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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 OCT 1, 2011 and ending SEP 30, 2012

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

C Name of organization
TUALITY HEALTHCARE

Doing Business As

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

Room/suite

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

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

D Employer identification number
93-0430029

E Telephone number
503-681-1579

G Gross receipts $ 182,237,713.

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www.tuality.org

K Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation: 1954

M State of legal domicile: OR

Part I Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities: SEE SCHEDULE O		
	2	Check this box ▶ ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3	Number of voting members of the governing body (Part VI, line 1a)	3	8
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	8
	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	1557
	6	Total number of volunteers (estimate if necessary)	6	204
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	200,234.
	b	Net unrelated business taxable income from Form 990-T, line 34	7b	-258,927.

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	1,720,526.	4,184,621.
	9	Program service revenue (Part VIII, line 2g)	176,504,665.	177,054,402.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	983,646.	998,690.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0.	0.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	179,208,837.	182,237,713.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	257,200.	236,493.
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	95,015,612.	99,074,791.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 0.		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	82,214,902.	80,867,027.
	18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	177,487,714.	180,178,311.
	19	Revenue less expenses. Subtract line 18 from line 12	1,721,123.	2,059,402.

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	142,274,448.	146,431,139.
	21	Total liabilities (Part X, line 26)	75,018,748.	79,019,539.
	22	Net assets or fund balances. Subtract line 21 from line 20	67,255,700.	67,411,600.

SCANNED SEP 10 2013

RECEIVED
AUG 29 2013
IRS-OSC
OGDEN, UT

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

▶ Signature of officer

Date 8/13/13

▶ Tim Fleischmann, CFO
Type or print name and title

Paid Preparer Use Only					
Print/Type preparer's name: Lester L. Fordham	Preparer's signature: Lester L Fordham	Date: 8/12/13	Check ☐ if self-employed	PTIN: P00079631	
Firm's name ▶ FORDHAM GOODFELLOW, LLP				Firm's EIN ▶ 93-1298398	
Firm's address ▶ 233 SE Second Ave. Hillsboro, OR 97123-4016				Phone no. 503-648-6651	

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

See Schedule O for Organization Mission Statement Continuation

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III [X]

1 Briefly describe the organization's mission

Tuality Healthcare's Mission is to provide health care to the community with respect for human dignity and without regard for the recipient's ability to pay. We believe that compassion encourages healing, that knowledge is the foundation of CONTINUED ON SCHEDULE O

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 [X] 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 [X] 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 $ 174,724,065. including grants of $ 236,493.) (Revenue $ 176,195,012.)

SEE SCHEDULE ATTACHED

4b (Code _____) (Expenses $ _____ including grants of $ _____) (Revenue $ _____)

4c (Code _____) (Expenses $ _____ including grants of $ _____) (Revenue $ _____)

4d Other program services (Describe in Schedule O)

(Expenses $ _____ including grants of $ _____) (Revenue $ _____)

4e **Total program service expenses** ▶ 174,724,065.

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	X	
2	Is the organization required to complete *Schedule B, Schedule of Contributors*?	2	X	
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		X
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		X
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		X
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		X
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		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
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		X
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	X	
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, line 10? *If "Yes," complete Schedule D, Part VI*	11a	X	
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	X	
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		X
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	X	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	X	
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		X
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		X
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	X	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		X
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, Parts I and IV*	14b		X
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 United States? *If "Yes," complete Schedule F, Parts II and IV*	15		X
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 United States? *If "Yes," complete Schedule F, Parts III and IV*	16		X
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		X
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		X
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		X
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	X	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	X	

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21	X	
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		X
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	X	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No", go to line 25*	24a	X	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		X
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		X
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		X
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		X
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		X
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		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	27		X
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		X
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		X
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c		X
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
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		X
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		X
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	X	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	X	
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		X
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		X
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		X
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	X	

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	195		
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	X	
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	1557		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b		X
	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	X	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b	X	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		X
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		X
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5b		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5c		
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?				
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		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter:				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter:				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state?		13a		
	Note. See the instructions for additional information the organization must report on Schedule O				
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?		14a		X
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*		14b		

Part VI Governance, Management, and Disclosure *For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 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 [X]

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	8		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.				
b	Enter the number of voting members included in line 1a, above, who are independent	1b	8		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2			X
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			X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5			X
6	Did the organization have members or stockholders?	6			X
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			X
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			X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:				
a	The governing body?	8a		X	
b	Each committee with authority to act on behalf of the governing body?	8b		X	
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			X

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		X
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		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	X	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	X	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
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	X	
13	Did the organization have a written whistleblower policy?	13	X	
14	Did the organization have a written document retention and destruction policy?	14	X	
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	X	
b	Other officers or key employees of the organization	15b	X	
	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		X
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		

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 Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection Indicate how you made these available. Check all that apply

[ ] Own website [X] Another's website [X] 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 during the tax year.

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

Tim Fleischmann - TUALITY HEALTHCAR - 503-681-1570

335 SE EIGHTH AVE., HILLSBORO, OR 97123

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (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			
(1) EUGENE ZURBRUGG BOARD OF DIRECTORS	4.00	X						0.	0.	0.
(2) FRED NACHTIGAL BOARD OF DIRECTORS	4.00	X						0.	0.	0.
(3) CHARLES ROSENBLATT BOARD OF DIRECTORS	4.00	X						0.	0.	0.
(4) MIKE FOGLIA BOARD OF DIRECTORS	4.00	X						0.	0.	0.
(5) MARK ROSENBAUM VICE CHAIRMAN OF THE BOARD	4.00	X		X				0.	0.	0.
(6) LEN BERGSTEIN BOARD OF DIRECTORS	4.00	X						0.	0.	0.
(7) DARELL LUMACO CHAIRMAN OF THE BOARD	5.00	X		X				0.	0.	0.
(8) MIKE HUNDLEY SECRETARY/TREASURER OF THE BOARD	4.00	X		X				0.	0.	0.
(9) RICHARD STENSON CEO, PRESIDENT	40.00			X				391,482.	0.	62,499.
(10) JOHN COLETTI, JR. VP HEALTH CARE DEVELOPMENT	40.00			X				389,036.	0.	21,999.
(11) MANUEL BERMAN CHIEF OPERATING OFFICER	40.00			X				225,744.	0.	38,499.
(12) EUNICE RECH CHIEF CLINICAL OFFICER	40.00			X				170,947.	0.	21,766.
(13) TIM FLEISCHMANN CHIEF FINANCIAL OFFICER	40.00			X				189,392.	0.	38,500.
(14) TODD SADOWSKI PHYSICIAN	40.00					X		482,349.	0.	0.
(15) JEREMIAH MURPHY PHYSICIAN	40.00					X		444,445.	0.	32,999.
(16) ROBERT SCHMIDT PHYSICIAN	40.00					X		441,652.	0.	33,000.
(17) GREGORY ROSENBLATT PHYSICIAN	40.00					X		462,562.	0.	32,999.

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			
(18) PETER HAHN PHYSICIAN	40.00					X		449,974.	0.	0.
1b Sub-total								3,647,583.	0.	282,261.
c Total from continuation sheets to Part VII, Section A								0.	0.	0.
d Total (add lines 1b and 1c)								3,647,583.	0.	282,261.

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 ▶ 10

		Yes	No
3	Did the organization list any **former** officer, director, or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*		X
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*	X	
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*		X

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
SOUND PHYSICIANS 31472 PO Box 60000, San Francisco, CA 94160	CONTRACT HOSPITALISTS	1,335,802.
TUALITY HEALTH ALLIANCE PO BOX 548, HILLSBORO, OR 97123	BENEFITS ADMINISTRATOR	154,438.

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 ▶ 2

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d	1,257,900.			
	e Government grants (contributions)	1e	2,926,721.			
	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		4,184,621.			
Program Service Revenue		Business Code				
	2a NON MCR/MCD HOSP REV	621110	148357435.	148357435.		
	b CAFETERIA	621110	709,866.			709,866.
	c MANAGEMENT FEES	541610	199,452.		199,452.	
	d BILLING SERVICE FEES	518210	782.		782.	
	e					
	f All other program service revenue	621110	27786867.	27786867.		
	g Total. Add lines 2a-2f		177054402.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		998,579.			998,579.
	4 Income from investment of tax-exempt bond proceeds		111.			111.
	5 Royalties					
		(i) Real	(ii) Personal			
	6a Gross rents					
	b Less rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss)					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory					
	b Less cost or other basis and sales expenses					
	c Gain or (loss)					
	d Net gain or (loss)					
	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b Less: direct expenses	b				
	c Net income or (loss) from fundraising events					
	9a Gross income from gaming activities. See Part IV, line 19	a				
	b Less direct expenses	b				
	c Net income or (loss) from gaming activities					
	10a Gross sales of inventory, less returns and allowances	a				
	b Less cost of goods sold	b				
	c Net income or (loss) from sales of inventory					
	Miscellaneous Revenue	Business Code				
	11a					
	b					
	c					
	d All other revenue					
	e Total. Add lines 11a-11d					
	12 Total revenue. See instructions.		182237713.	176144302.	200,234.	1708556.

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	236,493.	236,493.		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,685,126.		1,685,126.	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	76,052,340.	76,052,340.		
8	Pension plan accruals and contributions (include section 401(k) and section 403(b) employer contributions)	5,439,975.	5,439,975.		
9	Other employee benefits	9,115,621.	8,932,731.	182,890.	
10	Payroll taxes	6,781,729.	6,645,665.	136,064.	
11	Fees for services (non-employees):				
a	Management				
b	Legal	588,987.	547,646.	41,341.	
c	Accounting				
d	Lobbying				
e	Professional fundraising services. See Part IV, line 17				
f	Investment management fees				
g	Other	9,795,895.	8,749,392.	1,046,503.	
12	Advertising and promotion	279,700.	279,700.		
13	Office expenses	1,317,945.	1,074,286.	243,659.	
14	Information technology				
15	Royalties				
16	Occupancy	8,251,248.	8,251,248.		
17	Travel	484,191.	482,218.	1,973.	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	2,321.	-66,116.	68,437.	
20	Interest	1,365,434.	1,365,434.		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	8,044,401.	7,239,961.	804,440.	
23	Insurance	1,603,482.	1,443,134.	160,348.	
24	Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a	SUPPLIES	18,610,235.	18,606,373.	3,862.	
b	BAD DEBT EXP - DIRECT W	13,331,691.	13,331,691.		
c	PROVIDER TAX	6,381,441.	6,381,441.		
d	EQUIPMENT RENTAL AND MA	6,239,418.	6,205,746.	33,672.	
e	All other expenses	4,570,638.	3,524,707.	1,045,931.	
25	**Total functional expenses.** Add lines 1 through 24e	180,178,311.	174,724,065.	5,454,246.	0.
26	**Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing	30,611,868.	1	31,632,996.
	2	Savings and temporary cash investments		2	
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	24,618,677.	4	27,566,037.
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions)		6	
	7	Notes and loans receivable, net	1,246,479.	7	1,138,025.
	8	Inventories for sale or use	2,631,912.	8	2,604,044.
	9	Prepaid expenses and deferred charges	2,221,953.	9	2,079,529.
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D — 10a: 149,679,522.			
	b	Less. accumulated depreciation — 10b: 114,163,379.	35,687,906.	10c	35,516,143.
	11	Investments - publicly traded securities		11	
	12	Investments - other securities. See Part IV, line 11	28,652,028.	12	28,191,993.
	13	Investments - program-related. See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets. See Part IV, line 11	16,603,625.	15	17,702,372.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	142,274,448.	16	146,431,139.
Liabilities	17	Accounts payable and accrued expenses	46,967,882.	17	54,916,730.
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities	23,274,000.	20	19,899,715.
	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	1,120,161.	23	1,402,421.
	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	3,656,705.	25	2,800,673.
	26	**Total liabilities.** Add lines 17 through 25	75,018,748.	26	79,019,539.
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	67,128,500.	27	66,000,600.
	28	Temporarily restricted net assets	127,200.	28	1,411,000.
	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	67,255,700.	33	67,411,600.
	34	Total liabilities and net assets/fund balances	142,274,448.	34	146,431,139.

