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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

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 04-01-2012, 2012, and ending 03-31-2013

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

LEGACY SALMON CREEK HOSPITAL

Doing Business As

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

2211 NE 139TH STREET

Room/suite

City or town, state or country, and ZIP + 4

VANCOUVER, WA 98686

F Name and address of principal officer

GEORGE J BROWN MD

C/O 1919 NW LOVEJOY STREET

PORTLAND, OR 97209

H(a) Is this a group return for affiliates?

☐ Yes☒ No

H(b) Are all affiliates included?

☐ Yes☒ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3)☐ 501(c) ( )☐ (insert no )☐ 4947(a)(1) or ☐ 527

J Website:

WWW.LEGACYHEALTH.ORG

K Form of organization

☒ Corporation☐ Trust☐ Association☐ Other

L Year of formation

2002

M State of legal domicile

WA

Part I

Summary

Activities & Governance

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

Legacy Salmon Creek Hospital (LSCH), established in 2005, provides acute and critical care in Vancouver, with 165 licensed beds LSCH operates adult, pediatric, and OB/GYN hospitalist programs, as well as four primary care physician practices and three specialty clinics LSCH provides a comprehensive range of inpatient, clinical and diagnostic services in numerous medical specialties and subspecialties LSCH is part of Legacy Health (Legacy) Our mission Our legacy is good health for our people, our patients, our communities, and our world We will work as a team to demonstrate our values Respect - Treat all people with respect and compassion Service - Put the needs of our patients and their families first Quality - Deliver outstanding clinical services within healing environments Excellence - Set high standards and achieve them Responsibility - Be good stewards of our resources, ensuring access to care for all Innovation - Be progressive in our thinking and actions Leadership - Serve a

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)

4 Number of independent voting members of the governing body (Part VI, line 1b)

5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)

6 Total number of volunteers (estimate if necessary)

7a Total unrelated business revenue from Part VIII, column (C), line 12

b Net unrelated business taxable income from Form 990-T, line 34

3

4

5

6

7a

7b

15

14

0

875

485,997

-22,951

Revenue

8 Contributions and grants (Part VIII, line 1h)

9 Program service revenue (Part VIII, line 2g)

10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)

11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)

12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)

Prior Year

Current Year

30,247

217,539,807

1,968,268

-1,160,515

218,377,807

226,569,734

Expenses

13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)

14 Benefits paid to or for members (Part IX, column (A), line 4)

15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)

16a Professional fundraising fees (Part IX, column (A), line 11e)

b Total fundraising expenses (Part IX, column (D), line 25)

17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)

18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)

19 Revenue less expenses Subtract line 18 from line 12

4,372

121,724,075

86,650,471

208,378,918

9,998,889

4,372

0

128,201,299

0

87,555,236

215,760,907

10,808,827

Net Assets or Fund Balances

20 Total assets (Part X, line 16)

21 Total liabilities (Part X, line 26)

22 Net assets or fund balances Subtract line 21 from line 20

Beginning of Current Year

End of Year

278,259,891

34,989,594

243,270,297

289,012,354

39,039,160

249,973,194

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

LINDA S HOFF CFO & TREASURER

Type or print name and title

2014-02-18

Date

Paid Preparer Use Only

Prnt/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

Firm's name

Firm's EIN

Firm's address

Phone no

May the IRS discuss this return with the preparer shown above? (see instructions)

☐ Yes☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2012)

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

Legacy Salmon Creek Hospital (LSCH), established in 2005, provides acute and critical care in Vancouver, with 165 licensed beds. LSCH operates adult, pediatric, and OB/GYN hospitalist programs, as well as four primary care physician practices and three specialty clinics. LSCH provides a comprehensive range of inpatient, clinical and diagnostic services in numerous medical specialties and subspecialties. LSCH is part of Legacy Health (Legacy). Our mission: Our legacy is good health for our people, our patients, our communities, and our world. We will work as a team to demonstrate our values: Respect - Treat all people with respect and compassion. Service - Put the needs of our patients and their families first. Quality - Deliver outstanding clinical services within healing environments. Excellence - Set high standards and achieve them. Responsibility - Be good stewards of our resources, ensuring access to care for all. Innovation - Be progressive in our thinking and actions. Leadership - Serve a

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

If "Yes," describe these changes on Schedule O

<b>4a</b>	(Code	) (Expenses \$	154,729,038	including grants of \$	4,372 ) (Revenue \$	207,947,126 )
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**4b** (Code ) (Expenses \$ 17,426,966 including grants of \$ ) (Revenue \$ 15,113,354 )





















**4c** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

(Expenses \$ \_\_\_\_\_ including grants of \$ \_\_\_\_\_ ) (Revenue \$ \_\_\_\_\_ )

Form **990** (2012)

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f	No
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

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? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
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? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i> . . . . .	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	26	Yes	
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? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b		No
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		No
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.		
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		No
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		
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)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	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 as charitable contributions?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
7a	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?		No
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		No
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		No
8	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		No
9	<b>Sponsoring organizations maintaining donor advised funds.</b>		
9a	Did the organization make any taxable distributions under section 4966?		No
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		No
10	<b>Section 501(c)(7) organizations.</b> Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	<b>Section 501(c)(12) organizations.</b> Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?		No
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
13a	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.		No
13b	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.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	15	
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			
1b	Enter the number of voting members included in line 1a, above, who are independent	14	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input checked="" type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
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 LINDA S HOFF 1919 NW LOVEJOY STREET PORTLAND, OR (503) 415-5600

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

**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, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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

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

[illegible]



## Part VII

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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			
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								2,738,429	6,375,086	1,622,646

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▶165

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

## **Section B. Independent Contractors**

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

(A) Name and business address	(B) Description of services	(C) Compensation
THE VANCOUVER CLINIC INC 700 NE 87TH AVE VANCOUVER WA 98664	MEDICAL SERVICES	705,650
MEDLINE INDUSTRIES PO BOX 121080 DEPT 1080 DALLAS TX 75312	MEDICAL SUPPLIES	3,744,863
GE MEDICAL SYSTEMS PO BOX 843553 DALLAS TX 75284	MEDICAL EQUIPMENT	1,268,445
ELEKTA INC PO BOX 404199 ATLANTA GA 30384	MEDICAL SERVICES	571,850
COLUMBIA ANESTHESIA GROUP PO BOX 5157 VANCOUVER WA 98668	MEDICAL SERVICES	505,380

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 ►26

Part VIII

Statement of Revenue

Check if Schedule O contains a response to any question in this Part VIII

			(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	168,749		
	e	Government grants (contributions)	1e			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f			
	g	Noncash contributions included in lines 1a-1f \$		8,863		
	h	Total. Add lines 1a-1f . . . . .		168,749		
Program Service Revenue	2a	RETAIL PHARMACY	Business Code	485,997	485,997	
	b	PATIENT PROGRAM REV		530,017,613	530,017,613	
	c	CONVENIENCE OF MEMBERS		1,533,967		1,533,967
	d	CONTRACTUAL ALLOWANCE		-285,166,762	-285,166,762	
	e	CHARITY CARE		-23,810,335	-23,810,335	
	f	All other program service revenue				
	g	Total. Add lines 2a-2f . . . . .		223,060,480		
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		4,779,083	
4		Income from investment of tax-exempt bond proceeds . . . . .		0		
5		Royalties . . . . .		0		
6a		(i) Real				
		(ii) Personal				
		Gross rents				
		Less rental expenses				
b		2,315,119				
c		Rental income or (loss)				
d		Net rental income or (loss) . . . . .		-1,180,488		-1,180,488
7a		(i) Securities				
		(ii) Other				
		Gross amount from sales of assets other than inventory				
		Less cost or other basis and sales expenses				
b						
c		Gain or (loss)				
d		Net gain or (loss) . . . . .		-258,090	-258,090	
8a		Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18 . . . . .		0		
a						
b		Less direct expenses . . . . .				
c	Net income or (loss) from fundraising events . . . . .					
9a	Gross income from gaming activities See Part IV, line 19 . . . . .		0			
a						
b	Less direct expenses . . . . .					
c	Net income or (loss) from gaming activities . . . . .					
10a	Gross sales of inventory, less returns and allowances . . . . .		0			
a						
b	Less cost of goods sold . . . . .					
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 . . . . .		0			
12	Total revenue. See Instructions . . . . .		226,569,734	220,782,426	485,997	5,132,562

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).

