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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 10-01-2010 and ending 09-30-2011

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

C Name of organization
TUALITY HEALTHCARE

Doing Business As

Number and street (or P O box if mail is not delivered to street address)
335 SE EIGHTH AVENUE

Room/suite

City or town, state or country, and ZIP + 4
HILLSBORO, OR 97123

D Employer identification number
93-0430029

E Telephone number
(503) 681-1579

G Gross receipts $ 179,208,837

F Name and address of principal officer
Richard Stenson
335 SE 8th Avenue
Hillsboro, OR 97123

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 tuality org

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

L Year of formation 1954

M State of legal domicile OR

Part I Summary

1 Briefly describe the organization's mission or most significant activities
SEE ATTACHED STATEMENT

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**	8
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	8
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	1,527
6	Total number of volunteers (estimate if necessary)	**6**	213
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	200,997
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-276,156

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	808,384	1,720,526
	9 Program service revenue (Part VIII, line 2g)	178,901,606	176,504,665
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	972,891	983,646
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	0
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	180,682,881	179,208,837
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	231,960	257,200
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	88,173,025	95,015,612
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	86,971,521	82,214,902
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	175,376,506	177,487,714
	19 Revenue less expenses Subtract line 18 from line 12	5,306,375	1,721,123

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	142,817,260	142,274,448
	21 Total liabilities (Part X, line 26)	69,555,483	75,018,748
	22 Net assets or fund balances Subtract line 21 from line 20	73,261,777	67,255,700

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

****** 2012-08-15
Signature of officer Date

Tim Fleischmann CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name Lester L Fordham	Preparer's signature Lester L Fordham	Date	Check if self-employed ☐	PTIN
Firm's name ▶ FORDHAM GOODFELLOW LLP				Firm's EIN ▶
Firm's address ▶ 233 SE Second Ave Hillsboro, OR 971234016				Phone no ▶ (503) 648-6651

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

Tuality Healthcare's Mission is to provide health care to the community with respect for human dignity and without regard for the recipient's ability to pay We believe that compassion encourages healing, that knowledge is the foundation of wellness, and that attention to quality and fiscal stability will enable us to continue to service the community

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 $ 171,983,497 including grants of $ 256,459) (Revenue $ 175,747,941)

SEE SCHEDULE ATTACHED

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** ▶ $ 171,983,497

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		No
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		
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	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, 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**	Yes	
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**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	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	204		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	1,527		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	1,527		
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		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

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

			Yes	No
10a	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		
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		No
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		

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 ▶

Tim Fleischmann - TUALITY HEALTHCAR
335 SE EIGHTH AVE
HILLSBORO, OR 97123
(503) 681-1570

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			
(1) EUGENE ZURBRUGG Chairman	5 00	X						0	0	0
(2) FRED NACHTIGAL BOARD OF DIRECTORS	4 00	X						0	0	0
(3) CHARLES ROSENBLATT BOARD OF DIRECTORS	4 00	X						0	0	0
(4) MIKE FOGLIA BOARD OF DIRECTORS	4 00	X						0	0	0
(5) MARK ROSENBAUM SECRETARY/TREASURER	4 00	X						0	0	0
(6) LEN BERGSTEIN BOARD OF DIRECTORS	4 00	X						0	0	0
(7) DARELL LUMACO VICE-CHAIRPERSON	4 00	X						0	0	0
(8) MIKE HUNDLEY BOARD OF DIRECTORS	4 00	X						0	0	0
(9) RICHARD STENSON CEO, PRESIDENT	40 00			X				342,793	0	62,500
(10) JOHN COLETTI JR VP HEALTH CARE DEVELOPMENT	40 00			X				311,522	0	21,789
(11) MANUEL BERMAN CHIEF OPERATING OFFICER	40 00			X				186,915	0	43,929
(12) EUNICE RECH CHIEF CLINICAL OFFICER	40 00			X				144,593	0	16,308
(13) TIM FLEISCHMANN CHIEF FINANCIAL OFFICER	40 00			X				164,311	0	33,000
(14) TODD SADOWSKI PHYSICIAN	40 00					X		492,550	0	0
(15) JEREMIAH MURPHY PHYSICIAN	40 00					X		472,196	0	16,500
(16) ROBERT SCHMIDT PHYSICIAN	40 00					X		453,543	0	33,000

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			
(17) GREGORY ROSENBLATT PHYSICIAN	40 00					X		451,600	0	33,000
(18) JOHN AUSTIN PHYSICIAN	40 00					X		386,516	0	16,500
(19) Marc Lewis MD President Medical Staff	50						X	0	0	0
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								3,406,539	0	276,526

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 ▶ 10

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
SOUND INPATIENT PHYSICIANS 1123 PACIFIC AVENUE TACOMA, WA 98402	CONTRACT HOSPITALISTS	1,109,845
ANESTHESIA ASSOCIATES NORTHWEST 6400 SE LAKE RD SUITE 130 PORTLAND, OR 97222	CONTRACT CRNA	953,464
THE OREGON CLINIC 975 SE SANDYSUITE 201 PORTLAND, OR 97214	CARDIAC SURGERY PA COVERAGE	668,443
COOPERATIVE PERFUSION SVC INC 9588 SW GRIBBLE CANBY, OR 97013	PERFUSION SVCS	350,400
NORTHWEST EMERGENCY PHYSICIANS PO BOX 634720 CINCINNATI, OH 45263	MEDICAL DIRECTOR	197,203

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 ▶ 5

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	1,720,526				
	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 $					
	h **Total.** Add lines 1a-1f . . . . . ▶		1,720,526			
Program Service Revenue		Business Code				
	2a NON MCR/MCD HOSP REV	621110	149,098,139	149,098,139		
	b CAFETERIA	621110	701,387			701,387
	c MANAGEMENT FEES	541610	199,452		199,452	
	d BILLING SERVICE FEES	518210	1,545		1,545	
	e					
	f All other program service revenue		26,504,142	26,504,142		
	g **Total.** Add lines 2a–2f . . . . . ▶		176,504,665			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		983,430			983,430
	4 Income from investment of tax-exempt bond proceeds . . ▶		216			216
	5 Royalties . . . . . ▶					
		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss) . . . . . ▶					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory					
	b Less cost or other basis and sales expenses					
	c Gain or (loss)					
	d Net gain or (loss) . . . . . ▶					
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a					
	b Less direct expenses . . . b					
	c Net income or (loss) from fundraising events . . ▶					
	9a Gross income from gaming activities See Part IV, line 19 . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . . ▶					
	10a Gross sales of inventory, less returns and allowances . a					
	b Less cost of goods sold . . b					
	c Net income or (loss) from sales of inventory . . ▶					
	Miscellaneous Revenue	Business Code				
	11a					
	b					
	c					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶					
	12 **Total revenue.** See Instructions . . . ▶		179,208,837	175,602,281	200,997	1,685,033

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	257,200	257,200		
2 Grants and other assistance to individuals in the U S See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,457,186		1,457,186	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	73,436,816	73,436,816		
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	4,035,410	4,035,410		
9 Other employee benefits	10,247,956	10,066,033	181,923	
10 Payroll taxes	5,838,244	5,734,603	103,641	
a Fees for services (non-employees) Management				
b Legal	466,892	176,689	290,203	
c Accounting	113,488		113,488	
d Lobbying				
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees				
g Other	8,832,323	7,865,155	967,168	
12 Advertising and promotion	379,200	379,200		
13 Office expenses	1,409,353	1,116,741	292,612	
14 Information technology				
15 Royalties				
16 Occupancy	7,249,882	7,249,882		
17 Travel	459,252	420,204	39,048	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	32,199		32,199	
20 Interest	1,557,236	1,557,236		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	7,852,576	7,067,318	785,258	
23 Insurance	1,789,372	1,610,435	178,937	
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 SUPPLIES	19,970,375	19,938,382	31,993	
b BAD DEBT EXP - DIRECT W	17,376,129	17,376,129		
c EQUIPMENT RENTAL AND MA	5,791,650	5,778,231	13,419	
d PROVIDER TAX	4,281,268	4,281,268		
e PROFESIONAL FEES	3,165,796	2,450,857	714,939	
f All other expenses	1,487,911	1,185,708	302,203	
25 **Total functional expenses.** Add lines 1 through 24f	177,487,714	171,983,497	5,504,217	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		25,018,826	1	30,611,868
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		25,930,992	4	24,618,677
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	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	
	7	Notes and loans receivable, net		1,042,582	7	1,246,479
	8	Inventories for sale or use		2,674,170	8	2,631,912
	9	Prepaid expenses and deferred charges		2,288,750	9	2,221,953
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 141,918,505			
	b	Less accumulated depreciation	10b 106,230,599	39,954,337	10c	35,687,906
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11		30,564,824	12	28,652,028
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		15,342,779	15	16,603,625
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		142,817,260	16	142,274,448
Liabilities	17	Accounts payable and accrued expenses		38,299,746	17	46,967,882
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		26,781,438	20	23,274,000
	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		2,046,358	23	1,120,161
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		2,427,941	25	3,656,705
	26	**Total liabilities.** Add lines 17 through 25		69,555,483	26	75,018,748
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		72,918,577	27	67,128,500
	28	Temporarily restricted net assets		343,200	28	127,200
	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		73,261,777	33	67,255,700
	34	Total liabilities and net assets/fund balances		142,817,260	34	142,274,448

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	179,208,837
2	Total expenses (must equal Part IX, column (A), line 25)	2	177,487,714
3	Revenue less expenses Subtract line 2 from line 1	3	1,721,123
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	73,261,777
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-7,727,200
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	67,255,700

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		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
TUALITY HEALTHCARE

Employer identification number
93-0430029

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

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

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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
TUALITY HEALTHCARE

Employer identification number
93-0430029

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	4,442,993	4,402,566	4,473,568		
b Contributions	948,326	800,425	944,880		
c Investment earnings or losses	-27,010	255,430	24,688		
d Grants or scholarships	23,876	31,410	22,124		
e Other expenditures for facilities and programs	1,332,364	984,018	1,018,446		
f Administrative expenses					
g End of year balance	4,008,069	4,442,993	4,402,566		

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶ 62 000 %
- c Term endowment ▶ 38 000 %

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	2,407,626			2,407,626
b Buildings	54,506,333		41,568,684	12,937,649
c Leasehold improvements	2,794,766		732,151	2,062,615
d Equipment	82,011,780		63,929,764	18,082,016
e Other	198,000			198,000
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				35,687,906

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		
(3) Other		
(A) SECURITIES AND OTHER INVESTMENTS	28,652,028	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	28,652,028	

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
(1) OTHER ASSETS	16,427,125
(2) INTEREST IN NET ASSETS OF FOUNDATION	76,500
(3) Goodwill	100,000
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	16,603,625

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
AFFILIATES	3,656,705
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	3,656,705

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	179,208,837
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	177,487,714
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	1,721,123
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	-7,727,200
9	Total adjustments (net) Add lines 4 - 8	9	-7,727,200
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-6,006,077

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	180,150,100
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-372,400		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	1,313,663		
e	Add lines **2a** through **2d**			2e	941,263
3	Subtract line **2e** from line **1**			3	179,208,837
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			
c	Add lines **4a** and **4b**			4c	0
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	179,208,837

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

1	Total expenses and losses per audited financial statements			1	175,492,057
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			
e	Add lines **2a** through **2d**			2e	0
3	Subtract line **2e** from line **1**			3	175,492,057
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	1,995,657		
c	Add lines **4a** and **4b**			4c	1,995,657
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	177,487,714

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 XI, Line 8 - Other Adjustments		CHANGE IN INTEREST IN NET ASSETS UNDER FAS 136 - 216,000 GAAP BAD DEBT EXPENSE IN EXCESS OF DIRECT WRITE OFF METHOD 1,995,656 ROUNDING EQUITY INCOME NET OF DISTRIBUTIONS OF JT VENTURES 930,396 CHANGE IN MINIMUM PENSION LIABILITY UNDER FAS 158 -10,448,100 NET ASSETS RELEASED FROM RESTRICTION 10,848
Part XII, Line 2d - Other Adjustments		EQUITY INCOME FROM JOINT VENTURES & SUBSIDIARIES 1,302,796 ROUNDING 267 NET ASSETS RELEASED FROM RESTRICTION 10,600
Part XIII, Line 4b - Other Adjustments		GAAP BAD DEBT EXPENSE IN EXCESS OF DIRECT WRITE OFF METHOD 1,995,656 ROUNDING 1

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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
TUALITY HEALTHCARE

Employer identification number
93-0430029

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	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other ____ %			
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	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other ____ %			
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)			4,073,160		4,073,160	2 540 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			20,138,333	11,308,747	8,829,586	5 510 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			24,211,493	11,308,747	12,902,746	8 050 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			1,900,444		1,900,444	1 190 %
f Health professions education (from Worksheet 5)			249,686		249,686	0 160 %
g Subsidized health services (from Worksheet 6)			243,133	72,125	171,008	0 110 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			433,402		433,402	0 270 %
j **Total** Other Benefits			2,826,665	72,125	2,754,540	1 730 %
k **Total.** Add lines 7d and 7j			27,038,158	11,380,872	15,657,286	9 780 %

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			286,427		286,427	0 180 %
8	Workforce development						
9	Other						
10	**Total**			286,427		286,427	0 180 %

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	15,817,190		
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			
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	47,268,660
6	Enter Medicare allowable costs of care relating to payments on line 5	6	62,949,440
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-15,680,780
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? 2