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	182,237,713.
2	Total expenses (must equal Part IX, column (A), line 25)	2	180,178,311.
3	Revenue less expenses Subtract line 2 from line 1	3	2,059,402.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	67,255,700.
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-1,903,502.
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	67,411,600.

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		X
b	Were the organization's financial statements audited by an independent accountant?	2b	X	
c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	2c	X	
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 separate 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		X
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		

SCHEDULE A (Form 990 or 990-EZ)

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	Employer identification number
TUALITY HEALTHCARE	93-0430029

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 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. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 **Total support.** Add lines 7 through 10						

12 Gross receipts from related activities, etc. (see instructions) 12

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 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 from 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 a 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 Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 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 section 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 ▶ ☐

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 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

TUALITY HEALTHCARE

Employer identification number

93-0430029

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can 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 education)
☐ Protection of natural habitat
☐ Preservation of open space
☐ Preservation of an historically important land area
☐ Preservation of a certified historic structure

2 Complete lines 2a through 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 Tax 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, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 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 (ASC 958), 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 (ASC 958), 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 (ASC 958) 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 acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

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

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

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

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

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

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

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

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

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

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

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	4,008,069.	4,442,993.	4,402,566.	4,473,568.	
b Contributions	911,906.	948,326.	800,425.	944,880.	
c Net investment earnings, gains, and losses	688,295.	-27,010.	255,430.	24,688.	
d Grants or scholarships	22,507.	23,876.	31,410.	22,124.	
e Other expenditures for facilities and programs	1,014,315.	1,332,364.	984,018.	1,018,446.	
f Administrative expenses					
g End of year balance	4,571,448.	4,008,069.	4,442,993.	4,402,566.	

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

a Board designated or quasi-endowment ▶ _____ %
b Permanent endowment ▶ _____ %
c Temporarily restricted endowment ▶ _____ %

The percentages in lines 2a, 2b, and 2c should equal 100%.

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

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

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	2,407,626.			2,407,626.
b Buildings	54,673,088.		43,713,508.	10,959,580.
c Leasehold improvements	3,632,473.		776,360.	2,856,113.
d Equipment	88,790,335.		69,673,511.	19,116,824.
e Other	176,000.			176,000.
Total. Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				35,516,143.

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) SECURITIES AND OTHER		
(B) INVESTMENTS	28,191,993.	End-of-Year Market Value
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total. (Col (b) must equal Form 990, Part X, col (B) line 12.) ▶	28,191,993.	

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
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total (Col (b) must equal Form 990, Part X, col (B) line 13.) ▶		

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

(a) Description	(b) Book value
(1) OTHER ASSETS	17,448,272.
(2) INTEREST IN NET ASSETS OF FOUNDATION	154,100.
(3) Goodwill	100,000.
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 15.)* ▶	17,702,372.

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

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) AFFILIATES	2,800,673.
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25.)* ▶	2,800,673.

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 (ASC 740).

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	182,237,713.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	180,178,311.
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	2,059,402.
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	-1,903,502.
9	Total adjustments (net). Add lines 4 through 8	9	-1,903,502.
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	10	155,900.

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	185,463,700.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12.				
a	Net unrealized gains on investments	2a	2,108,052.		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	1,117,935.		
e	Add lines 2a through 2d			2e	3,225,987.
3	Subtract line 2e from line 1			3	182,237,713.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines 4a and 4b			4c	0.
5	Total revenue Add lines 3 and 4c. *(This must equal Form 990, Part I, line 12.)*			5	182,237,713.

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

1	Total expenses and losses per audited financial statements			1	182,122,509.
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	1,944,200.		
e	Add lines 2a through 2d			2e	1,944,200.
3	Subtract line 2e from line 1			3	180,178,309.
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	2.		
c	Add lines 4a and 4b			4c	2.
5	Total expenses. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 18.)*			5	180,178,311.

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, line 2, 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

Part XI, Line 8 - Other Adjustments:

CHANGE IN INTEREST IN NET ASSETS UNDER FAS 136	1,283,800.
GAAP BAD DEBT EXPENSE IN EXCESS OF DIRECT WRITE OFF METHOD	-1,944,200.
ROUNDING	23.
EQUITY INCOME NET OF DISTRIBUTIONS OF JT VENTURES	3,175,265.
CHANGE IN MINIMUM PENSION LIABILITY UNDER FAS 158	-4,469,100.
NET ASSETS RELEASED FROM RESTRICTION	50,710.

Part XIV Supplemental Information *(continued)*

Total to Schedule D, Part XI, Line 8	-1,903,502.
Part XII, Line 2d - Other Adjustments:	
EQUITY INCOME FROM JOINT VENTURES & SUBSIDIARIES	1,067,213.
ROUNDING	12.
NET ASSETS RELEASED FROM RESTRICTION	50,710.
Total to Schedule D, Part XII, Line 2d	1,117,935.
Part XIII, Line 2d - Other Adjustments:	
GAAP BAD DEBT EXPENSE IN EXCESS OF DIRECT WRITE OFF METHOD	1,944,200.
Part XIII, Line 4b - Other Adjustments:	
ROUNDING	2.

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

TUALITY HEALTHCARE

Employer identification number

93-0430029

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	X	
b	If "Yes," was it a written policy?	1b	X	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year [X] Applied uniformly to all hospital facilities [ ] Applied uniformly to most hospital facilities [ ] Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied 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 was the FPG family income limit for eligibility for free care [ ] 100% [ ] 150% [X] 200% [ ] Other _____ %	3a	X	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care [ ] 200% [ ] 250% [ ] 300% [ ] 350% [X] 400% [ ] Other _____ %	3b	X	
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 used an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	X	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	X	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	X	
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 eligible for free or discounted care?	5c		X
6a	Did the organization prepare a community benefit report during the tax year?	6a	X	
b	If "Yes," did the organization make it available to the public?	6b	X	

Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			4307113.		4307113.	2.58%
b Medicaid (from Worksheet 3, column a)			21045376.	7357579.	13687797.	8.20%
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			25352489.	7357579.	17994910.	10.78%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1907170.		1907170.	1.14%
f Health professions education (from Worksheet 5)			250,505.		250,505.	.15%
g Subsidized health services (from Worksheet 6)			266,524.	63,330.	203,194.	.12%
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			418,125.		418,125.	.25%
j **Total.** Other Benefits			2842324.	63,330.	2778994.	1.66%
k **Total.** Add lines 7d and 7j			28194813.	7420909.	20773904.	12.44%

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
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			128,333.		128,333.	.08%
8	Workforce development						
9	Other						
10	Total			128,333.		128,333.	.08%

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1		X
2	Enter the amount of the organization's bad debt expense	2 15,682,937.		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy	3		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	47,249,562.
6	Enter Medicare allowable costs of care relating to payments on line 5	6	66,485,870.
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-19,236,308.
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

			Yes	No
9a	Did the organization have a written debt collection policy during the tax year?	9a	X	
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	X	

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 %

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? 2

Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)
1 Tuality Community Hospital 335 SE 8th Ave. Hillsboro, OR 97123	X	X					X		
2 Tuality Forest Grove Hospital 1809 Maple Street Forest Grove, OR 97116	X	X					X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of Hospital Facility: Tuality Community Hospital

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 tax year 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 line 8	1		
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 the community health 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		
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		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
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 ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a 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 Needs Assessment			
g ☐ Prioritization of health needs in its 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 and the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that.			
8 Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	9	X	
If "Yes," indicate the FPG family income limit for eligibility for free care: 200 %			
If "No," explain in Part VI the criteria the hospital facility used			

Part V **Facility Information** *(continued)* Tuality Community Hospital

			Yes	No
10	Used FPG to determine eligibility for providing *discounted* care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 %			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply):			
a	[X] Income level			
b	[X] Asset level			
c	[X] Medical indigency			
d	[X] Insurance status			
e	[X] Uninsured discount			
f	[X] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	X	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	[X] The policy was posted on the hospital facility's website			
b	[X] The policy was attached to billing invoices			
c	[X] The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	[X] The policy was posted in the hospital facility's admissions offices			
e	[X] The policy was provided, in writing, to patients on admission to the hospital facility			
f	[X] The policy was available on 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	X	
15	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine patient's eligibility under the facility's FAP			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
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		X
	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 line 16 (check all that apply):			
a	[ ] Notified patients of the financial assistance policy on 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)* Tuality Community Hospital

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	X	
	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 its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	☒ Other (describe in Part VI)			
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? If "Yes," explain in Part VI.	20		X
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for any service provided to that patient? If "Yes," explain in Part VI.	21		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)

Name of Hospital Facility: Tuality Forest Grove Hospital

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for tax year 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 line 8	1		
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 the community health 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		
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		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
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 ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a 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 Needs Assessment			
g ☐ Prioritization of health needs in its 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 and the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
8 Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	9	X	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 %			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)* Tuality Forest Grove Hospital

			Yes	No
10	Used FPG to determine eligibility for providing *discounted* care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care: 400 %			
	If "No," explain in Part VI the criteria the hospital facility used.			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	[X] Income level			
b	[X] Asset level			
c	[X] Medical indigency			
d	[X] Insurance status			
e	[X] Uninsured discount			
f	[X] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	X	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	[X] The policy was posted on the hospital facility's website			
b	[X] The policy was attached to billing invoices			
c	[X] The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	[X] The policy was posted in the hospital facility's admissions offices			
e	[X] The policy was provided, in writing, to patients on admission to the hospital facility			
f	[X] The policy was available on 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	X	
15	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine patient's eligibility under the facility's FAP			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
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		X
	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 line 16 (check all that apply):			
a	[ ] Notified patients of the financial assistance policy on 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)* Tuality Forest Grove Hospital

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	X	
	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 its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	☒ Other (describe in Part VI)			
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? If "Yes," explain in Part VI.	20		X
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for any service provided to that patient? If "Yes," explain in Part VI	21		X

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

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year? 14

Name and address	Type of Facility (describe)
1 Tuality Urgent Care at Reedville 7545 SE Tualatin Valley Hwy Hillsboro, OR 97123	Urgent Care
2 Tuality Healthplace 1200 NE 48th Ave., Ste. 7000 Hillsboro, OR 97123	OP Therapy
3 Tuality/OHSU Cancer Center 299 SE 9th Ave. Hillsboro, OR 97123	OP Radiation Therapy
4 Tuality Home Health 3201 19th Ave., Ste. F Forest Grove, OR 97116	Home Health Services
5 Orenco Station Medical Plaza 6355 NE Cornell Rd. Hillsboro, OR 97123	MOB
6 Tuality 8th Avenue Medical Plaza 364 SE 8th Ave Hillsboro, OR 97123	MOB
7 Tuality 7th Avenue Medical Plaza 333 SE 7th Ave Hillsboro, OR 97123	MOB
8 Tuality Forest Grove Medical Plaza 3201 19th Ave Forest Grove, OR 97116	MOB
9 Hillsboro Internal Medicine 364 SE 8th Ave., Ste. 301 Hillsboro, OR 97123	Physician Offices
10 North Plains Medical Clinic 10245 NW Glencoe Rd. North Plains, OR 97133	Physician Offices

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

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, from largest to smallest)

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

Name and address	Type of Facility (describe)
11 Northwest Ortho Surgery & Sport Medic 21255 NW Jacobson Re., Ste. 500 Hillsboro, OR 97124	Physician Offices
12 Tuality Obstetrics & Gynecology 364 SE 8th Ave., Ste. 205 Hillsboro, OR 97123	Physician Offices
13 Westside Medical Clinic 21255 NW Jacobson Re., Ste. 500 Hillsboro, OR 97124	Physician Offices
14 Tuality Hillsboro Hematology & Oncolo 364 SE 8th Ave., Ste. 105 Hillsboro, OR 97123	Physician Offices

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

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

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

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

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

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

Part I, Line 7, Column (f): The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is $ 13331691.

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

Part III, Line 9b: In addition to referencing and accessing our internal Tuality Financial Assistance program (before, during, and after

services are rendered), we also recognize other Portland providers' (hospitals, physician, ambulance, DME, etc) financial assistance determination (with written proof).

