subject to notice provisions, valuations are adjusted to reflect such provisions, and such adjustments are generally based on available market evidence.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(Continued)

(Dollars in thousands)

The following tables present the financial instruments carried at fair value as of March 31, 2011 and 2010, by caption on the consolidated balance sheets, by the valuation hierarchy defined above

Fair value of financial instruments

	March 31, 2011			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Cash and cash equivalents	$ 97,664			$ 97,664
Receivable under securities lending agreement		13,951		13,951
Small/mid cap domestic equity securities	38,058			38,058
Large cap domestic equity securities	82,721			82,721
International equity securities	11,432			11,432
International common/collective trust funds		28,541		28,541
Investment-grade quality fixed-income mutual fund	232,195			232,195
Absolute return funds		35,521		35,521
U S Treasury securities		42,328		42,328
Short-term notes		16,166		16,166
State government obligations		4,262		4,262
Real estate	130			130
Interest rate swaps		6,792		6,792
Total assets at fair value	$ 462,200	147,561		$ 609,761
Liabilities				
Payable under securities lending agreement	$ 14,015			$ 14,015
Total liabilities at fair value	$ 14,015			$ 14,015

(Continued)

(Dollars in thousands)

Fair value of financial instruments

	March 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total fair value**
Assets				
Cash and cash equivalents	$ 88,362			$ 88,362
Receivable under securities lending agreement		10,533		10,533
Small/mid cap domestic equity securities	40,914			40,914
Large cap domestic equity securities	78,672			78,672
International equity securities	10,342			10,342
International common/collective trust funds		23,807		23,807
Investment-grade quality fixed-income mutual fund	181,622			181,622
Absolute return funds		28,260		28,260
U S Treasury securities		20,609		20,609
Short-term notes		79,956		79,956
State government obligations		12,149		12,149
Interest rate swaps		7,826		7,826
Total assets at fair value	$ 399,912	183,140		$ 583,052
Liabilities				
Payable under securities lending agreement	$ 10,597			$ 10,597
Total liabilities at fair value	$ 10,597			$ 10,597

The following table is a consolidated statement of changes in financial instruments classified by Legacy within Level 3 of the valuation hierarchy defined above

	2011	**2010**
Fair value measurement Level 3, beginning of year	$	34,805
Realized and unrealized gains (losses), net		
Purchases, issuances and settlements, net		
Transfers, net		(34,805)
Fair value measurement Level 3, end of year	$	

(Continued)

(Dollars in thousands)

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at March 31, 2011

	Fair value	Redemption frequency	Redemption notice period
Common/collective trust funds	$ 28,541	Daily or monthly	1 – 5 days
Absolute return funds	35,521	Quarterly	60 – 95 days

Common/collective trust funds are investments that are operated by a trust company that manages a pooled group of trust accounts Collective investment trusts combine the assets of various institutional investors to create a larger, well-diversified portfolio The objectives of a collective trust are to lower the costs to investors through economies of scale available by combining assets of multiple investors, to provide daily liquidity, and to provide better diversification Each investor owns a participating interest that is calculated in shares and represents its portion of the holdings of the fund

Absolute return funds primarily include investments in hedge funds that utilize strategies designed to generate consistent long-term capital appreciation with low volatility and little correlation with equity and bond markets Absolute return funds calculate NAV monthly, which approximates fair value

Other financial instruments of Legacy include other receivables, GIICs and accrued interest The carrying amount of these instruments approximates fair value as these items mature in less than one year

The carrying amounts reported in the consolidated balance sheets for accounts payable, accrued wages, salaries and benefits, settlements payable to third-party payors, and other current liabilities approximate fair value

The fair value of long-term debt is estimated based on the discounted cash flows that would be paid using current market rates for debt with the same maturities, assuming the debt was repaid as of the first call date as stipulated in the bond indenture The fair value of long-term debt was $7,024 and $13,777 greater than the carrying value as of March 31, 2011 and 2010, respectively

(Continued)

(Dollars in thousands)

(8) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes

	Year ended March 31	
	2011	2010
Education	$ 5,238	4,623
Patient care	12,667	10,890
Research	5,239	4,953
Capital acquisition	8,073	2,620
Other	6,350	6,355
	$ 37,567	29,441

Income from permanently restricted net assets is accounted for in accordance with the donors' instructions

Legacy follows the guidance in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in determining the net asset classification of all donor-restricted endowment funds, as described in note 1 In accordance with board policy, assets classified as permanent endowments in accordance with donor intent are only utilized for current period expenditures to the extent that earnings on the endowment exceed the original fair value of the donation To the extent earnings on endowment funds exceed identified expenditures on which to apply those earnings, the earnings are classified as temporarily restricted net assets As of March 31, 2011 and 2010, unspent earnings on endowment funds totaling $17,683 and $15,059, respectively, were included in temporarily restricted net assets Earnings on endowment funds were $3,460 and appropriations for expenditure from endowment funds were $834 for the year ended March 31, 2011

Legacy has adopted investment and spending policies for endowment assets to provide a predictable stream of funding to programs supported by its endowment and to maintain the value of the endowment assets Asset allocation is reviewed quarterly with respect to i) Legacy's tolerance for risk based on its financial condition and need for cash from investments to support operations, ii) expected asset class return, risk and correlation characteristics, iii) changes in accounting guidance or tax law, and iv) changes in bond covenants or other restrictions

Legacy's spending practices are intended to comply with donors' wishes and meet all applicable laws and regulations Spending must be for a purpose that is consistent with the documented intent of the donor, and may not exceed the amounts annually determined by Legacy Factors that are considered in addressing the annual spending allocation are i) market value of the fund relative to the principal of the gift and ii) the level of spending in prior years

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Legacy to retain as a fund of perpetual duration Deficiencies of this nature are reported as a reduction to unrestricted net assets and are excluded from the performance indicator During the years ended March 31, 2011 and 2010, Legacy reimbursed