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.	4,372	4,372		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	732,646	657,205	75,441	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	98,397,710	75,274,647	23,123,063	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	8,311,507	5,841,238	2,470,269	
9	Other employee benefits.	13,278,131	8,760,517	4,517,614	
10	Payroll taxes.	7,481,305	5,320,097	2,161,208	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	144,899	1,063	143,836	
c	Accounting.	0			
d	Lobbying.	55,500		55,500	
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	2,696,750	2,696,750		
12	Advertising and promotion.	0			
13	Office expenses.	27,928,957	26,055,693	1,873,264	
14	Information technology.	0			
15	Royalties.	0			
16	Occupancy.	476,439	382,318	94,121	
17	Travel.	120,273	83,345	36,928	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	111,932	89,820	22,112	
20	Interest.	0			
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	14,375,529	11,520,220	2,855,309	
23	Insurance.	1,236,484	1,005,476	231,008	
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	TAXES WA B&O, USE & SALES	3,278,181	2,630,576	647,605	
b	PROVIDER TAX	7,254,477	7,254,477		
c	CONTRACT SERVICES	11,521,053	8,310,140	3,210,913	
d	BAD DEBTS	15,137,732	15,034,367	103,365	
e	All other expenses	3,217,030	1,233,683	1,983,347	
25	Total functional expenses. Add lines 1 through 24e.	215,760,907	172,156,004	43,604,903	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 <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			632,448	1	194,239
	2	Savings and temporary cash investments . . . . .				2	0
	3	Pledges and grants receivable, net . . . . .				3	0
	4	Accounts receivable, net . . . . .			24,602,414	4	25,179,012
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .				5	17,502
	6	Loans and other 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) Complete Part II of Schedule L				6	0
	7	Notes and loans receivable, net . . . . .			13,656	7	0
	8	Inventories for sale or use . . . . .			1,719,104	8	1,654,144
	9	Prepaid expenses and deferred charges . . . . .			562,798	9	572,648
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	336,825,886			
	b	Less accumulated depreciation . . . . .	10b	141,829,747	205,585,180	10c	194,996,139
	11	Investments—publicly traded securities . . . . .				11	0
	12	Investments—other securities See Part IV, line 11 . . . . .			41,941,457	12	63,195,838
	13	Investments—program-related See Part IV, line 11 . . . . .				13	0
	14	Intangible assets . . . . .				14	0
	15	Other assets See Part IV, line 11 . . . . .			3,202,834	15	3,202,832
16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			278,259,891	16	289,012,354	
Liabilities	17	Accounts payable and accrued expenses . . . . .			13,592,026	17	15,672,361
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .				19	
	20	Tax-exempt bond liabilities . . . . .				20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D . . . . .				21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .				22	
	23	Secured mortgages and notes payable to unrelated third parties . . . . .				23	
	24	Unsecured notes and loans payable to unrelated third parties . . . . .				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D . . . . .			21,397,568	25	23,366,799
	26	Total liabilities. Add lines 17 through 25 . . . . .			34,989,594	26	39,039,160
	Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
27		Unrestricted net assets . . . . .			243,270,297	27	249,973,194
28		Temporarily restricted net assets . . . . .				28	
29		Permanently restricted net assets . . . . .				29	
Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> 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 . . . . .			243,270,297	33	249,973,194
34	Total liabilities and net assets/fund balances . . . . .			278,259,891	34	289,012,354	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . . . .	1	226,569,734
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	215,760,907
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	10,808,827
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	243,270,297
5	Net unrealized gains (losses) on investments . . . . .	5	
6	Donated services and use of facilities . . . . .	6	
7	Investment expenses . . . . .	7	
8	Prior period adjustments . . . . .	8	
9	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	9	-4,105,930
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	249,973,194

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 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	Yes	
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	Yes	
2c	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	Yes	
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?	Yes	
3b	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	Yes	

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public  
Inspection

Name of the organization LEGACY SALMON CREEK HOSPITAL	Employer identification number 33-1065485
--	--

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<sup>1</sup>/<sub>3</sub>% 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<sup>1</sup>/<sub>3</sub>% 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 - Non-functionally integrated
- 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?  

(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)
- |          | Yes | No |
|----------|-----|----|
| 11g(i)   |     |    |
| 11g(ii)  |     |    |
| 11g(iii) |     |    |
- | (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? |    | (v) Did you notify the organization in col (i) of your support? |    | (vi) Is the organization in col (i) organized in the U S ? |    | (vii) Amount of monetary support |
|------------------------------------|----------|--|--|----|---|----|--|----|----------------------------------|
|                                    |          |  | Yes  | No | Yes   | No | Yes  | No |                                  |
|                                    |          |  |  |    |   |    |  |    |                                  |
|                                    |          |  |  |    |   |    |  |    |                                  |
| Total                              |          |  |  |    |   |    |  |    |                                  |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here . . . . . ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2011 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2012. 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—2011. 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—2012. 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—2011. 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 IIISupport 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. 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—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		



**Part IV** **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization LEGACY SALMON CREEK HOSPITAL	Employer identification number  33-1065485
--	--

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

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$ _____
3	Volunteer hours	_____

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$ _____
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$ _____
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
b	If “Yes,” describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$ _____
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$ _____
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$ _____
4	Did the filing organization file <b>Form 1120-POL</b> for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

- A
- Check ☒ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)		127,249	163,605												
c Total lobbying expenditures (add lines 1a and 1b)		127,249	163,605												
d Other exempt purpose expenditures		187,471,913	1,186,791,417												
e Total exempt purpose expenditures (add lines 1c and 1d)		187,599,162	1,186,955,022												
f Lobbying nontaxable amount Enter the amount from the following table in both columns		1,000,000	1,000,000												
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)		250,000	250,000												
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No													

4-Year Averaging Period Under Section 501(h)

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					12,000,000
c Total lobbying expenditures	263,925	349,418	288,019	290,854	1,192,216
d Grassroots nontaxable amount	500,000	500,000	500,000	500,000	2,000,000
e Grassroots ceiling amount (150% of line 2d, column (e))					3,000,000
f Grassroots lobbying expenditures					

Part II-B

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

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

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
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SCHEDULE D  
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

▶ 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.

Name of the organization  
LEGACY SALMON CREEK HOSPITAL

Employer identification number  
33-1065485

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? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
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? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	

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) ☐ Preservation of an historically important land area  
☐ Protection of natural habitat ☐ Preservation of a certified historic structure  
☐ Preservation of open space

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 Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

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 XIII, 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 XIII, 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

▶ \$ \_\_\_\_\_

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

**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 XIII

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 XIII and complete the following table

	Amount
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance . . . . .	275,304	195,066	136,521	58,038	8,321
b Contributions . . . . .	392,109	107,966	90,600	152,877	86,833
c Net investment earnings, gains, and losses	267				
d Grants or scholarships . . . . .					
e Other expenditures for facilities and programs . . . . .	148,370	27,728	-32,055	74,394	37,116
f Administrative expenses . . . . .					
g End of year balance . . . . .	519,310	275,304	259,176	136,521	58,038

2

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

a

Board designated or quasi-endowment ▶ 59 000 %

b

Permanent endowment ▶ 41 000 %

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

(i)

unrelated organizations . . . . .

3a(i)

Yes	No

(ii)

related organizations . . . . .

3a(ii)

Yes	

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b

Yes	

4

Describe in Part XIII 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 . . . . .		10,173,635		10,173,635
b Buildings . . . . .		241,094,037	78,058,645	163,035,392
c Leasehold improvements . . . . .		30,958	9,907	21,051
d Equipment . . . . .		84,368,882	63,761,195	20,607,687
e Other . . . . .		1,158,374		1,158,374
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				194,996,139



Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return					
1	Total revenue, gains, and other support per audited financial statements . . . . .			1	225,120,000
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12			2e	
a	Net unrealized gains on investments . . . . .	2a			
b	Donated services and use of facilities . . . . .	2b			
c	Recoveries of prior year grants . . . . .	2c			
d	Other (Describe in Part XIII ) . . . . .	2d			
e	Add lines 2a through 2d . . . . .			2e	
3	Subtract line 2e from line 1 . . . . .			3	225,120,000
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1			4c	1,449,734
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a			
b	Other (Describe in Part XIII ) . . . . .	4b	1,449,734		
c	Add lines 4a and 4b . . . . .				
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12 ) . . . . .			5	226,569,734
Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return					
1	Total expenses and losses per audited financial statements . . . . .			1	214,420,000
2	Amounts included on line 1 but not on Form 990, Part IX, line 25			2e	
a	Donated services and use of facilities . . . . .	2a			
b	Prior year adjustments . . . . .	2b			
c	Other losses . . . . .	2c			
d	Other (Describe in Part XIII ) . . . . .	2d			
e	Add lines 2a through 2d . . . . .			2e	
3	Subtract line 2e from line 1 . . . . .			3	214,420,000
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:			4c	1,340,907
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a			
b	Other (Describe in Part XIII ) . . . . .	4b	1,340,907		
c	Add lines 4a and 4b . . . . .				
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18 ) . . . . .			5	215,760,907
Part XIII 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, lines 2d and 4b, and Part XII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
Part XII, Line 4b	Part XII, Line 4b Other revenue amounts included on 990 but not included in F/S	MEDICAL STAFF EXPENSE \$438758 FOUNDATION DONATION \$124865 OTHER EXPENSE \$7032 GAIN / LOSS OF SALE OF ASSETS \$-258090 PROGRAM SERVICE REVENUE \$1029628 ROUNDING \$-1286
Part XI, Line 4b	Part XI, Line 4b Other revenue amounts included on 990 but not included in F/S	MEDICAL STAFF INCOME \$502978 FOUNDATION DONATION \$124865 OTHER EXPENSE \$7035 GAIN / LOSS OF SALE OF ASSETS \$-258090 PROGRAM SERVICE REVENUE \$1029628 FOUNDATION CAPITAL CONTRIBUTION \$35021 IN KIND DONATION \$8863 ROUNDING \$-566
Part V, Line 4	Part V, Line 4 Intended uses of the endowment fund	Endowment funds disclosed in Part V are used to improve the healthcare of the community as designated by the donors Salmon Creek Hospital Foundation (SCHF) maintains all charitable gifts including endowment funds for the benefit of LSCH and it's programs Income from permanently restricted net assets is accounted for in accordance with the donors' instructions Legacy follows the guidance in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in determining the net asset classification of all donor-restricted endowment funds In accordance with UPMIFA and board policy, assets classified as permanent endowments in accordance with donor intent are only utilized for current period expenditures to the extent that earnings on the endowment exceed the original fair value of the donation To the extent earnings on endowment funds exceed identified expenditures on which to apply those earnings, the earnings are classified as temporarily restricted net assets Legacy has adopted investment and spending policies for endowment assets to provide a predictable stream of funding to programs supported by its endowment and to maintain the value of the endowment assets Asset allocation is reviewed quarterly with respect to i) Legacy's tolerance for risk based on its financial condition and need for cash from investments to support operations, ii) expected asset class return, risk and correlation characteristics, iii) changes in accounting guidance or tax law and iv) changes in bond covenants or other restrictions Legacy's spending practices are intended to comply with donor's wishes and meet all applicable laws and regulations Spending must be for a purpose that is consistent with the documented intent of the donor, and may not exceed the amounts annually determined by Legacy Factors that are considered in addressing the annual spending allocation are i) market value of the fund relative to the principal of the gift and ii) the level of spending in prior years From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Legacy to retain as a fund of perpetual duration Deficiencies of this nature are reported as a reduction to unrestricted net assets and are excluded from the performance indicator