Tuality Community Hospital:
Part V, Section B, Line 19d: Average of all negotiated commercial insurance rates.

Tuality Forest Grove Hospital:
Part V, Section B, Line 19d: Average rate of all negotiated commerial insurance rates.

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

Part VI, Line 3: Requests for financial assistance may be made at any point before, during, or after the provision of care. Information related

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

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

Part VI, Line 5: When it comes to community, everyone has a part to play. For us, it's an honor and a duty to help those near us receive the best medical care possible. That's why, since our beginnings in 1918,

Part VI Supplemental Information

we've worked hard to provide quality, convenient care for people in western Washington County. Today, we're the only local, independent, community-governed healthcare system in the area, offering inpatient and outpatient treatment, specialty services, health education, and more.

Of course, our goal isn't only to treat you when you're sick, but also to help you stay well. For that reason, you'll often find us at local events and other public places, offering free or low-cost health screenings and educational courses. For those who need it, we even provide transportation to and from medical appointments.

Many of these services are offered at Tuality Health Education Center and other locations.

We really are your neighbors! Many of our 1,400 employees live just a short distance from work.

Our larger facilities include Tuality Community Hospital in Hillsboro and Tuality Forest Grove Hospital. In addition, we have numerous other medical centers and outpatient facilities. By keeping up with the latest advances in medical science, we've earned a sterling reputation for the quality of our heart, cancer, stroke, and diagnostic imaging services.

In this way, we are able to offer the best possible medical care to the Tualatin Valley cities and communities in western Washington County, such as Aloha, Beaverton, Hillsboro, Forest Grove, Cornelius, and the smaller communities of the Coastal Range foothills.

Part VI Supplemental Information

Part VI, Line 6: N/A

Part VI, Line 7, List of States Receiving Community Benefit Report:

OR

SCHEDULE I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990.**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization

TUALITY HEALTHCARE

Employer identification number

93-0430029

Part I General Information on Grants and Assistance

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

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

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000 Part II can be duplicated if additional space is needed ▶ [ ]

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
SEE ATTACHED SCHEDULE VARIOUS VARIOUS, OR 12345			235,398.	0.			VARIOUS COMMUNITY AND HEALTH ENRICHMENT

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table ▶ 37.

3 Enter total number of other organizations listed in the line 1 table ▶ 9.

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Part III can be duplicated if additional space is needed.

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

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

Schedule I, Part I, Line 2: Internal records document the award of grants or assistance and the intended use.

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, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization

TUALITY HEALTHCARE

Employer identification number

93-0430029

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items.			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax indemnification 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 on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	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 filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director. Explain in Part III			
	☐ 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		X
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	X	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only section 501(c)(3) and 501(c)(4) organizations 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		X
b	Any related organization?	5b		X
	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		X
b	Any related organization?	6b		X
	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		X
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	8		X
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 RICHARD STENSON	(i)	391,482.	0.	0.	24,000.	38,499.	453,981.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
2 JOHN COLETTI, JR.	(i)	389,036.	0.	0.	0.	21,999.	411,035.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
3 MANUEL BERMAN	(i)	225,744.	0.	0.	0.	38,499.	264,243.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
4 EUNICE RECH	(i)	170,947.	0.	0.	0.	21,766.	192,713.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
5 TIM FLEISCHMANN	(i)	189,392.	0.	0.	0.	38,500.	227,892.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
6 TODD SADOWSKI	(i)	482,349.	0.	0.	0.	0.	482,349.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
7 JEREMIAH MURPHY	(i)	444,445.	0.	0.	0.	32,999.	477,444.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
8 ROBERT SCHMIDT	(i)	441,652.	0.	0.	0.	33,000.	474,652.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
9 GREGORY ROSENBLATT	(i)	462,562.	0.	0.	0.	32,999.	495,561.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
10 PETER HAHN	(i)	449,974.	0.	0.	0.	0.	449,974.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
11	(i)							
	(ii)							
12	(i)							
	(ii)							
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II Also complete this part for any additional information

Part I, Line 4b: Richard Stenson - $24,000 paid in the fiscal year ended 9/30/2012.

Part I, Line 4b: Under the plan, Tuality Healthcare is obligated to contribute vested accrued benefits to the participant's plan account. Contributions to the participant's plan account are made on a monthly basis at an amount equal to two thousand dollars per month.

SCHEDULE K (Form 990)
Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax-Exempt Bonds

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

OMB No 1545-0047
2011
Open to Public Inspection

Name of the organization
TUALITY HEALTHCARE

Employer identification number
93-0430029

Part I Bond Issues See Part VI for Column (a) Continuations

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased Yes	(g) Defeased No	(h) On behalf of issuer Yes	(h) On behalf of issuer No	(i) Pooled financing Yes	(i) Pooled financing No
A	Hospital Facility Authority of Hillsboro,	93-0554495	432101CY7	08/01/04	27432495.	Refund of Series 1993 Bonds		X		X		X
B												
C												
D												

Part II Proceeds

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

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

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

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations ☐ Yes ☒ No

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K.

See Part VI Supplemental Explanation sheet

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K.

Schedule K, Part I, Bond Issues:

(a) Issuer Name: Hospital Facility Authority of Hillsboro, Oregon

(f) Description of Purpose: Refund of Series 1993 Bonds

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 990-EZ 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
TUALITY HEALTHCARE

Employer identification number
93-0430029

Form 990, Part I, Line 1, Description of Organization Mission:

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

Form 990, Part III, Line 1, Description of Organization Mission:

wellness, and that attention to quality and fiscal stability will enable us to continue to service the community.

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

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

Name of the organization: TUALITY HEALTHCARE

Employer identification number: 93-0430029

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

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

Form 990, Part XI, line 5, Changes in Net Assets:

CHANGE IN INTEREST IN NET ASSETS UNDER FAS 136	1,283,800.
GAAP BAD DEBT EXPENSE IN EXCESS OF DIRECT WRITE OFF METHOD	-1,944,200.
ROUNDING	23.
EQUITY INCOME NET OF DISTRIBUTIONS OF JT VENTURES	3,175,265.
CHANGE IN MINIMUM PENSION LIABILITY UNDER FAS 158	-4,469,100.
NET ASSETS RELEASED FROM RESTRICTION	50,710.
Total to Form 990, Part XI, Line 5	-1,903,502.

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
TUALITY HEALTHCARE

Employer identification number
93-0430029

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to 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" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) Section 512(b)(13) controlled entity? No
Tuality Healthcare Foundation - 93-0751507 334 SE 8th Avenue Hillsboro, OR 97123	Charitable Foundation	Oregon	501(C)(3)	7	Tuality Healthcare		X
Tuality Property Management - 93-0840810 P.O. Box 309 Hillsboro, OR 97123	Exempt Organization Property Management	Oregon	501(C)(2)	N/A	Tuality Healthcare		X

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to 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" to 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
Tuality Management Systems, Inc. - 93-0840778 335 SE 8th Avenue Hillsboro, OR 97123	Other Medical Services	OR	Tuality Healthcare	C CORP	0.	1,357,753.	100%

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" to 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 of this schedule				
1	During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a	Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a		X
b	Gift, grant, or capital contribution to related organization(s)	1b		X
c	Gift, grant, or capital contribution from related organization(s)	1c	X	
d	Loans or loan guarantees to or for related organization(s)	1d	X	
e	Loans or loan guarantees by related organization(s)	1e		X
f	Sale of assets to related organization(s)	1f		X
g	Purchase of assets from related organization(s)	1g		X
h	Exchange of assets with related organization(s)	1h		X
i	Lease of facilities, equipment, or other assets to related organization(s)	1i		X
j	Lease of facilities, equipment, or other assets from related organization(s)	1j	X	
k	Performance of services or membership or fundraising solicitations for related organization(s)	1k	X	
l	Performance of services or membership or fundraising solicitations by related organization(s)	1l	X	
m	Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m	X	
n	Sharing of paid employees with related organization(s)	1n	X	
o	Reimbursement paid to related organization(s) for expenses	1o		X
p	Reimbursement paid by related organization(s) for expenses	1p		X
q	Other transfer of cash or property to related organization(s)	1q		X
r	Other transfer of cash or property from related organization(s)	1r	X	

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

(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Tuality Management Systems, Inc	K	199,452.	Actual Cost
(2) Tuality Property Management	K	424,356.	Actual Cost
(3) Tuality Healthcare Foundation	C	1,257,900.	Cash
(4) Tuality Healthcare Foundation	N	345,322.	Actual Cost
(5)			
(6)			

Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered "Yes" to 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 section 512-514)	(e) Are all partners sec 501(c)(3) orgs ? Yes	(e) No	(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 VII Supplemental Information

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

2013 Community Benefit Report

Tuality Healthcare

Building a healthier community.

2013 Community Benefit Report

A message from Dick Stenson, president and CEO

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

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

We truly believe 100% in the words of our mission statement and one of the ways we show our commitment to the folks of western Washington County is in the form of community benefit In fact, in 2012, Tuality contributed a whopping $60,818,336 in "community benefit", which is a staggering sum when you think about it The chart included in this document provides a detailed summary that breaks down all of our many contributions from charity care to volunteer hours and more

What is really incredible and something dear to me and all the staff at Tuality is the amount of volunteer hours contributed during the year - worth over $1 million. I am so proud of our staff who have generously given their time to help those in the community quit smoking, lose weight, manage their chronic conditions and much, much more Plus, I would be remiss in not mentioning the wonderful partners like Oregon Health & Science University, Pacific University, Virginia Garcia Memorial Health Centers and many more which help us make western Washington County a wonderful place to live, work and raise a family

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

Sincerely,

Dick Stenson

2013 Community Benefit Report

Tuality introduces new L.E.A.N. program to health education curricula

Over the years, the Tuality Health Education Center has offered a wide variety of programs to the community centered on the theme of wellness including cooking classes, yoga, and health chats

With obesity rates persistently increasing, it is now more important than ever to provide accurate, trustworthy nutritional information to the folks of western Washington County.

In the last year, the education center added a new series of classes designed by renowned author and pediatrician, Dr William Sears, which go by the acronym L.E A N (Lifestyle, Exercise, Attitude, and Nutrition)

Taught by certified Dr Sears L E A N coaches, Deana Vanderzanden ICCD, CD and Linda Graham RN, BSN, the program emphasizes the importance of how we live, move, think, and eat all contribute to a healthy lifestyle.

"A healthy lifestyle begins with education, so we're really happy to be able to provide this innovative program to the community," said Vanderzanden "These classes provide simple techniques that families can easily implement into their everyday lives."

The L E A N. Expectations workshops are designed for expectant parents and there are three classes in the series Prepare Right Now, Eat Right Now, and

Live Right Now There is also the L E.A N Start and L.E A N. Essentials classes which are designed for the family unit and provide the tools necessary to create a nutrition and lifestyle environment at home that will dramatically improve the health of the entire family.

"There is nothing more gratifying than to watch a family leave our class with confidence and excitement to begin a new healthy lifestyle," says Graham"

With generous contributions from the Tuality Healthcare Foundation, the series of L.E.A N classes are provided to the community for free

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

2013 Community Benefit Report

A healthier community begins with prevention

In 1918, Tuality hospital was founded with a commitment to serve the communities' health needs. Now in its 95th year of service, that dedication continues now more than ever

We know that prevention is an important part of ensuring a healthy lifestyle but there's a variety of reasons that many people don't get checked regularly including lack of insurance, affordability, and time constraints to name a few

That is why clinical volunteers at Tuality roll up their sleeves each year and get out in the community to provide crucial health screenings to those who need it most

From local farmers' markets to fairs, city celebrations and festivals, Tuality is always on the scene providing free health screenings for blood pressure, glucose, and cholesterol

"It's so great to be out in the community and provide these types of screenings to people whom may not otherwise have the opportunity," said longtime volunteer Nova Jackson of Laboratory Services "We often times recognize people who come to see us regularly. They've come to expect us out in the community and trust us like family."