(Continued)

(Dollars in thousands)

unrestricted net assets for $7 and $513, respectively, for amounts transferred in previous years from unrestricted net assets to permanently restricted net assets

(9) Functional Expenses

Legacy provides healthcare services to residents within its geographic locations Expenses related to providing these services are as follows

	Year ended March 31	
	2011	2010
Healthcare services	$ 1,020,692	1,013,490
General and administrative	234,285	191,185
	$ 1,254,977	1,204,675

(10) Retirement Plans

(a) Defined Contribution Pension Plans

Substantially all employees who are 21 years of age, have worked 1,000 hours or more during the year and have been continuously employed by Legacy for one or more years are eligible to participate in a jointly contributory tax-sheltered annuity plan Under this plan Legacy matches up to 3 5% of participating employees' annual salaries

Expenses incurred by Legacy related to this plan were approximately $11,200 and $8,500 for 2011 and 2010, respectively

(b) Pension Benefit Plans

Legacy sponsors a defined benefit pension plan, the Legacy Employees' Retirement Plan (the Plan), covering the majority of employees who meet requirements as specified in the Plan The assets of the Plan are available to pay the benefits of all eligible employees of the Plan Legacy uses a measurement date of March 31 for the Plan

In September 2009 the Legacy Board of Directors approved amendments to the Plan Prior to January 1, the Plan provided retirement benefits using a formula that considered both years of service and the highest level of compensation for any consecutive five-year period during the last 10 years before retirement Effective December 31, 2009, the Plan's final average pay benefit formula was frozen for plan participants Effective January 1, 2010, eligible employees are covered by a cash balance plan with contributions based on eligible compensation and accrued years of service As a result of the retirement plan changes, the pension benefit obligation and periodic pension cost were remeasured as of December 31, 2009, resulting in a reduction of the unfunded pension obligation of $57,800

Legacy maintains other retirement plans for certain management employees, which include a pension restoration plan, deferred compensation plans, and supplemental executive retirement plans

(Dollars in thousands)

Legacy recognizes adjustments to the funded status of the Plan as increases or decreases to net assets in the corresponding accounting period As of March 31, 2011 and 2010, Legacy recognized a decrease in net assets of $14,284 and an increase in net assets of $51,743, respectively, related to the change in funded status of the Plan

A summary of changes in benefit obligations, fair values of plan assets, and the pension liability at March 31, 2011 and 2010 and for the fiscal years then ended is as follows

		2011	2010
Change in projected benefit obligation			
Projected benefit obligation at beginning of year	$	465,441	436,215
Service cost		25,171	21,057
Interest cost		28,269	29,469
Plan amendments			(79,680)
Actuarial loss		30,340	73,054
Benefits paid		(18,580)	(14,674)
Projected benefit obligation at end of year	$	530,641	465,441
Change in plan assets			
Fair value of assets at beginning of year	$	384,398	296,022
Actual return on plan assets		48,333	72,945
Employer contribution		20,977	30,105
Benefits paid		(18,580)	(14,674)
Fair value of assets at end of year	$	435,128	384,398
Reconciliation of funded status			
Funded status	$	(95,513)	(81,043)
Net amount recognized	$	(95,513)	(81,043)

Included in unrestricted net assets at March 31, 2011 are unrecognized prior service credits of $68,464 and unrecognized actuarial losses of $173,857 that have not yet been recognized in net periodic pension cost The prior service credit and actuarial losses included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending March 31, 2012 are $8,839 and $15,144, respectively The accumulated benefit obligation as of March 31, 2011 and 2010 was $527,367 and $464,832, respectively

(Continued)

(Dollars in thousands)

Net periodic benefit cost for the years ended March 31 included the following components

	2011	2010
Service cost	$ 25,171	21,057
Interest cost	28,269	29,470
Expected return on plan assets	(33,801)	(31,144)
Amortization of prior service costs	(8,839)	(2,024)
Recognized net actuarial loss	10,363	5,339
Special recognition curtailments and settlements	125	
Net periodic pension cost	$ 21,288	22,698

(c) Assumptions

Legacy used the following actuarial assumptions to determine its benefit obligations at March 31, 2011 and 2010, and its net periodic benefit cost for the years ended March 31, 2011 and 2010

	2011	2010
Benefit obligation (measured as of March 31, 2011 and 2010)		
Discount rate	5 73%	6 22%
Rate of increase in future compensation levels	4% plus longevity scale	4% plus longevity scale
Net periodic benefit cost (measured as of March 31, 2010 and 2009)		
Discount rate	6 22%	7 11%
Expected long-term rate of return on plan assets	8 00%	8 50%
Rate of increase in future compensation levels	4% plus longevity scale	4% plus longevity scale
Net periodic benefit cost (measured as of December 31, 2009 due to plan change)		
Discount rate		6 08%
Expected long-term rate of return on plan assets		8 00%
Rate of increase in future compensation levels		4% plus longevity scale

The expected long-term rate of return on plan assets was based on Legacy's asset allocation mix and the long-term historical return for each asset class, taking into account current and expected market conditions Legacy utilizes a nationally recognized investment consultant to assist in the return assumptions used in determining the expected long-term rate of return The actual return on pension plan assets was a net gain of approximately 12 4% and 28 7% for the years ended March 31, 2011 and 2010, respectively In the calculation of pension plan expense, the expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes changes in fair

(Dollars in thousands)

value over a four-year period This practice is intended to reduce year-to-year volatility in pension expense, but it can have the effect of delaying the recognition of differences between actual returns and expected returns based on the long-term rate-of-return assumptions The source data for the discount rate used to determine the benefit obligation was a universe of AA or higher rated U S dollar denominated bonds with similar maturities to the projected benefit payments