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

2012

Open to Public Inspection

Name of the organization  
LEGACY SALMON CREEK HOSPITAL

Employer identification number  
33-1065485

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .	1a	Yes	
b	If "Yes," was it a written policy? . . . . .	1b	Yes	
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  <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> 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) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %  b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care . . . . .  <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____ %  c If the organization used factors other than FPG in determining 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, as a factor in determining 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"? . . . . .	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	5b	Yes	
b	If "Yes," did the organization make it available to the public? . . . . .	5c		No
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.	6a	Yes	
		6b	Yes	

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) . . . . .			8,762,535		8,762,535	4.060 %
b Medicaid (from Worksheet 3, column a) . . . . .			42,890,263	21,974,794	20,915,469	9.690 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .			51,652,798	21,974,794	29,678,004	13.750 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			54,653		54,653	0.030 %
f Health professions education (from Worksheet 5) . . . . .			629,400		629,400	0.290 %
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			240,134		240,134	0.110 %
j <b>Total</b> Other Benefits . . . . .			924,187		924,187	0.430 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			52,576,985	21,974,794	30,602,191	14.180 %

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					
8	Workforce development					
9	Other					
10	Total					

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

No

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

15,137,732

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

10,445,035

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

34,192,987

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

42,916,707

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-8,723,720

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.  
☐ Cost accounting system      ☐ Cost to charge ratio      ☒ Other

Section C. Collection Practices

9a

Did the organization have a written debt collection policy during the tax year?

9a

Yes

b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

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

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)  
How many hospital facilities did the organization operate during the tax year?  
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	LEGACY SALMON CREEK HOSPITAL 2211 NE 139TH STREET VANCOUVER, WA 98686 www.legacyhealth.org	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 or facility reporting groups listed in Part V, Section A)

LEGACY SALMON CREEK HOSPITAL

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>11</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted . . . . .	3	Yes
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	Yes
5	Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
a	<input checked="" type="checkbox"/> Hospital facility's website		
b	<input type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d	<input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input checked="" type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .	7	No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a	No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b	No
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000% If "No," explain in Part VI the criteria the hospital facility used	10	Yes
11	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 0000% If "No," explain in Part VI the criteria the hospital facility used	11	Yes
12	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes
a <input checked="" type="checkbox"/> Income level			
b <input checked="" type="checkbox"/> Asset level			
c <input checked="" type="checkbox"/> Medical indigency			
d <input checked="" type="checkbox"/> Insurance status			
e <input checked="" type="checkbox"/> Uninsured discount			
f <input checked="" type="checkbox"/> Medicaid/Medicare			
g <input checked="" type="checkbox"/> State regulation			
h <input type="checkbox"/> Other (describe in Part VI)			
13	Explained the method for applying for financial assistance? . . . . .	13	Yes
14	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	Yes
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
b <input checked="" type="checkbox"/> The policy was attached to billing invoices			
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
f <input checked="" type="checkbox"/> The policy was available upon request			
g <input type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
15	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? . . . . .	15	Yes
16	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 the patient's eligibility under the facility's FAP		
a <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			
17	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? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals 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)

Policy Relating to Emergency Medical Care

		Yes	No
19	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? . . . . . If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . . If "Yes," explain in Part VI		No

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)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 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
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
	Part VI - Affilated Health Care System Roles and Promotion	LSCH is a subsidiary of Legacy Health (Legacy) Legacy is an integrated health system based in Portland, Oregon and primarily operates five acute care hospitals and related services (e g , physician practices, hospice, preferred provider network) in the four county metro area of Portland and SW Washington The Legacy Board is comprised of community and business leaders as well as representatives of the medical staff The LSCH medical staff is open, with physicians submitting credentialing information reviewed according to LSCH policies and standards In 1998, the Legacy Board approved a \$10 million Community Health Fund from operating revenue to address major community health issues About \$500,000 annually has been granted to community-based projects addressing racial and ethnic inequities and root causes These dollars are in addition to the system's generous charitable contributions The Community Health Fund has provided over 35 grants since 1998 totaling nearly \$6.7 million In 2010, Legacy established the Health Literacy initiative The ability of patients to both understand and act upon the medical information provided to them is critical to their health outcomes Patients must use information to navigate the health system (complete insurance and government forms, sign consents, schedule appointments), manage diseases and acquire preventive screenings Providers (defined as all staff interacting with or developing materials used by patients) are responsible for ensuring that patients can act on the information provided Funded by the Community Health Fund in 2012, Legacy hosted the first Oregon and SW Washington Health Literacy Conference 360 people from 69 organizations attended In 2013, the Health Literacy Conference had 500 health professionals attend and ensuring this conference as an annual event Legacy is now the recognized leader in moving health literacy forward both in the health delivery system and broader community Recognizing that education, employment and income inequities exist for communities of diversity, and that health professions are lacking in diversity, Legacy established the Youth Employment in Summer program in 1999 Annually, 13-15 African American, Hispanic and Native American youth receive paid summer employment in departments where they work with health professionals and earn college scholarships between \$2,500 and \$5,000 annually Students must remain in school and pursued health careers in order to continue in the program Some students remain in the program as long as seven years and graduated with degrees in a variety of healthcare fields The vast majority of the students are the first in the families to go to college In addition to the Community Health Fund, Legacy provided cash donations to local health and human service, education, economic development and civic organizations Donations focus on organizations with year-round relationships through programs and board representation A few examples include the Free Clinic of SW Washington, Children's Center, Columbia River Mental Health, Community Services Northwest, Clark County Health Department and the local schools
	Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	Non-cash donations of resources include clinical and non-clinical services and items such as screenings and support services, internships, information and referral services and health fairs Legacy's warehouse is located on Legacy Good Samaritan's campus and is open to nonprofit organizations to obtain surplus equipment and furniture In addition, conference room space is made available to local nonprofits for Board and community meetings Clinical staff at Legacy hospitals are involved with local communities through many child safety programs In 1986, nurses in Emanuel Hospital's Level I Trauma Center developed the Trauma Nurses Talk Tough (TN TT) program Taught by trauma and emergency medical professionals, the program reaches 56,000 people each year The American Hospital Association awarded the TN TT program its NOVA Award In addition, Legacy staff members conduct free education sessions to show parents how to properly install car seats Last year, Legacy staff fit and sold more than 11,000 bicycle and snow helmets for children at a nominal or no fee based on need Legacy staff members also provide new parents with training to reduce the incidences of shaken baby syndrome and our in-house Safety Store sells child protection devices for the home at a nominal charge