In 2012, Tuality provided over 943 hours of volunteer time to the community and over 1,100 screenings for cholesterol, glucose, and blood pressure

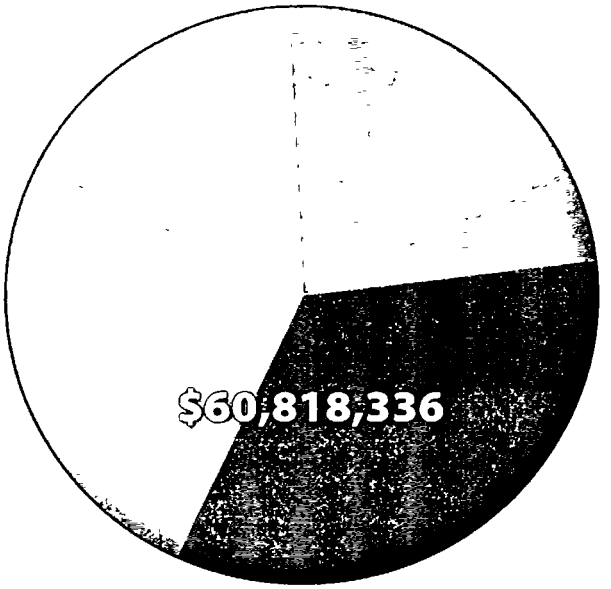
With more attention placed on prevention, Tuality also added more screenings to the public in the last year including the first ever head and neck cancer screening clinic hosted by the Tuality/OHSU Cancer Center The event was a huge success and people had the opportunity to be screened for oral, thyroid, neck and skin cancer as well as speak with a specialist

With these kinds of results and support from the community, Tuality is excited to implement other preventive programs On the horizon includes the first ever lung cancer screening available in western Washington County led by experts in the field Dr Hahn, M.D and Dr Mummadi, M D who head up the Tuality Pulmonary & Sleep Medicine program

2013 Community Benefits Report Summary

Tuality Healthcare 'Returns the Favor' ...

Every day of the year, as Tuality provides care and services for our patients, we are also contributing back to the community in numerous ways Although some of these efforts cannot easily be assigned dollar values, many of them can Here are some of the major financial commitments that Tuality has made to meet local healthcare needs during the 12 months ending Sept. 30, 2012.



Charity care
$4,307,113
In accordance with the guidelines of the Oregon Health Action Campaign, Tuality provides free or discounted healthcare services for people who do not have health insurance or otherwise cannot afford health care

Unpaid costs of Oregon Health Plan and Medicaid programs
$7,306,35
The State guarantees that certain healthcare services be provided for Oregon residents, but does not supply Tuality with full funding to meet the costs of providing them

Non-billed community services
$3,086,510
Tuality funds programs and services designed to improve overall community health and to respond to the needs of specific at-risk segments, such as persons with limited insurance coverage and access to care

Oregon Hospital Provider Tax
$6,381,441
Tuality pays a tax that is used with payments from other Oregon hospitals to garner federal Medicaid matching funds, which together provide monies that help fund the Oregon Health Plan

* Reportable categories under federal and state gu delines

Unpaid costs of Medicare
$20,590,956
The federal government guarantees that certain healthcare services be provided for Medicare patients, but does not supply Tuality with full funding to meet the costs of providing them

Uncollectibles
$15,682,937
Tuality is unable to collect payment from private parties for healthcare services that we have provided

Physician practice development
$2,476,043
Tuality invests funds to recruit and retain appropriate physician specialists, in response to ever-changing community healthcare needs

Volunteer hours
$986,979
Unpaid volunteers provide hours of labor, which Tuality uses to provide support services to patients

Total
$60,818,336

[redacted]

Tuality Healthcare

Building a healthier community.

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

www.tuality.org

8/13 631742 [56-7742-2]

TUALITY HEALTHCARE
93-0430029

Form 990, Part III, line 4a

STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

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

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

In fiscal 2012, these facilities provided care for 21,950 in-patient acute care days, 42,354 emergency room visits, 20,133 urgent care visits, and 11,657 home health visits.

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

TUALITY HEALTHCARE
93-0430029

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

	Recipient	Amount	Address	EIN	IRC Code
1	ALS ASSOCIATION	$ 500 00	4400 NE Halsey St Bldg 2 Ste599, Portland, OR 97213	93-0813252	501C3
2	AMERICAN CANCER SOCIETY -RELAY	$ 500 00	Relay for Life Forest Grove, 0330 SW Curry St Portland, OR 97239	93-6054252	501C3
3	AMERICAN HEART ASSOC- WESTERN	$ 1,750 00	1200 NW Nato Prkway, Ste #220, Portland, OR 97209	13-5613797	501C3
4	BIENESTAR	$ 250 00	220 SE 12th Ave #A-100, Hillsboro, OR 97123	93-0860753	501C3
5	CASCADE PACIFIC COUNCIL, BOY SCOUTS OI	$ 250 00	2145 SW Front, Portland, OR 97201	93-0386792	501C3
6	CENTRO CULTURAL OF WASH COUNTY	$ 5,000 00	PO Box 708, Cornelius, OR 97113	93-0606729	501C3
7	CITY OF HILLSBORO 4400	$ 5,000 00	4400 NW 229th, Hillsboro, OR 97124	93-0978514	501C3
8	CITY OF HILLSBORO P&R	$ 5,000 00	4400 NW 229th, Hillsboro, OR 97124	93-0978514	501C3
9	CITY OF HILLSBORO	$ 1,000 00	4401 NW 229th, Hillsboro, OR 97124	93-0978514	501C3
10	CLEAN COPY	$ 137 73	946 SE Baseline St, Hillsboro, OR 97123	93-0978514	501C3
11	COMMUNITY ACTION ORGANIZATION	$ 10,000 00	1001 SW Baseline, Hillsboro, OR 97123	93-0554941	501C3
12	ESSENTIAL HEALTH CLINIC	$ 23,750 00	3700 SW Murray Ste #250, Beaverton, OR 97005	38-3672046	501C3
13	FOREST GROVE CHAMBER OF COMM	$ 800 00	2417 Pacific Ave, Forest Grove, OR 97116	93-0420710	501C6
14	FOREST GROVE FARMERS MARKET/Adelante	$ 2,500 00	2420 19th Ave, Forest Grove, OR 97116	03-0473181	501C3
15	FOREST GROVE SNR & COMMUNITY	$ 350 00	PO Box 784, Forest Grove, OR 97116	91-0874521	501C3
16	HILLSBORO CHAMBER OF COMMERCE	$ 500 00	5193 NE Elam Young Parkway-Ste A, Hillsboro, OR 97123	93-0188235	501C6
17	HILLSBORO COMMUNITY ARTS	$ 500 00	PO Box 3303, Hillsboro, OR 97123	93-0698408	501C3
18	HILLSBORO KIWANIS	$ 250 00	PO Box 311, Hillsboro, OR 97123	93-1285646	501C3
19	HILLSBORO SCHOOLS FOUNDATION	$ 500 00	5193 NE Elam Young Pkwy #A, Hillsboro, OR 97124	91-1779425	501C3
20	KUIK RADIO	$ 1,000 00	PO Box 566, Hillsboro, OR 97123	Not found	
21	LIBRARY FOUNDATION/HILLSBORO	$ 500 00	2850 NE Brookwood pkway, Hillsboro, OR 97124	94-3107840	501C3
22	MULTIPLE SCLEROSIS FOUNDATION	$ 100 00	C/O Donor Response Center, PO Box 21360, Keizer, OR 97307	59-2792934	501C3
23	NORTH PLAINS CHAMBER OF COMMERCE/ (	$ 2,500 00	PO Box 152, North Plains, OR 97133	93-0930716	501C6
24	OHCC	$ 400 00	25195 SW Pkwy Ave #204, Wilsonville, OR 97070	93-1166189	Not Found
25	OHSU FOUNDATION 19758	$ 250 00	C/O Knight Cancer Institute, Code 6586, 3181 SW Sam Jackson Pk, Portland, OR 97239	23-7083114	501C3
26	OREGON HEALTH CAREER CENTER	$ 1,220 28	25195 SW Pkwy Ave #204, Wilsonville, OR 97070	93-1166189	Not Found
27	OREGON INTERNATIONAL AIRSHOW	$ 6,500 00	PO Box 37, Hillsboro, OR 97123	30-0143892	501C3
28	OREGON STATE POLICE	$ 100 00	PO Box 14129, Portland, OR 97293	93-0893185	501C5
29	PACIFIC UNIVERSITY	$ 8,000 00	2043 College Way, Forest Grove, OR 97116	93-0386892	501C3
30	PCC	$ 1,500 00	AR (DC118), PO Box 19000, Portland, OR 97280	93-0811291	501C3
31	PROJECT ACCESS NOW	$ 6,000 00	PO Box 10953, Portland, OR 97296	20-8928388	501C3
32	PRTLD CHAMBER ORCHESTRA-HILLS	$ 1,000 00	PO Box 9024, Portland, OR 97207	93-0556942	501C3
33	Rotary Club of McMinnville	$ 1,500 00	1301 NE 99W, Box 200, McMinnville, OR 97128	93-1043552	501C3
34	Special Olympics Oregon	$ 100 00	PO Box 2886, Portland, OR 97208	93-0752969	501C3
35	The Greater Hillsboro AREA ASSOC/HILLSBO	$ 2,700 00	5193 NE Elam Young Parkway-Ste A, Hillsboro, OR 97123	93-0420710	501C6
36	TUALATIN VALLEY WORKSHOP	$ 800 00	6615 SW Alexander, Hillsboro, OR 97123	93-6050200	501C3
37	TUALITY HEALTHCARE FOUNDATION	$ 100 00	335 SE 8th Ave, Hillsboro, OR 97123	93-0751507	501C3
38	Tuesday Market Place Sponsor	$ 7,500 00	PO Box 611, Hillsboro, OR 97123	93-1249105	501C4
39	LIFEWORKS NW	$ 1,500 00	6615 SW Alexander, Hillsboro, OR 97123	93-0502822	501C3
40	VIRGINIA GARCIA CLINIC	$ 124,999 92	PO Box 486, Cornelius, OR 97113	93-0717997	501C3
41	VIRGINIA GARCIA MEMORIAL FOUND	$ 2,000 00	PO Box 486, Cornelius, OR 97113	93-0717997	501C3
42	VISION ACTION NETWORK	$ 500 00	3700 SW Murray Ste #250, Beaverton, OR 97005	93-1317190	501C3
43	WAPATO SHOWDOWN/Gaston Oregon Pyth	$ 90 00	PO Box 507, Gaston, OR 97119	43-1838270	501C10
44	WASHINGTON COUNTY FAIRGROUNDS	$ 5,000 00	1400 SW Walnut St, Hillsboro, OR 97123	93-0764165	501C3
45	WESTERN FARM WORKERS ASSOC	$ 500 00	725 SE 7th, Hillsboro, OR 97123	****	
46	WESTSIDE ECONOMIC ALLIANCE	$ 500 00	10220 SW Nimbus Ave, Ste K12, Portland, OR 97223	93-0818096	501C6
	Grand Total	$ 235,397 93			

****NOT A 501C3/NO PAID EMPLOYEES AND NOT TAX EXEMPT DONATION/NO TAX ID #/RUN BY ALL VOLUNTEERS

Financial Statements

TUALITY HEALTHCARE

SEPTEMBER 30, 2012 and 2011

TUALITY HEALTHCARE

September 30, 2012

BOARD OF DIRECTORS

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

OFFICERS

Dr. Darell Lumaco	Chairperson
Mr. Mark Rosenbaum	Vice-Chairperson
Mr. Michael Hundley	Secretary/Treasurer

TUALITY HEALTHCARE

TABLE OF CONTENTS

Independent Auditors' Report	1
Consolidated Balance Sheets as of September 30, 2012 and 2011	2-3
Consolidated Statements of Operations for the years ended September 30, 2012 and 2011	4
Consolidated Statements of Changes in Net Assets for the years ended September 30, 2012 and 2011	5
Consolidated Statements of Cash Flows for the years ended September 30, 2012 and 2011	6-7
Notes to the Consolidated Financial Statements	8-38
Supplementary Information	
Consolidating Balance Sheets as of September 30, 2012	39-40
Consolidating Schedule of Operations for the year ended September 30, 2012	41
Tuality Healthcare Foundation, Inc. Summary of Operations and Changes in Net Assets for the year ended September 30, 2012	42