(d) Pension Plan Assets

The asset allocation of Legacy's pension plans at March 31, 2011 and 2010, and the target allocation were as follows

	Target allocation	2011	2010
Equity securities	28% – 46%	41%	44%
Fixed income	21% – 31%	25%	22%
Real estate	0% – 7%	11%	10%
Absolute return funds	0% – 18%	13%	14%
Alternative investments	0% – 11%	10%	10%

Pension plan assets are managed according to an investment policy adopted by the Legacy Health Employees Retirement Plan Trustees Professional investment managers are retained to manage specific asset classes and professional consulting is utilized for investment performance reporting The primary objectives for the plans are to preserve and grow the assets to provide for the long-term benefit payments of the fund Diversification is intended to reduce the risk of large losses and to enhance opportunities for appropriate appreciation along with current income It is also an objective of the plans to invest a significant portion of the assets in fixed-income assets that have a similar interest rate sensitivity as the projected liabilities for the plans The investment policy includes an asset allocation that includes equities, fixed-income instruments, real estate, market neutral hedge funds, and alternative investments (which include private equity and distressed debt) Assets are rebalanced quarterly when balances fall outside of the approved range for each asset class

(Continued)

(Dollars in thousands)

In accordance with Subtopic 820-10, financial assets and financial liabilities measured at fair value are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to estimate fair value These levels and associated valuation methodologies are described in note 7 The following tables set forth by level, within the fair value hierarchy, list the Plan's assets at fair value as of March 31, 2011 and 2010

Fair value of financial instruments

	March 31, 2011			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Cash and cash equivalents	$ 5,958			$ 5,958
Receivable under securities lending agreement		8,739		8,739
Small mid cap domestic equity securities	30,328			30,328
Large cap domestic equity securities	63,719			63,719
International equity securities	16,969			16,969
International common collective trust		63,327		63,327
Investment-grade quality fixed income mutual fund	107,971			107,971
Absolute return funds		56,204		56,204
Private equity funds				
Funds of funds			30,786	30,786
Distressed situations			14,245	14,245
Real estate partnerships		24,290	21,358	45,648
Total assets at fair value	$ 224,945	152,560	66,389	$ 443,894
Liabilities				
Payable under securities lending agreement	$ 8,765			$ 8,765
Total liabilities at fair value	$ 8,765			$ 8,765

(Continued)

(Dollars in thousands)

Fair value of financial instruments

	March 31, 2010			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Cash and cash equivalents	$ 9,328			$ 9,328
Receivable under securities lending agreement		8,013		8,013
Small mid cap domestic equity securities	21,435			21,435
Large cap domestic equity securities	73,721			73,721
International equity securities	34,823			34,823
International common collective trust		30,717		30,717
Investment-grade quality fixed income mutual fund	83,731			83,731
Absolute return funds		52,987		52,987
Private equity funds				
Funds of funds			23,936	23,936
Distressed situations			15,717	15,717
Real estate partnerships		21,200	16,829	38,029
Total assets at fair value	$ 223,038	112,917	56,482	$ 392,437
Liabilities				
Payable under securities lending agreement	$ 8,039			$ 8,039
Total liabilities at fair value	$ 8,039			$ 8,039

The following table presents a reconciliation of the beginning and ending balances of Level 3 assets

	Fair value measurements Level 3
Fair value April 1, 2009	$ 58,074
Realized and unrealized (losses) gains, net	(3,226)
Purchases, issuances and settlements, net	1,634
Fair value March 31, 2010	56,482
Realized and unrealized (losses) gains, net	9,431
Purchases, issuances and settlements, net	476
Fair value March 31, 2011	$ 66,389

(e) Cash Flows

Legacy's policy with respect to funding the qualified plans is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974 (ERISA), as amended, plus such additional amounts as deemed appropriate In fiscal year 2012, Legacy expects to contribute, from ongoing cash flows and current assets, approximately $27,400 to its defined benefit pension plans

(Continued)

(Dollars in thousands)

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for the years ending December 31

2011	$	27,062
2012		28,974
2013		33,071
2014		36,930
2015		40,908
2016 – 2020		260,536

These estimates are based on assumptions about future events Actual benefit payments may vary significantly from these estimates

Management is not aware of any settlements or curtailments that would require additional recognition during 2011 or 2010

(11) Commitments and Contingencies

(a) Professional and General Liability

Legacy is self-insured for professional and general liability coverage Coverage in excess of the self-insurance limits is provided on a claims-made basis through commercial insurance for claims made prior to June 1, 2004 and through its captive insurance company, LHSIC, effective June 1, 2004 LHSIC is a Cayman Islands domiciled insurance company created to access the reinsurance markets General and professional liability costs have been accrued based upon an actuarial determination In 2011 and 2010, Legacy recognized favorable adjustments to its professional and general liability reserves associated with actuarial estimates on prior year activity of $8,700 and $7,700, respectively, as a reduction to utilities, insurance and other expenses Legacy is involved in litigation arising in the ordinary course of business Claims, including alleged malpractice, have been asserted against Legacy and are currently in various stages of litigation Additional claims may be asserted against Legacy arising from services provided to patients through March 31, 2011 In management's opinion, however, the estimated liability accrued at March 31, 2011 is adequate to provide for potential losses resulting from pending or threatened litigation

(Dollars in thousands)

(b) Operating Leases

Legacy leases various equipment and real property under operating leases expiring at various dates through December 2015 The following is a schedule by year of future minimum lease payments under operating leases as of March 31, 2011, with an initial or remaining lease term in excess of one year

Year ending March 31	
2012	$ 2,155
2013	1,381
2014	343
2015	201
2016	172
Thereafter	375
	$ 4,627