	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)
1	Tuality Community Hospital 335 SE 8th Ave Hillsboro, OR 97123	X	X					X		
2	Tuality Forest Grove Hospital 1809 Maple Street Forest Grove, OR 97116	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? **14**

Name and address	Type of Facility (Describe)
1 See Additional Data Table	

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 I, Line 7, Column (f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is $ 17376129

Identifier	ReturnReference	Explanation
		Part II The Tuality Health Education Center is a hub for many community activities and organizations in the greater Hillsboro area The facility provides meeting space for a number of community organizations, ranging from the Hillsboro Rotary Club to Washington County Community Action The facility also plays host to dozens of Tuality sponsored classes and healthcare presentations These range from classes on diabetes, yoga and care seat safety to presentations by doctors and other healthcare providers on topics as diverse as COPD, stroke prevention and weight-loss surgery Tuality also provides free or low-cost blood pressure, cholesterol and blood glucose screenings at many community events

Identifier	ReturnReference	Explanation
		Part III, Line 9b In addition to referencing and accessing our internal Tuality Financial Assistance program (before, during, and after services are rendered), we also recognize other Portland providers' (hospitals, physician, ambulance, DME, etc) financial assistance determination (with written proof)

Identifier	ReturnReference	Explanation
		Part VI, Line 1 See attached Community Benefit Report

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Tuality Healthcare's leadership interacts with the citizens of western Washington County in a variety of ways Tuality is actively involved as a sponsor in a long list of community events, from the Washington County Airshow, the premier airshow in the Pacific Northwest, to the North Plains Garlic Festival In addition, we engage our residents through our many partnerships with a host of worthwhile organizations like Pacific University, Virginia Garcia Memorial Health Center, Essential Health Clinic, Hospice of Washington County and many others Tuality strives to get feedback from our customers through surveys and questionnaires that tell us how well we are doing with current services, as well as what new and improved services may be needed by the community

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Requests for financial assistance may be made at any point before, during, or after the provision of care Information related to eligibility for financial assistance is located in the lobbies of the hospital and available on the Tuality org website Financial assistance requests may be proposed by sources other than the patient, such as the patient's physician, family members, community or religious groups, social services, or hospital personnel Anyone wishing to make application for financial assistance with Tuality Healthcare will be given a Financial Assistance Application, which includes instructions on how to apply All private pay admits are screened for Medicaid/Social Security disability coverage and a hold is placed on the account while we assist the patient and /or their family apply for government benefits

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Tuality Healthcare serves a large geographic area of western Washington County that stretches from the suburban Portland cities of Aloha and Beaverton to the Coast Range The market includes the cities of Hillsboro and Forest Grove, sites of Tuality's two hospitals, plus smaller towns such as Cornelius, Gaston, North Plains and Banks This region is roughly 250,000 people and is one of the fastest growing areas in Oregon In addition, Tuality is one of the region's largest employers with a staff of over 1,200 Tuality provides financial, material and medical assistance to many community partners in the region Tuality Healthcare is designated a " Disproportionate Share Hospital" by the Centers for Medicare and Medicaid Services, due to the larger than normal percentage of care we provide to the low income and indigent population in our area

Identifier	ReturnReference	Explanation
		Part VI, Line 6 When it comes to community, everyone has a part to play For us, it's an honor and a duty to help those near us receive the best medical care possible That's why, since our beginnings in 1918, we've worked hard to provide quality, convenient care for people in western Washington County Today, we're the only local, independent, community-governed healthcare system in the area, offering inpatient and outpatient treatment, specialty services, health education, and more Of course, our goal isn't only to treat you when you're sick, but also to help you stay well For that reason, you'll often find us at local events and other public places, offering free or low-cost health screenings and educational courses For those who need it, we even provide transportation to and from medical appointments Many of these services are offered at Tuality Health Education Center and other locations We really are your neighbors! Many of our 1,400 employees live just a short distance from work Our larger facilities include Tuality Community Hospital in Hillsboro and Tuality Forest Grove Hospital In addition, we have numerous other medical centers and outpatient facilities By keeping up with the latest advances in medical science, we've earned a sterling reputation for the quality of our heart, cancer, stroke, and diagnostic imaging services In this way, we are able to offer the best possible medical care to the Tualatin Valley cities and communities in western Washington County, such as Aloha, Beaverton, Hillsboro, Forest Grove, Cornelius, and the smaller communities of the Coastal Range foothills

Identifier	ReturnReference	Explanation
		Part VI, Line 7 N/A

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	OR

Additional Data

Software ID:
Software Version:
EIN: 93-0430029
Name: TUALITY HEALTHCARE

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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? **14** Name and address	Type of Facility (Describe)
Tuality Urgent Care at Reedville 7545 SE Tualatin Valley Hwy Hillsboro, OR 97123	Urgent Care
Tuality Healthplace 1200 NE 48th Ave Ste 7000 Hillsboro, OR 97123	OP Therapy
TualityOHSU Cancer Center 299 SE 9th Ave Hillsboro, OR 97123	OP Radiation Therapy
Tuality Home Health 3201 19th Ave Ste F Forest Grove, OR 97116	Home Health Services
Orenco Station Medical Plaza 6355 NE Cornell Rd Hillsboro, OR 97123	MOB
Tuality 8th Avenue Medical Plaza 364 SE 8th Ave Hillsboro, OR 97123	MOB
Tuality 7th Avenue Medical Plaza 333 SE 7th Ave Hillsboro, OR 97123	MOB
Tuality Forest Grove Medical Plaza 3201 19th Ave Forest Grove, OR 97116	MOB
Hillsboro Internal Medicine 364 SE 8th Ave Ste 301 Hillsboro, OR 97123	Physician Offices
North Plains Medical Clinic 10245 NW Glencoe Rd North Plains, OR 97133	Physician Offices
Northwest Ortho Surgery & Sport Medicine 21255 NW Jacobson Re Ste 500 Hillsboro, OR 97124	Physician Offices
Tuality Obstetrics & Gynecology 364 SE 8th Ave Ste 205 Hillsboro, OR 97123	Physician Offices
Westside Medical Clinic 21255 NW Jacobson Re Ste 500 Hillsboro, OR 97124	Physician Offices
Tuality Hillsboro Hematology & Oncology 364 SE 8th Ave Ste 105 Hillsboro, OR 97123	Physician Offices

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
TUALITY HEALTHCARE

Employer identification number
93-0430029

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Part II can be duplicated if additional space is needed. . . . ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) SEE ATTACHED SCHEDULEVARIOUS VARIOUS,OR 12345			256,459				VARIOUS COMMUNITY AND HEALTH ENRICHMENT

2 Enter total number of section 501(c)(3) and government organizations . . . ▶ 53

3 Enter total number of other organizations . . . ▶ 58

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Use Schedule I-1 (Form 990) if additional space is needed.

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

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 Internal records document the award of grants or assistance and the intended use

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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
TUALITY HEALTHCARE

Employer identification number
93-0430029

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**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		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**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

Note. The sum of columns (B)(i)-(iii) 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				
(1) RICHARD STENSON	(i)	342,793	0	0	24,000	38,500	405,293	0
	(ii)	0	0	0	0	0	0	0
(2) JOHN COLETTI JR	(i)	311,522	0	0	0	21,789	333,311	0
	(ii)	0	0	0	0	0	0	0
(3) MANUEL BERMAN	(i)	186,915	0	0	0	43,929	230,844	0
	(ii)	0	0	0	0	0	0	0
(4) EUNICE RECH	(i)	144,593	0	0	0	16,308	160,901	0
	(ii)	0	0	0	0	0	0	0
(5) TIM FLEISCHMANN	(i)	164,311	0	0	0	33,000	197,311	0
	(ii)	0	0	0	0	0	0	0
(6) TODD SADOWSKI	(i)	492,550	0	0	0	0	492,550	0
	(ii)	0	0	0	0	0	0	0
(7) JEREMIAH MURPHY	(i)	472,196	0	0	0	16,500	488,696	0
	(ii)	0	0	0	0	0	0	0
(8) ROBERT SCHMIDT	(i)	453,543	0	0	0	33,000	486,543	0
	(ii)	0	0	0	0	0	0	0
(9) GREGORY ROSENBLATT	(i)	451,600	0	0	0	33,000	484,600	0
	(ii)	0	0	0	0	0	0	0
(10) JOHN AUSTIN	(i)	386,516	0	0	0	16,500	403,016	0
	(ii)	0	0	0	0	0	0	0
(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
	Part I, Line 4b	Richard Stenson - $24,000 paid in the fiscal year ended 9/30/2011 Part I, Line 4b Under the plan, Tuality Healthcare is obligated to contribute vested accrued benefits to the participant's plan account Contributions to the participant's plan account are made on a monthly basis at an amount equal to two thousand dollars per month

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).**
▶ **Attach to Form 990.** ▶ **See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
TUALITY HEALTHCARE

Employer identification number
93-0430029

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Hospital Facility Authority of Hillsboro Oregon	93-0554495	432101CY7	08-01-2004	27,432,495	Refund of Series 1993 Bonds		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	27,432,495			
4	Gross proceeds in reserve funds	115,500			
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	304,910			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	1,003,472			
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2005			

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X						
b	Are there any research agreements that may result in private business use of bond-financed property?		X						
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?		X						

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2	Is the bond issue a variable rate issue?	X							
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?	X							

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
TUALITY HEALTHCARE

Employer identification number
93-0430029

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		A copy of the 990 is reviewed by Tuality Healthcare's Chief Financial Officer It is then presented to the Tuality Healthcare Board of Directors for review, prior to being filed

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	The organization regularly and consistently monitors and enforces compliance with the conflict of interest policy by making it part of the employee's annual review Board members are also required to review the policy annually All afore said parties are required to certify that they have read the conflict of interest policy, have disclosed any potential conflicts of interest, and agree to immediately notify the Compliance Officer if a conflict should arise Corrective actions are to be taken immediately to address any conflicts of interest

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The Executive group's compensation is periodically reviewed every 3-5 yrs by an independent party, at the direction of the board of directors The Tuality Healthcare HR department annually reviews compensation for all others

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	The organization's tax returns are made available for public inspection on the following website Guidestar org Governing documents are made available upon written request to the Chief Financial Officer of Tuality Healthcare

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	CHANGE IN INTEREST IN NET ASSETS UNDER FAS 136 -216,000 GAAP BAD DEBT EXPENSE IN EXCESS OF DIRECT WRITE OFF METHOD 1,995,656 ROUNDING EQUITY INCOME NET OF DISTRIBUTIONS OF JT VENTURES 930,396 CHANGE IN MINIMUM PENSION LIABILITY UNDER FAS 158 -10,448,100 NET ASSETS RELEASED FROM RESTRICTION 10,848 Total to Form 990, Part XI, Line 5 -7,727,200

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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
TUALITY HEALTHCARE

Employer identification number
93-0430029

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
(1) Tuality Healthcare Foundation 334 SE 8th Avenue Hillsboro, OR 97123 93-0751507	Charitable Foundation	OR	501(C)(3)	7	Tuality Healthcare		No
(2) Tuality Property Management PO Box 309 Hillsboro, OR 97123 93-0840810	Exempt Organization Property Management	OR	501(C)(2)	N/A	Tuality Healthcare		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) 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) Tuality Management Systems Inc 335 SE 8th Avenue Hillsboro, OR97123 93-0840778	Other Medical Services	OR	Tuality Healthcare	C	-8,534	1,297,856	100 000 %

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

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

		Yes	No
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		No
c Gift, grant, or capital contribution from other organization(s)	1c	Yes	
d Loans or loan guarantees to or for other organization(s)	1d	Yes	
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		No
h Exchange of assets	1h		No
i Lease of facilities, equipment, or other assets to other organization(s)	1i		No
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	Yes	
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	Yes	
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	Yes	

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Tuality Management Systems Inc	K	199,452	Actual Cost
(2) Tuality Property Management	K	424,356	Actual Cost
(3) Tuality Healthcare Foundation	C	1,254,000	Cash
(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

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Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2010

Attachment Sequence No **67**

Name(s) shown on return	Business or activity to which this form relates	**Identifying number**
TUALITY HEALTHCARE	Form 990 Page 10	93-0430029

Part I **Election To Expense Certain Property Under Section 179**

Note: *If you have any listed property, complete Part V before you complete Part I.*

1 Maximum amount See the instructions for a higher limit for certain businesses	**1**	500,000
2 Total cost of section 179 property placed in service (see instructions)	**2**	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	**3**	2,000,000
4 Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	**4**	
5 Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	**5**	

6	**(a)** Description of property	**(b)** Cost (business use only)	**(c)** Elected cost

7 Listed property Enter the amount from line 29	**7**		
8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	**8**		
9 Tentative deduction Enter the **smaller** of line 5 or line 8	**9**		
10 Carryover of disallowed deduction from line 13 of your 2009 Form 4562	**10**		
11 Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	**11**		
12 Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	**12**		
13 Carryover of disallowed deduction to 2011 Add lines 9 and 10, less line 12 ▶	**13**		

Note: *Do not use Part II or Part III below for listed property. Instead, use Part V.*

Part II **Special Depreciation Allowance and Other Depreciation (Do not** include listed property **)** (See instructions)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	**14**	
15 Property subject to section 168(f)(1) election	**15**	
16 Other depreciation (including ACRS)	**16**	

Part III **MACRS Depreciation (Do not** include listed property.**)** (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2010	**17**	
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B—Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

(a) Classification of property	**(b)** Month and year placed in service	**(c)** Basis for depreciation (business/investment use only—see instructions)	**(d)** Recovery period	**(e)** Convention	**(f)** Method	**(g)** Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV **Summary** (see instructions)

21 Listed property Enter amount from line 28	**21**	-8,384,453
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	**22**	-8,384,453
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	**23**	

Part V **Listed Property** (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: *For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete* ***only*** *24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.*

Section A—Depreciation and Other Information (Caution: *See the instructions for limits for passenger automobiles.***)**

24a Do you have evidence to support the business/investment use claimed? ☑ **Yes** ☐ **No** | **24b** If "Yes," is the evidence written? ☑ **Yes** ☐ **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)					**25**			
26 Property used more than 50% in a qualified business use								
PROPERTY PLANT AND E	2010-03-15	100 000 %			0 0	S/L-HY	-8,384,453	
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L -		
		%				S/L -		

28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1 . **28** -8,384,453

29 Add amounts in column (i), line 26 Enter here and on line 7, page 1 . . . . . **29**

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**do not** include commuting miles) . .												
31 Total commuting miles driven during the year .												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use? .												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

	Yes	**No**
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI **Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2010 tax year (see instructions)					
43 Amortization of costs that began before your 2010 tax year				**43**	
44 Total. Add amounts in column (f) See the instructions for where to report . .				**44**	

- If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** and check this box . . . ▶ [X]

Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

- If you are filing for an **Automatic 3-Month Extension, complete only Part I** (on page 1)

Part II **Additional (Not Automatic) 3-Month Extension of Time.** Only file the original (no copies needed).