FORDHAM
GOODFELLOW
LLP Certified Public Accountants • Technology Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tuality Healthcare
Hillsboro, Oregon

We have audited the consolidated balance sheets of Tuality Healthcare as of September 30, 2012 and 2011 and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tuality Healthcare as of September 30, 2012 and 2011 and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information on pages 39 through 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fordham Goodfellow, LLP

January 23, 2013
Hillsboro, Oregon

TUALITY HEALTHCARE

CONSOLIDATED BALANCE SHEETS
As of September 30, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 15,728,100	$ 14,666,600
Short-term investments	18,713,000	18,471,700
Patient accounts receivable, net of allowance for uncollectible accounts of $9,740,400 and $7,796,200	22,011,800	21,995,600
Other receivables	4,383,200	2,884,200
Inventory of supplies	2,911,300	2,799,100
Prepaid expenses and other	2,083,200	2,251,000
Current portion of assets whose use is limited	4,787,200	4,239,700
Total current assets	70,617,800	67,307,900
ASSETS WHOSE USE IS LIMITED		
Board designated funds	21,776,400	19,733,200
Under bond indenture agreement - held by Trustee	5,578,800	8,238,100
Donor restricted - specific purpose	3,226,200	1,493,900
Donor restricted - endowment	2,526,400	2,516,600
Required for current liabilities	(4,787,200)	(4,239,700)
Total assets whose use is limited	28,320,600	27,742,100
PROPERTY AND EQUIPMENT		
Property and equipment net of accumulated depreciation and amortization	41,084,900	41,798,700
OTHER ASSETS		
Other receivables - noncurrent	1,471,600	4,100
Investments	2,981,100	2,581,400
Held by Trustee - deferred compensation plan	836,900	680,700
Deferred costs and other	749,200	838,800
Intangible assets	2,030,700	2,077,000
Goodwill	100,000	100,000
Total other assets	8,169,500	6,282,000
	$ 148,192,800	$ 143,130,700

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

TUALITY HEALTHCARE

CONSOLIDATED BALANCE SHEETS (CONTINUED)
As of September 30, 2012 and 2011

	2012	2011
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 10,452,900	$ 9,479,400
Accrued payroll and employee benefits	9,683,000	9,006,300
Estimated liabilities for Medicare and Medicaid settlements	(148,200)	1,065,500
Long-term debt due within one year	5,549,100	4,701,500
Accrued bond interest payable	467,200	534,300
Total current liabilities	26,004,000	24,787,000
LONG-TERM LIABILITIES		
Long-term debt, net of amount due within one year	15,753,000	19,774,000
Liability for pension benefits	32,502,900	27,362,600
Other long-term liabilities	2,290,900	-
Total long-term liabilities	50,546,800	47,136,600
TOTAL LIABILITIES	76,550,800	71,923,600
NET ASSETS		
Unrestricted	65,813,700	67,148,300
Temporarily restricted by donors	3,301,900	1,542,200
Permanently restricted by donors	2,526,400	2,516,600
Total net assets	71,642,000	71,207,100
	$ 148,192,800	$ 143,130,700

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

TUALITY HEALTHCARE

CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended September 30, 2012 and 2011

	2012	2011
NET PATIENT SERVICE REVENUE		
Patient service revenue (net of contractual allowances and discounts)	$ 171,375,800	$ 172,486,300
Provision for bad debts	(15,292,000)	(15,401,400)
Total net patient service revenue	156,083,800	157,084,900
OTHER REVENUE	11,636,400	6,922,000
Total revenue	167,720,200	164,006,900
OPERATING EXPENSES		
Salaries and wages	77,873,500	75,031,500
Employee benefits	21,610,600	20,383,800
Supplies and other expenses	54,881,300	51,909,600
Professional fees	3,050,300	3,290,600
Depreciation	8,641,300	8,485,300
Interest	1,367,300	1,569,800
Total operating expenses	167,424,300	160,670,600
INCOME FROM OPERATIONS	295,900	3,336,300
OTHER INCOME		
Realized income on investments whose use is limited by board designation	765,600	614,400
Gain (loss) on investments in affiliated companies	337,300	357,900
Gain (loss) on disposal of property and equipment	8,800	270,000
Total other income	1,111,700	1,242,300
REVENUE IN EXCESS OF EXPENSES	1,407,600	4,578,600
Contributions for property and equipment acquisition	442,900	466,500
Change in net unrealized gain (loss) on other than trading securities	1,284,000	(534,200)
Pension-related changes	(4,469,100)	(10,448,100)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (1,334,600)	$ (5,937,200)

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

TUALITY HEALTHCARE

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the years ended September 30, 2012 and 2011

	2012	2011
UNRESTRICTED NET ASSETS		
Revenue in excess of expenses	$ 1,407,600	$ 4,578,600
Contributions for property and equipment acquisition	442,900	466,500
Change in net unrealized gain (loss) on other than trading securities	1,284,000	(534,200)
Pension-related changes	(4,469,100)	(10,448,100)
Increase (decrease) in unrestricted net assets	(1,334,600)	(5,937,200)
TEMPORARILY RESTRICTED NET ASSETS		
Gifts, grants and bequests	2,159,000	913,100
Investment income (loss)	688,300	(27,100)
Net assets released from restrictions	(1,087,600)	(1,367,000)
Increase (decrease) in temporarily restricted net assets	1,759,700	(481,000)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions for endowment funds	9,800	85,900
Increase (decrease) in permanently restricted net assets	9,800	85,900
INCREASE (DECREASE) IN NET ASSETS	434,900	(6,332,300)
NET ASSETS, beginning of year	71,207,100	77,539,400
NET ASSETS, end of year	$ 71,642,000	$ 71,207,100

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

TUALITY HEALTHCARE

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended September 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES AND GAINS AND LOSSES		
Change in net assets	$ 434,900	$ (6,332,300)
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains and losses:		
Depreciation and amortization	8,641,300	8,485,300
Amortization of finance costs	16,900	16,900
Provision for bad debts	15,292,000	15,401,400
Net realized and unrealized loss on investments	(2,742,900)	456,200
Gain on investment in affiliated companies	(337,400)	(357,800)
(Gain) loss on sale of assets	(8,800)	(270,000)
Restricted contributions and investment income received	(2,857,100)	(971,900)
Changes in:		
Accounts receivable	(18,274,700)	(14,021,400)
Inventories	(112,200)	(6,100)
Prepaid expenses and other	257,400	195,000
Accounts payable	3,264,400	(28,400)
Accrued payroll and employee benefits	5,817,000	9,017,200
Estimated liabilities for Medicare and Medicaid settlements	(1,213,700)	(56,200)
Accrued bond interest	(67,100)	(62,600)
Net cash provided by operating activities and gains and losses	8,110,000	11,465,300
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,130,700)	(4,001,100)
Proceeds from sales of property and equipment	21,900	759,900
Purchases of securities	(303,600)	(10,784,000)
Proceeds from sales of securities	1,460,700	2,423,100
Cash received from corporate joint venture (net of investments)	-	(179,900)
Net cash used by investing activities	(4,951,700)	(11,782,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from restricted contributions and investment income	2,857,100	971,900
Principal payments on long-term debt	(4,953,900)	(4,584,900)
Net cash used by financing activities	(2,096,800)	(3,613,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,061,500	(3,929,700)
CASH AND CASH EQUIVALENTS, beginning of year	14,666,600	18,596,300
CASH AND CASH EQUIVALENTS, end of year	$ 15,728,100	$ 14,666,600

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

TUALITY HEALTHCARE

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the years ended September 30, 2012 and 2011

	2012	2011
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 1,310,100	$ 1,467,300
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment acquired through capital lease	$ 1,763,600	$ -

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

TUALITY HEALTHCARE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF ORGANIZATION AND ACCOUNTING POLICIES

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

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

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

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

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

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

Principles of consolidation:

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

Use of estimates:

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

Subsequent events:

Management has evaluated subsequent events through January 23, 2013, the date the financial statements were available to be issued.

Accounts receivable:

Accounts receivable are stated at unpaid balances (net of contractual allowances) and are reduced by an allowance for amounts that could become uncollectible in the future. Substantially all of the Company's receivables are related to providing healthcare services to its hospitals' patients.

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

The Company estimates the allowance for doubtful accounts by reserving a percentage of all self-pay accounts receivable without regard to aging category, based on collection history, adjusted for expected recoveries and, if present, anticipated changes in trends. For all other non-self-pay payer categories, the Company reserves 100% of all accounts aging over 365 days from the date of discharge. The percentage used to reserve for all self-pay accounts is based on the Company's collection history. The Company collects substantially all of its third-party insured receivables, which include receivables from governmental agencies.

Collections are impacted by the economic ability of patients to pay and the effectiveness of the Company's collection efforts. Significant changes in payer mix, business office operations, economic conditions or trends in federal and state governmental healthcare coverage could affect the Company's collection of accounts receivable and the estimates of the collectability of future accounts receivable. The process of estimating the allowance for doubtful accounts requires the Company to estimate the collectability of self-pay accounts receivable, which is primarily based on its collection history, adjusted for expected recoveries and, if available, anticipated changes in collection trends. The Company also continually reviews its overall reserve adequacy by analyzing current period net revenue and admissions by payer classification, aged accounts receivable by payer, and days revenue outstanding.

The allowance for uncollectible accounts is decreased by charge-offs (net of recoveries). Accounts receivable are written off after collection efforts have been followed in accordance with the Company's policies.

Net patient service revenue:

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

Investments:

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

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

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

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

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

Statement of revenue and expenses:

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

Inventories:

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

Property and equipment:

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

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

Intangible assets:

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

Goodwill:

Goodwill is not subject to amortization. Management tests goodwill for impairment on an annual basis. No adjustment for impairment was made for the years ended September 30, 2012 and 2011.

Federal and state income taxes:

The Company is a non-profit corporation and it is management's opinion that substantially none of its activities are subject to unrelated business income taxes. Certain subsidiaries, however, are subject to income taxes, although no significant amounts have been incurred to date.

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

Cash and cash equivalents:

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

Estimated malpractice claims:

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

Temporarily and permanently restricted net assets:

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

Donor-restricted funds:

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

Income from operations:

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

Excess of revenues over expenses:

This statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

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

Unamortized bond issue costs:

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

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

Advertising:

The Company follows the policy of charging the cost of advertising to expense as incurred. Advertising expense was $279,700 and $379,200 for the years ended September 30, 2012 and 2011, respectively.

Reclassifications:

Certain amounts reported in the prior year financial statements have been changed to conform to the 2012 presentation.

Recently adopted accounting standards:

In August 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-23, *Health Care Entities (Topic 954) – Measuring Charity Care for Disclosure* (ASU 2010-23). The objective of ASU 2010-23 is to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. The ASU requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care. The ASU also requires disclosure of the method used to identify or determine such costs. ASU 2010-23 became effective for the Company on October 1, 2011. The adoption of this standard did not have a material effect on the Company's financial statements.

In August 2010, the FASB issued ASU No. 2010-24, Health Care Entities (Topic 954) – *Presentation of Insurance Claims and Related Insurance Recoveries* (ASU 2010-24). The objective of ASU 2010-24 is to reduce diversity in practice related to the accounting for medical malpractice claims and similar liabilities and related anticipated insurance recoveries. The ASU clarifies that health care entities should not net insurance recoveries against a related claim liability and that the amount of the claim liability should be determined without consideration of insurance recoveries. ASU 2010-24 became effective for the Company on October 1, 2011. The adoption of this standard did not have a material effect on the Company's financial statements.

In July of 2011, the FASB issued ASU No. 2011-07, Health Care Entities (Topic 954) – *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-07). The objective of ASU 2011-07 is to provide financial statement users with greater transparency about a health care entity's net patient service revenue and the related allowance for doubtful accounts. The ASU requires health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue. The ASU also requires

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

Recently adopted accounting standards: (continued)

enhanced disclosure about policies for recognizing revenue and assessing bad debts, disclosures of patient service revenue, and qualitative and quantitative information about changes in the allowance for doubtful accounts. ASU 2011-07 was adopted by the Company effective October 1, 2011. The adoption of this standard did not have a material effect on the Company's financial statements.