Identifier	ReturnReference	Explanation
	Part VI - Community Information	<p>LSCH opened in 2005 in north Clark County between the cities of Vancouver to the south and Battle Ground and Ridgefield to the north in an unincorporated area known as Salmon Creek and Hazel Dell. The primary service area is defined as the five mile radius, but due to the hospital's location in an unincorporated area and since there are only two hospitals in the county, the county is the commonly used primary service area composition. This definition extends from the Columbia River on the south, north to La Center, west to Vancouver Lake and east to Camas. The primary service area includes the cities of Vancouver, Battle Ground, Ridgefield and Camas. Vancouver and Camas are industrial, commercial and residential communities while and Battle Ground and Ridgefield are primarily residential. Zip codes for the primary service area include 98601, 98603, 98604, 98606-07, 98616, 98622, 98629, 98642, 98660-68, 98671, 98674-75 and 98682-87. In November 2010, the Portland State University (PSU) Population Research Center reported the metro Portland area four-county population at 2,080,926. This includes Oregon tri-county and Clark county populations. It is estimated that if the economic recovery continues to be slow, population growth will continue at a similar rate, leading to a four-county metro area population of 2.2 million in 2015. The population of the five mile primary service area was 161,987 in 2010. During the 1990s, Clark County was the fastest growing county in Washington. Since 2000 the population grew 20 percent to 436,391 in 2010. Of the four metro area counties, Clark is expected to show the greatest growth between 2010 and 2015 at 1.9 percent annually. Out of all cities in Washington, Vancouver grew 13%, the most during the last decade. Nearly half of newcomers move to the area from California and many others relocate from Oregon. About 38 percent of the county population lives in Vancouver and 9 percent lives in the unincorporated north. There are seven cities in the county, the largest being Vancouver (the fourth largest city in Washington), followed in order by Camas, Battle Ground, Washougal, Ridgefield, La Center and Yacolt. Population density initially was focused on the southern half of the county and then migrated to the east into Camas and even Washougal. As Camas housing prices have increased, the most rapid growth has shifted to the northern cities of Ridgefield, Battle Ground, La Center and Yacolt. The population is slightly younger than the state. The median age in Clark County is 35 years as compared to Washington at 37 years. 23.5% of Washington's population is 18 years and younger, while that of Clark County is 26.5%. In 2010 the LSCH primary service area was 81.8% non-Hispanic white, 7.6% Hispanic, 2.0% African American, 4.1% Asian, 4.0% bi-racial and 0.9% Native American. It is commonly recognized that communities of color may be undercounted in census numbers. Hispanics are moving into the LSCH service area at a higher rate than any other group (more than doubling in numbers in the past 10 years). Additionally, they have a higher birth rate than other communities of color. The Hispanic population accounts for about one-fifth of the births in Washington, while they make up just 11% of the population. While still a small population relative to the entire metro area, specific geographic areas are experiencing significant growth in the Slavic population, particularly in Clark County. Slavs are counted in the non-Hispanic white population, but they have distinct cultural identity. Their socioeconomic indicators are generally lower than the other non-Hispanic white populations. Peace Health SW Washington Medical Center is the only other hospital that serves the LSCH primary service area. Kaiser Permanente has multiple clinics in the county and contracts with Peace Health for services. The service area includes a Medically Underserved Areas (MUA) in central Vancouver. There is also one non-public sector Federally Qualified Health Center (FQHC) operated by SeaMar and one long-standing volunteer-based safety net Free Clinic in Vancouver. The Clark County Health Department does not operate primary care services directly. A local non-profit, Project Access Clark County, links uninsured low income individuals to no-cost healthcare services. All of the health systems in the metro area are very involved with this program. Legacy Health provides cash donations, free administrative office space for Project Access NOW on the Legacy Good Samaritan Medical Center campus as well as clinical services. In FY 13, LSCH provided \$8.8 million in charity care, total unreimbursed costs of care for people in need amounted to \$40.5 million.</p>
	Part VI - Patient Education of Eligibility for Assistance	<p>LSCH employs financial counselors and social workers that assist patients in obtaining coverage for their healthcare needs. This includes assistance with workers compensation, motor vehicle accident policies, COBRA, veterans' assistance, LSCH's financial assistance program, and public assistance programs, such as Medicaid. The criteria for financial assistance under LSCH's program is determined based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient's inability to pay for medically necessary services provided. Specifically, the LSCH Financial Assistance Program provides an uninsured discount of 15% to patients who have resided within LSCH's primary service area for a period of six months, are uninsured for hospital care, and have a household income of less than \$100,000 annually. Further discounts are available for patients, on a sliding scale, whose household income is less than 400% of the federal poverty level or roughly \$92,200 for a family of four in Portland, Oregon. For patients whose household income is at or below 200% of the federal poverty level, a full subsidy is available. In addition to the household income criteria, the patients' qualified assets (e.g. 25% of household assets), and other catastrophic or economic circumstances are considered in determining eligibility. In addition to financial counselors and social workers, LSCH makes every effort to communicate its Financial Assistance Program to patients. This includes signage in main admitting areas of each hospital and brochures explaining financial assistance in all patient care areas, as well as in appropriate languages. Financial counselors are available to assist patients in understanding and applying for available resources, including the LSCH Financial Assistance Program. LSCH's website also has information about the availability of financial assistance. LSCH offers financial assistance customer service Monday through Friday, as well as the availability of voice mail so patients can leave confidential, detailed messages during non-business hours. Finally, all of Legacy's billing statements include information regarding the availability of financial assistance. If LSCH requires the use of a collection agency, those agencies are required to provide a telephone number that patients can call to request financial assistance. In 2010, Legacy Health established the Health Literacy Initiative. Nearly all Legacy employees are touch points to patients and families and health literacy is involved in every touch point. What is health literacy? The Institute of Medicine defines health literacy as the capacity to obtain, understand, and process basic health information and services needed to make appropriate health decisions. In short, health literacy is the ability to understand and act on health information. Nearly half of the U.S. adult population has a low level of health literacy. Patients with low health literacy are less likely to comply with treatment, less likely to seek preventive care and twice as likely to be hospitalized. Quality, safety and cost are all affected by a patient's inability to understand medical instructions and to explain their symptoms/issues. Legacy's employees are learning and practicing new ways of communicating with patients using health literacy tools such as universal precautions, plain language and teach back methods. Annual education is provided to all billing and admitting staff so they can be kept informed of and speak with knowledge about current financial assistance policies and options. LSCH provides copies of the latest policies in main admitting areas, as well as through newsletters and other publications. Since 2008, the four county metro area health delivery systems (encompassing all hospitals in the area) and safety net clinics have partnered to establish a seamless, coordinated program to provide care for the low income uninsured, Project Access. This program enables low income uninsured patients to receive continuity of care in earlier stages of acuity due to the collaboration among 2800 providers and all health systems.</p>

Identifier	ReturnReference	Explanation
	Part VI - Needs Assessment	Senior leadership, in conjunction with the Board of Directors, continually assesses the needs of the communities it serves through a compilation of primary and secondary market research (qualitative and quantitative), medical staff input, reviewing national trends and practices, working with local foundations and funders regarding their assessments, and working with local community-based partners to understand their needs. The goal is to understand the needs and develop programs specific to the community. Involvement is both proactive and responsive - a leadership role in initiating programs as well as being readily available as a collaborative partner when the community asks. The outcome of these assessments is the development of both long-term and fiscal year plans that are supported by a yearly budget that is proposed by staff and approved by the Board of Directors. During 2010, Legacy Health conducted a community needs assessment. The results of the assessment were available in July of 2011 and can be found at <a href="http://www.LegacyHealth.org">www.LegacyHealth.org</a> . The region served by Legacy Salmon Creek Hospital (LSCH), along with most of Washington, is experiencing significant challenges in population growth, economic development, education and health care. Recognizing that social and economic determinants impact health, LSCH has been and will remain committed to addressing these issues to improve the health of all residents in the community, including equity among ethnically diverse populations.
Number of Hospital Facility - 1	Part V, Line 20d - Other Billing Determination of Individuals Without Insurance	The hospital facility used the Federal Poverty Guidelines to determine the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care. Discounts are available for patients, on a sliding scale, whose household income is less than 400% of the federal poverty level. A full subsidy is available for patients whose income is at or below 200% of the federal poverty level.

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 1	Part V, Line 7 - Explanation of Needs Not Addressed and Reasons Why	Legacy Salmon Creek did not address needs identified in the Community Needs Assessment for the reasons explained in the following, by need. These are included in the Community Needs Assessment and Implementation Strategies Plan: NEED Early Childhood: limited financial and labor resources prevent addressing as need; NEED HIV/AIDS: limited financial and labor resources prevent addressing as need; NEED Autism: limited financial and labor resources prevent addressing as need.
Number of Hospital Facility - 1	Part V, Line 61 - Describe Other Needs Identified	The action plan for Legacy Salmon Creek can be found at <a href="http://www.legacyhealth.org">www.legacyhealth.org</a> . Using these criteria and the lens of racial and ethnic equity in response to the evident disparities for communities of color, a Legacy Salmon Creek Medical Center Implementation Strategies Plan details strategies in order of priority of need. All needs expressed by stakeholders related to health, health care and public health are listed, including those not addressed by Legacy Salmon Creek as a focus priority due to lack of resources. Many needs beyond the five focus areas are addressed within hospital services and activities and these can be found in the Plan. Legacy Salmon Creek's resources and strengths are in health-related services and, thus, the five focus areas are health-related needs and actions. Community stakeholders clearly stressed recommending focused attention in contrast to a broader superficial approach in addressing issues. Based on the criteria, Legacy Salmon Creek will focus on Communities of color, charity care, access to health care, health literacy and youth and education.