Type or print File by the extended due date for filing your return See instructions	Name of exempt organization	Employer identification number
	TUALITY HEALTHCARE	93-0430029
	Number, street, and room or suite no. If a P.O. box, see instructions 335 SE EIGHTH AVENUE	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. HILLSBORO, OR 97123	

Enter the Return code for the return that this application is for (file a separate application for each return) . . . . . [0 1]

Application Is For	Return Code	Application Is For	Return Code
Form 990	01		
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	01	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of ▶ Tim Fleischmann - TUALITY HEALTHCAR
  335 SE EIGHTH AVE. - HILLSBORO, OR 97123
  Telephone No. ▶ 503-681-1570 FAX No. ▶
- If the organization does not have an office or place of business in the United States, check this box . . . . ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ [ ]. If it is for part of the group, check this box ▶ [ ] and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until August 15, 2012

5 For calendar year _____, or other tax year beginning OCT 1, 2010, and ending SEP 30, 2011.

6 If the tax year entered in line 5 is for less than 12 months, check reason: [ ] Initial return [ ] Final return
[ ] Change in accounting period

7 State in detail why you need the extension
Additional time is required to gather all of the information necessary to file a complete and accurate return.

8a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions	8a	$ 0.
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	$ 0.
c	**Balance due.** Subtract line 8b from line 8a Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions	8c	$ 0.

Signature and Verification

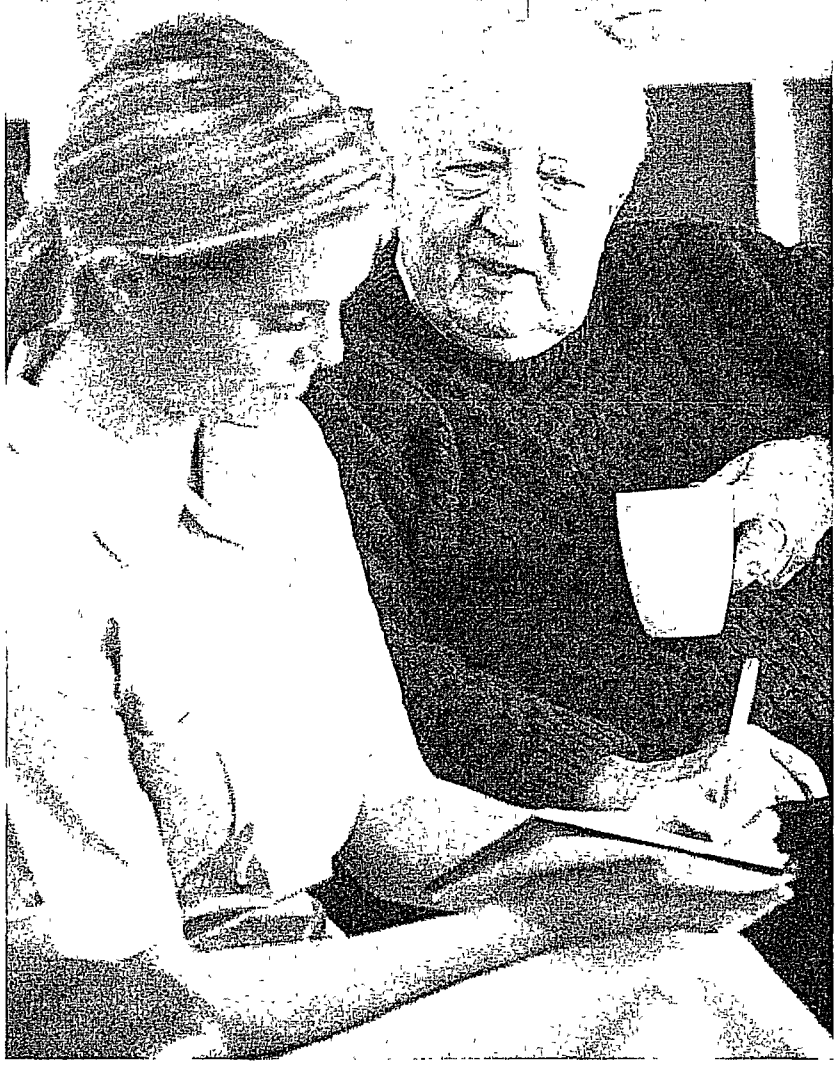
Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ Wendy T. Wilkinson Title ▶ CPA Date ▶ 5/3/12

Grant & Allocation Schedule

Recipient	Amount	Address
ALZHEIMER'S ASSOCIATION	$ 750.00	1650 NW Naito Parkway #190, Portland, OR 97209
AMERICAN CAREER SOCIETY RELAY	$ 500.00	Relay for Life Forest Grove, 0330 SW Curry St Portland, OR 97239
AP AMERICAN HEART ASSOCI	$ 1,500.00	1200 NW Nato Prkway, Ste #220, Portland, OR 97209
AP HS FOUNDATION	$ 200 00	5193 NE Elam Young Pkwy #A, Hillsboro, OR 97124
AP ROTARY CLUB OF MCMI	$ 1,500 00	1301 NE 99W, Box 200, McMinnville, OR 97128
ARC OF OREGON	$ 100 00	PO Box 14231, Portland, OR 97293
BIG BROTHERS BIG SISTERS	$ 100 00	560 SE 3rd Avenue, Hillsboro, OR 97123
CAO Celebration of Community Spirit	$ 150.00	Community Action Organization, 1001 SW Baseline, Hillsboro 97123
CASECADE PACIFIC COUNCIL	$ 250.00	2145 SW Front, Portland, OR 97201
CENTRO CULTURAL OF WASH COUNTY	$ 2,745.00	PO Box 708, Cornelius, OR 97113
CITY OF HILLSBORO 4400	$ 5,000 00	4400 NW 229th, Hillsboro, OR 97124
CITY OF HILLSBORO P&R	$ 2,500.00	4400 NW 229th, Hillsboro, OR 97124
COMMUNITY ACTION ORGANIZATION	$ 10,000 00	1001 SW Baseline, Hillsboro, OR 97123
ESSENTIAL HEALTH CLINIC	$ 27,675 00	3700 SW Murray Ste #250, Beaverton, OR 97005
FOREST GROVE CHAMBER OF C	$ 800 00	2417 Pacific Ave, Forest Grove, OR 97116
FOREST GROVE FARMERS MARKET	$ 2,500 00	2420 19th Ave, Forest Grove, OR 97116
FOREST GROVE SR CENTER	$ 300.00	PO Box 784, Forest Grove, OR 97116
HILLSBORO CHAMBER OF COMMERCE	$ 5,400.00	5193 NE Elam Young Parkway-Ste A, Hillsboro, OR 97123
HILLSBORO COMMUNITY ARTS	$ 500.00	PO Box 3303, Hillsboro, OR 97123
HILLSBORO COMMUNITY FOUNDATION	$ 1,500 00	527 E Main St, Hillsboro, OR 97123
HILLSBORO KIWANIS	$ 440 00	PO Box 311, Hillsboro, OR 97123
HILLSBORO ROTARY CLUB	$ 570.00	PO Box 473, Hillsboro, OR 97123
Hillsboro School Foundation	$ 200 00	5193 NE Elam Young Pkwy #A, Hillsboro, OR 97124
HILLSBORO SCHOOLS FOUNDATION	$ 500.00	5194 NE Elam Young Pkwy #A, Hillsboro, OR 97124
HILLSBORO TUESDAY MARKETPLACE	$ 7,500.00	PO Box 611, Hillsboro, OR 97123
JACKSON BOTTOM WETLANDS PRESER	$ 500 00	2600 SW Hillsboro Hwy, Hillsboro, OR 97123
KUIK RADIO	$ 1,500 00	PO Box 566, Hillsboro, OR 97123
LARA MEDIA SERVICES	$ 500 00	PO Box 87224, Vancouver, WA 98687
LAW PUBLICATION	$ 389 00	15000 E. Beltwood Parkway, Addison, TX 75001
LIBRARY FOUNDATION/HILLSBORO	$ 500 00	2850 NE Brookwood pkway, Hillsboro, OR 97124
LYMPHOMA RESEARCH FOUNDATION	$ 1,000 00	National Headquarters, 115 Broadway Ste #1301, New Youk, NY 10006
MIKE PROGRAM	$ 500 00	PO Box 91194, Portland, OR 97291
MULTIPLE SCLEROSIS FOUNDATION	$ 100 00	C/O Donor Response Center, PO Box 21360, Keizer, OR 97307
NORTH PLAINS GARLIC FESTIVAL	$ 2,500 00	PO Box 152, North Plains, OR 97133
OHSU FOUNDATION 19758	$ 250 00	C/O Knight Cancer Institute, Code 6586, 3181 SW Sam Jackson Pk, Portland, OR 97239
OR HEALTH LEADERSHIP COUNCIL	$ 15,000 00	C/O Oregon Business Council, 1100 SW 6th Ave, Suite 1608, Portland, OR 97204
OREGON HEALTH CAREER CENTER	$ 1,500 00	25195 SW Pkwy Ave #204, Wilsonville, OR 97070
Oregon International	$ 150 00	PO Box 37, Hillsboro, OR 97123
OREGON INTERNATIONAL AIRSHOW	$ 5,000 00	PO Box 37, Hillsboro, OR 97123
OREGON PUBLIC HEALTH INSTITUTE	$ 300 00	315 SW 5th Ave, Ste 202, Portland, Or 97204
OREGON STATE TROOPER MAGAZINE	$ 100 00	PO Box 14129, Portland, OR 97293
PACIFIC UNIVERSITY	$ 5,000 00	2043 College Way, Forest Grove, OR 97116
PORTLAND COMM COLLEGE	$ 1,500 00	AR (DC118), PO Box 19000, Portland, OR 97280
PROJECT ACCESS NOW	$ 6,000 00	PO Box 10953, Portland, OR 97296
SI HILLSBORO	$ 250 00	PO Box 645, Hillsboro, OR 97123
SPECIAL OLYMPICS - OR	$ 100 00	PO Box 2886, Portland, OR 97208
STUDENTMAX CONNECTION	$ 500 00	PO Box 16924, Portland, OR 97292
THEC-El Centro Cultural Celebration	$ 750 00	334 SE 8th Ave, Hillsboro, OR 97123
TUALATIN VALLEY WORKSHOP	$ 800 00	6615 SW Alexander, Hillsboro, OR 97123
TULATIN VALLEY CENTER AUCTION	$ 1,500 00	6615 SW Alexander, Hillsboro, OR 97123
VIRGINIA GARCIA CLINIC	$ 124,999 92	PO Box 486, Cornelius, OR 97113
VIRGINIA GARCIA MEMORIAL FOUND	$ 3,000 00	PO Box 486, Cornelius, OR 97113
VISION ACTION NETWORK	$ 500.00	3700 SW Murray Ste #250, Beaverton, OR 97005
WALTERS, GLEN & VIOLA CULTURAL	$ 2,500 00	PO Box 280, Banks, OR 97106
WAPATO SHOWDOWN	$ 90 00	PO Box 507, Gaston, OR 97119
WASHINGTON COUNTY FAIRGROUNDS	$ 5,000 00	1400 SW Walnut St, Hillsboro, OR 97123
WESTERN FARM WORKERS ASSOC	$ 500 00	725 SE 7th, Hillsboro, OR 97123
WESTSIDE ECONOMIC ALLIANCE	$ 500 00	10220 SW Nimbus Ave, Ste K12, Portland, OR 97223
Grand Total	$ 256,458 92	

2012 Community Benefit Report



Tuality Healthcare

Building a healthier community

2012 Community Benefit Report

A message from Dick Stenson, president and CEO

As the American economy continues the long road to recovery from the "Great Recession" of 2008, healthcare companies across the land are struggling to come up with creative ways to provide efficient, effective care to their customers Tuality Healthcare is no different The people who work at western Washington County's leading health care provider are constantly looking for ways to provide competent care while living up to our mission statement, which reads·

To provide health care to the community with respect for human dignity and without regard for the recipient's ability to pay We believe that compassion encourages healing, that knowledge is the foundation of wellness, and that attention to quality and fiscal stability will enable us to continue service to the community

One way we can live up to this statement is through the many benefits we provide to the communities of Hillsboro, Forest Grove and the other towns in our market area The chart that is included in this document demonstrates our commitment to the citizens of our trade area The 2012 summary shows that Tuality contributed $52,452,479 in "community benefit," a staggering sum when you think about it

The category that pleases me the most is the over $1 million in volunteer hours that we donate to the community Tuality employees help residents quit smoking, lose weight, manage their chronic conditions and much, much more Plus, I would be remiss in not mentioning the wonderful partners like Pacific University, Virginia Garcia Memorial Health Centers and many more which help us make western Washington County a wonderful place to live, work and raise a family

As we close in on a century of service to the citizens of western Washington County, I would like to take this opportunity to thank the great people I work with at Tuality Healthcare The U S economy will rebound eventually, and when it does, Tuality Healthcare will be ready to continue providing state-of-the-art, effective, affordable health care

Sincerely,

Dick Stenson

2012 Community Benefit Report

Eating healthy begins in the kitchen

Many a fond memory has been created around the dinner table celebrating birthdays, holidays and other special occasions. Over the last 20 years, the American way of "celebrating" has taken a toll on waistlines with obesity rates rising to over 35 percent

With the motto "building a healthier community" as its chief motive, Tuality Healthcare set out to create a series of cooking classes that would essentially teach folks in western Washington County how to recreate favorite family dishes As new research shows, families who eat together are more often healthier

Now in its third year, *Cooking with Shelie* is offered on a quarterly basis at the Tuality Health Education Center Shelie Hartman-Gibbs, RD, CDE, and registered dietician at Tuality, leads the widely popular series.

