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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

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 04-01-2011 and ending 03-31-2012

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

C Name of organization
LEGACY MOUNT HOOD MEDICAL CENTER

Doing Business As

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

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

D Employer identification number
93-0591528

E Telephone number
(503)415-5600

G Gross receipts $ 110,559,589

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

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW LEGACYHEALTH ORG

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

Part I Summary

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

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	16
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	14
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	0
6	Total number of volunteers (estimate if necessary)	**6**	405
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	69,876	64,105
9	Program service revenue (Part VIII, line 2g)	102,364,987	109,605,728
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,878,639	874,811
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		0
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	104,313,502	110,544,644
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)		0
14	Benefits paid to or for members (Part IX, column (A), line 4)		0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	43,766,320	46,411,094
16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	53,233,948	57,650,828
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	97,000,268	104,061,922
19	Revenue less expenses Subtract line 18 from line 12	7,313,234	6,482,722

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	76,961,913	75,067,661
21	Total liabilities (Part X, line 26)	62,650,842	61,584,381
22	Net assets or fund balances Subtract line 21 from line 20	14,311,071	13,483,280

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

****** | 2013-02-15
Signature of officer | Date

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

Paid Preparer's Use Only

Preparer's signature | Date | Check if self-employed ▶☐ | Preparer's taxpayer identification number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ | EIN ▶ | Phone no ▶

May the IRS discuss this return with the preparer shown above? (see instructions) ☐ Yes ☐ No

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

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

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 $ 79,304,226 including grants of $) (Revenue $ 109,605,728)

LMHMC provides inpatient and outpatient healthcare services to the communities it serves In support of its mission, LMHMC voluntarily provides medically necessary patient care services that are discounted or free of charge to persons who have insufficient resources and/or who are uninsured During fiscal year 2012, LMHMC provided financial assistance on approximately 22,255 patient accounts (of which 26% received discounts totaling 100% of costs) and resulted in LMHMC incurring roughly $9,356,400 in uncompensated costs associated with this program In addition to charity care, LMHMC provides services under various states' Medicaid programs for financially needy patients, Medicare beneficiaries and other government programs for which the cost of treating these patients exceeds the government payments received During fiscal year 2012, LMHMC incurred approximately $3,900,570, $940,300 and $201,100 in uncompensated costs attributable to Medicaid, Medicare, and other government programs, respectively LMHMC also provides a variety of other community benefit activities such as medical education, donations to other charitable entities, research, and other health improvement services which totaled roughly $581,550 during fiscal year 2012 LMHMC is part of Legacy, which collectively provided over $71 million, $89 million, $69 million, and $2 million in uncompensated care attributable to its financial assistance, Medicaid, Medicare, and other government programs, respectively, in fiscal year 2012 In addition, Legacy provided over $20 million in other community benefit activities during fiscal year 2012

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** ▶ $ 79,304,226

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	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, Part 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, Part 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*	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.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

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

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	16		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	14		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5			No
6	Did the organization have members or stockholders?	6		Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a		Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b		Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	8a		Yes	
b	Each committee with authority to act on behalf of the governing body?	8b		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9			No

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

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

Section C. Disclosure

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

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made 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 made its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

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

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

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								1,192,645	12,684,323	1,144,244

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 38

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
WAVE FORM SYSTEMS INC PO BOX 6989 PORTLAND, OR 972086989	MEDICAL SERVICES	144,440
OREGON ANESTHESIOLOGY GROUP PC PO BOX 2040 PORTLAND, OR 97208	MEDICAL SERVICES	328,715
NW CARDIOVASCULAR INSTITUTE 2222 NW LOVEJOY 606 PORTLAND, OR 97210	MEDICAL SERVICES	362,700
ECHO VISION 7214 NE 72ND PL VANCOUVER, WA 98662	MEDICAL SERVICES	166,975
BAUGH SKANSKA INC PO BOX 767 BEAVERTON, OR 97075	CONSTRUCTION	1,133,659

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 8

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 64,105				
	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 . . . . . ▶	64,105			
Program Service Revenue		Business Code				
	2a	PATIENT PROGRAM REV	266,002,349	266,002,349		
	b	CONTRACTUAL ALLOWANCE	-130,760,238	-130,760,238		
	c	CHARITY CARE	-26,191,730	-26,191,730		
	d	CAFE, PHARMACY & ETC	555,347	555,347		
	e					
	f	All other program service revenue				
	g	**Total.** Add lines 2a–2f . . . . . ▶	109,605,728			
	3	Investment income (including dividends, interest and other similar amounts) . . . . . ▶	889,756			889,756
	4	Income from investment of tax-exempt bond proceeds . . ▶	0			
	5	Royalties . . . . . ▶	0			
		(i) Real / (ii) Personal				
	6a	Gross rents				
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss) . . . . . ▶	0			
		(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory				
	b	Less cost or other basis and sales expenses 14,945				
	c	Gain or (loss) -14,945				
	d	Net gain or (loss) . . . . . ▶	-14,945			-14,945
	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a				
	b	Less direct expenses . . . b				
	c	Net income or (loss) from fundraising events . . ▶	0			
	9a	Gross income from gaming activities See Part IV, line 19 . . . a				
	b	Less direct expenses . . . b				
	c	Net income or (loss) from gaming activities . . ▶	0			
	10a	Gross sales of inventory, less returns and allowances . a				
	b	Less cost of goods sold . . b				
	c	Net income or (loss) from sales of inventory . . ▶	0			
Other Revenue		Miscellaneous Revenue / Business Code				
	11a					
	b					
	c					
	d	All other revenue				
	e	**Total.** Add lines 11a–11d . . . . . ▶	0			
	12	**Total revenue.** See Instructions . . . ▶	110,544,644	109,605,728		874,811

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)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	0			
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	328,377	287,174	41,203	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	35,379,691	30,940,393	4,439,298	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,494,513	2,181,512	313,001	
9	Other employee benefits	5,289,539	4,625,829	663,710	
10	Payroll taxes	2,918,974	2,552,713	366,261	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	0			
c	Accounting	0			
d	Lobbying	0			
e	Professional fundraising *See Part IV, line 17* . .	0			
f	Investment management fees	0			
g	Other	2,367,107	2,367,107		
12	Advertising and promotion	0			
13	Office expenses	11,837,609	11,199,750	637,859	
14	Information technology	0			
15	Royalties . .	0			
16	Occupancy	155,124	120,941	34,183	
17	Travel	54,328	42,356	11,972	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	0			
20	Interest	1,372,971	1,070,427	302,544	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	5,536,675	4,316,630	1,220,045	
23	Insurance	285,531	228,277	57,254	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	PROVIDER TAX	5,302,440	5,302,440		
b	CONTRACT SERVICES	6,885,588	6,464,767	420,821	
c	BAD DEBTS	7,452,665	7,452,665		
d	ADMINISTRATIVE SERVICES FEES	15,880,860		15,880,860	
e					
f	All other expenses	519,930	151,245	368,685	
25	**Total functional expenses.** Add lines 1 through 24f	104,061,922	79,304,226	24,757,696	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		223,437	1	245,918
	2	Savings and temporary cash investments			2	0
	3	Pledges and grants receivable, net			3	0
	4	Accounts receivable, net		12,536,739	4	13,118,288
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	0
	7	Notes and loans receivable, net			7	0
	8	Inventories for sale or use		1,524,789	8	1,478,731
	9	Prepaid expenses and deferred charges		24,648	9	24,073
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 95,509,749			
	b	Less accumulated depreciation	10b 55,753,391	40,255,583	10c	39,756,358
	11	Investments—publicly traded securities			11	0
	12	Investments—other securities See Part IV, line 11		22,396,717	12	20,444,293
	13	Investments—program-related See Part IV, line 11			13	0
	14	Intangible assets			14	0
	15	Other assets See Part IV, line 11			15	0
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		76,961,913	16	75,067,661
Liabilities	17	Accounts payable and accrued expenses		10,775,962	17	7,172,575
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	473,721
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		51,874,880	25	53,938,085
	26	**Total liabilities.** Add lines 17 through 25		62,650,842	26	61,584,381
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		14,311,071	27	13,483,280
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		14,311,071	33	13,483,280
	34	Total liabilities and net assets/fund balances		76,961,913	34	75,067,661

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	110,544,644
2	Total expenses (must equal Part IX, column (A), line 25)	2	104,061,922
3	Revenue less expenses Subtract line 2 from line 1	3	6,482,722
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	14,311,071
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-7,310,513
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	13,483,280

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

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

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

1 ☐ A church, convention of churches, or association of churches **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 IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2011.** 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—2010.** 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—2011.** 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—2010.** 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 IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

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

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from **2010** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2011.** 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—2010.** 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 explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.**

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

OMB No 1545-0047

2011

Open to Public Inspection

If the organization answered "Yes," to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes," to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then

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

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

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1 Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV

2 Political expenditures ▶ $

3 Volunteer hours

Part I-B Complete if the organization is exempt under section 501(c)(3).

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☑ No

4a Was a correction made? ☐ Yes ☑ No

b If "Yes," describe in Part IV

Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ $

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

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

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

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

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

A Check ☑ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

B Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)	1,813	286,206
c Total lobbying expenditures (add lines 1a and 1b)	1,813	286,206
d Other exempt purpose expenditures	90,259,886	1,253,375,221
e Total exempt purpose expenditures (add lines 1c and 1d)	90,261,699	1,253,661,427
f Lobbying nontaxable amount Enter the amount from the following table in both columns	1,000,000	1,000,000
g Grassroots nontaxable amount (enter 25% of line 1f)	250,000	250,000
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					12,000,000
c Total lobbying expenditures	59,359	263,925	185,614	288,019	796,917
d Grassroots non-taxable amount	500,000	500,000	500,000	500,000	2,000,000
e Grassroots ceiling amount (150% of line 2d, column (e))					3,000,000
f Grassroots lobbying expenditures					

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

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

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation

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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, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	82,987	71,518	115,981		
b Contributions	34,525	46,401	157,461		
c Investment earnings or losses	371	40			
d Grants or scholarships					
e Other expenditures for facilities and programs	18,162	34,972	201,924		
f Administrative expenses					
g End of year balance	99,721	82,987	71,518		

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

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,494,569		1,494,569
b Buildings		53,632,012	28,789,222	24,842,790
c Leasehold improvements		1,512,596	1,137,409	375,187
d Equipment		38,544,529	25,826,760	12,717,769
e Other		326,043		326,043
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				39,756,358

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	622,190	C
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	20,444,293	

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

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

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

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

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
NONCURRENT WORKERS' COMP LIABILITY	258,579
NONCURRENT PENSION LIABILITY	9,446,653
I/C AFFILIATE DEBT	44,232,853
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	53,938,085

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	110,544,644
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	104,061,922
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	6,482,722
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	-7,310,513
9	Total adjustments (net) Add lines 4 - 8	9	-7,310,513
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-827,791

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	110,599,000
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	279,112		
e	Add lines **2a** through **2d**			2e	279,112
3	Subtract line **2e** from line **1**			3	110,319,888
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	224,756		
c	Add lines **4a** and **4b**			4c	224,756
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	110,544,644

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

1	Total expenses and losses per audited financial statements			1	104,154,000
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	279,112		
e	Add lines **2a** through **2d**			2e	279,112
3	Subtract line **2e** from line **1**			3	103,874,888
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	187,034		
c	Add lines **4a** and **4b**			4c	187,034
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	104,061,922

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Part XIII, Line 4b	Part XIII, Line 4b Other revenue amounts included on 990 but not included in F/S	AUXILIARY EXPENSE $22993 FOUNDATION CONTRIBUTION $50305 ROUNDING $307 OCCUPANCY EXPENSE $155124 OTHER EXPENSE $-168076 MEDICAL STAFF EXPENSE $111436 GAIN / LOSS OF SALE OF ASSETS $14945
Part XIII, Line 2d	Part XIII, Line 2d Other expenses and losses per audited F/S	PROGRAM SERVICE REVENUE RECLASS $279112
Part XII, Line 4b	Part XII, Line 4b Other revenue amounts included on 990 but not included in F/S	AUXILIARY INCOME $18640 FOUNDATION CONTRIBUTION $50305 ROUNDING $-278 OCCUPANCY EXPENSE $155124 OTHER EXPENSE $-168077 MEDICAL STAFF INCOME $140297 GAIN / LOSS OF SALE OF ASSETS $14945 IN KIND DONATIONS $0 FOUNDATION CAPITAL CONTRIBUTION $13800
Part XII, Line 2d	Part XII, Line 2d Other revenue amounts included in F/S but not included on form 990	PROGRAM SERVICE REVENUE RECLASS $279112
Part XI, Line 8	Part XI, Line 8 Other Changes in Net Assets or Fund Balances	IN KIND DONATIONS $ -0 CHANGE IN ADDITIONAL MINIMUM PENSION LIABILITY $ -4260495 TRANSFER TO AFFILIATES $ -3050016 ROUNDING $ -2
Part V, Line 4	Part V, Line 4 Intended uses of the endowment fund	Endowment funds disclosed in Part V are used to improve the healthcare of the community as designated by the donors Mount Hood Medical Center Foundation (MHMCF) maintains all charitable gifts including endowment funds for the benefit of LMHMC and it's programs Income from permanently restricted net assets is accounted for in accordance with the donors' instructions Legacy follows the guidance in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in determining the net asset classification of all donor-restricted endowment funds In accordance with UPMIFA and board policy, assets classified as permanent endowments in accordance with donor intent are only utilized for current period expenditures to the extent that earnings on the endowment exceed the original fair value of the donation To the extent earnings on endowment funds exceed identified expenditures on which to apply those earnings, the earnings are classified as temporarily restricted net assets Legacy has adopted investment and spending policies for endowment assets to provide a predictable stream of funding to programs supported by its endowment and to maintain the value of the endowment assets Asset allocation is reviewed quarterly with respect to i) Legacy's tolerance for risk based on its financial condition and need for cash from investments to support operations, ii) expected asset class return, risk and correlation characteristics, iii) changes in accounting guidance or tax law and iv) changes in bond covenants or other restrictions Legacy's spending practices are intended to comply with donor's wishes and meet all applicable laws and regulations Spending must be for a purpose that is consistent with the documented intent of the donor, and may not exceed the amounts annually determined by Legacy Factors that are considered in addressing the annual spending allocation are i) market value of the fund relative to the principal of the gift and ii) the level of spending in prior years From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Legacy to retain as a fund of perpetual duration Deficiencies of this nature are reported as a reduction to unrestricted net assets and are excluded from the performance indicator