Rent expense for 2011 and 2010 totaled $6,029 and $5,871, respectively

(c) Employee Benefits

Legacy is self-insured for workers' compensation, employee health, and long-term and short-term disability Legacy provides two employee transition plans (severance) under its ERISA-governed health and welfare plan

For workers' compensation, employee health, and long-term and short-term disability, Legacy accrues the unpaid portion of claims that have been reported and estimates of claims that have been incurred but not reported, based on an actuarial study

Legacy recognizes a severance obligation when the amount can be reasonably estimated, typically at the date of a triggering event (e g , a reduction in force) During 2011 and 2010, Legacy expensed $2,421 and $1,475, respectively, associated with these plans

(d) Healthcare Reform

As a result of recently enacted and pending federal healthcare reform legislation, substantial changes are anticipated in the U S healthcare system Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement to healthcare providers and the legal obligations of healthcare insurers, providers and employers These provisions are currently slated to take effect at specified times over the next decade This federal healthcare reform legislation does not affect Legacy's consolidated financial statements as of March 31, 2011 and for the twelve months then ended

(12) Compliance with Laws and Regulations

The healthcare industry is governed by various laws and regulations of federal, state, and local governments These laws and regulations are subject to ongoing government review and interpretation, and include matters such as licensure, accreditation, reimbursement for patient services and referrals for Medicare and Medicaid beneficiaries Compliance with these laws and regulations is required for participation in government healthcare programs Certain governmental agencies routinely investigate and pursue allegations concerning possible overpayments resulting from violation of fraud and abuse statutes by healthcare providers These investigations may result in settlements involving fines and penalties as well as repayment of improper reimbursement Legacy has implemented procedures for monitoring and enforcing compliance with laws and regulations and is not aware of instances of noncompliance

(13) Subsequent Events

Legacy evaluated subsequent events through June 23, 2011, the date the consolidated financial statements were issued

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report on Other Financial Information

The Board of Directors
Legacy Health

We have audited and reported separately herein on the consolidated financial statements of Legacy Health (an Oregon nonprofit corporation) and Affiliates as of and for the years ended March 31, 2011 and 2010

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of Legacy Health and Affiliates taken as a whole The following supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies Such information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole

KPMG LLP

June 23, 2011

LEGACY HEALTH AND AFFILIATES

Consolidating Balance Sheet

March 31, 2011

(Dollars in thousands)

Assets	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Current assets				
Cash and cash equivalents	$ 52,151	8	327	236
Short-term investments	43,978			
Cash and equivalents held under securities lending program	13,951			
Accounts receivable from patients		99,755	36,408	24,100
Allowance for uncollectible accounts		(26,023)	(6,830)	(5,565)
		73,732	29,578	18,535
Settlements receivable from third-party payors, net				
Other receivables	638	5,114	1,391	783
Inventories, at cost		6,665	3,706	2,885
Prepaid expenses	5,698	434	276	107
Current funds held by trustee				
Total current assets	116,416	85,953	35,278	22,546
Assets limited as to use				
Held by trustee		86,358		
Community health fund	9,867			
Noncurrent investments restricted for capital acquisitions	198	9,587		
	10,065	95,945		
Other assets				
Property, plant and equipment	477,033	436,185	276,237	144,002
Accumulated depreciation	(318,040)	(219,185)	(200,671)	(105,375)
	158,993	217,000	75,566	38,627
Noncurrent investments	531,485	(9,546)		
Property held for development or sale	11,745			7,065
Goodwill and other intangibles	639			
Other assets	18,477	5,180	813	11
	721,339	212,634	76,379	45,703
Intercompany affiliate receivable (payable)	(563,888)	144,742	117,357	161,826
	$ 283,932	539,274	229,014	230,075

(Continued)

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Credit Reporting Group	Other affiliates and eliminations	March 31, 2011 consolidated
134	7	13	2	52.878	2.709	55.587
				43.978		43.978
				13.951		13.951
19.672	34.966	1.368		216.269	5.095	221.364
(7.671)	(9.340)			(55.429)	(1.151)	(56.580)
12.001	25.626	1.368		160.840	3.944	164.784
537	121	(8)	2.548	11.124	67	11.191
1.526	1.649			16.431	346	16.777
24	544			7.083	407	7.490
14.222	27.947	1.373	2.550	306.285	7.473	313.758
				86.358		86.358
				9.867		9.867
				9.785		9.785
				106.010		106.010
92.825	327.866	3.420		1.757.568	4.436	1.762.004
(52.570)	(112.061)	(877)		(1.008.779)	(1.127)	(1.009.906)
40.255	215.805	2.543		748.789	3.309	752.098
			1.200	523.139		523.139
	3.203			22.013		22.013
				639	26.482	27.121
1.092	150	1.187	4.249	31.159	(12.530)	18.629
41.347	219.158	3.730	5.449	1.325.739	17.261	1.343.000
21.304	22.556	(880)	96.189	(794)	794	
76.873	269.661	4.223	104.188	1.737.240	25.528	1.762.768

(Continued)

LEGACY HEALTH AND AFFILIATES

Consolidating Balance Sheet

March 31, 2011

(Dollars in thousands)

Liabilities and Net Assets		Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Current liabilities					
Accounts payable	$	8,919	18,984	6,092	2,734
Accrued wages, salaries, and benefits		12,352	33,052	12,176	5,841
Accrued interest		990	2,433	502	310
Settlements payable to third-party payors, net			4,002	927	(16)
Other current liabilities		18,135	3,283	1,839	1,115
Payable under securities lending program		14,015			
Current portion of long-term debt		6,005	7,245	2,437	3,291
Total current liabilities		60,416	68,999	23,973	13,275
Long-term debt, less current portion		78,152	281,569	70,939	48,739
Other liabilities					
Estimated general and professional claims liability		29,994			
Accrued pension liability		11,855	37,182	22,384	7,885
Other noncurrent liabilities		13,466	2,896	812	585
		55,315	40,078	23,196	8,470
Total liabilities		193,883	390,646	118,108	70,484
Net assets					
Unrestricted		90,049	140,105	110,906	159,591
Unrestricted, noncontrolling interest					
Temporarily restricted			8,523		
Permanently restricted					
		90,049	148,628	110,906	159,591
	$	283,932	539,274	229,014	230,075