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 1	Part V, Line 4 - List Other Hospital Facilities that Jointly Conducted Needs Assessment	The Community Needs Assessment was conducted in conjunction with the four other Legacy Health hospitals, i.e., Legacy Emanuel Medical Center, Legacy Good Samaritan Medical Center, Legacy Meridian Park Medical Center and Legacy Mount Hood Medical Center
Number of Hospital Facility - 1	Part V, Line 3 - Account Input from Person Who Represent the Community	In July of 2011, the results of Legacy's community needs assessment were available and can be found at <a href="http://www.Legacyhealth.org">www.Legacyhealth.org</a> Input from persons who represent the community consisted of one on one personal interviews conducted by leadership with elected officials (state, county and city) and public sector (public health, human services), faith, business and community nonprofit organization members, including representatives of culturally, racially and ethnically diverse and low income communities Interviewees were intentionally designated based on their direct involvement with organizations and/or issues in the service areas The following lists 28 interviewees, by title and organization Thomas D Aschenbrener, President/CEO, Northwest Health FoundationSharon Brabenac, Development Director, YWCA of Greater PortlandSam Brooks, Former President, Oregon Association of Minority EntrepreneursMarie Dahlstrom, Director, Familias en AccionJohn Deeder, Superintendent, Evergreen School DistrictChris DeMars, Program Officer, NW Health FoundationHal Dengerink, PhD, President, Washington State University VancouverKevin Dowling, Program Manager,CARES NWJeana Frazzini, Executive Director, Basic Rights Oregon Guadalupe Guajardo, Senior Consultant, Nonprofit Association of Oregon Bob Knight, President, Clark CollegeCara Larson, Family Educator, Children's Home SocietyMarc Levy, Executive Director, United Way of the Columbia WillametteAdrienne Livingston, Executive Director, Black United FundCharles McGee II, President/CEO, Black Parent InitiativeRichard Melching, President, Community FoundationVicki Nakashima, Executive Director, Partners in DiversityLinda Nilsen-Solares, Executive Director, Project Access NOWNancy Parker, Executive Director, Columbia River Mental HealthSharon Pesut, Executive Director, Community ChoicesKelly Sills, Director of Comm Development, Clark CountyLynn Thompson, CEO, Big Brothers Big Sisters Columbia NorthwestGreg Van Pelt, Chief Executive Oregon, Providence Health and Services Carrie Vanzant, Clinic Manager,SeaMar Health CenterSteven Webb, EdD, Superintendent, Vancouver School DistrictBarbe West, Executive Director, Free Clinic of SW WashingtonJoyce White, Executive Director, Grantmakers of OR and SW WAJohn Wiesman, Director,Clark County Health Depart

Identifier	ReturnReference	Explanation
	Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	Legacy provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its financial assistance policy. Since Legacy does not pursue collection of amounts determined to qualify as charity care, they are excluded from net patient service revenues.
	Part III, Line 8 - Explanation Of Shortfall As Community Benefit	The entire Medicare shortfall should be considered a community benefit. Medicare shortfalls must be absorbed by the hospital in order to continue treating the elderly in the community served by the hospital. The hospital provides care regardless of this shortfall and thereby relieves the federal government of the burden of paying the full cost for Medicare beneficiaries. The Medicare amounts listed in Part III Section B on lines 5, 6, and 7 do not represent all of the organization's revenues and costs associated with its participation in Medicare programs. The methodology used in reporting in Part III Section B Medicare is inconsistent with the other sections in Schedule H, as the instructions limit Medicare revenues and allowable cost to those from only the Medicare Cost Report. Revenue and costs from Medicare Part C patients, Part B physician services billed by the organization, and clinical laboratory services weren't included. In addition, hospitals incur other costs to provide care that Medicare does not allow in the cost report, such as Physician Call pay to ensure adequate physician coverage for the ED. The total revenues and costs attributable to all Medicare services are \$63,070,202 and \$73,212,836 respectively. This results in a total Medicare shortfall of \$10,142,635. Costing Methodology (Part III, Line 8) Medicare allowable costs were calculated using the costing methodologies in the Medicare Cost Report. The cost report arrives at total allowable hospital cost through a cost finding process that includes direct cost allocations and a step-down allocation of indirect or overhead costs. Inpatient operating costs are composed of general inpatient routine and ICU unit costs derived from cost per diems, as well as inpatient ancillary service costs that utilize cost to charge ratios to arrive at cost. Apportionment of cost applicable to hospital outpatient services is through the application of cost to charge ratios. This excludes other costs incurred to provide services of the hospital to the community that the cost report deems as unallowable costs, such as Physician on-call pay.

Identifier	ReturnReference	Explanation
	Part III, Line 4 - Bad Debt Expense	The footnote that describes the Legacy bad debt expense can be found on page 14 of the attached audited financial statements
	Part III, Line 3 - Methodology of Estimated Amount & Rationale for Including in Community Benefit	The estimated amount of bad debt expenses attributable to charity care policy was calculated using the demographic profile of household income and average household size in the zip code areas around the hospital. 69% of Households in the LSCH service area would qualify for financial assistance with incomes under 400% of the Federal Poverty Guidelines using this methodology.

Identifier	ReturnReference	Explanation
	Part III, Line 2 - Methodology Used To Estimate Bad Debt Expense	LSCH uses many different approaches to inform and educate patients on the availability of financial assistance as is described later in Part VI of Schedule H. Still, many patients do not respond to requests for information or provide appropriate documentation to benefit from financial assistance. As a result, LSCH must report these amounts as bad debt. A portion of bad debt expense should be considered as charity care, using reasonable methodologies to analyze the information.





Schedule J (Form 990)          Department of the Treasury Internal Revenue Service	Compensation Information  For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees  ▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.  ▶ Attach to Form 990. ▶ See separate instructions.	OMB No 1545-0047
		2012
		Open to Public Inspection

Name of the organization LEGACY SALMON CREEK HOSPITAL	Employer identification number  33-1065485
--	--

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 <div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
b	If any of the boxes in 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, but explain in Part III <div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div>		
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 <div><div>a Receive a severance payment or change-of-control payment?</div><div>b Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div><div>c Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	4a	Yes
		4b	Yes
		4c	No
		5a	Yes
		5b	Yes
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 <div><div>a The organization?</div><div>b Any related organization?</div></div> If "Yes," to line 6a or 6b, describe in Part III	6a	Yes
		6b	Yes
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	No
8	Were any amounts reported in Form 990, Part VII, paid or 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	Yes
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9	Yes

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

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

**Note.** The sum of columns (B)(i)-(iii) 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 and Title		(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				
See Additional Data Table								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Sch J, Part III, Additional Information	Part III, Additional Information	Sch J, Part 1, Question 3 Regarding Compensation PracticesDirectors for Legacy are not compensated, but receive expense reimbursements related to their duties. Any expense reimbursements to board members are reviewed by the Director of Tax for determining 1099 tax reporting. During 2012, Corliss McKeever was reimbursed for Board Educational travel. A guest attended with Ms. McKeever. Any reimbursed expense related to spouse or guest travel is reported on part VII of the form 990. Compensation received by Dr. Newberry during 2012 related to his responsibilities as Past President of the Medical Staff at Legacy Meridian Park Hospital. Dr. Root received compensation relating to her duties as President of the Legacy Emanuel Medical Staff & compensation for medical services provided to Legacy Emanuel Hospital. Executive compensation for Legacy is designed to recruit, retain and motivate qualified senior management personnel. The comprehensive compensation plan is designed for positions that have a significant impact on the high-level strategic and policy direction of Legacy and its affiliates. Base pay and total compensation (including incentive compensation) for similar positions is established at a level comparable to market compensation for healthcare organizations. External consultants are regularly used to review published compensation surveys of comparable organizations and comparable benchmark positions in the market. The Compensation Committee of the Board of Directors, none of whom is a Legacy employee, reviews the compensation for executive positions. The Committee oversees the system's governance procedures with respect to intermediate sanctions legislation and the evaluation of reasonableness of compensation. The Committee reports to the Board in sufficient detail to enable the entire Board to take such actions as are required to obtain the rebuttable presumption of reasonableness. The Compensation Committee also reviews tax-reporting disclosures. Sch J, Part II, Column Breakdown Of W-2 Or Misc-1099. Column B(i) - Base compensation consists of regular base pay including employee elected deferrals for retirement plans (403(b) and 457(b) plans). Column B(ii) - The incentive compensation program for Legacy is based on predetermined criteria and reviewed and approved by the Board. Bonuses are paid to key employees for interim duties outside their primary responsibilities (e.g. Acting in Capacity). Column B(iii) - Other compensation consists of deferred compensation amounts paid to executives during the current year and were reported on prior form 990 returns. These amounts include arrangements that contain elements of a substantial risk of forfeiture conditioned on continued employment, vesting and/or a noncompete provision upon termination of employment. In addition, imputed income for insurance, cell phone and other benefits is included in other compensation as well as any severance related payments. Column C - Deferred compensation includes the value of defined benefit plans, contributions to defined contribution plans, amounts deferred under the 457(f) plan including earnings, earnings in the 457(b) plan, and the value of the pension restoration plan. Earnings on the 457(f) and 457(b) include gains and losses on the underlying investments. The defined contribution and benefit plans are available to all employees as they become qualified to participate. The pension restoration plan provides executive pension benefits in excess of IRS mandated limits on eligible compensation to key executives. The benefits are unfunded and subject to forfeiture. Executive pension benefits are intended to make the executive's retirement benefit, as a proportion of their final average salary, comparable to all other employees, and are treated as income when paid. The Legacy Health Board approved an Executive Long Term Incentive Plan effective April 1, 2011 for 3 years ending on March 31, 2014. The initial participants include the CEO, CFO and COO. The Plan is discretionary and can be terminated at any time. The purpose of the Plan is to attract and retain highly qualified senior executives, to focus management performance and reward participants for contributing to the accomplishments of Legacy's long-term objectives. The long-term strategic goals include improving the quality of care by preventing serious adverse events by ensuring a culture of safety for employee, growth and strategy by achieving meaningful use and optimal care outcomes, and financial management with improved bond rating and increased philanthropic support for programs. Targets for operating margins are required over the three year period and all goals are measured at March 31, 2014. Payout is after approval from the Legacy Health Compensation committee and the Legacy Health Board. Although the Plan is not funded and is subject to substantial risk of forfeiture, Part II, Schedule J, column C reporting is required as deferred compensation for FY2013. Included in the CEO and COOs deferred compensation amount for the Plan is \$177,864, and \$76,333 respectively. The CFO left Legacy in 2013 and is not eligible to receive any payout. Column D - Nontaxable benefits include company paid health and welfare and long term care and disability benefits under group plans. Column F - Current year compensation reported as deferred in prior years.
Sch J, Part I, Line 8	Part I, Line 8. Amounts reported on 990 VII pursuant to initial contract exemption described in Regs.	Legacy enters into initial employment agreements with executives that qualify under the initial contract exception. The Compensation Committee of the Board of Directors, none of whom is a Legacy employee, reviews the compensation for key executive positions. The Committee relies on comparable market data and all decisions are documented.
Sch J, Part I, Line 6b	Part I, Line 6b. Explanation of organization compensation contingent on net earnings from related or	Legacy has an at-risk incentive compensation plan for management. The plan is based on meeting goals related to employee engagement, work processes, customer service, clinical quality, financial management, and certain key strategic tactics. In order to payout any at-risk incentive compensation, Legacy must exceed operating margin targets.
Sch J, Part I, Line 5b	Part I, Line 5b. Explanation of organization compensation based on revenues of related organization	Physicians employed by Legacy affiliates are paid a bonus contingent upon their revenue generated during the year measured by industry standard relative value units (RVU).