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other _____ %	3b	Yes	
c	If the organization did 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 policy provide 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 charity care 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	Did the organization prepare a community benefit reportduring 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 Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1)			9,356,409		9,356,409	8 990 %
b Medicaid (from Worksheet 3, column a)			20,047,827	16,147,263	3,900,564	3 750 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			29,404,236	16,147,263	13,256,973	12 740 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			51,705		51,705	0 050 %
f Health professions education (from Worksheet 5)			354,756		354,756	0 340 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			175,089		175,089	0 170 %
j **Total** Other Benefits			581,550		581,550	0 560 %
k **Total.** Add lines 7d and 7j			29,985,786	16,147,263	13,838,523	13 300 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1		No
2	Enter the amount of the organization's bad debt expense	2	7,452,665		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	4,993,286		
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	13,773,590		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	17,069,454		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-3,295,864		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

LEGACY MT HOOD MEDICAL CENTER

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1	Yes	
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☑ A definition of the community served by the hospital facility			
b ☑ Demographics of the community			
c ☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☑ How data was obtained			
e ☑ The health needs of the community			
f ☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☑ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☑ The process for consulting with persons representing the community's interests			
i ☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	Yes	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	Yes	
5 Did the hospital facility make its Needs Assessment widely available to the public?	5	Yes	
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☑ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		No
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 0000% If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☑ Notified patients of the financial assistance policy upon admission			
	b ☑ Notified patients of the financial assistance policy prior to discharge			
	c ☑ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		No
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?	**21**		No
If "Yes," explain in Part VI			

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 from largest to smallest)

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

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions 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, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
	Part VI - Affiliated Health Care System Roles and Promotion	LMHMC is a subsidiary of Legacy Health (Legacy) Legacy is an integrated health system based in Portland, Oregon and primarily operates five acute care hospitals and related services (e g , physician practices, hospice, preferred provider network) in the four county metro area of Portland and SW Washington The Legacy Board is comprised of community and business leaders as well as representatives of the medical staff The LMHMC medical staff is open, with physicians submitting credentialing information reviewed according to LMHMC policies and standards In 1998, the Legacy Board approved a $10 million Community Health Fund from operating revenue to address major community health issues About $500,000 annually has been granted to community-based projects addressing racial and ethnic inequities and root causes These dollars are in addition to the system's generous charitable contributions The Community Health Fund has provided 33 grants since 1998 totaling nearly $6 2 million In 2010, Legacy established the CLEAR/Health Literacy initiative The ability of patients to both understand and act upon the medical information provided to them is critical to their health outcomes Patients must use information to navigate the health system (complete insurance and government forms, sign consents, schedule appointments), manage diseases and acquire preventive screenings Providers (defined as all staff interacting with or developing materials used by patients) are responsible for ensuring that patients can act on the information provided Funded by the Community Health Fund in 2012, Legacy hosted the first Oregon and SW Washington Health Literacy Conference 360 people from 69 organizations attended Legacy is now the recognized leader in moving health literacy forward both in the health delivery system and broader community Recognizing that education, employment and income inequities exist for communities of diversity, and that health professions are lacking in diversity, Legacy established the Youth Employment in Summer program in 1999 Annually, 13-15 African American, Hispanic and Native American youth receive paid summer employment in departments where they work with health professionals and earn college scholarships between $2,500 and $5,000 annually Students must remain in school and pursued health careers in order to continue in the program Some students remain in the program as long as seven years and graduated with degrees in a variety of healthcare fields The vast majority of the students are the first in the families to go to college In addition to the Community Health Fund, Legacy provided cash donations to local health and human service, education, economic development and civic organizations Donations focus on organizations with year-round relationships through programs and board representation A few examples include The Wallace Medical Concern, SnowCap and the local schools

Identifier	ReturnReference	Explanation
	Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	Non-cash donations of resources include clinical and non-clinical services and items such as screenings and support services, internships, information and referral services and health fairs Legacy's warehouse is located on Legacy Good Samaritan's campus and is open to nonprofit organizations to obtain surplus equipment and furniture In addition, conference room space is made available to local nonprofits for Board and community meetings Clinical staff at Legacy hospitals are involved with local communities through many child safety programs In 1986, nurses in Emanuel Hospital's Level I Trauma Center developed the Trauma Nurses Talk Tough (TNTT) program Taught by trauma and emergency medical professionals, the program reaches 36,000 people each year The American Hospital Association awarded the TNTT program its NOVA Award In addition, Legacy staff members conduct free education sessions to show parents how to properly install car seats Last year, Legacy staff fit and sold more than 9,000 bicycle helmets for children at a nominal or no fee based on need Legacy staff members also provide new parents with training to reduce the incidences of shaken baby syndrome and our in-house Safety Store sells child protection devices for the home at a nominal charge

Identifier	ReturnReference	Explanation
	Part VI - Community Information	LMHMC is located in Gresham, a suburban area about 35 miles east of downtown Portland The total service area extends from the Columbia River in the north to Estacada in the south and from 122nd Avenue in the west to Mt Hood in the east The five mile primary service a rea includes the cities/towns of Gresham, Troutdale, Fairview and Wood Village Zip codes for the primary service area include 97030, 97060, 97230, 97233, 97236, 97019 and 97080 While Gresham is the fourth largest city in Oregon, the other communities are much smaller in population The communities are contiguous to each other People living in this area p erceive themselves as distinct from Portland, Oregon, although the majority works in Portl and The towns have strong local governments and identities The primary service area is situated in the eastern third of the same county as the larger urban core--Portland (referr ed to as East Multnomah County) This presents challenges as the urban center/county seat consumes the majority of dollars and services and East Multnomah County often feels ignore d The situation is especially pressing as demographics are shifting such that East Multno mah County requires additional services and dollars, but struggles to be heard relative to Portland The area is working diligently to have a stronger employment base which is crit ical for schools, public sector services and autonomy within the county In November 2010, the Portland State University (PSU) Population Research Center reported the Oregon metro area tri-county population at 1,644,535 residents, with Clark County, the four county area was 2,080,926 The population of the five mile primary service area was 116,486 in 2010 Annual growth from 2010 to 2015 is projected to be 1 5% East Multnomah County is expected to grow at a higher rate than West Multnomah County In 2009, the median age in Oregon wa s 37 8 years and 36 9 years in Multnomah County In 2010 the LMHMC primary service area wa s 78 9% non-Hispanic white, 11 9% Hispanic, 1 9% African American, 3 2% Asian, 3 0% bi-rac ial and 0 7% Native American It is commonly recognized that communities of color may be u ndercounted in census numbers As home and rental costs in the City of Portland have increased significantly in the past decade, communities of color have sought housing in the sur rounding communities The range of languages spoken at home is significant within segmente d areas of East Multnomah County More than 45 languages are spoken in the East County pub lic schools The African American/Black population continues to be most concentrated in th e historical neighborhoods of North/Northeast Portland, but increased housing prices in th ose areas have resulted in this population shifting toward East Multnomah County Hispanic s are moving into the LMHMC service area at a higher rate than any other group (more than doubling in numbers in the past 15 years) Additionally, they have a higher birth rate tha n other communities of color The Hispanic population accounts for about one-fifth of the births in Oregon, while they make up just one-tenth of the population Between 1995 and 20 04 babies born to Hispanic mothers increased 67 percent It is projected that communities of color will make up the majority of the Oregon population by 2040, and that 25 percent o f the population will be Hispanic A number of the elementary schools in East County are 5 0 percent Hispanic The Slavic community, in addition to the Hispanic community, has settle d in the area While still a small population relative to the entire metro area, specific geographic areas are experiencing significant growth in the Slavic population, particularl y in the southern East Multnomah County Slavs are counted in the non-Hispanic white popul ation, but they have distinct cultural identity Their socioeconomic indicators are genera lly lower than the other non-Hispanic white population The immigrant and refugee populatio n is growing significantly in the region Recent immigrants and refugees are more likely t o be culturally and linguistically isolated Speaking a language other than English at hom e has increased significantly, particularly in East County and specific neighborhoods such as Rockwood which is located on the edge of west Gresham Spanish is the most common lang uage spoken followed by Slavic languages Catholic Healthcare West and Thomson Reuters deve loped the Community Needs Index (CNI), a tool that produces a composite picture of needs u sing a variety of demographic and socio economic indicators The CNI is increasingly being used as the national standard in identifying communities with health disparities and comp aring relative need A higher score indicated a greater need The location of one of the t op four self-pay zip codes for all Legacy hospitals is in the LMHMC service area The LMHMC is the sole hospital in the primary service area Three other health systems have a stron g clinic presence With the long-standing income di

Identifier	ReturnReference	Explanation
	Part VI - Community Information	sparities and increase in diversity in the LMHMC area, safety net services have expanded a nd emerged Multnomah County Health Department operates FQHCs in inner Gresham and Rockwoo d, a neighborhood on the western edge of Gresham (the site of one of the highest Community Needs Index scores in the entire metro area) One-fourth of the census tracts in Rockwood have "Medically Underserved Population" designation with an uninsured population of 30% Two safety net clinics serve the area One is a physician staffed nonprofit in Gresham Th e other in Rockwood is Wallace Medical Concern a volunteer staffed clinic which receives L egacy's financial support, donated laboratory services and board representation Wallace r ecently moved into a permanent expanded space and is seeking FQHC look-alike status and pr ojects serving 5900 patients annually within the second year of the move Legacy Medical G roup Clinic in Sandy is 13 miles from the hospital and is a designated Rural Health Center A local non-profit, Project Access NOW, links uninsured low income individuals to no-cost healthcare services All of the health systems in the metro area are very involved with t his program Legacy Health provides cash donations, free administrative office space for P roject Access NOW as well as clinical services In FY 12, LMHMC provided $9 4 million in c harity care and $14 4 million in total unpaid costs of care for those in need LMHMC has h istorically been among the highest charity care provider as percent of charges among all m etro area hospitals

Identifier	ReturnReference	Explanation
	Part VI - Patient Education of Eligibility for Assistance	LMHMC employs financial counselors and social workers that assist patients in obtaining coverage for their healthcare needs This includes assistance with workers compensation, motor vehicle accident policies, COBRA, veterans' assistance, LMHMC's financial assistance program, and public assistance programs, such as Medicaid The criteria for financial assistance under LMHMC's program is determined based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient's inability to pay for medically necessary services provided Specifically, the LMHMC Financial Assistance Program provides an uninsured discount of 15% to patients who have resided within LMHMC's primary service area for a period of six months, are uninsured for hospital care, and have a household income of less than $100,000 annually Further discounts are available for patients, on a sliding scale, whose household income is less than 400% of the federal poverty level or roughly $92,200 for a family of four in Portland, Oregon For patients whose household income is at or below 200% of the federal poverty level, a full subsidy is available In addition to the household income criteria, the patients' qualified assets (e g 25% of household assets), and other catastrophic or economic circumstances are considered in determining eligibility In addition to financial counselors and social workers, LMHMC makes every effort to communicate its Financial Assistance Program to all patients This includes signage in main admitting areas of each hospital and brochures explaining financial assistance in all patient care areas, as well as in appropriate languages Financial counselors are available to assist patients in understanding and applying for available resources, including the LMHMC Financial Assistance Program LMHMC's website also has information about the availability of financial assistance LMHMC offers financial assistance customer service Monday through Friday, as well as the availability of voice mail so patients can leave confidential, detailed messages during non-business hours Finally all of Legacy's billing statements include information regarding the availability of financial assistance If LMHMC requires the use of a collection agency, those agencies are required to provide a telephone number that patients can call to request financial assistance In 2010, Legacy Health established the CLEAR initiative CLEAR stands for Communication, Literacy, Education and Achieve Results CLEAR is becoming a part of Legacy's culture as nearly all departments have a direct impact on how we deliver patient care CLEAR will be rolled out in four stages awareness, education, practice and culture The first stage focuses on building awareness, educating staff in health literacy and developing department action plans The second stage will include continuing education and putting health literacy tools into consistent practice In the third stage, CLEAR will be practiced within all departments and become a part of Legacy's culture Quality, safety and cost are all affected by a patient's inability to understand medical instructions and to explain their symptoms/issues Understanding health literacy is essential Annual education is provided to all billing and admitting staff so they can be kept informed of and speak with knowledge about current financial assistance policies and options LMHMC provides copies of the latest policies in main admitting areas, as well as through newsletters and other publications Since 2008, the four county metro area health delivery systems (encompassing all hospitals in the area) and safety net clinics have partnered to establish a seamless, coordinated program to provide care for the low income uninsured, Project Access This program enables low income uninsured patients to receive continuity of care in earlier stages of acuity due to the collaboration among 2800 providers and all health systems

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

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 19d - Other Billing Determination of Individuals Without Insurance	The hospital facility used the Federal Poverty Guidelines to determine the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care Discounts are available for patients, on a sliding scale, whose household income is less than 400% of the federal poverty level A full subsidy is available for patients whose income is at or below 200% of the federal poverty level

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 7 - Explanation of Needs Not Addressed and Reasons Why	Legacy Mount Hood did not address needs identified in the Community Needs Assessment for the reasons explained in the following, by need These are included in the Community Needs Assessment and Implementation Strategies Plan NEED Mental Health Limited financial and labor resources prevent addressing as need NEED Addiction/Substance Abuse Limited financial and labor resources prevent addressing as need NEED Public Health Limited financial and labor resources prevent addressing as need NEED Dental Limited financial and labor resources prevent addressing as need NEED Childhood Obesity and Physical Activity Limited financial and labor resources prevent addressing as need NEED Natural Environment Limited financial and labor resources prevent addressing as need NEED Early Childhood Limited financial and labor resources prevent addressing as need NEED HIV/AIDS Limited financial and labor resources prevent addressing as need NEED Transgender Care Limited financial and labor resources prevent addressing as need NEED Autism Limited financial and labor resources prevent addressing as need

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 4 - List Other Hospital Facilities that Jointly Conducted Needs Assessment	The Community Needs Assessment was conducted in conjunction with the four other Legacy Health hospitals, i e , Legacy Emanuel Medical Center, Legacy Good Samaritan Medical Center, Legacy Meridian Park Medical Center and Legacy Salmon Creek Medical Center