NOTE 2: INVESTMENTS

Assets whose use is limited:

The Board of Directors has limited the use of certain assets by designation for the specific purpose of facilities expansion, renovation and equipment acquisitions. Other assets are held in Trust under bond indenture agreements. The use of certain assets is restricted by donors for specific purposes or permanent endowment. The composition of assets whose use is limited at September 30, 2012 and 2011, is set forth in the following table. Investments are shown at estimated fair value at September 30 of each year.

	2012	2011
Board Designated Funds		
Cash and short-term investments	$ 52,300	$ 7,500
Accrued interest and dividends	-	-
U.S. Government obligations	-	-
Corporate notes and bonds	11,236,900	12,598,000
Marketable equity securities	5,365,800	5,183,100
Interest in limited partnerships	5,121,400	1,944,600
	$ 21,776,400	$ 19,733,200
Under Bond Indenture Agreement		
Cash and short-term investments	$ 5,578,800	$ 8,238,100

	2012	2011
Donor Restricted - Specific Purpose		
Cash and short-term investments	$ 1,256,900	$ 50,700
Common trust funds	1,969,300	1,443,200
	$ 3,226,200	$ 1,493,900
Donor Restricted - Endowment		
Common trust funds	$ 2,526,400	$ 2,516,600

NOTE 2: INVESTMENTS (Continued)

Other investments:

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

	2012	2011
Mutual Funds	$ 17,939,700	$ 17,221,600
Common trust funds - unrestricted	773,300	1,250,100
	$ 18,713,000	$ 18,471,700

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

	2012	2011
Long-term investment pool (includes endowment funds)		
Cash and cash equivalents	$ 114,000	$ 160,600
Equity securities	3,121,700	2,499,900
Fixed income securities	2,033,300	1,864,300
	$ 5,269,000	$ 4,524,800
Short-term investment pool		
Cash and cash equivalents	$ -	$ 323,200
Fixed income securities	-	361,900
	$ -	$ 685,100

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

	2012	2011
Equity interest in Tuality/OHSU Cancer Center	$ 1,276,800	$ 1,177,800
Tuality Health Alliance, at cost	250,000	250,000
Minority and other interests in partnerships	1,454,300	1,153,600
	$ 2,981,100	$ 2,581,400

NOTE 2: INVESTMENTS (Continued)

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

	2012		2011	
	% of Ownership	Investments	% of Ownership	Investments
Raines Dialysis Center	40.0%	$ 870,600	40.0%	$ 632,200
Northwest Hospital Partnership, Inc.	50.0%	211,200	50.0%	211,200
Mountain States Healthcare	5.0%	310,200	5.0%	310,200
Health Share of Oregon	-	62,300	-	-
		$ 1,454,300		$ 1,153,600

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

Tuality Healthcare charged TOCC management fees of $742,700 and $719,300 for 2012 and 2011, respectively. Management fees receivable was $1,400 at September 30, 2012, and management fees overpayment was $8,400 at September 30, 2011.

TOCC leases its building on a month-to-month basis from the Company. Monthly rent payments are $8,419. Total rents received on this property amounted to $101,000 for the years ended September 30, 2012 and 2011.

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

	Tuality/OHSU Cancer Center	
	2012	2011
Current assets	$ 2,471,200	$ 2,358,100
Non-current assets	611,500	308,400
Current liabilities	96,900	113,500
Non-current liabilities	432,200	197,400
Partners' equity	2,553,600	2,355,600
Revenues	$ 2,145,600	$ 2,216,600
Net income (loss)	197,600	322,200

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

NOTE 2: INVESTMENTS (Continued)

Tuality Healthcare charged the Alliance management fees of $2,944,200 and $2,821,900 for 2012 and 2011, respectively. Management fees receivable were $73,600 and $70,700 at September 30, 2012 and 2011, respectively.

The Alliance members provide medical care under the Oregon Health Plan (OHP) to certain patients who qualify under criteria established by the State of Oregon. The agreement under which these services are provided requires the Alliance to maintain certain levels of net worth. Based on interim financial statements for the nine months ended September 30, 2012, management believes the net worth requirements have been met.

The following table summarizes investment income and gains and losses for assets limited as to use, cash equivalents and other investments for the year ending September 30, 2012:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	$ 1,010,600	$ 104,900	$ 1,115,500
Net realized and unrealized gains (losses)	875,500	583,400	1,458,900
Gain (loss) on investments in affiliated companies	337,300	-	337,300
Total investment income	2,223,400	688,300	2,911,700
Other changes in unrestricted net assets:			
Change in net unrealized gain (loss) on other than trading securities	1,284,000	-	1,284,000

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

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

Investment income on board designated funds is included in non-operating activities on the statement of operations. All other investment income is included in operating activities.

NOTE 2: INVESTMENTS (Continued)

Investment expenses were $97,800 and $92,500 for the years ending September 30, 2012 and 2011, respectively.

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

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

NOTE 3: FAIR VALUE MEASUREMENTS

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

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

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

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

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at September 30, 2012 are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short term investments				
Cash and cash equivalents	$ 16,700	$ 16,700	$ -	$ -
Equity securities	458,100	458,100	-	-
Fixed income securities	10,858,900	10,858,900	-	-
Municipal income securities	7,379,200	7,379,200	-	-
Assets whose use is limited				
Board designated funds				
Cash and cash equivalents	52,300	52,300	-	-
Equity securities	5,365,800	5,365,800	-	-
Fixed income securities	11,236,900	11,236,900	-	-
Interest in limited partnership	5,121,400	-	5,121,400	-
Under bond indenture				
Cash and cash equivalents	5,578,800	5,578,800	-	-
Donor restricted				
Cash and cash equivalents	1,354,200	1,354,200	-	-
Equity securities	2,663,600	2,663,600	-	-
Fixed income securities	1,734,900	-	1,734,900	-
Non-current investments				
Equity and cost investments	2,981,100	-	-	2,981,100
Held by employee benefit trust				
Cash and cash equivalents	500	500	-	-
Equity securities	789,300	789,300	-	-
Fixed income securities	47,100	47,100	-	-
	$ 55,638,800	$ 45,801,400	$ 6,856,300	$ 2,981,100

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

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

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short term investments				
Cash and cash equivalents	$ 116,100	$ 116,100	$ -	$ -
Equity securities	599,800	599,800	-	-
Fixed income securities	10,467,900	10,467,900	-	-
Municipal income securities	7,287,900	7,287,900	-	-
Assets whose use is limited				
Board designated funds				
Cash and cash equivalents	7,400	7,400	-	-
Equity securities	5,183,100	5,183,100	-	-
Fixed income securities	12,598,100	12,598,100	-	-
Interest in limited partnership	1,944,600	-	1,944,600	-
Under bond indenture				
Cash and cash equivalents	8,238,100	8,238,100	-	-
Donor restricted				
Cash and cash equivalents	418,400	418,400	-	-
Equity securities	1,900,100	1,900,100	-	-
Fixed income securities	1,692,000	-	1,692,000	-
Non-current investments				
Equity and cost investments	2,581,400	-	-	2,581,400
Held by employee benefit trust				
Cash and cash equivalents	400	400	-	-
Equity securities	643,300	643,300	-	-
Fixed income securities	37,000	37,000	-	-
	$ 53,715,600	$ 47,497,600	$ 3,636,600	$ 2,581,400

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

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

	Non-Current Investments
Balance at October 1, 2010	$ 2,043,700
Total realized and unrealized (losses) gains, net:	
Included in income	357,800
Included in net assets	-
Purchases, issuance, and settlement, (net)	179,900
Transfers in and/or out of Level 3 (net)	-
Balance at October 1, 2011	$ 2,581,400
Total realized and unrealized (losses) gains, net:	
Included in income	337,400
Included in net assets	-
Purchases	62,300
Transfers in and/or out of Level 3 (net)	-
Balance at September 30, 2012	$ 2,981,100
Total gains or losses for 2012 included in income attributable to the change in unrealized gains (or losses) relating to assets held at September 30, 2012	$ 337,400

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

For long-term debt, the fair value is estimated based on the discounted value of the future cash flows using the estimates of the Company's borrowing rates. The carrying value and fair value of long-term debt was $21,302,100 and $24,648,500, respectively, as of September 30, 2012 and $24,475,500 and $26,803,200, respectively, as of September 30, 2011.

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

NOTE 4: COMMUNITY BENEFITS

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

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

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

Through its hospitals, the Company provides care to patients covered by governmental programs, such as Medicare and Medicaid, which reimburse at levels below the actual cost to provide this care. The amount of unpaid cost due to inadequate reimbursement under these programs was approximately $9,413,000 and $2,056,300 during the years ended September 30, 2012 and 2011, respectively. The Company also provides additional free care under its charity care policy. The cost of care provided under the Company's charity policy were estimated to be $4,649,800 and $4,450,300 during the years ended September 30, 2012 and 2011, respectively. The cost of charity care provided is based on the Company's relationship of costs to charge.

NOTE 5: NET PATIENT SERVICE REVENUE AND PATIENT RECEIVABLES

The Company's patient service revenue before provision for doubtful accounts by payer for the years ending September 30, 2012 and 2011 was as follows:

	2012	2011
Medicare	$ 63,574,500	$ 59,814,400
Medicaid	16,377,700	18,002,300
HMOs, PPOs, and other private insurers	89,867,900	92,795,100
Self-pay	1,555,700	1,874,500
Patient service revenue	171,375,800	172,486,300

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

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

Medicare:

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, and defined capital costs related to beneficiaries are paid based on a cost reimbursement methodology. The Company is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Company and audits thereof by the Medicare fiscal intermediary. The Company's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Company. The Company's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2009.

Medicaid:

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

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

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

The 2012 and 2011 net patient service revenue increased approximately $0 and $262,700, respectively due to changes in estimated settlements of previous years.

Other:

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

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

Patient receivables are summarized as follows at September 30,

	2012	2011
Gross patient receivables	$ 57,313,300	$ 53,643,100
Less contractual allowances:		
Medicare and Medicare managed care	(14,771,700)	(13,194,900)
Medicaid and Medicaid managed care	(5,139,300)	(4,924,500)
Managed care plans	(5,026,600)	(5,127,400)
Workers compensation	(623,500)	(584,500)
	(25,561,100)	(23,831,300)
Patient receivables net of contractual allowances	31,752,200	29,811,800
Allowance for uncollectible accounts	(9,740,400)	(7,816,200)
Net patient accounts receivable	$ 22,011,800	$ 21,995,600

As of September 30, 2012 and 2011, the allowance for uncollectable accounts, plus certain contractual allowances related to self-pay patients, as a percentage of self-pay receivables was 77.2% and 76.7%, respectively. The increase in the allowance percentage is a result of the company experiencing additional patients with no insurance during the continued economic downturn in 2012.

NOTE 6: PROPERTY AND EQUIPMENT

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

	2012	2011
Land and land improvements	$ 8,306,500	$ 8,160,200
Buildings and fixed equipment	84,116,300	83,024,000
Movable equipment	66,696,100	62,628,300
Equipment under capital leases	7,845,900	6,082,300
	166,964,800	159,894,800
Less accumulated depreciation and amortization	(128,470,400)	(119,995,700)
	38,494,400	39,899,100
Construction in progress	2,590,500	1,899,600
Property and equipment, net	$ 41,084,900	$ 41,798,700

NOTE 7: INTANGIBLE ASSETS AND GOODWILL

During the year ended September 30, 2009, the Company exchanged a parcel of land for parking rights in that same location over the course of 50 years. The value of the license of $1,928,700 is based on the estimated fair value of the transferred land plus cash that was paid as part of the transaction. A gain of $1,724,200 was recognized on the transaction. The Company began amortizing the license over the 50-year period once the parking spaces became available in August 2010.

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

Intangibles and accumulated amortization at September 30, 2012 and 2011 are as follows:

	2012	2011
Parking license	$ 1,928,700	$ 1,915,000
Non-compete covenant and other	220,000	220,000
	2,148,700	2,135,000
Less accumulated amortization	(118,000)	(58,000)
	$ 2,030,700	$ 2,077,000

Amortization expense related to intangible assets was $60,000 and $52,000 for the years ended September 30, 2012 and 2011, respectively.