Software ID: 12000229  
Software Version: 2012v2.0  
EIN: 33-1065485  
Name: LEGACY SALMON CREEK HOSPITAL

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
TRENT S GREEN	(i) (ii)	325,288	59,154	38,780	45,194	30,644	499,060	40,454
TIMOTHY J RODDY	(i) (ii)	191,316	246,434	-2,954	30,959	27,920	493,675	
TERESA L HANDY	(i) (ii)	167,144	11,862	836	16,464	26,142	222,448	
SONJA O STEVES	(i) (ii)	299,746	52,572	36,341	71,639	24,210	484,508	35,749
PAMELA VUKOVICH	(i) (ii)			230,511	73,949	12,247	316,707	
P CAMPBELL GRONER III	(i) (ii)	353,473	68,821	112,563	89,507	40,776	665,140	106,177
MAUREEN A BRADLEY	(i) (ii)	235,001	53,468	5,169	19,568	19,731	332,937	
LOW L LEWIS	(i) (ii)	333,181	39,176	81,026	36,931	26,199	516,513	16,213
LIAN R SHAW	(i) (ii)	425,037	35,522	4,642	8,012	10,892	484,105	
LANI GASKILL	(i) (ii)	111,762	13,705	343,620	11,919	17,621	498,627	
JONATHAN E AVERY	(i) (ii)	310,063	67,662	48,327	56,756	27,390	510,198	37,664
JOHN J KENAGY	(i) (ii)	274,619	10,000	5,133	23,607	15,662	329,021	
JOHN G BUCKMASTER	(i) (ii)	338,129	18,936	15,649	18,556	31,254	422,524	
GLEN C LUTZ	(i) (ii)	20,074		122,286	4,283	3,734	150,377	
GEORGE J BROWN MD	(i) (ii)	917,307	255,586	277,557	333,283	48,102	1,831,835	250,411
GEORGE A CIOFFI MD	(i) (ii)	45,789		309,808	60,468	4,773	420,838	222,257
FRED H COLEMAN	(i) (ii)	338,129	18,936	33,672	19,033	7,738	417,508	
EVERETT NEWCOMB III	(i) (ii)	554,392	120,963	16,202	154,048	32,389	877,994	
DAVID E EAGER	(i) (ii)	540,010	115,900	5,752	30,212	29,584	721,458	
CAROL A BRADLEY	(i) (ii)	323,730	58,211	47,538	47,366	33,884	510,729	39,685

Schedule L  
(Form 990 or 990-EZ)

Transactions with Interested Persons

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▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.

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

Name of the organization  
LEGACY SALMON CREEK HOSPITAL

Employer identification number  
33-1065485

Part I

Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2

Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 . . . . . ▶ \$

3

Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ \$

Part II

Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
(1) JOHN G BUCKMASTER		Malpractice		X	64,780	17,502		No	Yes		Yes	
Total ▶ \$							17,502					

Part III

Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

**Part IV Business Transactions Involving Interested Persons.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation
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**2012**

**Open to Public  
Inspection**

**SCHEDULE O**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

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

Name of the organization  
LEGACY SALMON CREEK HOSPITAL

**Employer identification number**

33-1065485

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

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



Identifier	Return Reference	Explanation
	Form 990, Part VI, question 2	Legacy Health System CPC, LLC (CPC) is a common pay agent for Legacy and its affiliates. The CPC files all required federal employment tax returns for Legacy and its affiliates. The number of employees reported on Form W-3 for LSCH is 1897.

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

Identifier	Return Reference	Explanation
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Decreases	Rounding = -\$6

Identifier	Return Reference	Explanation
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Decreases	IN KIND DONATION = -\$8863

Identifier	Return Reference	Explanation
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Decreases	ADDITIONAL MINIMUM PENSION LIABILITY = - \$4097061

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

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

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



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

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

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

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 6	Form 990, Part VI, Line 6 Explanation of Classes of Members or Shareholder	Legacy Health is the sole member of Legacy Salmon Creek Hospital

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

2012

Open to Public Inspection

Name of the organization  
LEGACY SALMON CREEK HOSPITAL

Employer identification number  
33-1065485

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)					
(a) Name, address, and EIN (if applicable) 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	No
See Additional Data Table							

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?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

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

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

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

j Lease of facilities, equipment, or other assets to related organization(s)

k Lease of facilities, equipment, or other assets from related organization(s)

l Performance of services or membership or fundraising solicitations for related organization(s)

m Performance of services or membership or fundraising solicitations by related organization(s)

n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

r Other transfer of cash or property to related organization(s)

s Other transfer of cash or property from related organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

No

Yes

No

Yes

No

No

No

No

No

No

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) SALMON CREEK HOSPITAL FOUNDATION	m	109,252	Actual Cost
(2) SALMON CREEK HOSPITAL FOUNDATION	c	124,865	Cash

Schedule R (Form 990) 2012

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.

[illegible]



**Software ID:** 12000229  
**Software Version:** 2012v2.0  
**EIN:** 33-1065485  
**Name:** LEGACY SALMON CREEK HOSPITAL

**Part VII** Supplemental Information

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

Identifier	Return Reference	Explanation	
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**LEGACY HEALTH AND AFFILIATES**

Consolidated Financial Statements and Other Financial Information

March 31, 2013 and 2012

(With Independent Auditors' Reports Thereon)

## LEGACY HEALTH AND AFFILIATES

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## Report of Management


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

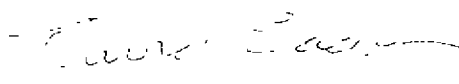
Management is responsible for establishing and maintaining a system of internal controls over financial reporting and safeguarding assets against unauthorized acquisition, use or disposition. This system is designed to provide reasonable assurance as to the integrity and reliability of financial reporting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

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

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

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

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

  
Dave Lager  
Chief Financial Officer



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

## Independent Auditors' Report

The Board of Directors  
Legacy Health

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Legacy Health (an Oregon nonprofit corporation) and Affiliates, which comprise the consolidated balance sheets as of March 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U S generally accepted accounting principles, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Legacy Health and Affiliates as of March 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with U S generally accepted accounting principles.

**KPMG LLP**

Portland, Oregon  
June 28, 2013

# LEGACY HEALTH AND AFFILIATES

## Consolidated Balance Sheets

March 31, 2013 and 2012

(Dollars in thousands)

Assets	2013	2012
Current assets		
Cash and cash equivalents	\$ 53,613	39,078
Short-term investments	46,241	45,412
Accounts receivable from patients, less allowance for uncollectible accounts of \$45,236 in 2013 and \$54,644 in 2012	170,051	175,121
Settlements receivable from third-party payors, net	3,358	12,222
Other receivables	23,165	33,424
Inventories, at cost	17,382	16,773
Prepaid expenses	10,498	10,018
Total current assets	324,308	332,048
Assets limited as to use		
Held by trustee	12,265	12,173
Community health fund	9,933	9,990
Noncurrent investments restricted for capital acquisitions	784	351
	22,982	22,514
Other assets		
Property, plant and equipment, net	810,798	816,355
Noncurrent investments	620,814	566,396
Property held for development	23,562	22,013
Goodwill and other intangibles	26,918	27,020
Other assets	18,297	20,421
	1,500,389	1,452,205
	\$ 1,847,679	1,806,767

See accompanying notes to consolidated financial statements

<b>Liabilities and Net Assets</b>		<b>2013</b>	<b>2012</b>
Current liabilities			
Accounts payable	\$	45,185	44,558
Accrued wages, salaries, and benefits		75,512	71,052
Accrued interest		3,750	4,109
Other current liabilities		39,892	53,045
Current portion of long-term debt		23,749	22,902
Total current liabilities		188,088	195,666
Long-term debt, less current portion		483,812	506,214
Other liabilities			
Estimated general and professional claims liability		22,472	28,256
Accrued pension liability		177,355	163,215
Other noncurrent liabilities		20,776	19,264
		220,603	210,735
Total liabilities		892,503	912,615
Net assets			
Unrestricted		887,396	823,948
Unrestricted, noncontrolling interest		20,875	21,382
Temporarily restricted		33,104	35,547
Permanently restricted		13,801	13,275
		955,176	894,152
	\$	1,847,679	1,806,767