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 3 - Account Input from Person Who Represent the Community	Input from persons who represent the community consisted of one on one personal interviews conducted by leadership with 56 elected officials (state, county and city) and public sector (public health, human services), faith, business and community nonprofit organization members, including representatives of culturally, racially and ethnically diverse and low income communities Interviewees were intentionally designated based on their direct involvement with organizations Venetta Abdellatif, Director, Multnomah County Health DepartmentJudy Alley, Executive Director, Snow CapThomas D Aschenbrener, President/CEO, Northwest Health FoundationMichael Balter, Executive Director, Boys and Girls Aid SocietyCarolyn Becic, Executive Director, Oregon MentorsCindy Becker, Administrator, Clackamas County Health and Human ServicesThe Right Rev David Brauer-Rieke, Bishop, Oregon Lutheran Synod ELCARachel Bristol, Executive Director, Oregon Food BankSam Brooks, Former President, Oregon Association of Minority EntrepreneursLorena Campbell, Liaison, East Multnomah County Schools LiaisonMargaret Carter, Deputy Director of Human Services, Oregon Department of Human ServicesGale Castillo, Executive Director, Hispanic Metropolitan ChamberRobin Christian, Executive Director, Children First for OregonLisa Cline, Executive Director,The Wallace Medical ConcernJeff Cogen, Chair, Multnomah CountyRodney Cook, Director, Clackamas Office of Children and FamiliesCarlos Crespo, DrPh, Director, Portland State University School of Community HealthMarie Dahlstrom, Executive Director, Familias en AccionAndy Davidson, President/CEO, Oregon Association of Hospitals and Healthcare SystemsMarty Davis, Publisher, Just OutChris DeMars, Program Officer, NW Health FoundationJean DeMaster, Executive Director, Human SolutionsKevin Dowling, Program Manager,CARES NWErin Fair, Policy Director, Care OregonPietro Ferrari, Executive Director, HaciendaJeana Frazzini, Executive Director, Basic Rights OregonJoanne Fuller, Director, Human ServicesMultnomah CountyBruce Goldberg, MD, Director, Oregon Department of Human Services Janie Griffin, Dean, Mt Hood Community CollegeGuadalupe Guajardo, Senior Consultant,Nonprofit Association of OregonMary Lou Hennrich, Executive Director, Oregon Public Health InstituteDonna Larson, Dean of Allied Health, Mt Hood Community CollegeDavid Leslie, Executive Director, Ecumenical Ministries of OregonMarc Levy, Executive Director, United Way of the Columbia WillametteAdrienne Livingston, Executive Director, Black United FundNichole Maher, Executive Director, Native American Youth and Family CenterDiane McKeel, Commissioner, Multnomah CountyCorliss McKeever, President/CEO, African American Health CoalitionLaurie Monnes-Anderson, State Senator, Oregon State SenateVicki Nakashima, Partners in DiversityCarol Neilson-Hood, Executive Director,Gresham Area Chamber of CommerceLinda Nilsen-Solares, Executive Director, Project Access NOWCarman Rubio, Executive Director, Latino NetworkJim Schlachter, Superintendent, Gresham Barlow School DistrictLillian Shirley, Director, Multnomah County Health DepartmentJohn Sygielski, EdD,President, Mt Hood Community CollegeLynn Thompson, CEO, Big Brothers Big Sisters Columbia NorthwestTricia Tillman, Administrator,Oregon Multicultural Health and ServicesJoshua Todd, Director,Multnomah County Commission on Children, Families and CommunityGreg Van Pelt, Chief Executive Oregon,Providence Health and Services Oregon RegionMaree Wacker, CEO, American Red Cross Oregon Trail ChapterLarry Wallack, DrPH, Dean, Portland State University College of Urban and Public AffairsJoyce White, Executive Director, Grantmakers of OR and SW WAWim Wievel, PhD, President, Portland State UniversityGloria Wiggins, Division Manager, El Programa Hispano

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

Identifier	ReturnReference	Explanation
	Part III, Line 8 - Explanation Of Shortfall As Community Benefit	The entire Medicare shortfall should be considered a community benefit Medicare shortfalls must be absorbed by the hospital in order to continue treating the elderly in the community served by the hospital The hospital provides care regardless of this shortfall and thereby relieves the federal government of the burden of paying the full cost for Medicare beneficiaries The Medicare amounts listed in Part III Section B on lines 5, 6, and 7 do not represent all of the organization's revenues and costs associated with its participation in Medicare programs The methodology used in reporting in Part III Section B Medicare is inconsistent with the other sections in Schedule H, as the instructions limit Medicare revenues and allowable cost to those from only the Medicare Cost Report Revenue and costs from Medicare Part C patients, Part B physician services billed by the organization, and clinical laboratory services weren't included In addition, hospitals incur other costs to provide care that Medicare does not allow in the cost report, such as Physician Call pay to ensure adequate physician coverage for the ED The total revenues and costs attributable to all Medicare services are $33,236,000 and $34,176,300 respectively This results in a total Medicare shortfall of $940,300 Costing Methodology (Part III, Line 8) Medicare allowable costs were calculated using the costing methodologies in the Medicare Cost Report The cost report arrives at total allowable hospital cost through a cost finding process that includes direct cost allocations and a step-down allocation of indirect or overhead costs Inpatient operating costs are composed of general inpatient routine and ICU unit costs derived from cost per diems, as well as inpatient ancillary service costs that utilize cost to charge ratios to arrive at cost Apportionment of cost applicable to hospital outpatient services is through the application of cost to charge ratios This excludes other costs incurred to provide services of the hospital to the community that the cost report deems as unallowable costs, such as Physician on-call pay

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

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space needed.

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Sch J, Part III, Additional Information	Part III, Additional Information	Sch J, Part 1, Question 3 Regarding Compensation PracticesDirectors for Legacy are not compensated, but receive expense reimbursements related to their duties Any expense reimbursements to board members require review and approval by the Director of Management Audit Compensation received by Dr Newberry during 2011 related to his responsibilities as Past President of the Medical Staff at Legacy Meridian Park Hospital Dr Root received compensation relating to her duties as President of the Legacy Emanuel Medical Staff & compensation for medical services provided to Legacy Emanuel Hospital Executive compensation for Legacy is designed to recruit, retain and motivate qualified senior management personnel The comprehensive compensation plan is designed for positions that have a significant impact on the high-level strategic and policy direction of Legacy and its affiliates Base pay and total compensation (including incentive compensation) for similar positions is established at a level comparable to market compensation for healthcare organizations External consultants are regularly used to review published compensation surveys of comparable organizations and comparable benchmark positions in the market The Compensation Committee of the Board of Directors, none of whom is a Legacy employee, reviews the compensation for executive positions The Committee oversees the system's governance procedures with respect to intermediate sanctions legislation and the evaluation of reasonableness of compensation The Committee reports to the Board in sufficient detail to enable the entire Board to take such actions as are required to obtain the rebuttable presumption of reasonableness The Compensation Committee also reviews tax-reporting disclosures Sch J, Part II, Column Breakdown Of W-2 Or Misc-1099 Column B(i) - Base compensation consists of regular base pay including employee elected deferrals for retirement plans (403(b) and 457(b) plans) Column B(ii) - The incentive compensation program for Legacy is based on predetermined criteria and reviewed and approved by the Board Bonuses are paid to key employees for interim duties outside their primary responsibilities (e g Acting in Capacity) Column B(iii) - Other compensation consists of deferred compensation amounts paid to executives during the current year and were reported on prior form 990 returns These amounts include arrangements that contain elements of a substantial risk of forfeiture conditioned on continued employment, vesting and/or a noncompete provision upon termination of employment In addition, imputed income for insurance, cell phone and other benefits is included in other compensation as well as any severance related payments Column C - Deferred compensation includes the value of defined benefit plans, contributions to defined contribution plans, amounts deferred under the 457(f) plan including earnings, earnings in the 457(b) plan, and the value of the pension restoration plan Earnings on the 457(f) and 457(b) include gains and losses on the underlying investments The defined contribution and benefit plans are available to all employees as they become qualified to participate The pension restoration plan provides executive pension benefits in excess of IRS mandated limits on eligible compensation to key executives The benefits are unfunded and subject to forfeiture Executive pension benefits are intended to make the executive's retirement benefit, as a proportion of their final average salary, comparable to all other employees, and are treated as income when paid Column D - Nontaxable benefits include company paid health and welfare and long term care and disability benefits under group plans Column F - Current year compensation reported as deferred in prior years
Sch J, Part I, Line 8	Part I, Line 8 Amounts reported on 990 VII pursuant to initial contract exemption described in Regs	Legacy enters into initial employment agreements with executives that qualify under the initial contract exception The Compensation Committee of the Board of Directors, none of whom is a Legacy employee, reviews the compensation for key executive positions The Committee relies on comparable market data and all decisions are documented
Sch J, Part I, Line 6b	Part I, Line 6b Explanation of organization compensation contingent on net earnings from related or	Legacy has an at-risk incentive compensation plan for management The plan is based on meeting goals related to employee engagement, work processes, customer service, clinical quality, financial management, and certain key strategic tactics In order to payout any at-risk incentive compensation, Legacy must exceed operating margin targets

Additional Data

Return to Form

Software ID: 11000144
Software Version: 2011v1.5
EIN: 93-0591528
Name: LEGACY MOUNT HOOD MEDICAL CENTER

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
TRENT S GREEN	(I) (II)	317,755	18,629	45,052	44,464	29,927	455,827	47,142
TODD NELSON	(I) (II)	179,542	234	-3,655	17,665	23,511	217,297	
SONJA O STEVES	(I) (II)	282,395	16,556	40,495	55,319	27,535	422,300	40,092
SHARON L TRUJILLO	(I) (II)	179,857	226	-1,157	13,388	17,451	209,765	
SCOTT H JOHNSON	(I) (II)	271,244	13,216	16,584	22,178	18,302	341,524	16,029
ROBERT J PALLARI	(I) (II)			6,320,533		28,576	6,349,109	2,085,123
PAMELA VUKOVICH	(I) (II)	50,944		1,380,572	-18,321	9,345	1,422,540	977,138
P CAMPBELL GRONER III	(I) (II)	348,132	20,541	101,156	53,296	35,780	558,905	92,738
MAURI TRAYLOR	(I) (II)	212,380	233	-1,568	19,164	9,388	239,597	
MAUREEN A BRADLEY	(I) (II)	231,005	16,597	2,991	17,226	17,920	285,739	
JEANNIE C LEE	(I) (II)	182,574	228	-853	18,183	16,387	216,519	
GRETCHEN M NICHOLS	(I) (II)	249,312	15,971	4,989	32,682	23,163	326,117	9,256
GLEN LUTZ	(I) (II)	307,008	7,500	2,754	17,237	27,281	361,780	
GEORGE J BROWN MD	(I) (II)	827,692	71,740	122,722	166,329	59,587	1,248,070	106,707
GEORGE A CIOFFI MD	(I) (II)	354,917	20,807	5,104	33,930	28,768	443,526	
EVERETT NEWCOMB III	(I) (II)	511,302	31,045	14,433	65,673	30,183	652,636	
DAVID E EAGER	(I) (II)	143,310	25,000	-21		9,895	178,184	
CAROL A BRADLEY	(I) (II)	312,686	17,118	15,583	41,198	31,477	418,062	10,154

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other compensation				
BRYCE HELGERSON	(I) (II)	278,505	15,030	39,478	43,040	9,168	385,221	36,320
BARBARA A JACOBS-BLANCHARD	(I) (II)	169,618	10,068	-5,354	22,876	25,073	222,281	

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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

2011

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

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

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

Identifier	Return Reference	Explanation
	Form 990, Part VI, question 2	Legacy Health System CPC, LLC (CPC) is a common pay agent for Legacy and its affiliates The CPC files all required federal employment tax returns for Legacy and its affiliates The number of employees reported on Form W-3 for LMHMC is 703

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

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

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

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

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

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7b	Form 990, Part VI, Line 7b Describe Decisions of Governing Body Approval by Members or Shareholders	The appointed persons by the Oregon Synod Council and the Convention of the Episcopal Diocese may not be removed from the Board without written consent of their respective organizations

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

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

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

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

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

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

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

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

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) MANAGED HEALTHCARE NORTHWEST 422 E BURNSIDE ST 215 PORTLAND, OR 97208 93-0914759	MEDICAL	OR	N/A	C	33,885	766,475	75 000 %

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

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

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) MT HOOD MEDICAL CENTER FOUNDATION	l	79,651	Actual Cost
(2) MT HOOD MEDICAL CENTER FOUNDATION	c	64,105	Cash
(3)			
(4)			
(5)			
(6)			

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Return to Form

Software ID: 11000144
Software Version: 2011v1.5
EIN: 93-0591528
Name: LEGACY MOUNT HOOD MEDICAL CENTER

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512 (b)(13) controlled organization	
LEGACY ADVENTIST VENTURE 1919 NW LOVEJOY ST PORTLAND, OR 97209 93-1121816	HEALTHCARE	OR	501(C)(3)	9	N/A		No
SALMON CREEK HOSPITAL FOUNDATION PO BOX 4484 PORTLAND, OR 97208 83-0433165	CHARITABLE FOUNDATION	WA	501(C)(3)	7	N/A		No
MERIDIAN PARK MEDICAL FOUNDATION PO BOX 4484 PORTLAND, OR 97208 93-0773410	CHARITABLE FOUNDATION	OR	501(C)(3)	11a	N/A		No
GOOD SAMARITAN FOUNDATION PO BOX 4484 PORTLAND, OR 97208 23-7017276	CHARITABLE FOUNDATION	OR	501(C)(3)	11a	N/A		No
THE CHILDRENS HOSPITAL FOUNDATION PO BOX 4484 PORTLAND, OR 97208 93-1314469	CHARITABLE FOUNDATION	OR	501(C)(3)	7	N/A		No
EMANUEL MEDICAL CENTER FOUNDATION PO BOX 4484 PORTLAND, OR 97208 93-6095667	CHARITABLE FOUNDATION	OR	501(C)(3)	7	N/A		No
MT HOOD MEDICAL CENTER FOUNDATION PO BOX 4484 PORTLAND, OR 97208 93-0794951	CHARITABLE FOUNDATION	OR	501(C)(3)	11a	N/A	Yes	
LEGACY VISITING NURSE ASSOCIATION 815 NE DAVIS ST PORTLAND, OR 97210 93-0848530	HOSPICE	OR	501(C)(3)	9	N/A		No
LEGACY SALMON CREEK HOSPITAL 2211 NE 139TH ST VANCOUVER, WA 98686 33-1065485	HOSPITAL	WA	501(C)(3)	3	N/A		No
LEGACY MERIDIAN PARK HOSPITAL 19300 SW 65TH AVE TUALATIN, OR 97062 93-0618975	HOSPITAL	OR	501(C)(3)	3	N/A		No
LEGACY GOOD SAMARITAN HOSPITAL & MEDICAL 1015 NW 22ND AVE PORTLAND, OR 97210 93-0386793	HOSPITAL	OR	501(C)(3)	3	N/A		No
LEGACY EMANUEL HOSPITAL & HEALTH CENTER 2801 N GANTENBEIN AVE PORTLAND, OR 97227 93-0386823	HOSPITAL	OR	501(C)(3)	3	N/A		No
LEGACY HEALTH 1919 NW LOVEJOY ST PORTLAND, OR 97209 23-7426300	HEALTHCARE	OR	501(C)(3)	11b	N/A		No