See accompanying independent auditors' report on other financial information

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Credit Reporting Group	Other affiliates and eliminations	March 31, 2011 consolidated
2,681	3,251	88		42,749	566	43,315
4,472	11,807	768		80,468	472	80,940
419				4,654		4,654
537	1,373			6,823		6,823
1,314	43	10	820	26,559	888	27,447
				14,015		14,015
1,354				20,332	449	20,781
10,777	16,474	866	820	195,600	2,375	197,975
45,930				525,329	405	525,734
				29,994	294	30,288
5,686	10,052	469		95,513		95,513
258	267	43		18,327	143	18,470
5,944	10,319	512		143,834	437	144,271
62,651	26,793	1,378	820	864,763	3,217	867,980
14,222	242,868	2,845	61,625	822,211	332	822,543
					21,979	21,979
			29,044	37,567		37,567
			12,699	12,699		12,699
14,222	242,868	2,845	103,368	872,477	22,311	894,788
76,873	269,661	4,223	104,188	1,737,240	25,528	1,762,768

LEGACY HEALTH AND AFFILIATES

Consolidating Balance Sheet

March 31, 2010

(Dollars in thousands)

Assets		Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Current assets					
Cash and cash equivalents	$	50,160	469	697	452
Short-term investments		42,777			
Cash and equivalents held under securities lending program		10,533			
Accounts receivable from patients			93,734	38,167	23,597
Allowance for uncollectible accounts			(24,705)	(8,029)	(6,861)
			69,029	30,138	16,736
Settlements receivable from third-party payors, net					
Other receivables		836	5,416	1,631	813
Inventories, at cost			6,253	3,753	2,712
Prepaid expenses		3,950	1,699	1,790	632
Current funds held by trustee		10,982			
Total current assets		119,238	82,866	38,009	21,345
Assets limited as to use					
Held by trustee		(4,097)	149,953		
Community health fund		9,804			
Noncurrent investments restricted for capital acquisitions		2,836			
		8,543	149,953		
Other assets					
Property, plant and equipment		433,184	362,706	272,130	142,530
Accumulated depreciation		(292,490)	(202,849)	(188,550)	(98,054)
		140,694	159,857	83,580	44,476
Noncurrent investments		439,722	14		
Property held for development or sale		11,745	1,641		7,065
Goodwill and other intangibles		740	84		
Other assets		18,534	3,974	113	25
		611,435	165,570	83,693	51,566
Intercompany affiliate receivable (payable)		(440,962)	121,989	89,555	128,067
	$	298,254	520,378	211,257	200,978

(Continued)

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Credit Reporting Group	Other affiliates and eliminations	March 31, 2010 consolidated
(31)	7			51.754	1.480	53.234
				42.777		42.777
				10.533		10.533
20.608	34.609	1.788		212.503	4.024	216.527
(9.931)	(12.040)			(61.566)	(699)	(62.265)
10.677	22.569	1.788		150.937	3.325	154.262
547	404	(4)	1.909	11.552	145	11.697
1.483	1.890			16.091	349	16.440
327	525	1		8.924	591	9.515
				10.982		10.982
13.003	25.395	1.785	1.909	303.550	5.890	309.440
				145.856		145.856
				9.804		9.804
				2.836		2.836
				158.496		158.496
87.014	324.452	3.496		1.625.512	4.078	1.629.590
(49.140)	(95.057)	(769)		(926.909)	(475)	(927.384)
37.874	229.395	2.727		698.603	3.603	702.206
			1.151	440.887		440.887
	3.203			23.654		23.654
				824	27.034	27.858
505	301	769	5.254	29.475	(12.333)	17.142
38.379	232.899	3.496	6.405	1.193.443	18.304	1.211.747
13.027	(1.960)	(1.038)	90.675	(647)	647	
64.409	256.334	4.243	98.989	1.654.842	24.841	1.679.683

(Continued)

LEGACY HEALTH AND AFFILIATES

Consolidating Balance Sheet

March 31, 2010

(Dollars in thousands)

Liabilities and Net Assets		Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Current liabilities					
Accounts payable	$	9,390	17,756	5,938	2,921
Accrued wages, salaries, and benefits		9,077	30,974	11,417	5,342
Accrued interest		1,124	2,400	514	319
Settlements payable to third-party payors, net			1,495	562	35
Other current liabilities		25,786	3,340	1,617	1,224
Payable under securities lending program		10,597			
Current portion of long-term debt		6,005	7,038	2,333	3,250
Total current liabilities		61,979	63,003	22,381	13,091
Long-term debt, less current portion		90,835	289,694	70,229	51,912
Other liabilities					
Estimated general and professional claims liability		29,877			
Accrued pension liability		10,283	30,865	19,613	6,657
Other noncurrent liabilities		10,742	3,011	736	487
		50,902	33,876	20,349	7,144
Total liabilities		203,716	386,573	112,959	72,147
Net assets					
Unrestricted		94,538	133,250	98,298	128,831
Unrestricted, noncontrolling interest					
Temporarily restricted			555		
Permanently restricted					
		94,538	133,805	98,298	128,831
	$	298,254	520,378	211,257	200,978