"I really try to incorporate fresh, local foods into my recipes and make them appealing to even the pickiest of eaters," says Gibbs ""Teaching people how to cook healthy for their families is something I'm passionate about and I am so happy to be a part of such a fun, positive experience"

Each quarter, participants are treated to an interactive demonstration on topics such as healthy casseroles, summer salads,

Thanksgiving dinner makeover and much more Regular class attendee Jean Rasmussen of Forest Grove says that "the best part is getting to sample all of the yummy dishes!"

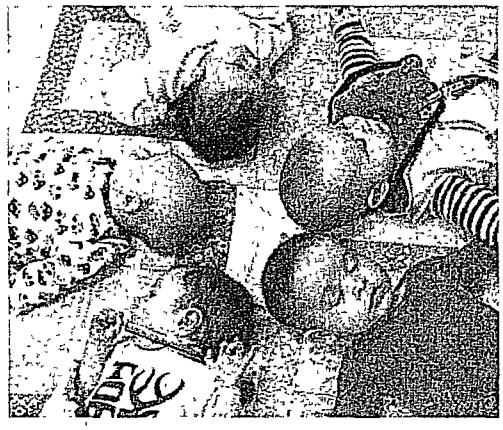
An important part of making Shelie's classes available to everybody in the community is affordability With generous contributions from the Tuality Healthcare Foundation, they are able to provide each class to the community for free or at a very minimal cost

All classes are available to view for six weeks after each event on the Tualatin Valley Community TV (TVCTV) channel Tapes are also made available through the Washington County Public Library system

2012 Community Benefit Report

Birth classes connect community with Tuality Healthcare

When parents need advice on babies, they turn to Tuality Healthcare for help For many years, Tuality has been offering a host of low cost or free birthing and parenting classes for budding Moms and Dads It's just one of the ways Tuality benefits the communities in our primary market area of western Washington County



The list of classes available from our Community Education department is impressive, running the gamut from tours of our birth center during pregnancy through caring for an infant during the toddler phase Many of the classes are offered in Spanish as well And donations and scholarships from the Tuality Healthcare Foundation keep costs low

The program run by Deana Vanderzanden, Tuality's child birth coordinator, offers a dozen classes every quarter, which are taught by five qualified birthing instructors

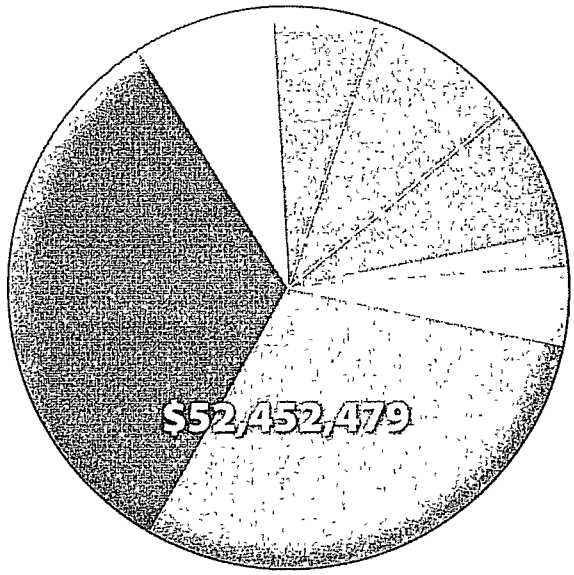
The philosophy behind the birthing and parenting classes is the classes and the interaction with the birth instructors serve as the gateway to Tuality and its many services The goal of the program is to give prospective parents the best education possible for care of their child Plus, instructors try to make sure all of the needs of father, mother and child are met during the classes

The classes attract a group of savvy moms who ask a lot of questions If the answer isn't readily available, the instructors will research the answer and respond to the mom as soon as possible

2012 Community Benefits Report Summary

Tuality Healthcare 'Returns the Favor' ...

Every day of the year, as Tuality provides care and services for our patients, we are also contributing back to the community in numerous ways Although some of these efforts cannot easily be assigned dollar values, many of them can Here are some of the major financial commitments that Tuality has made to meet local healthcare needs during the 12 months ending Sept 30, 2011·



Charity care
$4,073,160
In accordance with the guidelines of the Oregon Health Action Campaign, Tuality provides free or discounted healthcare services for people who do not have health insurance or otherwise cannot afford health care

Unpaid costs of Oregon Health Plan and Medicaid programs
$4,548,318
The State guarantees that certain healthcare services be provided for Oregon residents, but does not supply Tuality with full funding to meet the costs of providing them

Non-billed community services
$3,201,962
Tuality funds programs and services designed to improve overall community health and to respond to the needs of specific at-risk segments, such as persons with limited insurance coverage and access to care

Oregon Hospital Provider Tax
$4,281,268
Tuality pays a tax that is used with payments from other Oregon hospitals to garner federal Medicaid matching funds, which together provide monies that help fund the Oregon Health Plan

* Reportable categories under federal and state guidelines

Unpaid costs of Medicare
$17,094,815
The federal government guarantees that certain healthcare services be provided for Medicare patients, but does not supply Tuality with full funding to meet the costs of providing them

Uncollectibles
$15,817,190
Tuality is unable to collect payment from private parties for healthcare services that we have provided

Physician practice development
$2,354,197
Tuality invests funds to recruit and retain appropriate physician specialists, in response to ever-changing community healthcare needs

Volunteer hours
$1,081,569
Unpaid volunteers provide hours of labor, which Tuality uses to provide support services to patients

Total
$52,452,479

Tuality Healthcare

Building a healthier community.

335 SE 8th Ave.
Hillsboro, OR 97123
503-681-1662

www.tuality.org

8/12 631742 {56-7742-2}

TUALITY HEALTHCARE
93-0430029

Form 990, Part III, line a

STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

The organization's primary exempt purpose is to provide cost-effective comprehensive high quality health care to members of the community.

Tuality Healthcare is a licensed 215-bed hospital and health services provider operating in Washington County, Oregon. The Company operates its hospital at two locations, Tuality Community Hospital in Hillsboro, Oregon and Tuality Forest Grove Hospital in Forest Grove, Oregon. In addition to acute care hospital services, the Company provides a wide array of outpatient diagnostic and treatment services throughout western Washington County.

In fiscal 2011, these facilities provided care for 22,662 in-patient acute care days, 43,412 emergency room visits, 20,109 urgent care visits, and 10,749 home health visits.

Please see attached Community Benefit report for a description of programs and charity care provided by Tuality Healthcare.

Financial Statements

TUALITY HEALTHCARE

SEPTEMBER 30, 2011 AND 2010

TUALITY HEALTHCARE

September 30, 2011

BOARD OF DIRECTORS

Mr. Len Bergstein
Mr. Mike Foglia
Mr. Michael Hundley
Dr. Darell Lumaco
Mr. Fred Nachtigal
Dr. Charles Rosenblatt
Mr. Mark Rosenbaum
Mr. Eugene Zurbrugg
Dr. Marc Lewis (Ex-Officio of the Board)

OFFICERS

Mr. Eugene Zurbrugg	Chairperson
Dr. Darell Lumaco	Vice-Chairperson
Mr. Mark Rosenbaum	Secretary/Treasurer

TUALITY HEALTHCARE

TABLE OF CONTENTS

FORDHAM GOODFELLOW

Certified Public Accountants • Technology Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tuality Healthcare
Hillsboro, Oregon

We have audited the consolidated balance sheets of Tuality Healthcare as of September 30, 2011 and 2010 and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Company's management Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tuality Healthcare as of September 30, 2011 and 2010 and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information on pages 36 through 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fordham Goodfellow, LLP

January 18, 2012
Hillsboro, Oregon

233 S E Second Ave , Hillsboro, Oregon 97123 Tel (503) 648-6651 Fax (503) 640-8639
http //www fordhamgoodfellow com

TUALITY HEALTHCARE

CONSOLIDATED BALANCE SHEETS
As of September 30, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 14,666,600	$ 18,596,300
Short-term investments	18,471,700	8,356,600
Patient accounts receivable, net of allowance for uncollectible accounts of $7,796,200 and $9,721,800	21,995,600	23,233,600
Other receivables	2,884,200	3,011,900
Inventory of supplies	2,799,100	2,793,000
Prepaid expenses and other	2,251,000	2,315,900
Current portion of assets whose use is limited	4,239,700	4,171,900
Total current assets	67,307,900	62,479,200
ASSETS WHOSE USE IS LIMITED		
Board designated funds	19,733,200	21,691,300
Under bond indenture agreement - held by Trustee	8,238,100	8,170,700
Donor restricted - specific purpose	1,493,900	1,877,400
Donor restricted - endowment	2,516,600	2,430,600
Required for current liabilities	(4,239,700)	(4,171,900)
Total assets whose use is limited	27,742,100	29,998,100
PROPERTY AND EQUIPMENT		
Property and equipment net of accumulated depreciation and amortization	41,798,700	46,835,800
OTHER ASSETS		
Other receivables - noncurrent	4,100	18,400
Investments	2,581,400	2,043,700
Held by Trustee - deferred compensation plan	680,700	702,900
Deferred costs and other	838,800	968,900
Intangible assets	2,077,000	2,014,000
Goodwill	100,000	100,000
Total other assets	6,282,000	5,847,900
	$ 143,130,700	$ 145,161,000

The accompanying notes are an integral part of these financial statements.

TUALITY HEALTHCARE

CONSOLIDATED BALANCE SHEETS (CONTINUED)
As of September 30, 2011 and 2010

	2011	2010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 9,479,400	$ 9,507,800
Accrued payroll and employee benefits	9,006,300	9,833,300
Estimated liabilities for Medicare and Medicaid settlements	1,065,500	1,121,700
Long-term debt due within one year	4,701,500	4,575,200
Accrued bond interest payable	534,300	596,900
Total current liabilities	24,787,000	25,634,900
LONG-TERM LIABILITIES		
Long-term debt, net of amount due within one year	19,774,000	24,468,300
Liability for pension benefits	27,362,600	17,518,400
Total long-term liabilities	47,136,600	41,986,700
TOTAL LIABILITIES	71,923,600	67,621,600
NET ASSETS		
Unrestricted	67,148,300	73,085,500
Temporarily restricted by donors	1,542,200	2,023,200
Permanently restricted by donors	2,516,600	2,430,700
Total net assets	71,207,100	77,539,400
	$ 143,130,700	$ 145,161,000

The accompanying notes are an integral part of these financial statements.

TUALITY HEALTHCARE

CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended September 30, 2011 and 2010

	2011	2010
NET PATIENT SERVICE REVENUE	$ 172,486,300	$ 174,876,000
OTHER REVENUE	6,922,000	6,776,400
Total revenue	179,408,300	181,652,400
OPERATING EXPENSES		
Salaries and wages	75,031,500	71,309,100
Employee benefits	20,383,800	17,291,700
Supplies and other expenses	51,909,600	55,774,200
Professional fees	3,290,600	4,285,400
Depreciation	8,485,300	9,006,100
Interest	1,569,800	1,781,800
Provision for bad debts	15,401,400	19,309,300
Total operating expenses	176,072,000	178,757,600
INCOME FROM OPERATIONS	3,336,300	2,894,800
OTHER INCOME		
Realized income on investments whose use is limited by board designation	614,400	348,900
Gain (loss) on investments in affiliated companies	357,900	195,200
Gain (loss) on disposal of property and equipment	270,000	700
Total other income	1,242,300	544,800
REVENUE IN EXCESS OF EXPENSES	4,578,600	3,439,600
Contributions for property and equipment acquisition	466,500	20,600
Change in net unrealized gain (loss) on other than trading securities	(534,200)	1,033,600
Pension-related changes	(10,448,100)	(532,900)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (5,937,200)	$ 3,960,900

The accompanying notes are an integral part of these financial statements.