LEGACY HEALTH AND AFFILIATES

Consolidated Financial Statements and Other Financial Information

March 31, 2012 and 2011

(With Independent Auditors' Reports Thereon)

LEGACY HEALTH AND AFFILIATES

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LEGACY
HEALTH

Report of Management

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

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

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

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

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

George J. Brown, MD, FACP
Chief Executive Officer

Dave Eager
Chief Financial Officer

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

Independent Auditors' Report

The Board of Directors
Legacy Health:

We have audited the accompanying consolidated balance sheets of Legacy Health (an Oregon nonprofit corporation) and Affiliates as of March 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Legacy Health and Affiliates' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Legacy Health and Affiliates' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Legacy Health and Affiliates as of March 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

June 28, 2012

LEGACY HEALTH AND AFFILIATES

Consolidated Balance Sheets

March 31, 2012 and 2011

(Dollars in thousands)

Assets		2012	2011
Current assets:			
Cash and cash equivalents	$	39,078	55,587
Short-term investments		45,412	43,978
Receivable under securities lending program			13,951
Accounts receivable from patients, less allowance for uncollectible accounts of $54,644 in 2012 and $56,580 in 2011		175,121	164,784
Settlements receivable from third-party payors, net		12,222	
Other receivables		33,424	13,900
Inventories, at cost		16,773	16,777
Prepaid expenses		10,018	7,490
Total current assets		332,048	316,467
Assets limited as to use:			
Held by trustee		12,173	86,358
Community health fund		9,990	9,867
Noncurrent investments restricted for capital acquisitions		351	9,785
		22,514	106,010
Other assets:			
Property, plant and equipment, net		816,355	752,098
Noncurrent investments		566,396	523,139
Property held for development		22,013	22,013
Goodwill and other intangibles		27,020	27,121
Other assets		20,421	18,629
		1,452,205	1,343,000
	$	1,806,767	1,765,477

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets		2012	2011
Current liabilities:			
Accounts payable	$	44,558	43,315
Accrued wages, salaries, and benefits		71,052	80,940
Accrued interest		4,109	4,654
Settlements payable to third-party payors, net			6,823
Other current liabilities		53,045	30,156
Payable under securities lending program			14,015
Current portion of long-term debt		22,902	20,781
Total current liabilities		195,666	200,684
Long-term debt, less current portion		506,214	525,734
Other liabilities:			
Estimated general and professional claims liability		28,256	30,288
Accrued pension liability		163,215	95,513
Other noncurrent liabilities		19,264	18,470
		210,735	144,271
Total liabilities		912,615	870,689
Net assets:			
Unrestricted		823,948	822,543
Unrestricted, noncontrolling interest		21,382	21,979
Temporarily restricted		35,547	37,567
Permanently restricted		13,275	12,699
		894,152	894,788
	$	1,806,767	1,765,477

LEGACY HEALTH AND AFFILIATES

Consolidated Statements of Operations

Years ended March 31, 2012 and 2011

(Dollars in thousands)

	2012	2011
Patient service revenues	$ 1,337,975	1,263,680
Less provision for bad debts	67,945	53,402
Net patient service revenues	1,270,030	1,210,278
Other revenues	56,398	33,582
Total operating revenues	1,326,428	1,243,860
Operating expenses:		
Wages, salaries, and benefits	754,647	706,677
Supplies	202,276	201,326
Professional fees	45,410	45,531
Purchased services	72,343	73,571
Utilities, insurance, and other expenses	90,371	70,499
Depreciation	91,360	89,469
Interest and amortization	14,851	14,502
Total operating expenses	1,271,258	1,201,575
Income from operations	55,170	42,285
Other income (expenses):		
Investment income, net	24,349	56,302
Loss on extinguishment of debt	(1,216)	
Other, net	(11,170)	(11,371)
Total other income	11,963	44,931
Revenues in excess of expenses	67,133	87,216
Net assets released from restriction used for property, plant and equipment	12,902	790
Pension and other postretirement adjustments	(73,666)	(14,284)
Distributions to joint venture partners	(5,585)	(6,014)
Other transfers, net	24	(965)
Change in unrestricted net assets	$ 808	66,743

See accompanying notes to consolidated financial statements.

LEGACY HEALTH AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2012 and 2011

(Dollars in thousands)

	2012	2011
Unrestricted net assets, controlling interest:		
Revenues in excess of expenses	$ 62,145	80,151
Net assets released from restriction used for property, plant and equipment	12,902	790
Pension and other postretirement adjustments	(73,666)	(14,284)
Other transfers	24	(965)
Change in unrestricted net assets, controlling interest	1,405	65,692
Unrestricted net assets, noncontrolling interest:		
Revenues in excess of expenses	4,988	7,065
Distributions	(5,585)	(6,014)
Change in unrestricted net assets, noncontrolling interest	(597)	1,051
Temporarily restricted net assets:		
Donor-restricted contributions and grants	20,297	18,568
Investment gain, net	675	3,586
Net assets released from restriction	(22,992)	(14,999)
Other transfers		971
Change in temporarily restricted net assets	(2,020)	8,126
Permanently restricted net assets:		
Donor-restricted contributions and grants	576	367
Change in permanently restricted net assets	576	367
Change in net assets	(636)	75,236
Net assets, beginning of year	894,788	819,552
Net assets, end of year	$ 894,152	894,788

See accompanying notes to consolidated financial statements.

LEGACY HEALTH AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended March 31, 2012 and 2011

(Dollars in thousands)

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ (636)	75,236
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net distributions to noncontrolling partners	5,585	6,014
Depreciation and amortization	97,997	97,995
Loss on disposal of assets	1,030	111
Change in net realized and unrealized losses on investments	(15,400)	(44,674)
Restricted contributions	(12,958)	(8,265)
Equity earnings from joint ventures and investment companies, net	(10,266)	(10,829)
Pension and other postretirement adjustments	73,666	14,284
Change in certain current assets and current liabilities	(46,720)	3,874
Change in long-term operating assets and liabilities	(8,432)	3,793
Net cash provided by operating activities	83,866	137,539
Cash flows from investing activities:		
Purchase of property, plant and equipment, net	(154,354)	(153,566)
Proceeds from sale of assets	117	2,481
Change in funds held by trustee	74,185	70,480
Change in other long-term assets	10,203	(7,683)
Change in securities lending receivable	13,951	(3,418)
Investment in joint ventures and investment companies	(31,508)	(5,500)
Distributions from joint ventures and investment companies	6,295	3,681
Purchases of trading securities	(152,299)	(180,581)
Sales of trading securities	157,075	153,530
Net cash used in investing activities	(76,335)	(120,576)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	116,945	
Repayment of long-term debt	(134,343)	(20,279)
Change in securities lending payable	(14,015)	3,418
Distributions to noncontrolling partners	(5,585)	(6,014)
Proceeds from restricted contributions	12,958	8,265
Net cash used in financing activities	(24,040)	(14,610)
(Decrease) increase in cash and equivalents	(16,509)	2,353
Cash and cash equivalents, beginning of year	55,587	53,234
Cash and cash equivalents, end of year	$ 39,078	55,587
Supplemental disclosures of cash flow information:		
Cash paid for interest (net of amount capitalized)	$ 15,977	14,846
Amounts accrued for property, plant and equipment, net	5,222	14,286

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Basis of Consolidation

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

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

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

All significant interentity accounts and transactions have been eliminated.

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

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

(b) Use of Estimates

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

(Continued)

(c) Income Taxes

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

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

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

(d) Net Patient Service Revenues

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

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

(e) Other Revenues

The Health Information Technology for Economic and Clinical Health Act, part of the American Recovery and Reinvestment Act of 2009, created an incentive program, beginning in 2011, to promote the "meaningful use" of Electronic Health Records (EHR). To qualify, Medicare providers must attest to the Centers for Medicare and Medicaid Services (CMS) that they are using certified EHR in a "meaningful" way by meeting objectives at established thresholds, as defined by CMS. Meaningful use revenues are recognized as grant revenue. Grant revenue is recognized when there is reasonable assurance that the grant will be received and that the organization will comply with the conditions attached to the grant. During fiscal 2012, meaningful use revenues were $18,908 and were recognized in other revenue in the consolidated statements of activities. The amount recognized is based on management's best estimate and is subject to audit and potential retrospective adjustments

(f) Income from Operations

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

(Continued)

(g) Performance Indicator

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

(h) Charity Care

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

(i) Cash and Cash Equivalents

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

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

(j) Short-Term Investments

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

(k) Securities Lending Program

Prior to December 31, 2011, Legacy participated in securities lending transactions with its custodian, whereby Legacy lent a portion of its investments to various brokers in exchange for cash and cash equivalents from the brokers as collateral for the securities loaned. Collateral provided by brokers was maintained at levels approximating 102% of the fair market value of the securities on loan. Legacy maintained effective control but waived its rights to vote such securities. The market value of the loaned securities as of March 31, 2011 is reported as a receivable held under securities lending program, and a corresponding obligation existed for repayment of such collateral upon settlement of the lending transaction. The market value of the securities on loan (exclusive of collateral) was $13,951 as of March 31, 2011.

(l) Inventories

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

(m) Assets Limited as to Use

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

(n) Property, Plant and Equipment

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

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of acquiring those assets. In 2012 and 2011, Legacy capitalized $5,180 and $7,446, respectively, of interest expense. Legacy capitalizes payroll and payroll-related costs associated with the development of software for internal use. For the year ended March 31, 2011, Legacy capitalized approximately $7,067 of payroll and payroll-related costs.

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

Depreciation is computed under the straight-line method over estimated useful lives with average useful lives as follows: building and improvements, 28 years; equipment and software, 7 years; and land improvements, 13 years. Leased assets that have been capitalized are amortized over the term of the leases or the useful lives of the assets, whichever is shorter. Leased asset amortization is reported as part of depreciation.

(o) Noncurrent Investments

Noncurrent investments include investments in equity securities of publicly traded U.S. and international companies, investments in foreign government and commercial bank obligations, real estate, market neutral hedge funds, alternative investments (which include private equity and distressed debt) and interest rate swaps. Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the consolidated balance sheets. Investments in limited liability partnerships or companies, which are investment companies, are recorded at the fair value of the underlying assets using the equity method of accounting. As of March 31, 2012, approximately 13.8% of noncurrent investments require advance written notice of 90 days or longer to redeem the securities. For certain of these investments, it may take up to 90 days to receive the funds and certain redemptions may be subject to other restrictions in accordance with subscription agreements.

Investment income or loss (including realized gains and losses on investments, equity earnings from investment companies, interest and dividends) is included in revenues in excess of expenses unless

the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in investment income unless the investments are considered other-than-trading securities.

(p) Temporarily and Permanently Restricted Net Assets

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

(q) Donor-Restricted Gifts

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

(r) Charitable Gift Annuities

Legacy has a certificate of authority from the State of Oregon to receive transfers of money or property upon agreement to pay an annuity. A charitable gift annuity is an arrangement between a donor and Legacy in which the donor contributes assets to Legacy in exchange for Legacy's agreement to pay a fixed amount for a specified period of time to the donor or other individuals and organizations as designated by the donor (annuitant). Upon execution of such an arrangement, Legacy recognizes the assets received at fair value and an annuity payment liability at the present value of future cash flows expected to be paid. Unrestricted and restricted contribution revenue is recognized based upon the difference between these two amounts. In subsequent periods, payments to the annuitant reduce the annuity liability. Adjustments to the annuity liability to reflect amortization of the discount, changes in life expectancy, and death of the annuitant are recognized as other operating expenses. The annuity liability included in other current liabilities as of March 31, 2012 and 2011 was $23 and $9, respectively. The annuities are not issued by an insurance company and are not subject to regulation by the State of Oregon or protected by an insurance guaranty association.

Legacy maintains a separate and distinct trust fund adequate to meet the actuarially determined future payments of the charitable gift annuities as set forth under Oregon Revised Statute (ORS) 731.716. The trust fund is maintained with a bank custodian and, as of March 31, 2012 and 2011, held $9 of marketable securities to fund the annuity obligation. These marketable securities are comprised of cash, cash equivalents and other fixed-income instruments. On March 27, 2012, Legacy received a new gift annuity with an annuity liability of $15, for which the corresponding trust fund was established in April.

(s) Recently Adopted Accounting Standards

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure*. This ASU establishes standards of measurement for disclosure of charity care expense at actual cost, including direct and indirect costs. This ASU also requires disclosure of the method used to identify such costs. Legacy adopted ASU No. 2010-23 effective April 1, 2011. The adoption of this standard did not have a material impact on Legacy's consolidated financial statements.

In August 2010, the FASB issued ASU No. 2010-24, *Health Care Entities – Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that insurance recoveries should not be netted against a related claim liability. The claim liability amount should be calculated without consideration of insurance recoveries. Legacy adopted this standard effective for fiscal year ended March 31, 2012 and reclassified the prior year. The adoption of this standard resulted in an increase of $1,561 and $2,709 to both Legacy's assets and liabilities as of March 31, 2012 and 2011, respectively.