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

2013	$ 60,600
2014	$ 60,600
2015	$ 60,600
2016	$ 60,600
2017	$ 60,600

NOTE 8: LONG-TERM DEBT

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

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

NOTE 8: LONG-TERM DEBT (Continued)

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

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

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

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

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

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

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

NOTE 8: LONG-TERM DEBT (Continued)

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

	2012	2011
2001 Series bonds, annual interest payments of $788,100 at 4.65% until October 2012; variable annual payments, including principal and interest, from $1,271,600 to $1,276,400, until October 2031 at rates ranging from 4.65 % to 5.47 %.	$ 14,835,600	$ 14,820,200
2004 Series bonds, variable annual payments from $3,980,700 to $3,990,800, including interest at rates ranging from 3.0% to 3.815%, until October 2012.	3,835,100	7,538,600
Note payable in equal monthly payments of $12,200, including interest at an annual interest rate of 7.175%, until April 2012, collaterized by a building owned by the Company.	-	81,300
Present value of net minimum capital lease obligations	2,631,400	2,035,400
Total debt	21,302,100	24,475,500
Less amounts due within one year	(5,549,100)	(4,701,500)
Long-term debt, due after one year	$ 15,753,000	$ 19,774,000

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

Fiscal years ending	Long-term Debt	Capital Leases	Total
2013	$ 4,320,000	$ 1,229,100	$ 5,549,100
2014	495,700	780,900	1,276,600
2015	521,200	389,100	910,300
2016	546,800	185,200	732,000
2017	572,300	47,100	619,400
Thereafter	12,214,700	-	12,214,700
	$ 18,670,700	$ 2,631,400	$ 21,302,100

NOTE 8: LONG-TERM DEBT (Continued)

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

	'2012	2011
Interest expense:		
Interest costs	$ 1,242,900	$ 1,404,800
Amortization of deferred finance costs	124,400	165,000
Net interest expense incurred	$ 1,367,300	$ 1,569,800

NOTE 9: LONG-TERM LEASES

All non-cancelable leases have been categorized as capital or operating leases. The Company leases equipment and buildings under non-cancelable operating leases which expire at various dates between December 2012 and 2028.

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

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

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

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

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

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

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

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

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

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

On April 1, 2012, the Company entered into a 36-month capital lease for CT equipment costing $884,921.

On December 5, 2011, the Company entered into a 60-month capital lease for digital mammography equipment costing $878,688.

NOTE 9: LONG-TERM LEASES (Continued)

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

	2012	2011
Leased equipment	$ 7,845,900	$ 6,082,300
Less accumulated amortization (1)	(4,940,400)	(3,896,200)
	$ 2,905,500	$ 2,186,100

(1) Amortization is included in depreciation expense.

Minimum future obligations on leases in effect at September 30, 2012, are:

	Capital Leases	Operating Leases
Fiscal years ending		
2013	$ 1,321,100	$ 3,411,900
2014	820,300	3,297,300
2015	402,100	3,408,200
2016	189,700	3,395,000
2017	47,400	3,399,000
Thereafter	-	23,697,000
Total minimum lease payments	2,780,600	$ 40,608,400
Less amounts representing interest	(149,200)	
Present value of net minimum lease payments	$ 2,631,400	

Interest expense on the outstanding obligations under capital leases was $134,000 and $156,400 for the years ended September 30, 2012 and 2011, respectively. Rental expense under non-cancelable operating leases with initial terms of one year or greater was $3,464,700 and $3,355,200 for the years ended September 30, 2012 and 2011, respectively.

NOTE 10: PENSION PLAN COSTS

The Company has a defined benefit pension plan covering substantially all of its employees. The Company makes contributions to the plan in amounts sufficient to fund the plan's current service cost and the actuarially computed past service costs over a period of ten years. In August of 2012, the Board of Directors approved an amendment to freeze the defined benefit pension plan effective August 31, 2012. In conjunction with the freeze, the plan is now closed to new entrants and compensation no longer accrues. Current participants who are not yet vested will continue to accrue retirement benefits according to accumulated years of service for hours worked to become vested if they continue working for the Company.

NOTE 10: PENSION PLAN COSTS (Continued)

Effective September 1, 2012, the Company established a cash balance retirement plan that covers substantially all of its employees. The plan benefits are based on compensation and years of service. The Company makes annual contributions and provides a defined interest credit to each employee's account.

The defined benefit pension plan and the cash balance retirement plan are collectively "the defined benefit plans".

In addition, during 1994 the Company established the Tuality Healthcare Performance Retirement Plan under which eligible employees may defer a portion of their annual compensation pursuant to Sections 403(b) and 401(k) of the Internal Revenue Code. The Company matches a portion of employee contributions on a discretionary basis. The Company accrued for contributions of $0 and $1,057,400 for the years ended September 30, 2012 and 2011, respectively.

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

	2012	2011
Change in benefit obligation:		
Projected benefit obligation at October 1,	$ 72,026,439	$ 60,647,759
Service cost	3,718,917	3,198,950
Interest cost	4,187,061	3,733,236
Amendments	(10,986,865)	-
Actuarial (gain) loss	17,594,095	6,164,543
Benefits paid	(1,999,742)	(1,718,049)
Projected benefit obligation at September 30,	$ 84,539,905	$ 72,026,439

	2012	2011
Change in plan assets:		
Fair value of assets at October 1,	$ 44,663,848	$ 43,129,323
Actual return on plan assets	4,444,854	(735,578)
Employer contribution	4,928,000	3,988,152
Benefits paid	(1,999,742)	(1,718,049)
Fair value of assets at September 30,	$ 52,036,960	$ 44,663,848
Funded status	$ (32,502,945)	$ (27,362,591)

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

	2012	2011
Long-term liabilities	$ 32,502,945	$ 27,362,591

NOTE 10: PENSION PLAN COSTS (Continued)

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

	2012	2011
Net loss	$ 41,499,623	$ 26,040,306
Prior service cost	(10,985,579)	4,622
Total	$ 30,514,044	$ 26,044,928

The accumulated benefit obligation for the defined benefit plans was $84,504,589 and $64,245,514 at September 30, 2012 and 2011, respectively.

	2012	2011
Components of net periodic benefit cost:		
Service cost	$ 3,718,917	$ 3,198,950
Interest cost	4,187,061	3,733,236
Expected return on plan assets	(3,755,475)	(3,502,982)
Amortization of prior service cost	3,336	3,881
Amortization of net transition obligation (asset)	-	-
Amortization of net actuarial (gain) loss	1,445,399	755,848
Net periodic pension cost	$ 5,599,238	$ 4,188,933

Functional classification of net periodic pension cost was as follows:

	2012	2011
Health care services	$ 5,439,975	$ 4,035,407
General and admininstrative	159,263	153,526
Total	$ 5,599,238	$ 4,188,933

The estimated net loss and prior service cost that will be amortized from changes in unrestricted net assets into net periodic pension cost over the next fiscal year are $3,196,404 and ($1,097,401), respectively.

NOTE 10: PENSION PLAN COSTS (Continued)

Assumptions:

	2012	2011
Weighted-average assumptions used to determine benefit obligations at September 30:		
Discount rate	4.75%	5.90%
Rate of compensation increase	3.00%	3.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended September 30:		
Discount rate	5.90%	6.25%
Expected long-term return on plan assets	7.50%	7.50%
Rate of compensation increase	3.00%	3.00%

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

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

Plan assets:

The composition of plan assets at September 30, 2012 and 2011 is as follows:

	2012	2011
Asset category		
Non-traded alternative	1.80%	0.00%
Cash	18.84%	27.06%
Equity	45.44%	41.00%
Equity income	6.23%	0.00%
Fixed	20.14%	28.51%
Hedged	7.55%	0.00%
Real estate	0.00%	3.43%
Total	100.00%	100.00%

NOTE 10: PENSION PLAN COSTS (Continued)

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

Non-traded alternative	2.00%
Cash	2.00%
Equity	45.00%
Equity income	8.00%
Fixed	28.00%
Hedged	15.00%
Total	100.00%

Cash flows:

The Company expects to contribute $4,740,001 to its pension plan in 2013.

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

2013	$ 2,590,000
2014	3,120,000
2015	3,640,000
2016	4,160,000
2017	4,770,000
Following five years	31,670,000

NOTE 10: PENSION PLAN COSTS (Continued)

The following table presents the Company's pension plan assets measured at fair market value at September 30, 2012.

		Fair Value Measurements at Report Date Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 6,698,206	$ 6,698,206	$ -	$ -
Equity securities:				
Fixed income	728,197	728,197	-	-
Large cap	2,971,814	2,971,814	-	-
Mid cap	743,875	743,875	-	-
Small cap	1,601,332	1,601,332	-	-
Investment contract with insurance company	4,494,434	-	-	4,494,434
Corporate bonds and debentures	853,850	-	853,850	-
U.S. Government securities	2,834	2,834	-	-
Alternative investments	3,456,172	1,102,705	-	2,353,467
Pooled separate accounts:				
Mid cap	939,939	939,939	-	-
Registered investment companies:				
Fixed income	10,277,595	10,277,595	-	-
Large cap	12,354,047	12,354,047	-	-
Mid cap	3,695,678	3,695,678	-	-
Small cap	3,218,987	3,218,987	-	-
Total	$ 52,036,960	$ 44,335,209	$ 853,850	$ 6,847,901

NOTE 10: PENSION PLAN COSTS (Continued)

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

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

NOTE 10: PENSION PLAN COSTS (Continued)

Level 1 Fair Value Measurements:

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

Level 2 Fair Value Measurements:

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

Level 3 Fair Value Measurements:

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

The following table reconciles the beginning and ending balances of fair value measurements using significant unobservable inputs for the year ending September 30, 2012.

	Investment Contract with Insurance Company	Alternative Investments	Total
Balance at October 1, 2010	$ 15,644,258	$ 292,058	$ 15,936,316
Total gains or losses (realized and unrealized) included in income	669,554	(2,770)	666,784
Purchases, sales, issuances and settlements (net)	4,410,232	-	4,410,232
Balance at October 1, 2011	20,724,044	289,288	21,013,332
Total gains or losses (realized and unrealized) included in income	208,887	(70,821)	138,066
Purchases	4,928,000	2,135,000	7,063,000
Sales	(21,366,497)	-	(21,366,497)
Balance at September 30, 2012	$ 4,494,434	$ 2,353,467	$ 6,847,901

NOTE 11: FUNCTIONAL EXPENSES

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

	2012	2011
Health care services	$ 162,399,600	$ 153,629,100
General and administrative	5,024,700	7,041,500
	$ 167,424,300	$ 160,670,600

Fundraising expense for the years ending September 30, 2012 and 2011 was $231,600 and $259,600, respectively.

NOTE 12: CONCENTRATIONS OF CREDIT RISK

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

Cash:

The Company maintains its cash balances at several financial institutions located in Washington County, Oregon. As of September 30, 2012, accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At September 30, 2012, the Company's uninsured cash balances totaled $411,400.

Patient receivables:

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

	2012	2011
Medicare and medicare managed care	40.50%	38.40%
Medicaid and medicaid managed care	13.50%	14.40%
Managed care plans	27.30%	29.30%
Workers compensation	2.50%	2.40%
Other	16.20%	15.50%
	100.00%	100.00%

Promises to give receivable:

Credit risk for promises to give is concentrated because substantially all of the balances are receivable from individuals located within the same geographic location as the Company. The receivable for promises to give at September 30, 2012, was $75,700.

NOTE 13: COMMITMENTS AND CONTINGENCIES

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

Tuality Healthcare has an employee medical benefit plan to self-insure claims up to $150,000 per year for each individual covered, with an individual lifetime maximum benefit of $2,000,000. This self-insured medical benefit plan operates on a calendar year basis and is administered by a third party administrator. Claims above $135,000 per individual are covered by an excess medical indemnity (reinsurance) policy. Tuality Healthcare and its covered employee dependents contribute to the fund to pay medical claims and reinsurance premiums. At September 30, 2012, management has made provisions which it believes to be sufficient to cover estimated claims, including claims incurred but not yet reported.