TUALITY HEALTHCARE

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the years ended September 30, 2011and 2010

	2011	2010
UNRESTRICTED NET ASSETS		
Revenue in excess of expenses	$ 4,578,600	$ 3,439,600
Contributions for property and equipment acquisition	466,500	20,600
Change in net unrealized gain (loss) on other than trading securities	(534,200)	1,033,600
Pension-related changes	(10,448,100)	(532,900)
Increase (decrease) in unrestricted net assets	(5,937,200)	3,960,900
TEMPORARILY RESTRICTED NET ASSETS		
Gifts, grants and bequests	913,100	806,600
Investment income (loss)	(27,100)	255,400
Net assets released from restrictions	(1,367,000)	(1,015,400)
Increase (decrease) in temporarily restricted net assets	(481,000)	46,600
PERMANENTLY RESTRICTED NET ASSETS		
Contributions for endowment funds	85,900	-
Increase (decrease) in permanently restricted net assets	85,900	-
INCREASE (DECREASE) IN NET ASSETS	(6,332,300)	4,007,500
NET ASSETS, beginning of year	77,539,400	73,531,900
NET ASSETS, end of year	$ 71,207,100	$ 77,539,400

The accompanying notes are an integral part of these financial statements.

TUALITY HEALTHCARE

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended September 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES AND GAINS AND LOSSES		
Change in net assets	$ (6,332,300)	$ 4,007,500
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains and losses:		
Depreciation and amortization	8,485,300	9,006,100
Amortization of finance costs	16,900	16,900
Provision for bad debts	15,401,400	19,309,300
Net realized and unrealized loss on investments	456,200	(1,100,300)
Gain on investment in affiliated companies	(357,800)	(195,300)
(Gain) loss on sale of assets	(270,000)	(700)
Restricted contributions and investment income received	(971,900)	(1,062,000)
Changes in:		
Accounts receivable	(14,021,400)	(20,754,300)
Inventories	(6,100)	(159,100)
Prepaid expenses and other	195,000	648,100
Accounts payable	(28,400)	635,300
Accrued payroll and employee benefits	9,017,200	4,143,400
Estimated liabilities for Medicare and Medicaid settlements	(56,200)	129,600
Accrued bond interest	(62,600)	(54,500)
Net cash provided by operating activities and gains and losses	11,465,300	14,570,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,001,100)	(2,716,400)
Proceeds from sales of property and equipment	759,900	30,800
Purchases of securities	(10,784,000)	(2,728,000)
Proceeds from sales of securities	2,423,100	1,946,000
Cash received from corporate joint venture (net of investments)	(179,900)	(40,300)
Net cash used by investing activities	(11,782,000)	(3,507,900)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from restricted contributions and investment income	971,900	1,062,000
Principal payments on long-term debt	(4,584,900)	(4,817,800)
Net cash used by financing activities	(3,613,000)	(3,755,800)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,929,700)	7,306,300
CASH AND CASH EQUIVALENTS, beginning of year	18,596,300	11,290,000
CASH AND CASH EQUIVALENTS, end of year	$ 14,666,600	$ 18,596,300

The accompanying notes are an integral part of these financial statements.

TUALITY HEALTHCARE

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the years ended September 30, 2011 and 2010

	2011	2010
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 1,467,300	$ 1,665,200
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment acquired through capital lease	$ -	$ 98,300

The accompanying notes are an integral part of these financial statements.

NOTE 1: SUMMARY OF ORGANIZATION AND ACCOUNTING POLICIES

Tuality Healthcare is a licensed 215-bed hospital and health services provider operating in Washington County, Oregon. The Company operates hospitals at two locations, Tuality Community Hospital in Hillsboro, Oregon, and Tuality Forest Grove Hospital in Forest Grove, Oregon. In addition to acute care hospital services, the Company provides a wide array of outpatient diagnostic and treatment services throughout western Washington County.

Tuality Healthcare is the parent company and sole member or stockholder of the following companies:

Tuality Management Systems, Inc. (TMSI), which owns taxable affiliated corporations and corporate joint ventures, including: Tuality Medical Equipment Supply (TMES) that sells and rents medical durable goods.

Tuality Property Management Co., holding title to certain hospital-related real estate and property acquired for future hospital expansion or investment.

Tuality Healthcare Foundation, Inc., a foundation established for charitable and educational purposes for the benefit of the Tuality Healthcare health care system.

The organizations are non-profit corporations under the laws of the State of Oregon, maintaining tax-exempt status, except for Tuality Management Systems, Inc., which is a for-profit, taxable corporation.

Principles of consolidation:

The accompanying consolidated financial statements include the accounts of the Company and all majority-owned subsidiary companies. Subsidiaries in which the Company has less than a majority interest are generally accounted for by the equity method, which approximates the Company's equity in their underlying net book value. All significant intercompany accounts and transactions have been eliminated.

Use of estimates:

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

Subsequent events:

Management has evaluated subsequent events through January 18, 2012, the date the financial statements were available to be issued.

Accounts receivable and loans:

Accounts receivable are stated at unpaid balances (net of contractual allowances), less an allowance for uncollectible accounts. Loans are stated at unpaid principal balances plus accrued interest. Interest is calculated on the amounts outstanding according to the terms stated in the respective loan agreements.

NOTE 1: SUMMARY OF ORGANIZATION AND ACCOUNTING POLICIES (Continued)

The allowance for uncollectible accounts is decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loss experience, adverse situations that may affect the borrower's ability to repay, contractual provisions, and current economic conditions.

Accounts receivable and loans are written off when management believes, after considering economic conditions, business conditions, and collection efforts, that the accounts are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off against the allowance.

Net patient service revenue:

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

Investments:

Gifts of investment property are reported at fair value at the date of receipt.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet.

The Company's investments in affiliated companies are reported on the equity method of accounting that approximates the Company's equity in the underlying net book value of affiliated companies. Short-term investments are stated at cost, which approximates market value.

Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess of revenue over expenses unless the income or loss is restricted by donor or law. Investment income (loss) on investments of donor-restricted funds are added to (deducted from) the appropriate restricted fund balance. Unrealized gains and losses on investments are excluded from the performance indicator unless the investments are trading securities.

Statement of revenue and expenses:

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses.

Inventories:

Inventories, consisting of supplies, are valued at the lower of cost (first-in, first-out) or market.

NOTE 1: SUMMARY OF ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Property and equipment:

Property and equipment are carried at cost. Any purchases of land, buildings, and equipment that have an expected useful life greater than one year and a cost greater than $5,000 are capitalized. Refurbishments or improvements that extend the useful life of an existing asset are also capitalized subject to the same cost materiality threshold of $5,000. Donated assets are carried at fair market value at date of donation. Leased assets under capital leases are carried at the present value of future lease payments. The carrying amounts of assets sold, retired, or otherwise disposed of and the related allowances for depreciation are eliminated from the accounts, and any resulting gain or loss is included in non-operating income or expense. Depreciation of property and equipment is provided by annual charges to expense on a straight-line basis over the expected useful lives of the assets. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The range of annual lives used in computing depreciation is as follows:

Buildings	10 - 50 years
Fixed equipment	15 - 20 years
Movable equipment	3 - 20 years

Intangible Assets:

Intangible assets are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the asset.

Goodwill:

Goodwill is not subject to amortization. Management tests goodwill for impairment on an annual basis. No adjustment for impairment was made for the years ended September 30, 2011 and 2010.

Federal and state income taxes:

The Company is a not-for-profit corporation and it is management's opinion that substantially none of its activities are subject to unrelated business income taxes. Certain subsidiaries, however, are subject to income taxes, although no significant amounts have been incurred to date.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Company considers all highly liquid short-term investments with maturities of three months or less, at date of purchase or acquisition, to be cash equivalents except for assets whose use is limited.

NOTE 1: SUMMARY OF ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Estimated malpractice claims:

The Company purchases professional and general liability insurance to cover medical malpractice claims. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The Company accrues an estimate of the ultimate costs for both reported claims and claims incurred but not reported to the extent they are not covered under the insurance policies.

Temporarily and permanently restricted net assets:

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

Donor-restricted funds:

Unconditional promises to give cash and other assets to the Company 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 are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Income from operations:

Income from operations includes income from provision of patient services as well as other revenue consisting primarily of management fees, rental income, and realized investment income on other than board designated assets. Income from operations excludes certain items that the Company deems to be outside the scope of its primary business.

Excess of revenues over expenses:

This statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, 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).

Unamortized bond issue costs:

Costs totaling $800,300 associated with the Refunding Bonds, Series 2004 and costs totaling $885,000 associated with Hospital Revenue Bonds, Series 2001 have been capitalized and are amortized over the bond redemption period.

NOTE 1: SUMMARY OF ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Unamortized bond issue costs: (continued)

Other deferred costs are being amortized on a straight-line basis over their estimated useful lives.

Advertising:

The Company follows the policy of charging the cost of advertising to expense as incurred. Advertising expense was $379,200 and $420,800 for the years ended September 30, 2011 and 2010, respectively.

Reclassifications:

Certain amounts reported in the prior year financial statements have been changed to conform to the 2011 presentation.

NOTE 2: INVESTMENTS

Assets whose use is limited:

The Board of Directors has limited the use of certain assets by designation for the specific purpose of facilities expansion, renovation and equipment acquisitions. Other assets are held in Trust under bond indenture agreements. The use of certain assets is restricted by donors for specific purposes or permanent endowment. The composition of assets whose use is limited at September 30, 2011 and 2010, is set forth in the following table. Investments are shown at estimated fair value at September 30 of each year.

	2011	2010
Board Designated Funds		
Cash and short-term investments	$ 7,500	$ 1,300
Accrued interest and dividends	-	7,700
U.S. Government obligations	-	2,079,400
Corporate notes and bonds	12,598,000	12,338,400
Marketable equity securities	5,183,100	5,329,100
Interest in limited partnerships	1,944,600	1,935,400
	$ 19,733,200	$ 21,691,300
Under Bond Indenture Agreement		
Cash and short-term investments	$ 8,238,100	$ 8,170,700

NOTE 2: INVESTMENTS (Continued)

	2011	2010
Donor Restricted - Specific Purpose		
Cash and short-term investments	$ 50,700	$ 10,900
Common trust funds	1,443,200	1,866,500
	$ 1,493,900	$ 1,877,400
Donor Restricted - Endowment		
Common trust funds	$ 2,516,600	$ 2,430,600

Other investments:

Short-term investments consist of the following at September 30,

	2011	2010
Mutual Funds	$ 17,221,600	$ 7,171,300
Common trust funds - unrestricted	1,250,100	1,185,300
	$ 18,471,700	$ 8,356,600

Donor restricted and unrestricted funds include investments in common trust funds. Common trust fund investments consisted of the following at September 30,

	2011	2010
Long-term investment pool (includes endowment funds)		
Cash and cash equivalents	$ 160,600	$ 62,400
Equity securities	2,499,900	2,706,200
Fixed income securities	1,864,300	1,786,800
	$ 4,524,800	$ 4,555,400
Short-term investment pool		
Cash and cash equivalents	$ 323,200	$ 61,500
Fixed income securities	361,900	865,500
	$ 685,100	$ 927,000

NOTE 2: INVESTMENTS (Continued)

Non-current investments consist of the following at September 30,

	2011	2010
Equity interest in Tuality/OHSU Cancer Center	$ 1,177,800	$ 1,016,700
Tuality Health Alliance, at cost	250,000	250,000
Minority and other interests in partnerships	1,153,600	777,000
	$ 2,581,400	$ 2,043,700

Other equity investments recorded using the equity method of accounting include the following:

	2011		2010	
	% of Ownership	Investments	% of Ownership	Investment
Raines Dialysis Center	40.0%	$ 632,200	40.0%	$ 477,300
Northwest Hospital Partnership, Inc.	50.0%	211,200	50.0%	199,400
Mountain States Healthcare	5.0%	310,200	5.0%	100,300
		$ 1,153,600		$ 777,000

Tuality/OHSU Cancer Center – The Company owns a 50% equity interest in Tuality/OHSU Cancer Center (TOCC), an Oregon Limited Liability Company operating a radiation treatment center. The Company made this investment in February 2001, and accounts for the investment under the equity method.

Tuality Healthcare charged TOCC management fees of $719,300 and $785,100 for 2011 and 2010, respectively. Management fees overpayment was $8,400 at September 30, 2011, and management fees receivable was $400 at September 30, 2010.

TOCC leases its building on a month-to-month basis from the Company. Monthly rent payments are $8,419. Total rents received on this property amounted to $101,000 for the years ended September 30, 2011 and 2010.

Summarized financial information from the unaudited financial statements of TOCC is as follows:

	Tuality/OHSU Cancer Center	
	2011	2010
Current assets	$ 2,358,100	$ 2,060,800
Non-current assets	308,400	607,900
Current liabilities	113,500	69,200
Non-current liabilities	197,400	566,100
Partners' equity	2,355,600	2,033,400
Revenues	$ 2,216,600	$ 2,013,100
Net income (loss)	322,200	36,200

NOTE 2: INVESTMENTS (Continued)

Tuality Health Alliance - The Company contributed initial capital of $250,000 to Tuality Health Alliance (the Alliance), an Oregon taxable, not-for-profit corporation organized to create an association of hospitals and physicians to coordinate the delivery of comprehensive, affordable, quality integrated healthcare services to communities served by the incorporator's hospital and physician members as well as other corporate purposes. Tuality Healthcare has a 33-1/3% representation on the board of the Alliance and is carrying their contribution as an investment at $250,000 (the cost of the initial capital contribution).