In July 2011, the FASB issued ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which provides financial statement users with greater transparency about a healthcare entity's net patient service revenue and the related allowance for doubtful accounts. This pronouncement requires healthcare entities to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations rather than as an operating expense. Management has elected to early adopt this standard in their consolidated financial statements for the year ended March 31, 2012 and retrospectively adjusted the statement of operations for the year ended March 31, 2011. As a result of this standard, management has reduced their operating expenses and net patient service revenues by $67,945 and $53,402 for the years ended March 31, 2012 and 2011, respectively. The change has no impact on excess of revenues over expenses.

(t) Healthcare Reform

The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (Reconciliation Act) were both signed by President Obama in the first calendar quarter of 2010. On June 28, 2012, the Supreme Court ruled on the constitutionality of the PPACA and largely upheld the law. The legislation went into effect upon signing with provisions to become effective over the next ten years. This legislation is expected to broadly impact Legacy's operations, including patient access, service reimbursement rates, and reporting requirements. Legacy has evaluated those provisions which went into effect, noting they did not have a significant impact on the financial statements.

The State of Oregon has also initiated broad legislative actions related to delivery of healthcare within the state primarily impacting the Medicaid program. As the results of these actions are implemented, they may significantly impact Legacy's future operations.

(u) Reclassifications

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

(2) Net Patient Service Revenues

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

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

Revenue from the Medicare and Medicaid programs accounted for approximately 35.5% and 19.6%, respectively, of Legacy's gross patient charges for the year ended March 31, 2012, and 33.6% and 19.4%, respectively, of Legacy's gross patient charges for the year ended March 31, 2011. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. In 2012 and 2011, respectively, Legacy recorded an increase to net patient service revenue of approximately $10,442 and $39 relating to favorable settlements of prior years' reimbursement from Medicare and Medicaid programs.

(Dollars in thousands)

A summary of patient revenues is as follows:

	Year ended March 31	
	2012	2011
Gross patient charges:		
Hospital inpatient services	$ 1,771,936	1,669,327
Hospital and other outpatient services	1,274,523	1,230,049
	3,046,459	2,899,376
Deductions from gross patient charges:		
Charity allowances, based on charges	175,355	192,325
Medicare and Medicaid contractual adjustments	1,105,689	1,012,946
Commercial managed care contractual adjustments	427,440	430,425
	1,708,484	1,635,696
Patient service revenues	1,337,975	1,263,680
Provision for bad debts	67,945	53,402
Net patient service revenue	$ 1,270,030	1,210,278

Legacy grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The proportion of net accounts receivable from significant third-party payors for 2012 and 2011 was as follows:

	2012	2011
Medicare	23.8%	20.3%
Medicaid	9.7	12.0
Blue Cross	15.7	12.8
Private pay	11.4	14.3
Other	39.4	40.6
	100.0%	100.0%

Legacy provides an allowance against accounts receivable for amounts that could become uncollectible in the future. Collection risks relate primarily to uninsured patient accounts and patient accounts under third-party payor agreements for which deductibles and coinsurance are due from the patient. Legacy estimates the allowance for each category of patient accounts based on the respective aging of accounts receivable, historical collections, business and economic conditions, trends in federal and state governmental and private employer healthcare coverage and other collection indicators.

(Continued)

(Dollars in thousands)

(3) Benefits to the Community

The Board of Directors allocated $10,000 to establish a Community Health Fund (the Fund) in 1999. An amount equal to five percent of the principal of this Fund ($500 annually) may be dedicated to community-sponsored initiatives geared toward improving the health of the community. The Fund is intended to be a permanent source of funding for health initiatives and programs capable of impacting the health of the community either by prevention or health improvement. Contributions made to community-sponsored initiatives were $165 and $257 in 2012 and 2011, respectively.

In addition to funding selected community health initiatives, Legacy provides services to the community both for people in need and to enhance the health status of the broader community as part of its charitable mission. The following represents the estimated cost of providing certain services to the community, along with a description of selected activities sponsored by Legacy during 2012 and 2011:

	Year ended March 31, 2012			
	In-kind costs	Other costs	Offsetting revenue	Net cost
Services for people in need				
Charity care	$	70,933		70,933
Medicaid		246,937	157,499	89,438
Medicare		443,339	374,591	68,748
Other government programs		14,432	12,780	1,652
		775,641	544,870	230,771
Benefits to the community				
Medical education and support of research		22,602	6,055	16,547
Community health services		1,728	52	1,676
Community benefit activities	458	47		505
Donations to charitable organizations	172	964		1,136
Community Health Fund contributions		165		165
	630	25,506	6,107	20,029
	$ 630	801,147	550,977	250,800
Percentage of total operating expenses				19 8%

(Dollars in thousands)

	Year ended March 31, 2011			
	In-kind costs	**Other costs**	**Offsetting revenue**	**Net cost**
Services for people in need				
Charity care	$	77,676		77,676
Medicaid		233,168	174,580	58,588
Medicare		401,050	352,925	48,125
Other government programs		10,275	8,745	1,530
		722,169	536,250	185,919
Benefits to the community				
Medical education and support of research	153	21,381	6,782	14,752
Community health services		2,550	180	2,370
Community benefit activities	473	80		553
Donations to charitable organizations	255	938		1,193
Community Health Fund contributions		257		257
	881	25,206	6,962	19,125
	$ 881	747,375	543,212	205,044
Percentage of total operating expenses				17 1%

(a) Services for People in Need

In support of its mission, Legacy voluntarily provides medically necessary patient care services that are discounted or free of charge to persons who have insufficient resources and/or who are uninsured. The criteria for charity care is determined based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient's inability to pay for services provided. Specifically, Legacy provides an uninsured discount of 15% to patients who have resided within Legacy's primary service area for a period of six months, are uninsured for hospital care, and have a household income of less than $100,000 annually. Further discounts are available for patients, on a sliding scale, whose household income is less than 400% of the federal poverty level or roughly $92,200 for a family of four in Portland, Oregon. For patients whose household income is at or below 200% of the federal poverty level, a full subsidy is available. In addition to the household income criteria, the patients' qualified assets (e.g., 25% of household assets), and other catastrophic or economic circumstances are considered in determining eligibility for charity care.

During 2012 and 2011, Legacy provided charity care benefiting patients associated with 95,936 and 101,751 patient accounts, respectively, representing 10,008 and 9,091 inpatient accounts, respectively, and 85,928 and 92,660 outpatient accounts, respectively. In 2012 and 2011, 8% and

22%, respectively, of the patients receiving charity care received a full subsidy representing roughly 8% and 50%, respectively, of the total charity provided in those years.

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

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

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

Legacy also employs financial counselors and social workers who assist patients in obtaining coverage for their healthcare needs. This includes assistance with workers' compensation, motor vehicle accident policies, COBRA, veterans' assistance, and public assistance programs, such as Medicaid. This program assisted many patients in obtaining coverage through a third party, reducing the patients' financial responsibility. The costs associated with this program were $710 and $614 in 2012 and 2011, respectively.

(b) Benefits to the Community

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

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

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

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

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

(c) Other Benefits

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

(Dollars in thousands)

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

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

Legacy also pays taxes associated with various states' local business and occupation taxes, and property taxes that local and state governments use to fund healthcare services, civil and education services to the community. Legacy paid $5,356 and $5,456 in local and state taxes in 2012 and 2011, respectively.

(4) Property, Plant, and Equipment

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

		2012	2011
Buildings and improvements	$	1,015,449	851,416
Equipment and software		808,634	750,691
Land improvements		9,951	5,878
		1,834,034	1,607,985
Accumulated depreciation		(1,059,458)	(1,009,907)
		774,576	598,078
Construction in progress		16,687	129,003
Land		25,092	25,017
	$	816,355	752,098

There were capital expenditure purchase commitments outstanding as of March 31, 2012 for various construction and equipment projects. The estimated cost to complete such projects at March 31, 2012 was $23,088, of which $14,281 was contractually committed.

(Continued)

(Dollars in thousands)

(5) Long-Term Debt

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

	2012	2011
Hospital Revenue Bonds, Series 2001, payable in installments from $2,835 to $22,550 through 2021, at rates ranging from 4.50% to 5.75%, callable on or after May 2011	$	117,635
Hospital Revenue Bonds, Series 2008, payable in installments through 2038, subject to a seven-day put provision; interest at SIFMA index (0.19% at March 31, 2012) plus 10 basis points	150,000	150,000
Hospital Revenue Bonds, Series 2009A, payable in installments from $1,055 to $7,715 through 2035, at rates ranging from 3.0% to 5.5%, callable on or after July 2019	108,580	111,260
Hospital Revenue Bonds, Series 2009B and C, subject to mandatory tenders of $25,000 each in 2012 and 2014, respectively, at 5.0%	50,000	50,000
Hospital Revenue Bonds, Series 2010A, payable in installments from $1,120 to $12,430 through 2030, at rates ranging from 3.0% to 5.0%, $24,300 of the bonds are callable on or after March 2020	99,050	111,315
Hospital Revenue Bonds, Series 2011A, payable in installments from $5,495 to $22,060 through 2021, at rates ranging from 3.0% to 5.25%.	111,470	
Capital lease obligations, at imputed rates of 4.32% to 4.93%	9,186	5,451
Note payable, matures 2012, interest at 6.73%	830	854
	529,116	546,515
Less current portion	(22,902)	(20,781)
	$ 506,214	525,734

Interest cost incurred related to funds borrowed was $19,929 and $21,763 in 2012 and 2011, respectively. These amounts were reduced by $5,180 and $7,446 in 2012 and 2011, respectively, in the consolidated statements of operations, for amounts capitalized for construction and other capital projects.

(Dollars in thousands)

Scheduled principal repayments of long-term debt, including mandatory tenders of bonds eligible for refinancing, and payments on capital lease obligations are according to their long-term amortization schedule as follows:

	Long-term debt	Capital lease obligations
2013	$ 45,758	2,517
2014	20,847	2,517
2015	20,490	2,517
2016	46,295	1,462
2017	22,285	1,006
Thereafter	364,255	
	$ 519,930	10,019
Less amount representing interest under capital lease obligation		(833)
		$ 9,186

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

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

In May 2009, Legacy issued $163,860 of Revenue Bonds Series 2009 (Series 2009 Bonds) in Series A, B, and C through the Hospital Facility Authority of Clackamas County, Oregon. The proceeds from the Series 2009 Bonds were restricted for capital expenditures, debt service during the construction period, and expenses incurred in connection with the issuance. The Series B ($25,000) of the Series 2009 Bonds is subject to a mandatory bondholder tender in July 2012, and the Series C ($25,000) of the Series 2009 Bonds is subject to a mandatory bondholder tender in July 2014. The remaining bonds are payable in annual installments beginning in 2010 through 2035 at interest rates from 3.00% to 5.50%. In connection with this issuance, certain modifications to the existing master trust indenture were made. In particular, a

gross revenue pledge was provided to all bondholders. The Series 2009 Bonds, and all outstanding previously issued Revenue Bonds, are obligations of the revised master trust indenture (the 2009 Master Trust Indenture).

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

In September 2010, Legacy entered into a credit agreement with a commercial bank to secure a $30,000 line of credit to meet short-term cash needs. The line of credit was issued as an obligation of the 2009 Master Trust Indenture. Interest on the line is LIBOR plus 95 basis points. There were no amounts borrowed on the line during fiscal year 2012 and the agreement expired on March 1, 2012.

In May 2011, Legacy issued $111,470 of Refunding Revenue Bonds Series 2011 Series A (Series 2011 Bonds) through the State of Oregon, Oregon Facilities Authority. The proceeds from the Series 2011 Bonds were used to refund the Series 2001 Bonds and to pay for the cost of issuance of the Series 2011 Bonds. The Series 2011 Bonds are payable in annual installments beginning in May 2012 at interest rates ranging from 3.00% to 5.25%. The Series 2011 Bonds are obligations of the 2009 Master Trust Indenture. In conjunction with the issuance of the Series 2011 Bonds, the obligated group of the 2009 Master Trust Indenture was expanded to include Legacy Salmon Creek Hospital, formerly a designated affiliate.

In June 2012, Legacy entered into an agreement with a bank to borrow $25,000 at a fixed rate of 1.4%, repayable in July 2014. Proceeds from this borrowing will be used to satisfy the mandatory tender of the Series 2009B bonds scheduled for July 2012. This amount is included in the long-term debt, less current portion on the consolidated balance sheet at March 31, 2012.

(Dollars in thousands)

(6) Investments

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

	Year ended March 31	
	2012	2011
Cash and cash equivalents	$ 10,155	97,664
Short-term notes	6,619	16,166
State government obligations	3,823	4,262
Small/mid cap domestic equity securities	33,714	38,058
Large cap domestic equity securities	82,429	82,721
International equity securities	38,924	11,432
International common/collective trust	26,156	28,541
Fixed-income mutual fund	212,526	232,195
Fixed-income common/collective trust	22,436	
Absolute return funds	74,008	70,683
U.S. Treasury securities	44,637	42,328
Real estate partnerships	67,687	34,129
Private equity funds – funds of funds	5,484	6,613
Interest rate swaps	4,127	6,792
Guaranteed interest investment contracts (GIICs)	1,597	1,106
Other		437
	$ 634,322	673,127

As of March 31, 2012, Legacy has a remaining capital commitment of $950 to private equity funds in the form of limited partnership/trust investments. These commitments are due on demand from the general partners/advisors. These private equity funds invest in emerging companies, venture capital funds, and other alternative investments. The termination of these partnerships/trusts is based upon specific provisions in the agreement. In most cases the life of the trusts are for a minimum of ten years. Legacy can only transfer its interest in the investments with the consent of the general partner/advisor. The fair values of these investments are determined either by the underlying security value on the open market or by the general partner/advisor utilizing fair value principles. Legacy is accounting for these investments under the equity method, and therefore has excluded them from the fair value disclosures in note 7. Equity method investments total $111,874 and $77,317 as of March 31, 2012 and 2011, respectively.

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

(Dollars in thousands)

Interest Rate Swaps

In February 2004, Legacy executed a 20-year basis swap with an investment-banking firm. The notional amount of the transaction was $82,000, and the cash flows settle semiannually. Under the transaction, Legacy pays at the SIFMA index, in exchange for receiving 62% of LIBOR plus 0.814%.

In September 2006, Legacy entered into a basis swap with an investment-banking firm. The notional amount of the transaction was $82,000, and the cash flows settled semiannually. Under the transaction, Legacy paid 62% of the LIBOR in exchange for 62% of the USD-ISDA swap rate (ten-year) minus 0.392%. This swap was terminated in August 2010 for a gain of $4,141.