# LEGACY HEALTH AND AFFILIATES

## Consolidated Statements of Operations

Years ended March 31, 2013 and 2012

(Dollars in thousands)

	<b>2013</b>	<b>2012</b>
Patient service revenues	\$ 1,383,098	1,337,975
Less provision for bad debts	70,765	67,945
Net patient service revenues	1,312,333	1,270,030
Other revenues	52,827	56,398
Total operating revenues	1,365,160	1,326,428
Operating expenses		
Wages, salaries, and benefits	773,815	754,647
Supplies	210,091	202,276
Professional fees	44,979	45,410
Purchased services	79,717	72,343
Utilities, insurance, and other expenses	90,771	90,371
Depreciation	99,131	91,360
Interest and amortization	17,562	14,851
Total operating expenses	1,316,066	1,271,258
Income from operations	49,094	55,170
Other income (expenses)		
Investment income, net	48,449	24,349
Loss on extinguishment of debt	—	(1,216)
Other, net	(8,965)	(11,170)
Total other income	39,484	11,963
Revenues in excess of expenses	88,578	67,133
Net assets released from restriction used for property, plant and equipment	5,926	12,902
Pension and other postretirement adjustments	(26,367)	(73,666)
Distributions to joint venture partners	(5,187)	(5,585)
Other transfers, net	(9)	24
Change in unrestricted net assets	\$ 62,941	808

See accompanying notes to consolidated financial statements



# LEGACY HEALTH AND AFFILIATES

## Consolidated Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
Unrestricted net assets, controlling interest		
Revenues in excess of expenses	\$ 83,771	62,145
Net assets released from restriction used for property, plant and equipment	5,926	12,902
Pension and other postretirement adjustments	(26,367)	(73,666)
Distributions	127	—
Other transfers	(9)	24
Change in unrestricted net assets, controlling interest	<u>63,448</u>	<u>1,405</u>
Unrestricted net assets, noncontrolling interest		
Revenues in excess of expenses	4,807	4,988
Distributions	(5,314)	(5,585)
Change in unrestricted net assets, noncontrolling interest	<u>(507)</u>	<u>(597)</u>
Temporarily restricted net assets		
Donor-restricted contributions and grants	12,045	20,297
Investment gain, net	2,803	675
Net assets released from restriction	(17,217)	(22,992)
Other transfers	(74)	—
Change in temporarily restricted net assets	<u>(2,443)</u>	<u>(2,020)</u>
Permanently restricted net assets		
Donor-restricted contributions and grants	443	576
Other transfers	83	—
Change in permanently restricted net assets	<u>526</u>	<u>576</u>
Change in net assets	61,024	(636)
Net assets, beginning of year	<u>894,152</u>	<u>894,788</u>
Net assets, end of year	<u>\$ 955,176</u>	<u>894,152</u>

See accompanying notes to consolidated financial statements

# LEGACY HEALTH AND AFFILIATES

## Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 61,024	(636)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net distributions to noncontrolling partners	5,314	5,585
Depreciation and amortization	105,062	97,997
Loss on disposal of assets	402	1,030
Change in net realized and unrealized gains on investments	(40,811)	(15,400)
Restricted contributions	(2,488)	(12,958)
Equity earnings from joint ventures and investment companies, net	(11,404)	(10,266)
Pension and other postretirement adjustments	26,367	73,666
Change in certain current assets and current liabilities	14,710	(46,720)
Change in long-term operating assets and liabilities	(14,883)	(8,432)
Net cash provided by operating activities	<u>143,293</u>	<u>83,866</u>
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(99,849)	(154,354)
Proceeds from sale of assets	146	117
Change in funds held by trustee	(92)	74,185
Change in other long-term assets	(96)	10,203
Change in securities lending receivable	—	13,951
Investment in joint ventures and investment companies	(5,000)	(31,508)
Distributions from joint ventures and investment companies	4,646	6,295
Purchases of trading securities	(203,057)	(152,299)
Sales of trading securities	198,925	157,075
Net cash used in investing activities	<u>(104,377)</u>	<u>(76,335)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	26,718	116,945
Repayment of long-term debt	(48,273)	(134,343)
Change in securities lending payable	—	(14,015)
Distributions to noncontrolling partners	(5,314)	(5,585)
Proceeds from restricted contributions	2,488	12,958
Net cash used in financing activities	<u>(24,381)</u>	<u>(24,040)</u>
Increase (decrease) in cash and cash equivalents	14,535	(16,509)
Cash and cash equivalents, beginning of year	39,078	55,587
Cash and cash equivalents, end of year	<u>\$ 53,613</u>	<u>39,078</u>
Supplemental disclosures of cash flow information		
Cash paid for interest (net of amount capitalized)	\$ 18,826	15,977
Amounts accrued for property, plant and equipment, net	5,252	5,222

See accompanying notes to consolidated financial statements

## LEGACY HEALTH AND AFFILIATES

### Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

#### (1) Organization and Summary of Significant Accounting Policies

##### *(a) Organization and Basis of Consolidation*

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

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

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

All significant interentity accounts and transactions have been eliminated.

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

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

##### *(b) Use of Estimates*

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

## LEGACY HEALTH AND AFFILIATES

### Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

#### (c) *Income Taxes*

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

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

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

Accounting principles generally accepted in the United States of America require Legacy management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed tax positions taken by the organization and has concluded that as of March 31, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Legacy is subject to routine audits by taxing jurisdictions and currently the State of Washington is auditing excise taxes from January 2009 through March 2013 for Legacy Salmon Creek Hospital. Legacy management believes it is no longer subject to income tax examinations for years prior to 2009.

#### (d) *Net Patient Service Revenues*

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

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

#### (e) *Other Revenues*

The Health Information Technology for Economic and Clinical Health Act, part of the American Recovery and Reinvestment Act of 2009, created an incentive program, beginning in 2012, to promote the "meaningful use" of Electronic Health Records (EHR). To qualify, Medicare providers must attest to the Centers for Medicare and Medicaid Services (CMS) that they are using certified EHR in a "meaningful" way by meeting objectives at established thresholds, as defined by CMS. The states of Oregon and Washington have also established EHR incentive programs for Medicaid providers with similar requirements. Meaningful use revenues are recognized as grant revenue. Grant revenue is recognized when there is reasonable assurance that the grant will be received and that the

## LEGACY HEALTH AND AFFILIATES

### Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

organization will comply with the conditions attached to the grant. In fiscal 2013 and 2012, respectively, Legacy recorded meaningful use revenues of \$7,046 and \$18,908, which were recognized in other revenue in the consolidated statements of activities. The amount recognized is based on management's best estimate and is subject to audit and potential retrospective adjustment.

**(f) *Income from Operations***

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

**(g) *Performance Indicator***

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

**(h) *Charity Care***

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

**(i) *Cash and Cash Equivalents***

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

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

**(j) *Short-Term Investments***

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

**(k) *Inventories***

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

## LEGACY HEALTH AND AFFILIATES

### Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

**(l) *Assets Limited as to Use***

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

**(m) *Property, Plant and Equipment***

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

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of acquiring those assets. In 2013 and 2012, Legacy capitalized \$381 and \$5,180, respectively, of interest expense. Legacy assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made recovery of an asset's carrying value unlikely. An impairment loss is indicated when the sum of expected undiscounted future net cash flows is less than the carrying amount. The loss recognized is the difference between the fair value and the carrying amount.

Depreciation is computed under the straight-line method over estimated useful lives with average useful lives as follows: building and improvements, 27 years; equipment and software, 7 years; and land improvements, 13 years. Leased assets that have been capitalized are amortized over the term of the leases or the useful lives of the assets, whichever is shorter. Leased asset amortization is reported as part of depreciation.

**(n) *Noncurrent Investments***

Noncurrent investments include investments in equity securities of publicly traded U.S. and international companies, investments in foreign government and commercial bank obligations, real estate, market neutral hedge funds, alternative investments (which include private equity and distressed debt) and interest rate swaps. Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the consolidated balance sheets. Investments in limited liability partnerships or companies, which are investment companies, are recorded at the fair value of the underlying assets using the equity method of accounting. As of March 31, 2013, approximately 13.1% of noncurrent investments require advance written notice of 90 days or longer to redeem the securities. For certain of these investments, it may take up to 90 days to receive the funds after the requested redemption date and certain redemptions may be subject to other restrictions in accordance with subscription agreements.