Tuality Healthcare charged the Alliance management fees of $2,821,900 and $2,401,800 for 2011 and 2010, respectively. Management fees receivable were $70,700 and $35,900 at September 30, 2011 and 2010, respectively.

The Alliance members provide medical care under the Oregon Health Plan (OHP) to certain patients who qualify under criteria established by the State of Oregon. The agreement under which these services are provided requires the Alliance to maintain certain levels of net worth. Based on interim financial statements for the nine months ended September 30, 2011, management believes the net worth requirements have been met.

The following table summarizes investment income and gains and losses for assets limited as to use, cash equivalents and other investments for the year ending September 30, 2011:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	$ 1,000,900	$ 46,400	$ 1,047,300
Net realized and unrealized gains (losses)	5,800	(73,400)	(67,600)
Gain (loss) on investments in affiliated companies	357,900	-	357,900
Total investment income	1,364,600	(27,000)	1,337,600
Other changes in unrestricted net assets:			
Change in net unrealized gain (loss) on other than trading securities	(534,300)	-	(534,300)

NOTE 2: INVESTMENTS (Continued)

The following table summarizes investment income and gains and losses for assets limited as to use, cash equivalents and other investments for the year ending September 30, 2010:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	$ 996,900	$ 85,400	$ 1,082,300
Net realized and unrealized gains (losses)	(103,400)	170,100	66,700
Gain (loss) on investments in affiliated companies	195,200	-	195,200
Total investment income	1,088,700	255,500	1,344,200
Other changes in unrestricted net assets:			
Change in net unrealized gain (loss) on other than trading securities	1,033,600	-	1,033,600

Investment expenses were $47,500 and $62,300 for the years ending September 30, 2011 and 2010, respectively.

Investments made by the Tuality Healthcare Foundation shall be managed in accordance with the laws of the State of Oregon, and in ways that maximize overall return on investment with minimal risk to the investment, while promoting stability, flexibility, diversification, and liquidity. The Foundation is the recipient of many donor-restricted gifts, the expenditure of which occurs over time for a variety of charitable purposes. These funds, in addition to miscellaneous unrestricted funds, shall not be pooled with the endowed funds for investment purposes, as the investment objectives for these funds differ from the long-term objective of the endowed funds. These funds will be individually accounted for and will accrue pro-rata investment income until the principal amounts are distributed for their specific purposes. Non-endowed funds shall be invested in a combination of bonds and cash, with the goal of exposing the funds to very low risk. For non-endowed funds, any bonds held will be subject to limited maturity (three years). It is the Foundation's intention to hold these bonds to maturity whenever possible.

The Foundation will spend up to six percent of a three-year moving average of the total market value of the endowment assets annually to support community education programs and specific scholarships as designated by the various endowments. For purposes of determining the amount available to spend, the average will be calculated from the market value of the endowments on June 30 of each year.

NOTE 3: FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability.

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

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at September 30, 2011 are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short term investments				
Cash and cash equivalents	$ 116,100	$ 116,100	$ -	$ -
Equity securities	599,800	599,800	-	-
Fixed income securities	10,467,900	10,467,900	-	-
Municipal income securities	7,287,900	7,287,900	-	-
Assets whose use is limited				
Board designated funds				
Cash and cash equivalents	7,400	7,400	-	-
Equity securities	5,183,100	5,183,100	-	-
Fixed income securities	12,598,100	12,598,100	-	-
Interest in limited partnership	1,944,600	-	-	1,944,600
Under bond indenture				
Cash and cash equivalents	8,238,100	8,238,100	-	-
Donor restricted				
Cash and cash equivalents	418,400	418,400	-	-
Equity securities	1,900,100	1,900,100	-	-
Fixed income securities	1,692,000	-	1,692,000	-
Non-current investments				
Equity and cost investments	2,581,400	-	-	2,581,400
Held by employee benefit trust				
Cash and cash equivalents	400	400	-	-
Equity securities	643,300	643,300	-	-
Fixed income securities	37,000	37,000	-	-
	$ 53,715,600	$ 47,497,600	$ 1,692,000	$ 4,526,000

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at September 30, 2010 are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short term investments				
Cash and cash equivalents	$ 26,800	$ 26,800	$ -	$ -
Equity securities	585,100	585,100	-	-
Fixed income securities	573,400	573,400	-	-
Municipal income securities	7,171,300	7,171,300	-	-
Assets whose use is limited				
Board designated funds				
Cash and cash equivalents	1,300	1,300	-	-
Accrued investment income	7,700	7,700	-	-
US Treasury debt securities	2,079,400	-	2,079,400	-
Equity securities	5,329,100	5,329,100	-	-
Fixed income securities	12,338,400	12,338,400	-	-
Interest in limited partnership	1,935,400	-	-	1,935,400
Under bond indenture				
Cash and cash equivalents	8,170,700	8,170,700	-	-
Donor restricted				
Cash and cash equivalents	108,000	108,000	-	-
Equity securities	2,121,200	2,121,200	-	-
Fixed income securities	2,078,900	-	2,078,900	-
Non-current investments				
Equity and cost investments	2,043,700	-	-	2,043,700
Held by employee benefit trust				
Cash and cash equivalents	400	400	-	-
Equity securities	671,400	671,400	-	-
Fixed income securities	31,100	31,100	-	-
	$ 45,273,300	$ 37,135,900	$ 4,158,300	$ 3,979,100

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Board-Designated Funds	Non-Current Investments	Total
Balance at October 1, 2010	$ 1,935,400	$ 2,043,700	$ 3,979,100
Total realized and unrealized (losses) gains, net:			
Included in income	9,200	357,800	367,000
Included in net assets	-	-	-
Purchases, issuance, and settlements (net)	-	179,900	179,900
Transfers in and/or out of Level 3 (net)	-	-	-
Balance at September 30, 2011	$ 1,944,600	$ 2,581,400	$ 4,526,000
Total gains or losses for 2011 included in income attributable to the change in unrealized gains (or losses) relating to assets held at September 30, 2011	$ 9,200	$ 357,800	$ 367,000

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Fair value for assets valued using Level 3 inputs are based on the Company's assumptions about assumptions that market participants would use in pricing assets.

For long-term debt, the fair value is estimated based on the discounted value of the future cash flows using the estimates of the Company's borrowing rates. The carrying value and fair value of long-term debt was $24,475,500 and $26,803,200, respectively, as of September 30, 2011 and $29,043,500 and $32,610,500, respectively, as of September 30, 2010.

The carrying amount of other financial instruments approximates fair value because these items mature in less than one year.

NOTE 4: COMMUNITY BENEFITS

The Company's mission is to provide quality health care services and leadership in promoting health improvement to all persons in its service area on a non-discriminatory basis and without regard to ability to pay. The Company recognizes that not all individuals possess the ability to purchase essential medical services and that its mission includes serving the community with respect to providing health care service and health care education. In keeping with its commitment to serve all members of its community, the following are considered in the context of the individual's ability to pay and/or community need:

- free and /or subsidized care,
- care provided to persons covered by governmental programs at below charges, and
- health activities and programs to support the community

These activities include wellness programs, community education programs, health screenings, special programs for the elderly, handicapped, medically underserved, and a wide variety of broad community support activities.

Through its hospitals, the Company provides care to patients covered by governmental programs, such as Medicare and Medicaid, which reimburse at levels below actual charges. The amount of care written off by the Company due to inadequate reimbursement under these programs was approximately $134,817,600 and $126,182,100 during the years ended September 30, 2011 and 2010, respectively. The Company also provides additional free care under its charity care policy. Charges forgone under the Company's charity policy were $9,398,500 and $9,324,800 during the years ended September 30, 2011 and 2010, respectively.

NOTE 5: NET PATIENT SERVICE REVENUE AND PATIENT RECEIVABLES

The Company has agreements with third-party payers that provide for payments to the Company at amounts different from their established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare:

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, and defined capital costs related to beneficiaries are paid based on a cost reimbursement methodology. The Company is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Company and audits thereof by the Medicare fiscal intermediary. The Company's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Company. The Company's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2006.

Medicaid:

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Company is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Company and audits thereof by the Medicaid fiscal intermediary.

NOTE 5: NET PATIENT SERVICE REVENUE AND PATIENT RECEIVABLES (Continued)

The Company's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2006.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Other:

The Company has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Company under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates and outpatient service fee schedules.

The 2011 and 2010 net patient service revenue increased approximately $262,700 and $118,000, respectively due to changes in estimated settlements of previous years.

Patient receivables are summarized as follows at September 30,

	2011	2010
Gross patient receivables	$ 53,643,100	$ 57,341,500
Less contractual allowances:		
Medicare and Medicare managed care	(13,194,900)	(13,502,200)
Medicaid and Medicaid managed care	(4,924,500)	(4,863,000)
Managed care plans	(5,127,400)	(5,489,400)
Workers compensation	(584,500)	(531,500)
	(23,831,300)	(24,386,100)
Patient receivables net of contractual allowances	29,811,800	32,955,400
Allowance for uncollectible accounts	(7,816,200)	(9,721,800)
Net patient accounts receivable	$ 21,995,600	$ 23,233,600

NOTE 6: PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, follows:

	2011	2010
Land and land improvements	$ 8,160,200	$ 8,510,200
Buildings and fixed equipment	83,024,000	82,850,300
Movable equipment	62,628,300	59,731,500
Equipment under capital leases	6,082,300	6,083,300
	159,894,800	157,175,300
Less accumulated depreciation and amortization	(119,995,700)	(111,605,100)
	39,899,100	45,570,200
Construction in progress	1,899,600	1,265,600
Property and equipment, net	$ 41,798,700	$ 46,835,800

NOTE 7: INTANGIBLE ASSETS AND GOODWILL

During the year ended September 30, 2009, the Company exchanged a parcel of land for parking rights in that same location over the course of 50 years. The value of the license of $1,915,000 is based on the estimated fair value of the transferred land plus cash that was paid as part of the transaction. A gain of $1,724,200 was recognized on the transaction. The Company began amortizing the license over the 50-year period once the parking spaces became available in August 2010.

During the year ended September 30, 2010, the Company purchased an oncology practice, resulting in the acquisition of goodwill of $100,000 and other intangible assets of $220,000. The goodwill is not amortized. The intangible assets are amortized over ten years.

Intangibles and accumulated amortization at September 30, 2011 and 2010 are as follows:

	2011	2010
Parking license	$ 1,915,000	$ 1,800,000
Non-compete covenant and other	220,000	220,000
	2,135,000	2,020,000
Less accumulated amortization	(58,000)	(6,000)
	$ 2,077,000	$ 2,014,000

Amortization expense related to intangible assets was $52,000 and $6,000 for the years ended September 30, 2011 and 2010, respectively.

NOTE 7: INTANGIBLE ASSETS AND GOODWILL (Continued)

Estimated aggregate amortization expense for the next five fiscal years is as follows:

2012	$	60,300
2013	$	60,300
2014	$	60,300
2015	$	60,300
2016	$	60,300

NOTE 8: LONG-TERM DEBT

Hospital Revenue Bonds, Series 2001, amounting to $15,000,000 were issued by the Company Facility Authority of Hillsboro, Oregon (the Authority) to fund the irrevocable trust, bond issue costs, financing for construction, and remodeling of hospital buildings and for the acquisition of equipment.

Hospital Revenue and Refunding Bonds, Series 2004 amounting to $27,220,000 were issued by the Authority to fund an irrevocable trust to defease scheduled principal and interest payments on the Company Revenue and Advance Refunding Bonds, Series 1993. Funds were also provided for bond issue costs, and establishing a project fund of $1,000,000 for hospital capital purchases. On October 1, 2004, $27,755,000 of the bonds considered defeased were fully satisfied and discharged.

Under the terms of the loan agreements created pursuant to these issuances, Tuality Healthcare (The Obligated Group) agreed to provide funds sufficient to pay the principal and interest on the bonds as they become due and to pay any expenses of the Trustee. The Obligated Group recorded liabilities in the amount of the bonds payable to reflect these agreements. In order to secure the bonds, The Obligated Group granted security interests in the gross revenues from operations, equipment owned or leased located in the Company facilities, and mortgages on the Company real property.

The Obligated Group makes periodic payments to the Authority to satisfy the annual debt service requirements under the bond obligations.

Under the Original Master Indenture, as amended, the Obligor agreed to a number of covenants and conditions. Certain significant covenants, which have been met, are described, as follows:

Annual debt service coverage - Under the Master Indenture, the Obligor is to earn Net Income Available for Debt Service sufficient to achieve an Annual Debt Coverage Ratio of at least 1.20.

Reserve requirement - Under this provision, the Obligor is required to maintain a reserve account with the Bond Trustee, in an amount equal to the least of:

(a) 10% of the proceeds of the bonds (each Series),
(b) maximum annual bond service with respect to all outstanding bonds, or
(c) 125% of average annual bond service with respect to all outstanding bonds.

NOTE 8: LONG-TERM DEBT (Continued)

Liquidity - This provision requires the Obligor to maintain 60 days of cash on hand. Essentially, this is calculated as the total of unrestricted cash and investments divided by daily operating expenses reduced for depreciation. This test is performed April 1 and October 1 each year.