In April 2009, Legacy entered into a basis swap with an investment-banking firm. The notional amount of the transaction was $50,000, and the cash flows settle quarterly. Under the transaction, Legacy pays SIFMA and receives 67% of LIBOR plus 0.60% for three years, and thereafter receives 94.1% of LIBOR until April 2029.

In September 2010, Legacy entered into two basis swaps with two investment-banking firms. The notional amount of each transaction was $50,000, and the cash flows settle quarterly. Under both transactions, Legacy pays SIFMA and receives 67% of LIBOR plus 0.60% for three years, and thereafter receives 84.45% of LIBOR on one swap and 84.0% of LIBOR on the other swap until September 2030.

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

The fair value of these swaps is determined by the spread in interest rates. The fair value as of March 31, 2012 and 2011 represents a receivable of $4,127 and $6,792, respectively, and is included in noncurrent investments in the consolidated balance sheets.

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

	Year ended March 31	
	2012	2011
Interest and dividend income	$ 981	1,094
Realized gains on investments	21,172	28,728
Realized gain from swap termination		4,141
Equity earnings from investment companies	7,854	9,208
Change in fair value of trading securities and interest rate swaps	(4,983)	16,724
Total investment income	$ 25,024	59,895

(Continued)

(7) Fair Value of Financial Instruments

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

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

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

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

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

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

(Dollars in thousands)

The following tables present the financial instruments carried at fair value as of March 31, 2012 and 2011, by caption on the consolidated balance sheets, by the valuation hierarchy defined above:

	Fair value of financial instruments March 31, 2012		
	Level 1	Level 2	Total fair value
Assets:			
Cash and cash equivalents	$ 10,155		10,155
Small/mid cap domestic equity securities	33,714		33,714
Large cap domestic equity securities	82,429		82,429
International equity securities	38,924		38,924
International common/collective trust funds		26,156	26,156
Fixed-income mutual fund	212,526		212,526
Fixed-income common/collective trust funds		22,436	22,436
Absolute return funds		36,902	36,902
U.S. Treasury securities		44,637	44,637
Short-term notes		6,619	6,619
State government obligations		3,823	3,823
Interest rate swaps		4,127	4,127
Total assets at fair value	$ 377,748	144,700	522,448

(Continued)

(Dollars in thousands)

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

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at March 31, 2012:

	Fair value	**Redemption frequency**	**Redemption notice period**
Common/collective trust funds	$ 48,592	Daily or monthly	1 – 5 days
Absolute return funds	36,902	Quarterly	60 – 95 days

Common/collective trust funds are investments that are operated by a trust company that manages a pooled group of trust accounts. Collective investment trusts combine the assets of various institutional investors to create a larger, well-diversified portfolio. The objectives of a collective trust are to lower the costs to investors through economies of scale available by combining assets of multiple investors, to provide daily

(Dollars in thousands)

liquidity, and to provide better diversification. Each investor owns a participating interest that is calculated in shares and represents its portion of the holdings of the fund.

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

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

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

The fair value of long-term debt is estimated based on the discounted cash flows that would be paid using current market rates for debt with the same maturities, assuming the debt was repaid as of the first call date as stipulated in the bond indenture. The fair value of long-term debt was $32,155 and $7,024 greater than the carrying value as of March 31, 2012 and 2011, respectively.

(8) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	Year ended March 31	
	2012	2011
Education	$ 5,187	5,238
Patient care	11,566	12,667
Research	8,186	5,239
Capital acquisition	5,070	8,073
Other	5,538	6,350
	$ 35,547	37,567

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

Legacy follows the guidance in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in determining the net asset classification of all donor-restricted endowment funds, as described in note 1. In accordance with board policy, assets classified as permanent endowments in accordance with donor intent are only utilized for current period expenditures to the extent that earnings on the endowment exceed the original fair value of the donation. To the extent earnings on endowment funds exceed identified expenditures on which to apply those earnings, the earnings are classified as temporarily restricted net assets.

(Dollars in thousands)

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

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Legacy to retain as a fund of perpetual duration. Deficiencies of this nature are reported as a reduction to unrestricted net assets and are excluded from the performance indicator. During the years ended March 31, 2012 and 2011, Legacy reimbursed unrestricted net assets for $1 and $7, respectively, for amounts transferred in previous years from unrestricted net assets to permanently restricted net assets. Changes in endowment net assets for the years ended March 31, 2012 and 2011 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Balance as of March 31, 2010	$ 9,804	15,057	12,332	37,193
Investment Income	319	3,460		3,779
Contributions			368	368
Appropriated for expenditure	(257)	(834)		(1,091)
Balance as of March 31, 2011	9,866	17,683	12,700	40,249
Investment Income	319	646		965
Contributions			576	576
Appropriated for expenditure	(196)	(1,514)		(1,710)
Balance as of March 31, 2012	$ 9,989	16,815	13,276	40,080

Amounts in permanently restricted net assets represent the corpus of donor-restricted endowments while temporarily restricted net assets represent unspent earnings on the donor-restricted endowments. Unrestricted net assets represent board-designated endowments.

(Dollars in thousands)

(9) Functional Expenses

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

	Year ended March 31	
	2012	2011
Healthcare services	$ 1,023,948	981,545
General and administrative	247,310	220,030
	$ 1,271,258	1,201,575

(10) Retirement Plans

(a) Defined Contribution Pension Plans

Substantially all employees who are 21 years of age, have worked 1,000 hours or more during the year and have been continuously employed by Legacy for one or more years are eligible to participate in a jointly contributory tax-sheltered annuity plan. Under this plan Legacy matches up to 3.5% of participating employees' annual salaries.

Expenses incurred by Legacy related to this plan were approximately $11,700 and $11,200 for 2012 and 2011, respectively.

(b) Pension Benefit Plans

Legacy sponsors a pension plan, the Legacy Employees' Retirement Plan (the Plan), covering the majority of employees who meet eligibility requirements as specified in the Plan. Plan assets are available to pay the benefits of all eligible employees of the Plan. Effective January 1, 2010, eligible employees are covered by a cash balance plan with contributions based on eligible compensation and accrued years of service. Prior to that date, the Plan provided retirement benefits using a formula that considered both years of service and the highest level of compensation for any consecutive five-year period during the last 10 years before retirement. Legacy uses a measurement date of March 31 for the Plan.

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

Legacy recognizes adjustments to the funded status of the Plan as increases or decreases to net assets in the corresponding accounting period. As of March 31, 2012 and 2011, Legacy recognized a decrease in net assets of $73,666 and $14,284, respectively, related to the change in funded status of the Plan.

(Continued)

(Dollars in thousands)

A summary of changes in benefit obligations, fair values of plan assets, and the pension liability at March 31, 2012 and 2011 and for the fiscal years then ended is as follows:

		2012	2011
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	530,641	465,441
Service cost		26,221	25,171
Interest cost		29,630	28,269
Actuarial loss		76,402	30,340
Benefits paid		(21,163)	(18,580)
Projected benefit obligation at end of year	$	641,731	530,641
Change in plan assets:			
Fair value of assets at beginning of year	$	435,128	384,398
Actual return on plan assets		28,551	48,333
Employer contribution		36,000	20,977
Benefits paid		(21,163)	(18,580)
Fair value of assets at end of year	$	478,516	435,128
Reconciliation of funded status:			
Funded status	$	(163,215)	(95,513)
Net amount recognized	$	(163,215)	(95,513)

Included in unrestricted net assets at March 31, 2012 are unrecognized prior service credits of $59,664 and unrecognized actuarial losses of $238,524 that have not yet been recognized in net periodic pension cost. The prior service credit and actuarial losses included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending March 31, 2013 are $8,839 and $23,368, respectively. The accumulated benefit obligation as of March 31, 2012 and 2011 was $632,555 and $527,367, respectively.

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

		2012	2011
Service cost	$	26,220	25,171
Interest cost		29,630	28,269
Expected return on plan assets		(32,120)	(33,801)
Amortization of prior service costs		(8,839)	(8,839)
Recognized net actuarial loss		15,144	10,363
Special recognition curtailments and settlements			125
Net periodic pension cost	$	30,035	21,288

(Continued)

(Dollars in thousands)

(c) Assumptions

Legacy used the following actuarial assumptions to determine its benefit obligations at March 31, 2012 and 2011, and its net periodic benefit cost for the years ended March 31, 2012 and 2011:

	2012	2011
Benefit obligation (measured as of March 31, 2012 and 2011):		
Discount rate	4.83%	5.73%
Rate of increase in future compensation levels	4% plus longevity scale	4% plus longevity scale
Net periodic benefit cost (measured as of March 31, 2011 and 2010):		
Discount rate	5.73%	6.22%
Expected long-term rate of return on plan assets	7.50%	8.00%
Rate of increase in future compensation levels	4% plus longevity scale	4% plus longevity scale

The expected long-term rate of return on plan assets was based on Legacy's asset allocation mix and the long-term historical return for each asset class, taking into account current and expected market conditions. Legacy utilizes a nationally recognized investment consultant to assist in the return assumptions used in determining the expected long-term rate of return. The actual return on pension plan assets was a net gain of approximately 5.9% and 12.4% for the years ended March 31, 2012 and 2011, respectively. In the calculation of pension plan expense, the expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes changes in fair value over a four-year period. This practice is intended to reduce year-to-year volatility in pension expense, but it can have the effect of delaying the recognition of differences between actual returns and expected returns based on the long-term rate-of-return assumptions. The source data for the discount rate used to determine the benefit obligation was a universe of AA or higher rated U.S. dollar denominated bonds with similar maturities to the projected benefit payments.

(d) Pension Plan Assets

The asset allocation of Legacy's pension plans at March 31, 2012 and 2011, and the target allocation were as follows:

	Target allocation	2012	2011
Equity securities	28% – 46%	35%	41%
Fixed income	21% – 34%	32%	25%
Real estate	0% – 17%	11%	11%
Absolute return funds	0% – 18%	12%	13%
Alternative investments	0% – 11%	10%	10%

(Continued)

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

(Continued)

(Dollars in thousands)

In accordance with ASC Subtopic 820-10, financial assets and financial liabilities measured at fair value are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to estimate fair value. These levels and associated valuation methodologies are described in note 7. The following tables set forth by level, within the fair value hierarchy, list the Plan's assets at fair value as of March 31, 2012 and 2011:

	Fair value of financial instruments March 31, 2012			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Cash and cash equivalents	$ 5,731			5,731
Receivable under securities lending agreement		1,762		1,762
Small/mid cap domestic equity securities	25,761			25,761
Large cap domestic equity securities	60,796			60,796
International equity securities	14,487			14,487
International common/collective trust		60,826		60,826
Fixed-income mutual fund	127,286			127,286
Fixed-income common/ collective trust		24,264		24,264
Absolute return funds		54,996		54,996
Private equity funds				
Funds of funds			35,069	35,069
Distressed situations			12,469	12,469
Real estate partnerships		26,508	30,350	56,858
Total assets at fair value	$ 234,061	168,356	77,888	480,305
Liabilities				
Payable under securities lending agreement	$ 1,789			1,789
Total liabilities at fair value	$ 1,789			1,789

(Continued)

(Dollars in thousands)

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

(Continued)

(Dollars in thousands)

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

		Fair value measurements Level 3
Fair value March 31, 2010	$	56,482
Realized and unrealized (losses) gains, net		9,431
Purchases, issuances and settlements, net		476
Fair value March 31, 2011		66,389
Realized and unrealized (losses) gains, net		7,285
Purchases, issuances and settlements, net		4,214
Fair value March 31, 2012	$	77,888

(e) Cash Flows

Legacy's policy with respect to funding the qualified plans is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974 (ERISA), as amended, plus such additional amounts as deemed appropriate. In fiscal year 2013, Legacy expects to contribute, from ongoing cash flows and current assets, approximately $40,000 to its defined benefit pension plans.

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

2012	$	29,986
2013		34,354
2014		38,202
2015		41,833
2016		46,204
2017 – 2021		282,011

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

Management is not aware of any settlements or curtailments that would require additional recognition during 2012.

(Dollars in thousands)

(11) Commitments and Contingencies

(a) Professional and General Liability

Legacy is self-insured for professional and general liability coverage. Coverage in excess of the self-insurance limits is provided on a claims-made basis through commercial insurance for claims made prior to June 1, 2004 and through its captive insurance company, LHSIC, effective June 1, 2004. LHSIC is a Cayman Islands domiciled insurance company created to access the reinsurance markets. General and professional liability costs have been accrued based upon an actuarial determination. In 2012 and 2011, Legacy recognized favorable adjustments to its professional and general liability reserves associated with actuarial estimates on prior year activity of $3,827 and $8,700, respectively, as a reduction to utilities, insurance and other expenses. Legacy is involved in litigation arising in the ordinary course of business. Claims, including alleged malpractice, have been asserted against Legacy and are currently in various stages of litigation. Additional claims may be asserted against Legacy arising from services provided to patients through March 31, 2012. In management's opinion, however, the estimated liability accrued at March 31, 2012 is adequate to provide for potential losses resulting from pending or threatened litigation.

(b) Operating Leases

Legacy leases various equipment and real property under operating leases expiring at various dates through December 2015. The following is a schedule by year of future minimum lease payments under operating leases as of March 31, 2012, with an initial or remaining lease term in excess of one year.

Year ending March 31:		
2013	$	3,845
2014		2,453
2015		2,100
2016		1,859
2017		1,308
Thereafter		1,213
	$	12,778

Rent expense for 2012 and 2011 totaled $6,361 and $6,029, respectively.

(c) Employee Benefits

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

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

Legacy recognizes a severance obligation when the amount can be reasonably estimated, typically at the date of a triggering event (e.g., a reduction in force). During 2012 and 2011, Legacy expensed $3,744 and $2,421, respectively, associated with these plans.

(d) Collective Bargaining Agreements

Approximately 10% of Legacy employees were covered under collective bargaining agreements at March 31, 2012, including certain service and maintenance employees. Approximately 4% of Legacy employees are covered by collective bargaining agreements that expire within one year.