See accompanying independent auditors' report on other financial information

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Credit Reporting Group	Other affiliates and eliminations	March 31, 2010 consolidated
1,404	4,051	146		41,606	503	42,109
4,085	8,118	712		69,725	457	70,182
291				4,648		4,648
589	1,349			4,030		4,030
885	323	17	816	34,008	893	34,901
				10,597		10,597
1,294				19,920	388	20,308
8,548	13,841	875	816	184,534	2,241	186,775
42,996				545,666	820	546,486
				29,877	342	30,219
4,847	8,444	334		81,043		81,043
257	170	57		15,460	148	15,608
5,104	8,614	391		126,380	490	126,870
56,648	22,455	1,266	816	856,580	3,551	860,131
7,761	233,879	2,977	56,955	756,489	362	756,851
					20,928	20,928
			28,886	29,441		29,441
			12,332	12,332		12,332
7,761	233,879	2,977	98,173	798,262	21,290	819,552
64,409	256,334	4,243	98,989	1,654,842	24,841	1,679,683

LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Operations

Year ended March 31, 2011

(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Gross patient charges	$	1,161,755	610,125	352,177
Adjustments to gross patient charges				
Charity allowances		85,866	35,236	16,862
Third-party contractual adjustments		533,984	299,055	176,268
		619,850	334,291	193,130
Net patient service revenues		541,905	275,834	159,047
Other revenues	163,980	16,710	3,505	737
Total operating revenues	163,980	558,615	279,339	159,784
Operating expenses				
Wages, salaries, and benefits	92,486	309,178	127,541	60,268
Supplies	2,250	76,879	48,382	24,534
Professional fees	2,193	23,601	9,219	3,329
Purchased services	37,739	(2,394)	16,061	8,075
Utilities, insurance and other expenses	10,273	28,535	8,006	6,471
Depreciation	20,821	22,080	15,751	9,171
Provision for bad debts	18	24,218	5,886	5,099
Interest and amortization	3,145	5,335	2,424	2,117
Management fees		73,746	43,124	23,446
	168,925	561,178	276,394	142,510
Income (loss) from operations	(4,945)	(2,563)	2,945	17,274
Other income (expenses)				
Investment income (loss), net	6,446	14,452	10,784	14,593
Loss on extinguishment of debt				
Other, net	(3,504)	(868)	440	(10)
	2,942	13,584	11,224	14,583
Revenues (less than) in excess of expenses	$ (2,003)	11,021	14,169	31,857

See accompanying independent auditors' report on other financial information

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2011 consolidated
248,165	457,944	13,100		(114)	2,843,152	56,224	2,899,376
24,550	29,608	203			192,325		192,325
121,572	245,472	1,482		34,158	1,411,991	31,380	1,443,371
146,122	275,080	1,685		34,158	1,604,316	31,380	1,635,696
102,043	182,864	11,415		(34,272)	1,238,836	24,844	1,263,680
399	3,439	1,117	4,858	(160,715)	34,030	(448)	33,582
102,442	186,303	12,532	4,858	(194,987)	1,272,866	24,396	1,297,262
43,767	102,985	8,631		(44,078)	700,778	5,899	706,677
10,231	23,212	795		10,609	196,892	4,434	201,326
3,110	3,758	76		(332)	44,954	577	45,531
6,052	5,597	300		(689)	70,741	2,830	73,571
5,347	9,940	872	6,276	(6,884)	68,836	1,663	70,499
4,661	16,102	184			88,770	699	89,469
8,215	8,669	89			52,194	1,208	53,402
1,414					14,435	67	14,502
14,215	4,081	1,570		(160,182)			
97,012	174,344	12,517	6,276	(201,556)	1,237,600	17,377	1,254,977
5,430	11,959	15	(1,418)	6,569	35,266	7,019	42,285
1,919	11		8,090		56,295	7	56,302
(16)	(1,618)	3	(475)	(5,333)	(11,381)	10	(11,371)
1,903	(1,607)	3	7,615	(5,333)	44,914	17	44,931
7,333	10,352	18	6,197	1,236	80,180	7,036	87,216

LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Operations

Year ended March 31, 2010

(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center
Gross patient charges	$	1,092,957	606,892	327,902	226,990
Adjustments to gross patient charges					
Charity allowances		73,504	34,348	13,714	20,857
Third-party contractual adjustments		504,241	289,954	159,264	109,841
		577,745	324,302	172,978	130,698
Net patient service revenues		515,212	282,590	154,924	96,292
Other revenues	149,459	15,015	3,452	791	407
Total operating revenues	149,459	530,227	286,042	155,715	96,699
Operating expenses					
Wages, salaries, and benefits	79,303	302,279	126,077	57,046	41,852
Supplies	2,125	71,946	51,681	23,906	10,253
Professional fees	4,084	26,132	10,201	4,749	3,304
Purchased services	26,879	(511)	17,818	9,045	6,737
Utilities, insurance and other expenses	8,905	20,382	6,865	5,270	4,299
Depreciation	17,531	22,029	14,642	9,325	4,921
Provision for bad debts	21	24,344	10,467	8,134	9,962
Interest and amortization	2,961	5,067	2,271	2,232	1,287
Management fees		62,906	34,073	16,443	10,300
	141,809	534,574	274,095	136,150	92,915
Income (loss) from operations	7,650	(4,347)	11,947	19,565	3,784
Other income (expenses)					
Investment income (loss), net	13,291	22,427	15,844	21,393	2,647
Loss on extinguishment of debt	(254)	(258)	(122)	(208)	(67)
Other, net	(4,832)	(3,467)	354	(432)	(92)
	8,205	18,702	16,076	20,753	2,488
Revenues in excess of expenses	$ 15,855	14,355	28,023	40,318	6,272