Long-term debt at September 30, consisted of the following:

	2011	2010
2001 Series bonds, annual interest payments of $788,100 at 4.65% until October 2012; variable annual payments, including principal and interest, from $1,271,600 to $1,276,400, until October 2031 at rates ranging from 4.65 % to 5.47 %.	$ 14,820,200	$ 14,804,800
2004 Series bonds, variable annual payments from $3,980,700 to $3,990,800, including interest at rates ranging from 3.0% to 3.815%, until October 2012.	7,538,600	11,112,100
Note payable in equal monthly payments of $12,200, including interest at an annual interest rate of 7.175%, until April 2012, collaterized by a building owned by the Company.	81,300	215,700
Present value of net minimum capital lease obligations	2,035,400	2,910,900
Total debt	24,475,500	29,043,500
Less amounts due within one year	(4,701,500)	(4,575,200)
Long-term debt, due after one year	$ 19,774,000	$ 24,468,300

Long-term debt maturing in the next five years consists of:

Fiscal years ending	Long-term Debt	Capital Leases	Total
2012	$ 3,786,300	$ 915,200	$ 4,701,500
2013	4,303,700	769,800	5,073,500
2014	495,600	285,100	780,700
2015	521,200	65,300	586,500
2016	546,700	-	546,700
Thereafter	12,786,600	-	12,786,600
	$ 22,440,100	$ 2,035,400	$ 24,475,500

NOTE 8: LONG-TERM DEBT (Continued)

A summary of interest expense for the years ended September 30, is shown below.

	2011	2010
Interest expense:		
Interest costs	$ 1,404,800	$ 1,610,800
Amortization of deferred finance costs	165,000	171,000
Net interest expense incurred	$ 1,569,800	$ 1,781,800

NOTE 9: LONG-TERM LEASES

All non-cancelable leases have been categorized as capital or operating leases. The Company leases equipment and buildings under non-cancelable operating leases which expire at various dates between December 2011 and 2028.

The Company has operating leases for several office buildings expiring on five-year terms with various options to renew. The Company also has capital leases which consist of the following:

In March of 2008, the Company entered into five 60-month capital leases for imaging equipment costing a total of $1,317,362.

On August 29, 2008, the Company entered into a 60-month capital lease for equipment and furnishing costing $1,388,615.

On December 1, 2008, the Company entered into a 60-month capital lease for equipment costing $211,674.

On December 31, 2008, the Company entered into a 60-month capital lease for equipment costing $99,585.

On January 5, 2009, the Company entered into a 63-month capital lease for ultrasound equipment costing $546,605.

On July 29, 2009, the Company entered into a 60-month capital lease for hematology equipment costing $85,500.

On August 1, 2009, the Company entered into a 36-month capital lease for IBM hardware costing $78,439.

On August 29, 2009, the Company entered into a 60-month capital lease for equipment costing $596,000.

On September 1, 2009, the Company entered into a 36-month capital lease for sterilization equipment costing $98,260.

NOTE 9: LONG-TERM LEASES (Continued)

Property and equipment accounts include the following amounts for equipment leases that have been capitalized:

	2011	2010
Leased equipment	$ 6,082,300	$ 6,083,300
Less accumulated amortization (1)	(3,896,200)	(3,086,600)
	$ 2,186,100	$ 2,996,700

(1) Amortization is included in depreciation expense.

Minimum future obligations on leases in effect at September 30, 2011, are:

	Capital Leases	Operating Leases
Fiscal years ending		
2012	$ 1,021,300	$ 3,176,400
2013	824,700	3,087,300
2014	323,900	3,028,400
2015	43,700	3,142,000
2016	-	3,207,100
Thereafter	-	27,115,600
Total minimum lease payments	2,213,600	$ 42,756,800
Less amounts representing interest	(178,200)	
Present value of net minimum lease payments	$ 2,035,400	

Interest expense on the outstanding obligations under capital leases was $156,400 and $203,900 for the years ended September 30, 2011 and 2010, respectively. Rental expense under non-cancelable operating leases with initial terms of one year or greater was $3,355,200 and $3,320,500 for the years ended September 30, 2011 and 2010, respectively.

NOTE 10: PENSION PLAN COSTS

The Company has a defined benefit pension plan covering substantially all of its employees. The Company makes contributions to the plan in amounts sufficient to fund the plan's current service cost and the actuarially computed past service costs over a period of ten years.

In addition, during 1994 the Company established the Tuality Healthcare Performance Retirement Plan under which eligible employees may defer a portion of their annual compensation pursuant to Sections 403(b) and 401(k) of the Internal Revenue Code. The Company matches a portion of employee contributions on a discretionary basis. The Company accrued for contributions of $1,057,400 and $959,100 for the years ended September 30, 2011 and 2010, respectively.

NOTE 10: PENSION PLAN COSTS (Continued)

The following table sets forth the defined benefit pension plan's funded status and amounts recognized in the Company's consolidated balance sheet as of September 30,

	2011	2010
Change in benefit obligation:		
Projected benefit obligation at October 1,	$ 60,647,759	$ 53,999,469
Service cost	3,198,950	2,972,201
Interest cost	3,733,236	3,458,917
Amendments	-	-
Actuarial (gain) loss	6,164,543	1,717,279
Benefits paid	(1,718,049)	(1,500,077)
Projected benefit obligation at September 30,	$ 72,026,439	$ 60,647,789

	2011	2010
Change in plan assets:		
Fair value of assets at October 1,	$ 43,129,323	$ 38,164,344
Actual return on plan assets	(735,578)	3,969,401
Employer contribution	3,988,152	2,495,655
Benefits paid	(1,718,049)	(1,500,077)
Fair value of assets at September 30,	$ 44,663,848	$ 43,129,323
Funded status	$ (27,362,591)	$ (17,518,436)

Amounts recognized in the consolidated balance sheet as of September 30 consisted of:

	2011	2010
Long-term liabilities	$ 27,362,591	$ 17,518,436

Amounts recognized as changes in unrestricted net assets but not yet included in net periodic pension cost as of September 30 consisted of:

	2011	2010
Net loss	$ 26,040,306	$ 16,393,051
Prior service cost	4,622	8,503
Total	$ 26,044,928	$ 16,401,554

NOTE 10: PENSION PLAN COSTS (Continued)

The accumulated benefit obligation for the defined pension plan was $64,245,514 and $54,514,793 at September 30, 2011 and 2010, respectively.

	2011	2010
Components of net periodic benefit cost:		
Service cost	$ 3,198,950	$ 2,972,201
Interest cost	3,733,236	3,458,917
Expected return on plan assets	(3,502,982)	(3,293,885)
Amortization of prior service cost	3,881	3,881
Amortization of net transition obligation (asset)	-	-
Amortization of net actuarial (gain) loss	755,848	504,970
Net periodic pension cost	$ 4,188,933	$ 3,646,084

Functional classification of net periodic pension cost was as follows:

	2011	2010
Health care services	$ 4,035,407	$ 3,492,558
General and admininstrative	153,526	153,526
Total	$ 4,188,933	$ 3,646,084

The estimated net loss and prior service cost that will be amortized from changes in unrestricted net assets into net periodic pension cost over the next fiscal year are $1,445,399 and $755,848, respectively.

Assumptions:

	2011	2010
Weighted-average assumptions used to determine benefit obligations at September 30:		
Discount rate	5.90%	6.25%
Rate of compensation increase	3.00%	2.00/3.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended September 30:		
Discount rate	6.25%	6.25%
Expected long-term return on plan assets	7.50%	7.50%
Rate of compensation increase	3.00%	2.00%/3.00%

The rate of compensation increase is 2.00% for 2010, and 3.00% for 2011 and after.

NOTE 10: PENSION PLAN COSTS (Continued)

The expected long-term rate of return on plan assets reflected the weighted-average expected return for the broad categories of investments currently held in the Plan (adjusted for expected changes), based on historical rates of return for each broad category, as well as factors that may constrain or enhance returns in the broad categories in the future.

Plan assets:

The composition of plan assets at September 30, 2011 and 2010 is as follows:

	2011	2010
Asset category		
Equity securities	41.00%	48.50%
Fixed income securites	28.51%	32.50%
Real estate	3.43%	2.50%
Cash	27.06%	16.50%
Total	100.00%	100.00%

The Company's investment policy is to manage the Plan with long-term (five years and more) objectives; with little concern for high current income or the need to maintain ready-cash reserves; and with the intent to achieve the highest practicable long-term rate of return without taking excessive risk that could jeopardize the funding policy or cause undue funding volatility. In consideration of this policy, the Plan will invest in a variety of asset classes (including short-term money-market securities, large-company common stocks, smaller-company common stocks, international common stocks and fixed income securities) and will diversify sufficiently within each asset class or may invest in index funds to minimize the risk of large losses. Target allocation percentages for each major category of plan assets are as follows:

Equity securities	48.00%
Fixed income securities	32.50%
Real estate	3.00%
Cash	16.50%
Total	100.00%

Cash flows:

The Company expects to contribute $4,053,134 to its pension plan in 2012.

NOTE 10: PENSION PLAN COSTS (Continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2012	$ 2,100,000
2013	2,400,000
2014	2,800,000
2015	3,200,000
2016	3,600,000
Following five years	24,600,000

The following table presents the Company's pension plan assets measured at fair market value at September 30, 2011.

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 892,010	$ 892,010	$ -	$ -
Equity securities:				
Fixed income	9,516	9,516	-	-
Large cap	1,263,514	1,263,514	-	-
Mid cap	1,112,898	1,112,898	-	-
Small cap	1,190,252	1,190,252	-	-
Investment contract with insurance company	20,724,044	-	-	20,724,044
Corporate bonds and debentures	470,131	-	470,131	-
U.S. Government securities	162,448	162,448	-	-
Alternative investments	289,288	-	-	289,288
Pooled separate accounts:				
Large cap	434,697	434,697	-	-
Mid cap	642,750	642,750	-	-
Small cap	1,323,287	1,323,287	-	-
Registered investment companies:				
Fixed income	2,817,591	2,817,591	-	-
Large cap	6,881,646	6,881,646	-	-
Mid cap	3,755,570	3,755,570	-	-
Small cap	2,019,069	2,019,069	-	-
Other	675,137	675,137	-	-
Total	$ 44,663,848	$ 23,180,385	$ 470,131	$ 21,013,332

NOTE 10: PENSION PLAN COSTS (Continued)

Level 1 Fair Value Measurements:

The fair value of pooled separate accounts, investments with registered investment companies, and equity securities is based on quoted market prices.

Level 2 Fair Value Measurements:

The fair value of corporate bonds and debentures for which quoted market prices are not available is valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Level 3 Fair Value Measurements:

The fair value of the investment contract is based on a unit value basis, which approximates fair value. Prices are generally obtained directly from the fund house or other investment provider. The contract value of the funds held in the Guaranteed Deposit Account, which approximates fair value, generally represents principal plus accrued interest. The fair value of alternative investments is based on a net asset value per share. Net asset value per share was obtained directly from the financial statements of the issuer.

The following table reconciles the beginning and ending balances of fair value measurements using significant unobservable inputs for the year ending September 30, 2011.

	Investment Contract with Insurance Company	Alternative Investments	Total
Balance at October 1, 2010	$ 15,644,258	$ 292,058	$ 15,936,316
Total gains or losses (realized and unrealized) included in income	669,554	(2,770)	666,784
Purchases, sales, issuances and settlements (net)	4,410,232	-	4,410,232
Balance at September 30, 2011	$ 20,724,044	$ 289,288	$ 21,013,332

NOTE 11: FUNCTIONAL EXPENSES

Tuality Healthcare provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended September 30.

	2011	2010
Health care services	$ 169,030,500	$ 173,249,400
General and administrative	7,041,500	5,508,200
	$ 176,072,000	$ 178,757,600

NOTE 12: CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist of the following:

Cash:

The Company maintains its cash balances at several financial institutions located in Washington County, Oregon. As of September 30, 2011, accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At September 30, 2011, the Company's uninsured cash balances totaled $246,500.

Patient receivables:

The mix of patient receivables was as follows at September 30,

	2011	2010
Medicare and medicare managed care	38.40%	36.40%
Medicaid and medicaid managed care	14.40%	12.60%
Managed care plans	29.30%	27.50%
Workers compensation	2.40%	2.10%
Other	15.50%	21.40%
	100.00%	100.00%

Promises to give receivable:

Credit risk for promises to give is concentrated because substantially all of the balances are receivable from individuals located within the same geographic location as the Company. The receivable for promises to give at September 30, 2011, was $48,300.

NOTE 13: COMMITMENTS AND CONTINGENCIES

During the normal course of its operations the Company becomes involved in litigation and regulatory investigations. After consultation with its legal counsel, management believes that these matters will be resolved without material adverse effect on the Company's future financial position.

Tuality Healthcare has an employee medical benefit plan to self-insure claims up to $135,000 per year for each individual covered, with an individual lifetime maximum benefit of $2,000,000. This self-insured medical benefit plan operates on a calendar year basis and is administered by a third party administrator. Claims above $135,000 per individual are covered by an excess medical indemnity (reinsurance) policy. Tuality Healthcare and its covered employee dependents contribute to the fund to pay medical claims and reinsurance premiums. At September 30, 2010, management has made provisions which it believes to be sufficient to cover estimated claims, including claims incurred but not yet reported.