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

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

Guarantee of debt:

The Company, jointly with OHSU, is a guarantor of debt and lease obligations of TOCC. The Company's guaranteed portion of TOCC's debt and lease obligations totaled approximately $216,100 at September 30, 2012 and $98,700 at September 30, 2011. The guarantees are scheduled to expire October 2014. Examples of events that would require the Company to provide a cash payment pursuant to the guarantees include a loan default, which would result from TOCC's failure to service its debt when due or noncompliance with financial covenants. There is currently no recorded liability for potential losses under these guarantees, nor is there any liability for the Company's obligation to *stand ready* to fund such guarantees.

NOTE 14: PROMISES TO GIVE

At September 30, 2012, there were no conditional promises to give. Unconditional promises to give at September 30 are as follows:

	2012	2011
Receivable in less than one year	$ 67,100	$ 47,700
Receivable in one to five years	13,000	4,500
Total unconditional promises to give	80,100	52,200
Less discounts to net present value	(4,400)	(3,900)
Net unconditional promises to give	$ 75,700	$ 48,300

SUPPLEMENTARY INFORMATION

TUALITY HEALTHCARE

CONSOLIDATING BALANCE SHEETS
As of September 30, 2012

	Tuality Healthcare	TMSI/ TMES	Tuality Property Management Co	Tuality Healthcare Foundation	Total	Intercompany Eliminations	Consolidated September 30, 2012	Consolidated September 30, 2011
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	$ 12,436,400	$ 442,000	$ 2,624,500	$ 225,200	$ 15,728,100	$ -	$ 15,728,100	$ 14,666,600
Short-term investments	17,939,700	-	-	773,300	18,713,000	-	18,713,000	18,471,700
Patient accounts receivable	31,506,000	246,200	-	-	31,752,200	-	31,752,200	29,791,800
Allowance for uncollectible accounts	(9,720,400)	(20,000)	-	-	(9,740,400)	-	(9,740,400)	(7,796,200)
Other receivables	5,136,200	-	(1,300)	66,800	5,201,700	-	5,201,700	3,912,900
Allowance for uncollectible accounts	(815,200)	-	-	(3,300)	(818,500)	-	(818,500)	(1,028,700)
Inventory of supplies	2,604,000	307,300	-	-	2,911,300	-	2,911,300	2,799,100
Prepaid expenses and other	2,079,500	3,700	-	-	2,083,200	-	2,083,200	2,251,000
Assets whose use is limited:								
Required for current liabilities	4,787,200	-	-	-	4,787,200	-	4,787,200	4,239,700
Due from subsidiaries	1,138,000	84,900	2,664,100	56,800	3,943,800	(3,943,800)	-	-
Total current assets	67,091,400	1,064,100	5,287,300	1,118,800	74,561,600	(3,943,800)	70,617,800	67,307,900
ASSETS WHOSE USE IS LIMITED								
Board designated funds	21,776,400	-	-	-	21,776,400	-	21,776,400	19,733,200
Under bond indenture agreement - held by Trustee	5,578,800	-	-	-	5,578,800	-	5,578,800	8,238,100
Donor restricted - specific purpose	1,256,900	-	-	1,969,300	3,226,200	-	3,226,200	1,493,900
Donor restricted - endowment	-	-	-	2,526,400	2,526,400	-	2,526,400	2,516,600
Less amount required for current liabilities	(4,787,200)	-	-	-	(4,787,200)	-	(4,787,200)	(4,239,700)
Total assets whose use is limited	23,824,900	-	-	4,495,700	28,320,600	-	28,320,600	27,742,100
PROPERTY AND EQUIPMENT								
Property and equipment	149,503,500	407,500	19,644,300	-	169,555,300	-	169,555,300	161,794,400
Accumulated depreciation	(114,163,400)	(325,100)	(13,981,900)	-	(128,470,400)	-	(128,470,400)	(119,995,700)
Total property and equipment	35,340,100	82,400	5,662,400	-	41,084,900	-	41,084,900	41,798,700
OTHER ASSETS								
Other receivables - noncurrent	1,459,400	-	-	12,200	1,471,600	-	1,471,600	4,100
Investments in subsidiaries	13,929,200	-	-	-	13,929,200	(13,929,200)	-	-
Investments	2,769,900	211,200	-	-	2,981,100	-	2,981,100	2,581,400
Held by Trustee - deferred compensation plan	836,900	-	-	-	836,900	-	836,900	680,700
Deferred costs and other	749,200	-	-	-	749,200	-	749,200	838,800
Intangible assets	176,000	-	1,854,700	-	2,030,700	-	2,030,700	2,077,000
Goodwill	100,000	-	-	-	100,000	-	100,000	100,000
Total other assets	20,020,600	211,200	1,854,700	12,200	22,098,700	(13,929,200)	8,169,500	6,282,000
	$ 146,277,000	$ 1,357,700	$ 12,804,400	$ 5,626,700	$ 166,065,800	$ (17,873,000)	$ 148,192,800	$ 143,130,700

See notes to financial statements.

TUALITY HEALTHCARE

CONSOLIDATING BALANCE SHEETS (CONTINUED)
As of September 30, 2012

LIABILITIES AND NET ASSETS	Tuality Healthcare	TMSI/ TMES	Tuality Property Management Co	Tuality Healthcare Foundation	Total	Intercompany Eliminations	Consolidated September 30, 2012	Consolidated September 30, 2011
CURRENT LIABILITIES								
Accounts payable	$ 10,257,200	$ 131,100	$ 60,000	$ 4,600	$ 10,452,900	$ -	$ 10,452,900	$ 9,479,400
Accrued payroll and employee benefits	9,546,700	136,300	-	-	9,683,000	-	9,683,000	9,006,300
Estimated liabilities for Medicare and Medicaid settlements	(148,200)	-	-	-	(148,200)	-	(148,200)	1,065,500
Long-term debt due within one year	5,549,100	-	-	-	5,549,100	-	5,549,100	4,701,500
Accrued bond interest payable	467,200	-	-	-	467,200	-	467,200	534,300
Due to subsidiaries	2,800,700	779,400	-	363,700	3,943,800	(3,943,800)	-	-
Total current liabilities	28,472,700	1,046,800	60,000	368,300	29,947,800	(3,943,800)	26,004,000	24,787,000
LONG-TERM LIABILITIES								
Long-term debt, net of amount due within one year	15,753,000	-	-	-	15,753,000	-	15,753,000	19,774,000
Liability for pension benefits	32,502,900	-	-	-	32,502,900	-	32,502,900	27,362,600
Other long-term liabilites	2,290,900	-	-	-	2,290,900	-	2,290,900	-
Total long-term liabilities	50,546,800	-	-	-	50,546,800	-	50,546,800	47,136,600
TOTAL LIABILITIES	79,019,500	1,046,800	60,000	368,300	80,494,600	(3,943,800)	76,550,800	71,923,600
NET ASSETS								
Unrestricted	66,000,600	310,900	12,744,400	687,000	79,742,900	(13,929,200)	65,813,700	67,148,300
Temporarily restricted by donors	1,256,900	-	-	2,045,000	3,301,900	-	3,301,900	1,542,200
Permanently restricted by donors	-	-	-	2,526,400	2,526,400	-	2,526,400	2,516,600
Total net assets	67,257,500	310,900	12,744,400	5,258,400	85,571,200	(13,929,200)	71,642,000	71,207,100
	$ 146,277,000	$ 1,357,700	$ 12,804,400	$ 5,626,700	$ 166,065,800	$ (17,873,000)	$ 148,192,800	$ 143,130,700

See notes to financial statements.

TUALITY HEALTHCARE

CONSOLIDATING SCHEDULE OF OPERATIONS
For the year ended September 30, 2012

	Tuality Healthcare	TMSI/ TMES	Tuality Property Management Co	Tuality Healthcare Foundation	Total	Intercompany Eliminations	Consolidated September 30, 2012	Consolidated September 30, 2011
NET PATIENT SERVICE REVENUE								
Patient service revenue (net of contractual allowances and discounts)	$ 169,713,100	$ 1,662,700	$ -	$ -	$ 171,375,800	$ -	$ 171,375,800	$ 172,486,300
Provision for bad debts	(15,275,900)	(16,100)	-	-	(15,292,000)	-	(15,292,000)	(15,401,400)
Total net patient service revenue	154,437,200	1,646,600	-	-	156,083,800	-	156,083,800	157,084,900
OTHER REVENUE	12,242,400	41,900	2,334,500	239,300	14,858,100	(3,221,700)	11,636,400	6,922,000
Total Revenue	166,679,600	1,688,500	2,334,500	239,300	170,941,900	(3,221,700)	167,720,200	164,006,900
OPERATING EXPENSES								
Salaries and wages	77,578,200	295,300	-	-	77,873,500	-	77,873,500	75,031,500
Employee benefits	21,496,600	114,000	-	-	21,610,600	-	21,610,600	20,383,800
Supplies and other expenses	55,382,500	926,100	673,100	-	56,981,700	(2,100,400)	54,881,300	51,909,600
Professional fees	2,979,500	-	70,800	-	3,050,300	-	3,050,300	3,290,600
Management fees	-	199,400	424,400	-	623,800	(623,800)	-	-
Depreciation and amortization	8,044,400	34,600	562,300	-	8,641,300	-	8,641,300	8,485,300
Interest	1,365,400	-	1,900	-	1,367,300	-	1,367,300	1,569,800
Total operating expenses	166,846,600	1,569,400	1,732,500	-	170,148,500	(2,724,200)	167,424,300	160,670,600
INCOME FROM OPERATIONS	(167,000)	119,100	602,000	239,300	793,400	(497,500)	295,900	3,336,300
OTHER INCOME								
Realized income on investments whose use is limited by board designation	765,600	-	-	-	765,600	-	765,600	614,400
Gain (loss) on investments in affiliated companies	1,048,400	-	-	(497,500)	550,900	(213,600)	337,300	357,900
Gain (loss) on disposal of property and equipment	18,800	(11,400)	1,400	-	8,800	-	8,800	270,000
Total other income	1,832,800	(11,400)	1,400	(497,500)	1,325,300	(213,600)	1,111,700	1,242,300
REVENUE IN EXCESS OF EXPENSES	1,665,800	107,700	603,400	(258,200)	2,118,700	(711,100)	1,407,600	4,578,600
Contributions for property and equipment acquisition	442,900	-	-	-	442,900	-	442,900	466,500
Change in net unrealized gain (loss) on other than trading securities	1,232,500	-	-	51,500	1,284,000	-	1,284,000	(534,200)
Cumulative Net Periodic Pension	(4,469,100)	-	-	-	(4,469,100)	-	(4,469,100)	(10,448,100)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (1,127,900)	$ 107,700	$ 603,400	$ (206,700)	$ (623,500)	$ (711,100)	$ (1,334,600)	$ (5,937,200)

See notes to financial statements.

TUALITY HEALTHCARE FOUNDATION, INC.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS
For the year ended September 30, 2012

	General Funds	Donor Restricted: Specific Purpose Funds	Donor Restricted: Endowment Funds	Total
REVENUES AND ADDITIONS				
Contributions	$ 221,300	$ 902,100	$ 9,800	$ 1,133,200
Investment income	61,000	688,300	-	749,300
Net assets released from restrictions used for operations	8,400	(8,400)	-	-
	290,700	1,582,000	9,800	1,882,500
EXPENSES AND DEDUCTIONS				
Operating expenses and deductions	-	268,000	-	268,000
Net assets released from restrictions	-	-	-	-
	290,700	1,314,000	9,800	1,614,500
TRANSFERS				
To Tuality Community Hospital	497,500	760,400	-	1,257,900
CHANGE IN NET ASSETS	(206,800)	553,600	9,800	356,600
NET ASSETS AT BEGINNING OF YEAR	893,800	1,491,400	2,516,600	4,901,800
NET ASSETS AT END OF YEAR	$ 687,000	$ 2,045,000	$ 2,526,400	$ 5,258,400

See notes to financial statements.