See accompanying independent auditors' report on other financial information

Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2010 consolidated
439,698	14,119		(101)	2,708,457	18,240	2,726,697
22,172	239			164,834		164,834
235,709	1,595		33,356	1,333,960	9,619	1,343,579
257,881	1,834		33,356	1,498,794	9,619	1,508,413
181,817	12,285		(33,457)	1,209,663	8,621	1,218,284
2,420	503	5,916	(148,375)	29,588	1,626	31,214
184,237	12,788	5,916	(181,832)	1,239,251	10,247	1,249,498
89,857	8,675		(40,950)	664,139	3,284	667,423
23,626	886		8,614	193,037	1,729	194,766
4,394	38		(332)	52,570	529	53,099
6,119	344		(1,018)	65,413	1,103	66,516
8,880	1,009	7,611	(8,673)	54,548	748	55,296
19,605	160			88,213	338	88,551
12,140	37			65,105	195	65,300
(184)				13,634	90	13,724
17,535	1,510		(142,767)			
181,972	12,659	7,611	(185,126)	1,196,659	8,016	1,204,675
2,265	129	(1,695)	3,294	42,592	2,231	44,823
7		18,165		93,774	8	93,782
				(909)		(909)
(2,082)	5	(432)	(1,389)	(12,367)	3	(12,364)
(2,075)	5	17,733	(1,389)	80,498	11	80,509
190	134	16,038	1,905	123,090	2,242	125,332

LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Changes in Net Assets

Year ended March 31, 2011

(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Unrestricted net assets, controlling interest				
Revenues (less than) in excess of expenses	$ (2,003)	11,021	14,169	31,857
Net assets released from restriction used for property, plant and equipment	23	2,094	1,182	248
Pension and other postretirement adjustments	(2,509)	(5,288)	(2,743)	(1,345)
Investment gains, other than trading securities				
Other transfers		(971)		
Change in unrestricted net assets, controlling interest	(4,489)	6,856	12,608	30,760
Unrestricted net assets, noncontrolling interest				
Revenues in excess of expenses				
Distributions				
Contributions				
Change in unrestricted net assets, noncontrolling interest				
Temporarily restricted net assets				
Donor-restricted contributions and grants		11,133		
Investment income, net				
Net assets released from restriction		(12,189)		
Transfers		9,024		
Change in temporarily restricted net assets		7,968		
Permanently restricted net assets				
Donor-restricted contributions and grants				
Change in permanently restricted net assets				
Change in net assets	(4,489)	14,824	12,608	30,760
Net assets, beginning of year	94,538	133,805	98,298	128,831
Net assets, end of year	$ 90,049	148,629	110,906	159,591

See accompanying independent auditors' report on other financial information

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2011 consolidated
7,333	10,352	18	6,197	1,236	80,180	(29)	80,151
14			(1,534)	(1,236)	791	(1)	790
(886)	(1,363)	(150)			(14,284)		(14,284)
			6		6		6
					(971)		(971)
6,461	8,989	(132)	4,669		65,722	(30)	65,692
						7,065	7,065
						(6,014)	(6,014)
						1,051	1,051
			7,435		18,568		18,568
			3,586		3,586		3,586
			(2,810)		(14,999)		(14,999)
			(8,053)		971		971
			158		8,126		8,126
			367		367		367
			367		367		367
6,461	8,989	(132)	5,194		74,215	1,021	75,236
7,761	233,879	2,977	98,173		798,262	21,290	819,552
14,222	242,868	2,845	103,367		872,477	22,311	894,788

LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Changes in Net Assets

Year ended March 31, 2010

(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center
Unrestricted net assets, controlling interest					
Revenues (less than) in excess of expenses	$ 15,855	14,355	28,023	40,318	6,272
Net assets released from restriction used for property, plant and equipment		223	1,564	113	13
Pension and other postretirement adjustments	5,234	24,101	9,680	4,267	2,878
Investment gain, other than trading securities					
Other transfers		11,700	(4,900)	(4,800)	(1,400)
Change in unrestricted net assets, controlling interest	21,089	50,379	34,367	39,898	7,763
Unrestricted net assets, noncontrolling interest					
Revenues in excess of expenses					
Distributions					
Contributions					
Change in unrestricted net assets, noncontrolling interest					
Temporarily restricted net assets					
Donor-restricted contributions and grants		12,419			
Investment loss, net					
Net assets released from restriction		(13,236)			
Change in temporarily restricted net assets		(817)			
Permanently restricted net assets					
Donor-restricted contributions and grants					
Change in permanently restricted net assets					
Change in net assets	21,089	49,562	34,367	39,898	7,763
Net assets, beginning of year	73,449	84,243	63,931	88,933	(2)
Net assets, end of year	$ 94,538	133,805	98,298	128,831	7,761

See accompanying independent auditors' report on other financial information

Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2010 consolidated
190	134	16 038	1 905	123 090	266	123 356
22	546		(1 908)	573		573
5 025	558			51 743		51 743
		513		513		513
			3	603	(603)	
5 237	1 238	16 551		176 522	(337)	176 185
					1 976	1 976
					(1 744)	(1 744)
					16 133	16 133
					16 365	16 365
		4 512		16 931		16 931
		7 083		7 083		7 083
		(3 136)		(16 372)		(16 372)
		8 459		7 642		7 642
		932		932		932
		932		932		932
5 237	1 238	25 942		185 096	16 028	201 124
228 642	1 739	72 231		613 166	5 262	618 428
233 879	2 977	98 173		798 262	21 290	819 552

LEGACY HEALTH AND AFFILIATES

Consolidated Financial and Statistical Highlights
(Unaudited)