Effective August 1, 2004 through August 30, 2010, Tuality Healthcare, with four other Oregon hospitals, was part of a captive insurance arrangement in Nevada organized by Health Futures, LLC (HFIE). Each of the members of the HFIE Risk Retention Group were self-insured up to $100,000 per occurrence. The HFIE Risk Retention Group was directly responsible for costs per claim between $100,000 and $500,000 and had purchased an excess liability (reinsurance) policy for costs over $500,000 per occurrence to $250,000,000 in aggregate.

Effective September 1, 2010, Tuality Healthcare transitioned its status as a subscriber and insured under HFIE, and entered into a different captive insurance arrangement with Mountain States Healthcare Reciprocal Retention Group (MSH) along with other member hospitals. Tuality Healthcare's commitment is for a period to be no less than 5 years. General and Professional liability costs have been accrued based on actuarial determination. All claims under the MSH policy are subject to a $25,000 deductible indemnity payment per claim. The limits provided in the primary policy issued by MSH shall be $1,000,000 per claim and $3,000,000 annual aggregate for general and hospital professional liability, and $1,000,000 per claim and $3,000,000 annual aggregate for physician professional liability. An excess/umbrella insurance program exists for general and hospital professional liability and provides limits in 4 separate layers and is reinsured by CNA (first excess layer), Zurich (next two excess layers), and Chartis (last excess layer) insurance companies. Each layer provides limits of $5,000,000 per claim and $5,000,000 annual aggregate per hospital and $15,000,000 annual aggregate for all hospitals participating in that layer. Total limits for the hospitals that participate in all four layers are $20,000,000 per claim, $20,000,000 annual aggregate per hospital and $60,000,000 annual aggregate for all hospitals combined. During the initial period of Tuality Healthcare's participation, September 1, 2010 through December 31, 2010, only the first three layers apply to Tuality Healthcare. After January 1, 2011 all four excess layers apply.

Guarantee of debt:

The Company, jointly with OHSU, is a guarantor of debt and lease obligations of TOCC. The Company's guaranteed portion of TOCC's debt and lease obligations totaled approximately $98,675 at September 30, 2011 and $295,300 at September 30, 2010. The guarantees are scheduled to expire August 2012. Examples of events that would require the Company to provide a cash payment pursuant to the guarantees include a loan default, which would result from TOCC's failure to service its debt when due or noncompliance with financial covenants. There is currently no recorded liability for potential losses under these guarantees, nor is there any liability for the Company's obligation to *stand ready* to fund such guarantees.

NOTE 14: PROMISES TO GIVE

At September 30, 2011, there were no conditional promises to give. Unconditional promises to give at September 30 are as follows:

	2011	2010
Receivable in less than one year	$ 47,700	$ 138,900
Receivable in one to five years	4,500	22,400
Total unconditional promises to give	52,200	161,300
Less discounts to net present value	(3,900)	(15,500)
Net unconditional promises to give	$ 48,300	$ 145,800

SUPPLEMENTARY INFORMATION

TUALITY HEALTHCARE
CONSOLIDATING BALANCE SHEETS
As of September 30, 2011

ASSETS	Tuality Healthcare	TMSI/ TMES	Tuality Property Management Co	Tuality Healthcare Foundation	Total	Intercompany Eliminations	Consolidated September 30, 2011	Consolidated September 30, 2010
CURRENT ASSETS								
Cash and cash equivalents	$ 13,339,600	$ 479,600	$ 813,100	$ 34,300	$ 14,666,600	$ -	$ 14,666,600	$ 18,596,300
Short-term investments	17,221,600	-	-	1,250,100	18,471,700	-	18,471,700	8,356,600
Patient accounts receivable	29,553,900	237,900	-	-	29,791,800	-	29,791,800	32,955,400
Allowance for uncollectible accounts	(7,776,200)	(20,000)	-	-	(7,796,200)	-	(7,796,200)	(9,721,800)
Other receivables	3,867,400	-	(1,000)	46,500	3,912,900	-	3,912,900	4,781,900
Allowance for uncollectible accounts	(1,026,400)	-	-	(2,300)	(1,028,700)	-	(1,028,700)	(1,770,000)
Inventory of supplies	2,631,900	167,200	-	-	2,799,100	-	2,799,100	2,793,000
Prepaid expenses and other	2,222,000	15,400	13,600	-	2,251,000	-	2,251,000	2,315,900
Assets whose use is limited								
Required for current liabilities	4,239,700	-	-	-	4,239,700	-	4,239,700	4,171,900
Due from subsidiaries	1,246,500	85,100	3,571,200	4,100	4,906,900	(4,906,900)	-	-
Total current assets	65,520,000	965,200	4,396,900	1,332,700	72,214,800	(4,906,900)	67,307,900	62,479,200
ASSETS WHOSE USE IS LIMITED								
Board designated funds	19,733,200	-	-	-	19,733,200	-	19,733,200	21,691,300
Under bond indenture agreement - held by Trustee	8,238,100	-	-	-	8,238,100	-	8,238,100	8,170,700
Donor restricted - specific purpose	50,700	-	-	1,443,200	1,493,900	-	1,493,900	1,877,400
Donor restricted - endowment	-	-	-	2,516,600	2,516,600	-	2,516,600	2,430,600
Cash restricted for the acquisition of property or equipment	-	-	-	-	-	-	-	-
Less amount required for current liabilities	(4,239,700)	-	-	-	(4,239,700)	-	(4,239,700)	(4,171,900)
Total assets whose use is limited	23,782,300	-	-	3,959,800	27,742,100	-	27,742,100	29,998,100
PROPERTY AND EQUIPMENT								
Property and equipment	141,720,500	429,000	19,644,900	-	161,794,400	-	161,794,400	158,440,900
Accumulated depreciation	(106,230,600)	(307,600)	(13,457,500)	-	(119,995,700)	-	(119,995,700)	(111,605,100)
Total property and equipment	35,489,900	121,400	6,187,400	-	41,798,700	-	41,798,700	46,835,800
OTHER ASSETS								
Other receivables - noncurrent	-	-	-	4,100	4,100	-	4,100	18,400
Investments in subsidiaries	13,218,100	-	-	-	13,218,100	(13,218,100)	-	-
Investments	2,370,200	211,200	-	-	2,581,400	-	2,581,400	2,043,700
Held by Trustee - deferred compensation plan	680,700	-	-	-	680,700	-	680,700	702,900
Deferred costs and other	838,800	-	-	-	838,800	-	838,800	968,900
Intangible assets	198,000	-	1,879,000	-	2,077,000	-	2,077,000	2,014,000
Goodwill	100,000	-	-	-	100,000	-	100,000	100,000
Total other assets	17,405,800	211,200	1,879,000	4,100	19,500,100	(13,218,100)	6,282,000	5,847,900
	$ 142,198,000	$ 1,297,800	$ 12,463,300	$ 5,296,600	$ 161,255,700	$ (18,125,000)	$ 143,130,700	$ 145,161,000

See notes to financial statements

TUALITY HEALTHCARE
CONSOLIDATING BALANCE SHEETS (CONTINUED)
As of September 30, 2011

LIABILITIES AND NET ASSETS	Tuality Healthcare	TMSI/ TMES	Tuality Property Management Co	Tuality Healthcare Foundation	Total	Intercompany Eliminations	Consolidated September 30, 2011	Consolidated September 30, 2010
CURRENT LIABILITIES								
Accounts payable	$ 9,124,400	$ 147,600	$ 206,500	$ 900	$ 9,479,400	$ -	$ 9,479,400	$ 9,507,800
Accrued payroll and employee benefits	8,881,100	125,200	-	-	9,006,300	-	9,006,300	9,833,300
Estimated liabilities for Medicare and Medicaid settlements	1,065,500	-	-	-	1,065,500	-	1,065,500	1,121,700
Long-term debt due within one year	4,620,200	-	81,300	-	4,701,500	-	4,701,500	4,575,200
Accrued bond interest payable	534,300	-	-	-	534,300	-	534,300	596,900
Due to subsidiaries	3,656,700	821,800	34,500	393,900	4,906,900	(4,906,900)	-	-
Total current liabilities	27,882,200	1,094,600	322,300	394,800	29,693,900	(4,906,900)	24,787,000	25,634,900
LONG-TERM LIABILITIES								
Long-term debt, net of amount due within one year	19,774,000	-	-	-	19,774,000	-	19,774,000	24,468,300
Liability for pension benefits	27,362,600	-	-	-	27,362,600	-	27,362,600	17,518,400
Total long-term liabilities	47,136,600	-	-	-	47,136,600	-	47,136,600	41,986,700
TOTAL LIABILITIES	75,018,800	1,094 600	322,300	394,800	76,830,500	(4,906,900)	71,923,600	67,621,600
NET ASSETS								
Unrestricted	67,128,500	203,200	12,141,000	893,700	80,366,400	(13,218,100)	67,148,300	73,085,500
Temporarily restricted by donors	50,700	-	-	1,491,500	1,542,200	-	1,542,200	2,023,200
Permanently restricted by donors	-	-	-	2,516 600	2,516,600	-	2,516,600	2,430,700
Total net assets	67,179,200	203,200	12,141,000	4,901,800	84,425,200	(13,218,100)	71,207,100	77,539,400
	$ 142,198,000	$ 1,297,800	$ 12,463,300	$ 5,296,600	$ 161,255,700	$ (18,125,000)	$ 143,130 700	$ 145,161,000

See notes to financial statements

TUALITY HEALTHCARE
CONSOLIDATING SCHEDULE OF OPERATIONS
For the year ended September 30, 2011

	Tuality Healthcare	TMSI/ TMES	Tuality Property Management Co	Tuality Healthcare Foundation	Total	Intercompany Eliminations	Consolidated September 30, 2011	Consolidated September 30, 2010
NET PATIENT SERVICE REVENUE	$ 170,848,900	$ 1,637,400	$ -	$ -	$ 172,486,300	$ -	$ 172,486,300	$ 174,876,000
OTHER REVENUE	7,441,400	800	2,327,300	58,500	9,828 000	(2,906 000)	6 922,000	6,776,400
Total Revenue	178,290,300	1,638,200	2 327 300	58,500	182,314,300	(2,906 000)	179,408,300	181,652,400
OPERATING EXPENSES								
Salaries and wages	74,740,500	291,000	-	-	75,031,500	-	75,031,500	71,309,100
Employee benefits	20,275,100	108,700	-	-	20,383,800	-	20,383,800	17,291,700
Supplies and other expenses	52,520,400	903,600	572,700	45,200	54,041,900	(2,132,300)	51,909,600	55,774,200
Professional fees	3,165,800	-	124,800	-	3,290,600	-	3,290 600	4,285,400
Management fees	-	199,400	424,300	-	623,700	(623,700)	-	-
Depreciation and amortization	7,852,600	47,900	584,800	-	8,485,300	-	8,485,300	9,006,100
Interest	1,557,200	-	12,600	-	1,569,800	-	1,569,800	1,781,800
Provision for bad debts	15,380,500	20,900	-	-	15,401,400	-	15,401,400	19,309,300
Total operating expenses	175,492,100	1,571,500	1,719,200	45,200	178,828,000	(2,756,000)	176,072,000	178,757,600
INCOME FROM OPERATIONS	2,798,200	66,700	608,100	13,300	3,486,300	(150,000)	3,336,300	2,894,800
OTHER INCOME								
Realized income on investments whose use is limited by board designation	614,400	-	-	-	614,400	-	614,400	348,900
Gain (loss) on investments in affiliated companies	1,336,900	41,800	-	(150,000)	1,228,700	(870,800)	357,900	195,200
Gain (loss) on disposal of property and equipment	(34,100)	(22,500)	326,600	-	270,000	-	270,000	700
Total other income	1,917,200	19,300	326,600	(150,000)	2,113,100	(870,800)	1,242,300	544,800
REVENUE IN EXCESS OF EXPENSES	4,715,400	86,000	934,700	(136,700)	5,599,400	(1,020,800)	4,578,600	3,439,600
Contributions for property and equipment acquisition	466,500	-	-	-	466,500	-	466,500	20,600
Change in net unrealized gain (loss) on other than trading securities	(523,900)	-	-	(10,300)	(534,200)	-	(534,200)	1,033,600
Pension-related changes	(10,448,100)	-	-	-	(10 448,100)	-	(10,448,100)	(532,900)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (5,790,100)	$ 86,000	$ 934,700	$ (147,000)	$ (4,916,400)	$ (1,020,800)	$ (5,937,200)	$ 3,960,900

See notes to financial statements

TUALITY HEALTHCARE FOUNDATION, INC.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS
For the year ended September 30, 2011

	General Funds	Donor Restricted: Specific Purpose Funds	Donor Restricted: Endowment Funds	Total
REVENUES AND ADDITIONS				
Contributions	$ 63,800	$ 862,400	$ 85,900	$ 1,012,100
Investment income	5,100	(27,100)	-	(22,000)
Net assets released from restrictions used for operations	(20,600)	20,600	-	-
	48,300	855,900	85,900	990,100
EXPENSES AND DEDUCTIONS				
Operating expenses and deductions	45,200	272,800	-	318,000
Net assets released from restrictions	-	-	-	-
	3,100	583,100	85,900	672,100
TRANSFERS				
To Tuality Community Hospital	150,000	1,104,000	-	1,254,000
CHANGE IN NET ASSETS	(146,900)	(520,900)	85,900	(581,900)
NET ASSETS AT BEGINNING OF YEAR	1,040,700	2,012,300	2,430,700	5,483,700
NET ASSETS AT END OF YEAR	$ 893,800	$ 1,491,400	$ 2,516,600	$ 4,901,800

See notes to financial statements.