(12) Compliance with Laws and Regulations

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

(13) Subsequent Events

On April 19, 2012, CMS signed a Final Settlement Agreement for the Rural Floor Budget Neutrality Appeal with a large group of Medicare IPPS facilities. The appeal asserted that CMS calculated PPS rates in violation of the Balanced Budget Act of 1997 and used invalid rates for cost report years 1998 through 2011. As a participant in the appeal, Legacy received settlement payments of $6,090 and paid contingent legal fees of $1,522 in May 2012. The net settlement amount of $4,568 was recorded as net patient revenue and settlement receivable from third parties as of March 31, 2012, and is included in the favorable settlement amount in note 2.

Legacy evaluated subsequent events through June 28, 2012, the date the consolidated financial statements were issued.

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

Independent Auditors' Report on Supplementary Information

The Board of Directors
Legacy Health:

We have audited the consolidated financial statements of Legacy Health (an Oregon nonprofit corporation) and Affiliates as of and for the years ended March 31, 2012 and 2011, and have issued our report thereon dated June 28, 2012 which contained an unqualified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to June 28, 2012.

The supplementary information included is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

(signed) KPMG LLP

June 28, 2012

LEGACY HEALTH AND AFFILIATES

Consolidating Balance Sheet

March 31, 2012

(Dollars in thousands)

Assets	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Current assets:				
Cash and cash equivalents	$ 35,797	800	98	100
Short-term investments	45,412			
Accounts receivable from patients		104,187	40,358	25,635
Allowance for uncollectible accounts		(23,508)	(6,354)	(5,770)
		80,679	34,004	19,865
Settlements receivable from third-party payors, net		4,829	3,895	1,879
Other receivables	2,668	13,620	6,294	3,621
Inventories, at cost		6,596	3,684	3,016
Prepaid expenses	8,252	493	218	85
Total current assets	92,129	107,017	48,193	28,566
Assets limited as to use:				
Held by trustee		12,173		
Community health fund	9,990			
Noncurrent investments restricted for capital acquisitions	351			
	10,341	12,173		
Other assets:				
Property, plant and equipment	482,078	526,380	281,960	149,099
Accumulated depreciation	(328,978)	(224,252)	(212,220)	(108,753)
	153,100	302,128	69,740	40,346
Noncurrent investments	565,187	18		
Property held for development or sale	11,745			7,065
Goodwill and other intangibles	538			
Other assets	17,091	5,886	547	
	747,661	308,032	70,287	47,411
Intercompany affiliate receivable (payable)	(566,014)	121,594	111,926	172,766
	$ 284,117	548,816	230,406	248,743

(Continued)

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Credit Reporting Group	Other affiliates and eliminations	March 31, 2012 consolidated
132	328	(2)	7	37,260	1,818	39,078
				45,412	—	45,412
18,986	34,536	1,253		224,955	4,810	229,765
(8,250)	(9,917)			(53,799)	(845)	(54,644)
10,736	24,619	1,253		171,156	3,965	175,121
1,873	(254)			12,222		12,222
2,381	(16)	(8)	4,881	33,441	(17)	33,424
1,479	1,719			16,494	279	16,773
25	562	(2)		9,633	385	10,018
16,626	26,958	1,241	4,888	325,618	6,430	332,048
				12,173		12,173
				9,990		9,990
				351		351
				22,514		22,514
95,509	332,166	3,589		1,870,781	5,031	1,875,812
(55,753)	(126,581)	(1,064)		(1,057,601)	(1,856)	(1,059,457)
39,756	205,585	2,525		813,180	3,175	816,355
			1,191	566,396		566,396
	3,203			22,013		22,013
				538	26,482	27,020
623	14	1,316	7,064	32,541	(12,120)	20,421
40,379	208,802	3,841	8,255	1,434,668	17,537	1,452,205
19,822	41,942	(1,541)	98,725	(780)	780	
76,827	277,702	3,541	111,868	1,782,020	24,747	1,806,767

(Continued)

LEGACY HEALTH AND AFFILIATES

Consolidating Balance Sheet

March 31, 2012

(Dollars in thousands)

Liabilities and Net Assets	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Current liabilities:				
Accounts payable	$ 17,480	13,532	4,844	3,896
Accrued wages, salaries, and benefits	17,386	26,191	9,087	4,683
Accrued interest	2,435	1,674		
Other current liabilities	23,886	11,946	7,167	4,422
Current portion of long-term debt	6,350	7,950	2,950	3,578
Total current liabilities	67,537	61,293	24,048	16,579
Long-term debt, less current portion	71,149	274,958	69,136	45,922
Other liabilities:				
Estimated general and professional claims liability	27,969			
Accrued pension liability	16,632	67,559	34,160	13,344
Other noncurrent liabilities	14,354	2,792	781	557
	58,955	70,351	34,941	13,901
Total liabilities	197,641	406,602	128,125	76,402
Net assets:				
Unrestricted	86,476	141,745	102,281	172,341
Unrestricted, noncontrolling interest				
Temporarily restricted		469		
Permanently restricted				
	86,476	142,214	102,281	172,341
	$ 284,117	548,816	230,406	248,743

See accompanying independent auditors' report on other financial information.

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Credit Reporting Group	Other affiliates and eliminations	March 31, 2012 consolidated
1,187	2,944	146		44,029	529	44,558
3,344	9,429	547		70,667	385	71,052
				4,109		4,109
2,926	966	8	833	52,154	891	53,045
1,587			—	22,415	487	22,902
9,044	13,339	701	833	193,374	2,292	195,666
44,706				505,871	343	506,214
				27,969	287	28,256
9,448	21,050	1,022		163,215		163,215
259	346	43		19,132	132	19,264
9,707	21,396	1,065		210,316	419	210,735
63,457	34,735	1,766	833	909,561	3,054	912,615
13,370	242,967	1,775	62,682	823,637	311	823,948
					21,382	21,382
			35,078	35,547		35,547
			13,275	13,275		13,275
13,370	242,967	1,775	111,035	872,459	21,693	894,152
76,827	277,702	3,541	111,868	1,782,020	24,747	1,806,767

LEGACY HEALTH AND AFFILIATES

Consolidating Balance Sheet

March 31, 2011

(Dollars in thousands)

Assets	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Current assets:				
Cash and cash equivalents	$ 52,151	8	327	236
Short-term investments	43,978			
Cash and equivalents held under securities lending program	13,951			
Accounts receivable from patients		99,755	36,408	24,100
Allowance for uncollectible accounts		(26,023)	(6,830)	(5,565)
		73,732	29,578	18,535
Settlements receivable from third-party payors, net				
Other receivables	3,347	5,114	1,391	783
Inventories, at cost		6,665	3,706	2,885
Prepaid expenses	5,698	434	276	107
Total current assets	119,125	85,953	35,278	22,546
Assets limited as to use:				
Held by trustee		86,358		
Community health fund	9,867			
Noncurrent investments restricted for capital acquisitions	198	9,587		
	10,065	95,945		
Other assets:				
Property, plant and equipment	477,033	436,185	276,237	144,002
Accumulated depreciation	(318,040)	(219,185)	(200,671)	(105,375)
	158,993	217,000	75,566	38,627
Noncurrent investments	531,485	(9,546)		
Property held for development or sale	11,745			7,065
Goodwill and other intangibles	639			
Other assets	18,477	5,180	813	11
	721,339	212,634	76,379	45,703
Intercompany affiliate receivable (payable)	(563,888)	144,742	117,357	161,826
	$ 286,641	539,274	229,014	230,075

(Continued)

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Credit Reporting Group	Other affiliates and eliminations	March 31, 2011 consolidated
134	7	13	2	52,878	2,709	55,587
				43,978		43,978
				13,951		13,951
19,672	34,966	1,368		216,269	5,095	221,364
(7,671)	(9,340)	—		(55,429)	(1,151)	(56,580)
12,001	25,626	1,368		160,840	3,944	164,784
537	121	(8)	2,548	13,833	67	13,900
1,526	1,649			16,431	346	16,777
24	544			7,083	407	7,490
14,222	27,947	1,373	2,550	308,994	7,473	316,467
				86,358		86,358
				9,867		9,867
				9,785		9,785
				106,010		106,010
92,825	327,866	3,420		1,757,568	4,436	1,762,004
(52,570)	(112,061)	(877)		(1,008,779)	(1,127)	(1,009,906)
40,255	215,805	2,543		748,789	3,309	752,098
			1,200	523,139		523,139
	3,203			22,013		22,013
				639	26,482	27,121
1,092	150	1,187	4,249	31,159	(12,530)	18,629
41,347	219,158	3,730	5,449	1,325,739	17,261	1,343,000
21,304	22,556	(880)	96,189	(794)	794	
76,873	269,661	4,223	104,188	1,739,949	25,528	1,765,477

(Continued)

LEGACY HEALTH AND AFFILIATES

Consolidating Balance Sheet

March 31, 2011

(Dollars in thousands)

Liabilities and Net Assets	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Current liabilities:				
Accounts payable	$ 8,919	18,984	6,092	2,734
Accrued wages, salaries, and benefits	12,352	33,052	12,176	5,841
Accrued interest	990	2,433	502	310
Settlements payable to third-party payors, net		4,002	927	(16)
Other current liabilities	20,844	3,283	1,839	1,115
Payable under securities lending program	14,015			
Current portion of long-term debt	6,005	7,245	2,437	3,291
Total current liabilities	63,125	68,999	23,973	13,275
Long-term debt, less current portion	78,152	281,569	70,939	48,739
Other liabilities:				
Estimated general and professional claims liability	29,994			
Accrued pension liability	11,855	37,182	22,384	7,885
Other noncurrent liabilities	13,466	2,896	812	585
	55,315	40,078	23,196	8,470
Total liabilities	196,592	390,646	118,108	70,484
Net assets:				
Unrestricted	90,049	140,105	110,906	159,591
Unrestricted, noncontrolling interest				
Temporarily restricted		8,523		
Permanently restricted				
	90,049	148,628	110,906	159,591
	$ 286,641	539,274	229,014	230,075

See accompanying independent auditors' report on other financial information.

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Credit Reporting Group	Other affiliates and eliminations	March 31, 2011 consolidated
2,681	3,251	88		42,749	566	43,315
4,472	11,807	768		80,468	472	80,940
419				4,654		4,654
537	1,373			6,823		6,823
1,314	43	10	820	29,268	888	30,156
				14,015		14,015
1,354				20,332	449	20,781
10,777	16,474	866	820	198,309	2,375	200,684
45,930				525,329	405	525,734
				29,994	294	30,288
5,686	10,052	469		95,513		95,513
258	267	43		18,327	143	18,470
5,944	10,319	512		143,834	437	144,271
62,651	26,793	1,378	820	867,472	3,217	870,689
14,222	242,868	2,845	61,625	822,211	332	822,543
					21,979	21,979
			29,044	37,567		37,567
			12,699	12,699		12,699
14,222	242,868	2,845	103,368	872,477	22,311	894,788
76,873	269,661	4,223	104,188	1,739,949	25,528	1,765,477

LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Operations

Year ended March 31, 2012

(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center
Gross patient charges	$	1,208,539	637,967	377,789	263,438
Adjustments to gross patient charges:					
Charity allowances		73,093	33,849	16,536	26,192
Third-party contractual adjustments		564,445	318,340	193,261	130,760
Patient service revenue		571,001	285,778	167,992	106,486
Less provision for bad debts		26,463	9,856	7,098	7,453
Net patient service revenues		544,538	275,922	160,894	99,033
Other revenues	182,938	26,746	6,925	3,164	3,240
Total operating revenues	182,938	571,284	282,847	164,058	102,273
Operating expenses:					
Wages, salaries, and benefits	83,982	327,402	131,562	64,270	46,411
Supplies	2,437	76,792	46,047	25,981	10,557
Professional fees	2,952	24,819	8,787	2,474	2,559
Purchased services	47,074	(10,079)	15,723	8,796	6,885
Utilities, insurance and other expenses	10,987	39,718	8,703	7,175	7,498
Depreciation	25,249	20,748	15,275	8,977	5,554
Interest and amortization	3,517	5,978	2,085	1,874	1,356
Management fees		87,881	47,782	25,982	15,881
	176,198	573,259	275,964	145,529	96,701
Income (loss) from operations	6,740	(1,975)	6,883	18,529	5,572
Other income (expenses):					
Investment income (loss), net	1,027	6,995	4,793	6,777	1,021
Loss on extinguishment of debt	(1,216)				
Other, net	(1,589)	(1,508)	(228)	(144)	(148)
	(1,778)	5,487	4,565	6,633	873
Revenues in excess of (less than) expenses	$ 4,962	3,512	11,448	25,162	6,445

See accompanying independent auditors' report on other financial information.

Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2012 consolidated
492,896	12,634		(193)	2,993,070	53,389	3,046,459
25,374	311			175,355		175,355
258,625	1,086		34,672	1,501,189	31,940	1,533,129
208,897	11,237		(34,865)	1,316,526	21,449	1,337,975
15,896	61			66,827	1,118	67,945
193,001	11,176		(34,865)	1,249,699	20,331	1,270,030
7,724	1,131	4,900	(180,646)	56,122	276	56,398
200,725	12,307	4,900	(215,511)	1,305,821	20,607	1,326,428
131,300	8,991		(45,166)	748,752	5,895	754,647
24,817	704		10,864	198,199	4,077	202,276
3,628	69		(436)	44,852	558	45,410
1,362	306		(369)	69,698	2,645	72,343
14,967	906	5,172	(6,468)	88,658	1,713	90,371
14,620	187			90,610	750	91,360
				14,810	41	14,851
937	1,617		(180,080)			
191,631	12,780	5,172	(221,655)	1,255,579	15,679	1,271,258
9,094	(473)	(272)	6,144	50,242	4,928	55,170
1,968		1,758		24,339	10	24,349
				(1,216)		(1,216)
(1,165)	1	(333)	(6,063)	(11,177)	7	(11,170)
803	1	1,425	(6,063)	11,946	17	11,963
9,897	(472)	1,153	81	62,188	4,945	67,133

LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Operations

Year ended March 31, 2011

(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center
Gross patient charges	$	1,161,755	610,125	352,177	248,165
Adjustments to gross patient charges:					
Charity allowances		85,866	35,236	16,862	24,550
Third-party contractual adjustments		533,984	299,055	176,268	121,572
Patient service revenue		541,905	275,834	159,047	102,043
Less provision for bad debts	18	24,218	5,886	5,099	8,215
Net patient service revenues	(18)	517,687	269,948	153,948	93,828
Other revenues	163,980	16,710	3,505	737	399
Total operating revenues	163,962	534,397	273,453	154,685	94,227
Operating expenses:					
Wages, salaries, and benefits	92,486	309,178	127,541	60,268	43,767
Supplies	2,250	76,879	48,382	24,534	10,231
Professional fees	2,193	23,601	9,219	3,329	3,110
Purchased services	37,739	(2,394)	16,061	8,075	6,052
Utilities, insurance and other expenses	10,273	28,535	8,006	6,471	5,347
Depreciation	20,821	22,080	15,751	9,171	4,661
Interest and amortization	3,145	5,335	2,424	2,117	1,414
Management fees	—	73,746	43,124	23,446	14,215
	168,907	536,960	270,508	137,411	88,797
Income (loss) from operations	(4,945)	(2,563)	2,945	17,274	5,430
Other income (expenses):					
Investment income (loss), net	6,446	14,452	10,784	14,593	1,919
Loss on extinguishment of debt					
Other, net	(3,504)	(868)	440	(10)	(16)
	2,942	13,584	11,224	14,583	1,903
Revenues (less than) in excess of expenses	$ (2,003)	11,021	14,169	31,857	7,333

See accompanying independent auditors' report on other financial information.

Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2011 consolidated
457,944	13,100		(114)	2,843,152	56,224	2,899,376
29,608	203			192,325		192,325
245,472	1,482		34,158	1,411,991	31,380	1,443,371
182,864	11,415		(34,272)	1,238,836	24,844	1,263,680
8,669	89			52,194	1,208	53,402
174,195	11,326		(34,272)	1,186,642	23,636	1,210,278
3,439	1,117	4,858	(160,715)	34,030	(448)	33,582
177,634	12,443	4,858	(194,987)	1,220,672	23,188	1,243,860
102,985	8,631		(44,078)	700,778	5,899	706,677
23,212	795		10,609	196,892	4,434	201,326
3,758	76		(332)	44,954	577	45,531
5,597	300		(689)	70,741	2,830	73,571
9,940	872	6,276	(6,884)	68,836	1,663	70,499
16,102	184			88,770	699	89,469
				14,435	67	14,502
4,081	1,570		(160,182)			
165,675	12,428	6,276	(201,556)	1,185,406	16,169	1,201,575
11,959	15	(1,418)	6,569	35,266	7,019	42,285
11		8,090		56,295	7	56,302
(1,618)	3	(475)	(5,333)	(11,381)	10	(11,371)
(1,607)	3	7,615	(5,333)	44,914	17	44,931
10,352	18	6,197	1,236	80,180	7,036	87,216

LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Changes in Net Assets

Year ended March 31, 2012

(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Unrestricted net assets, controlling interest:				
Revenues in excess of (less than) expenses	$ 4,962	3,512	11,448	25,162
Net assets released from restriction used for property, plant and equipment		12,077	767	149
Pension and other postretirement adjustments	(8,535)	(30,681)	(13,424)	(6,296)
Investment gains, other than trading securities				
Other transfers		16,731	(7,416)	(6,265)
Change in unrestricted net assets, controlling interest	(3,573)	1,639	(8,625)	12,750
Unrestricted net assets, noncontrolling interest:				
Revenues in excess of expenses				
Distributions				
Change in unrestricted net assets, noncontrolling interest				
Temporarily restricted net assets:				
Donor-restricted contributions and grants		7,386		
Investment income, net		—		
Net assets released from restriction		(19,870)		
Transfers		4,430		
Change in temporarily restricted net assets		(8,054)		
Permanently restricted net assets:				
Donor-restricted contributions and grants				
Change in permanently restricted net assets				
Change in net assets	(3,573)	(6,415)	(8,625)	12,750
Net assets, beginning of year	90,049	148,629	110,906	159,591
Net assets, end of year	$ 86,476	142,214	102,281	172,341

See accompanying independent auditors' report on other financial information.

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2012 consolidated
6,445	9,897	(472)	1,153	81	62,188	(43)	62,145
14		73	(97)	(81)	12,902		12,902
(4,261)	(9,798)	(671)			(73,666)		(73,666)
(3,050)			2		2	22	24
(852)	99	(1,070)	1,058		1,426	(21)	1,405
						4,988	4,988
						(5,585)	(5,585)
						(597)	(597)
			12,911		20,297		20,297
			675		675		675
			(3,122)		(22,992)		(22,992)
			(4,430)				
			6,034		(2,020)		(2,020)
			576		576		576
			576		576		576
(852)	99	(1,070)	7,668		(18)	(618)	(636)
14,222	242,868	2,845	103,367		872,477	22,311	894,788
13,370	242,967	1,775	111,035		872,459	21,693	894,152

LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Changes in Net Assets

Year ended March 31, 2011

(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center
Unrestricted net assets, controlling interest:					
Revenues (less than) in excess of expenses	$ (2,003)	11,021	14,169	31,857	7,333
Net assets released from restriction used for property, plant and equipment	23	2,094	1,182	248	14
Pension and other postretirement adjustments	(2,509)	(5,288)	(2,743)	(1,345)	(886)
Other transfers		(971)			
Change in unrestricted net assets, controlling interest	(4,489)	6,856	12,608	30,760	6,461
Unrestricted net assets, noncontrolling interest:					
Revenues in excess of expenses					
Distributions					
Change in unrestricted net assets, noncontrolling interest					
Temporarily restricted net assets:					
Donor-restricted contributions and grants		11,133			
Investment income, net					
Net assets released from restriction		(12,189)			
Transfers		9,024			
Change in temporarily restricted net assets		7,968			
Permanently restricted net assets:					
Donor-restricted contributions and grants					
Change in permanently restricted net assets					
Change in net assets	(4,489)	14,824	12,608	30,760	6,461
Net assets, beginning of year	94,538	133,805	98,298	128,831	7,761
Net assets, end of year	$ 90,049	148,629	110,906	159,591	14,222

See accompanying independent auditors' report on other financial information.

Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2011 consolidated
10,352	18	6,197	1,236	80,180	(29)	80,151
		(1,534)	(1,236)	791	(1)	790
(1,363)	(150)			(14,284)		(14,284)
		6		(965)		(965)
8,989	(132)	4,669		65,722	(30)	65,692
					7,065	7,065
					(6,014)	(6,014)
					1,051	1,051
		7,435		18,568		18,568
		3,586		3,586		3,586
		(2,810)		(14,999)		(14,999)
		(8,053)		971		971
		158		8,126		8,126
		367		367		367
		367		367		367
8,989	(132)	5,194		74,215	1,021	75,236
233,879	2,977	98,173		798,262	21,290	819,552
242,868	2,845	103,367		872,477	22,311	894,788

LEGACY HEALTH AND AFFILIATES

Consolidated Financial and Statistical Highlights
(Unaudited)

Years ended March 31

	2012	2011	2010	2009
Utilization:				
Average number of available beds	1,071	1,064	1,027	993
Percentage occupancy	60.0%	60.7%	65.2%	70.0%
Patient days	235,358	235,569	244,257	253,800
Medicare percent of discharge revenue	35.5%	33.6%	32.6%	33.7%
Average length of stay	4.3	4.5	4.4	4.6
Discharges:				
Adult and pediatric acute	50,701	49,623	52,479	52,154
Rehab. and psychiatric	2,437	2,282	2,469	2,288
NICU	1,758	1,010	874	872
Total discharges	54,896	52,915	55,822	55,314
Outpatient revenues as a percent of gross patient revenue	41.8%	42.4%	40.9%	38.6%
Average full-time equivalent (FTE) employees:				
Number of paid FTEs	8,020	7,997	7,767	7,725
FTEs per adjusted occupied bed:	7.3	7.1	6.9	6.8
Ratios:				
Deductions from revenues	58.3%	58.3%	57.7%	56.7%
Operating margin	4.2%	3.4%	3.8%	3.3%
Debt service coverage (A)	4.5	5.0	5.3	3.4
Net days in accounts receivable	48.2	46.4	45.1	46.9
Days cash on hand	201.1	198.1	175.6	137.9

Note: (A) Debt service coverage is calculated solely on the Master Trust Reporting Group.

See accompanying independent auditors' report on other financial information.

LEGACY HEALTH AND AFFILIATES

Consolidating Financial and Statistical Highlights
(Unaudited)

Years ended March 31, 2012 and 2011

	Consolidated	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital
Utilization:						
Average available beds:						
2012	1,071	408	249	130	90	194
2011	1,064	406	249	130	84	195
Percentage occupancy:						
2012	60.0%	66.0%	59.3%	56.1%	54.6%	54.5%
2011	60.7	68.5	59.1	54.5	55.9	52.5
Patient days:						
2012	235,358	97,966	54,032	26,702	17,988	38,670
2011	235,569	101,485	53,729	25,844	17,139	37,372
Medicare percentage of discharge revenue:						
2012	35.5%	20.8%	48.6%	50.1%	36.6%	37.2%
2011	33.6	19.1	47.3	47.0	36.0	36.1
Average length of stay (days):						
2012	4.3	5.3	4.6	3.4	3.3	3.5
2011	4.5	5.5	4.7	3.5	3.4	3.5
Discharges:						
2012:						
Adult and pediatric acute	50,701	16,421	10,576	7,863	5,410	10,431
Rehab. and psychiatric	2,437	1,143	1,294	—	—	—
NICU	1,758	1,025	—	—	—	733
Total discharges	54,896	18,589	11,870	7,863	5,410	11,164
2011:						
Adult and pediatric acute	49,623	16,988	9,878	7,377	4,990	10,390
Rehab. and psychiatric	2,282	845	1,437	—	—	—
NICU	1,010	604	—	—	—	406
Total discharges	52,915	18,437	11,315	7,377	4,990	10,796
Outpatient revenues as a percentage of gross patient revenue:						
2012	41.8%	25.5%	40.3%	46.3%	52.6%	39.8%
2011	42.4	25.8	42.2	47.9	53.9	41.1
Average full-time equivalent (FTE) employees:						
Number of paid FTEs:						
2012	8,020	2,135	1,360	673	473	860
2011	7,997	2,299	1,391	656	467	988
FTEs per adjusted occupied bed:						
Paid FTEs:						
2012	7.3	6.0	5.5	5.0	4.6	5.2
2011	7.1	5.9	5.5	4.8	4.6	5.4
Worked FTEs:						
2012	6.3	5.2	4.8	4.3	3.9	4.5
2011	6.2	5.1	4.7	4.1	3.9	4.7
Ratios:						
Deductions from revenues:						
2012	58.3%	55.6%	56.7%	57.4%	62.4%	61.4%
2011	58.3	55.9	55.8	56.3	62.2	62.4
Operating margin:						
2012	4.2%	5.9%	2.4%	11.3%	5.4%	8.5%
2011	3.4	6.7	1.1	11.2	5.8	16.4

Note: Statistics for hospital entities listed above represent information related to hospital operations only. Professional clinics, laboratory services, system office and other operations are included in the consolidated total.

See accompanying independent auditors' report on other financial information.

Additional Data

Software ID: 11000144
Software Version: 2011v1.5
EIN: 93-0591528
Name: LEGACY MOUNT HOOD MEDICAL CENTER

Form 990, Special Condition Description:

Special Condition Description

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
RT REV MICHAEL J HANLEY BOARD DIRECTOR	3 00	X						0	0	0
SCOTT H JOHNSON Treasurer	40 00	X		X				0	301,044	40,480
DAVID E EAGER CFO & TREASURER	40 00	X		X				0	168,289	9,895
P CAMPBELL GRONER III SR VP & SEC	40 00	X		X				0	469,829	89,076
GEORGE J BROWN MD President & CEO	40 00	X		X				0	1,022,154	225,916
JOHN W WINTER JR BOARD DIRECTOR	4 00	X						0	0	0
STEPHEN NEWBERRY MD BOARD DIRECTOR	3 00	X						0	2,260	0
CORLISS A MCKEEVER BOARD DIRECTOR	3 00	X						0	0	0
DUANE C MCDOUGALL BOARD DIRECTOR	3 00	X						0	0	0
RONALD S KING BOARD DIRECTOR	4 00	X						0	0	0
LESLIE ROOT MD BOARD DIRECTOR	4 00	X						0	63,953	0
JEFFREY S GORDON VICE CHAIR	5 00	X		X				0	0	0
JEFFREY D FULLMAN MD BOARD DIRECTOR	3 00	X						0	0	0
DIANE PINNEY BOARD DIRECTOR	4 00	X						0	0	0
ROBERT L CORNIE BOARD DIRECTOR	4 00	X						0	0	0
COLLEEN A CAIN Chairman	7 00	X		X				0	0	0
SHERYL MANNING BOARD DIRECTOR	4 00	X						0	0	0
CHRISTOPHER S THOMING MD BOARD DIRECTOR	3 00	X						0	0	0
BISHOP DAVID BRAUER-RIEKE BOARD DIRECTOR	3 00	X						0	0	0
GLEN LUTZ SR VP	40 00				X			0	317,262	44,518
MAUREEN A BRADLEY SR VP	40 00				X			0	250,593	35,146
EVERETT NEWCOMB III SR VP	40 00				X			0	556,780	95,856
GRETCHEN M NICHOLS VP HOSP ADMIN	40 00				X			270,272	0	55,845
SONJA O STEVES SR VP	40 00				X			0	339,446	82,854
TRENT S GREEN SR VP	40 00				X			0	381,436	74,391

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
CAROL A BRADLEY SR VP	40 00				X			0	345,387	72,675
GEORGE A CIOFFI MD SR VP	40 00				X			0	380,828	62,698
BARBARA A JACOBS-BLANCHARD RN	55 00					X		174,332	0	47,949
JEANNIE C LEE NURSE ANES	40 00					X		181,949	0	34,570
TODD NELSON NURS ANES	40 00					X		176,121	0	41,176
MAURI TRAYLOR NURSE ANES	40 00					X		211,045	0	28,552
SHARON L TRUJILLO NURSE ANES	40 00					X		178,926	0	30,839
BRYCE HELGERSON FORMER CAO	0 00						X	0	333,013	52,208
ROBERT J PALLARI FORMER CEO	0 00						X	0	6,320,533	28,576
PAMELA VUKOVICH FORMER SR VP TREAS	0 00						X	0	1,431,516	-8,976