Years ended March 31

	2011	2010	2009	2008
Utilization				
Average number of available beds	1,064	1,027	993	1,022
Percentage occupancy	60.7%	65.2%	70.0%	67.2%
Patient days	235,569	244,257	253,800	251,301
Medicare percent of discharges	27.1%	26.6%	23.0%	21.8%
Average length of stay	4.5	4.4	4.6	4.7
Discharges				
Adult and pediatric acute	49,623	52,482	52,154	50,625
Rehab and psychiatric	2,282	2,469	2,288	2,416
NICU	1,010	874	872	887
Total discharges	52,915	55,825	55,314	53,928
Outpatient revenues as a percentage of gross patient revenue	42.4%	40.9%	38.6%	37.9%
Average full-time equivalent (FTE) employees				
Number of paid FTEs	7,997	7,767	7,725	7,284
FTEs per adjusted occupied bed				
Paid FTEs	7.1	6.9	6.8	6.6
Worked FTEs	6.2	6.0	5.9	5.8
Ratios				
Deductions from revenues	56.4%	54.6%	53.8%	51.8%
Operating margin	3.3%	3.5%	3.1%	3.2%
Return on total assets	4.9%	7.5%	(6.4)%	5.6%
Debt service coverage (B)	5.0	5.3	3.4	5.3
Net days in accounts receivable	46.4	45.1	46.9	48.2
Current ratio	1.6	1.7	1.9	1.5
Days cash on hand	198.1	175.6	137.9	165.1
Costs per unit of service (A)				
Cost per adjusted discharge	$ 13,655	12,972	12,797	12,412
Cost per adjusted patient day	3,067	2,965	2,789	2,664

Notes (A) Adjusted discharges and adjusted patient days are units of service developed by the American Hospital Association to give consideration to inpatient equivalents for outpatient services
(B) Debt service coverage is calculated solely on the Master Trust Reporting Group

See accompanying independent auditors' report on other financial information

LEGACY HEALTH AND AFFILIATES

Consolidating Financial and Statistical Highlights
(Unaudited)

Years ended March 31, 2011 and 2010

	Consolidated	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Other entities
Utilization									
Average available beds									
2011	1,064		406	249	130	84	195		
2010	1,027		406	240	130	81	170		
Percentage occupancy									
2011	60.7%		68.5%	59.1%	54.5%	55.9%	52.5%		
2010	65.2		68.0	64.2	55.6	64.5	66.9		
Patient days									
2011	235,569		101,485	53,729	25,844	17,139	37,372		
2010	244,257		101,029	56,261	26,371	19,075	41,521		
Medicare percentage of discharges									
2011	27.1%		13.3%	34.0%	41.6%	28.7%	32.5%		
2010	26.6		13.7	33.2	37.3	30.3	31.8		
Average length of stay (days)									
2011	4.5		5.5	4.7	3.5	3.4	3.5		
2010	4.4		5.4	4.7	3.3	3.4	3.7		
Discharges									
2011									
Adult and pediatric acute	49,623		16,988	9,878	7,377	4,990	10,390		
Rehab and psychiatric	2,282		845	1,437					
NICU	1,010		604				406		
Total discharges	52,915		18,437	11,315	7,377	4,990	10,796		
2010									
Adult and pediatric acute	52,482		17,307	10,450	7,977	5,680	11,068		
Rehab and psychiatric	2,469		935	1,534					
NICU	874		632				242		
Total discharges	55,825		18,874	11,984	7,977	5,680	11,310		

(Continued)

LEGACY HEALTH AND AFFILIATES

Consolidating Financial and Statistical Highlights
(Unaudited)

Years ended March 31, 2011 and 2010

	Consolidated	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Other entities
Outpatient revenues as a percentage of gross patient revenue									
2011	42.4%		35.8%	42.2%	47.9%	53.9%	41.1%	77.7%	
2010	40.9		35.8	41.5	47.2	49.6	40.0	78.4	
Average full-time equivalent (FTE) employees									
Number of paid FTEs									
2011	7,997	1,157	2,299	1,391	656	467	988	96	943
2010	7,767	1,001	2,306	1,417	641	454	858	96	994
FTEs per adjusted occupied bed									
Paid FTEs									
2011	7.1		5.9	5.5	4.8	4.6	5.4		
2010	6.9		6.1	5.4	4.7	4.4	4.8		
Worked FTEs									
2011	6.2		5.1	4.7	4.1	3.9	4.7		
2010	6.0		5.3	4.7	4.1	3.8	4.2		
Ratios									
Deductions from revenues									
2011	56.4%		53.4%	54.8%	54.8%	58.9%	60.1%	12.9%	
2010	54.6		52.0	52.8	52.3	55.9	58.0	13.0	
Operating margin									
2011	3.3%	(2.9)%	(0.2)%	(1.4)%	7.5%	2.8%	6.9%	0.1%	
2010	3.5	5.1	(0.8)	4.1	12.4	3.8	1.2	1.0	
Return on total assets									
2011	4.9%	(0.7)%	5.1%	3.3%	11.5%	6.3%	4.2%	0.4%	
2010	7.5	5.5	2.8	13.3	20.1	9.7	0.1	3.2	

(Continued)

LEGACY HEALTH AND AFFILIATES

Consolidating Financial and Statistical Highlights
(Unaudited)

Years ended March 31, 2011 and 2010

	Consolidated	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Other entities
Net days in accounts receivable									
2011	46.4		47.2	38.6	42.3	42.8	50.2	39.8	
2010	45.4		48.1	38.4	39.1	39.0	44.6	53.1	
Current ratio									
2011	1.6	1.8	1.2	1.5	1.7	1.3	2.1	1.6	
2010	1.7	1.7	1.3	1.7	1.6	1.5	1.8	2.0	
Costs per unit of service (A)									
Cost per adjusted discharges									
2011	$ 13,655		22,952	14,481	10,502	9,198	9,999		
2010	12,972		21,019	13,559	9,099	8,577	10,292		
Cost per adjusted patient day									
2011	$ 3,067		4,170	3,050	2,998	2,678	2,888		
2010	2,965		3,926	2,888	2,753	2,554	2,804		

Notes (A) Adjusted discharges and adjusted patient days are units of service developed by the American Hospital Association to give consideration to inpatient equivalents for outpatient services

See accompanying independent auditors' report on other financial information