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

## LEGACY HEALTH AND AFFILIATES

### Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

**(o) *Temporarily and Permanently Restricted Net Assets***

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

**(p) *Donor-Restricted Gifts***

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

**(q) *Charitable Gift Annuities***

Legacy has a certificate of authority from the State of Oregon to receive transfers of money or property upon agreement to pay an annuity. A charitable gift annuity is an arrangement between a donor and Legacy in which the donor contributes assets to Legacy in exchange for Legacy's agreement to pay a fixed amount for a specified period of time to the donor or other individuals and organizations as designated by the donor (annuitant). Upon execution of such an arrangement, Legacy recognizes the assets received at fair value and an annuity payment liability at the present value of future cash flows expected to be paid. Unrestricted or restricted contribution revenue is recognized based upon the difference between these two amounts based on donor intent for the proceeds. In subsequent periods, payments to the annuitant reduce the annuity liability. Adjustments to the annuity liability to reflect amortization of the discount, changes in life expectancy, and death of the annuitant are recognized as other operating expenses. The annuity liability included in other current liabilities as of March 31, 2013 and 2012 was \$78 and \$23, respectively. The annuities are not issued by an insurance company and are not subject to regulation by the State of Oregon or protected by an insurance guaranty association.

Although Legacy is exempt under Oregon Revised Statute (ORS) 731.039 from the requirement to maintain a separate and distinct trust fund adequate to meet the actuarially determined future payments of the charitable gift annuities, Legacy does maintain trust accounts with a bank for all gift annuities. The amounts under trust were \$78 and \$8 as of March 31, 2013 and 2012, respectively. These marketable securities are comprised of cash, cash equivalents and other fixed income instruments.

**(r) *Recently Adopted Accounting Standards***

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and*

## LEGACY HEALTH AND AFFILIATES

### Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

*Disclosure Requirements in U.S. GAAP and IFRSs*, which clarifies the measurement and disclosure requirements for fair value of financial assets. Legacy adopted ASU No. 2011-04 effective April 1, 2012. The adoption of this standard did not have an impact on Legacy's consolidated financial statements but resulted in additional disclosures of investment assets.

#### (s) *Healthcare Reform*

The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (Reconciliation Act) were both signed by President Obama in the first calendar quarter of 2010. On June 28, 2012, the Supreme Court ruled on the constitutionality of the PPACA and largely upheld the law. The legislation went into effect upon signing with provisions to become effective over the next ten years. This legislation is expected to broadly impact Legacy's operations, including patient access, service reimbursement rates, and reporting requirements. The State of Oregon has also initiated broad legislative actions related to delivery of healthcare within the state primarily impacting the Medicaid program. As the results of these actions are implemented, they may significantly impact Legacy's future operations.

#### (2) **Net Patient Service Revenues**

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

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

Revenue from the Medicare and Medicaid programs accounted for approximately 37.1% and 18.5%, respectively, of Legacy's gross patient charges for the year ended March 31, 2013, and 35.5% and 19.6%, respectively, of Legacy's gross patient charges for the year ended March 31, 2012. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. In 2013 and 2012, respectively, Legacy recorded an increase to net patient service revenue of approximately \$3,263 and \$10,442 relating to favorable settlements of prior years' reimbursement from Medicare and Medicaid programs.



# LEGACY HEALTH AND AFFILIATES

## Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

A summary of patient revenues is as follows

	Year ended March 31	
	2013	2012
Gross patient charges		
Hospital inpatient services	\$ 1,855,579	1,771,936
Hospital and other outpatient services	1,394,003	1,274,523
	<u>3,249,582</u>	<u>3,046,459</u>
Deductions from gross patient charges		
Charity allowances, based on charges	167,338	175,355
Medicare and Medicaid contractual adjustments	1,239,425	1,105,689
Commercial managed care contractual adjustments	459,721	427,440
	<u>1,866,484</u>	<u>1,708,484</u>
Patient service revenues	1,383,098	1,337,975
Provision for bad debts	<u>70,765</u>	<u>67,945</u>
Net patient service revenue	<u>\$ 1,312,333</u>	<u>1,270,030</u>

Legacy grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The proportion of net accounts receivable from significant third-party payors for 2013 and 2012 was as follows

	2013	2012
Medicare	23.0%	23.8%
Medicaid	11.3	9.7
Blue cross	14.0	15.7
Private pay	9.3	11.4
Other	42.4	39.4
	<u>100.0%</u>	<u>100.0%</u>

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

## LEGACY HEALTH AND AFFILIATES

### Notes to Consolidated Financial Statements

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#### (3) Benefits to the Community

The Board of Directors allocated \$10,000 to establish a Community Health Fund (the Fund) in 1999. An amount equal to five percent of the principal of this Fund (\$500 annually) may be dedicated to community-sponsored initiatives geared toward improving the health of the community. The Fund is intended to be a permanent source of funding for health initiatives and programs capable of impacting the health of the community, either by prevention or health improvement. Contributions made to community-sponsored initiatives were \$307 and \$165 in 2013 and 2012, respectively.

In addition to funding selected community health initiatives, Legacy provides services to the community both for people in need and to enhance the health status of the broader community as part of its charitable mission. The following represents the estimated cost of providing certain services to the community, along with a description of selected activities sponsored by Legacy during 2013 and 2012.

		Year ended March 31, 2013		
		In-kind costs	Other costs	Offsetting revenue
				Net cost
Services for people in need				
Charity care	\$	—	66,164	—
Medicaid		—	255,055	136,251
Medicare		—	455,213	378,873
Other government programs		—	17,877	15,583
		—	794,309	530,707
Benefits to the community				
Medical education and support of research		—	22,579	6,162
Community health services		—	6,590	4,497
Community benefit activities		629	35	—
Donations to charitable organizations		243	833	—
Community Health Fund contributions		—	—	—
		—	307	—
		872	30,344	10,659
	\$	872	824,653	541,366
Percentage of total operating expenses				21.6%

# LEGACY HEALTH AND AFFILIATES

## Notes to Consolidated Financial Statements

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	Year ended March 31, 2012			
	In-kind costs	Other costs	Offsetting revenue	Net cost
Services for people in need				
Charity care	\$ —	70,933	—	70,933
Medicaid	—	246,937	157,499	89,438
Medicare	—	443,339	374,591	68,748
Other government programs	—	14,432	12,780	1,652
	—	775,641	544,870	230,771
Benefits to the community				
Medical education and support of research	—	22,602	6,055	16,547
Community health services	—	1,728	52	1,676
Community benefit activities	458	47	—	505
Donations to charitable organizations	172	964	—	1,136
Community Health Fund contributions	—	165	—	165
	630	25,506	6,107	20,029
	\$ 630	801,147	550,977	250,800
Percentage of total operating expenses				19.8%

### (a) *Services for People in Need*

In support of its mission, Legacy voluntarily provides medically necessary patient care services that are discounted or free of charge to persons who have insufficient resources and/or who are uninsured. The criteria for charity care is determined based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient's inability to pay for services provided. Specifically, Legacy provides an uninsured discount of 15% to patients who have resided within Legacy's primary service area for a period of six months, are uninsured for hospital care, and have a household income of less than \$100,000 annually. Further discounts are available for patients, on a sliding scale, whose household income is less than 400% of the federal poverty level or roughly \$94,200 for a family of four in Portland, Oregon. For patients whose household income is at or below 200% of the federal poverty level, a full subsidy is available. In addition to the household income criteria, the patients' qualified assets (e.g., 25% of household assets), and other catastrophic or economic circumstances are considered in determining eligibility for charity care.

During 2013 and 2012, Legacy provided charity care benefiting patients associated with 76,847 and 95,936 patient accounts, respectively, representing 7,944 and 10,008 inpatient accounts, respectively, and 68,903 and 85,928 outpatient accounts, respectively. In 2013 and 2012, 6% and 8%,

## LEGACY HEALTH AND AFFILIATES

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respectively, of the patients receiving charity care received a full subsidy representing roughly 4% and 8%, respectively, of the total charity provided in those years

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

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

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

Legacy also employs financial counselors and social workers who assist patients in obtaining coverage for their healthcare needs. This includes assistance with workers' compensation, motor vehicle accident policies, COBRA, veterans' assistance, and public assistance programs, such as Medicaid. This program assisted many patients in obtaining coverage through a third party, reducing the patients' financial responsibility. The costs associated with this program were \$672 and \$710 in 2013 and 2012, respectively.

#### **(b) *Benefits to the Community***

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

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

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

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

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

#### **(c) *Other Benefits***

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

## LEGACY HEALTH AND AFFILIATES

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

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

Legacy also pays taxes associated with various states' local business and occupation taxes, and property taxes that local and state governments use to fund healthcare services, civil and education services to the community. Legacy paid \$5,511 and \$5,356 in local and state taxes in 2013 and 2012, respectively.

#### (4) Property, Plant, and Equipment

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

	<u>2013</u>	<u>2012</u>
Buildings and improvements	\$ 1,055,639	1,015,449
Equipment and software	729,804	808,634
Land improvements	10,117	9,951
	<u>1,795,560</u>	<u>1,834,034</u>
Accumulated depreciation	<u>(1,044,675)</u>	<u>(1,059,458)</u>
	750,885	774,576
Construction in progress	34,821	16,687
Land	25,092	25,092
	<u>\$ 810,798</u>	<u>816,355</u>

There were capital expenditure purchase commitments outstanding as of March 31, 2013 for various construction and equipment projects. The estimated cost to complete such projects at March 31, 2013 was \$65,674, of which \$15,551 was contractually committed.

# LEGACY HEALTH AND AFFILIATES

## Notes to Consolidated Financial Statements

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### (5) Long-Term Debt

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

	<u>2013</u>	<u>2012</u>
Hospital Revenue Bonds, Series 2008, payable in installments through 2038, subject to a seven-day put provision, interest at SIFMA index (0.12% at March 31, 2013) plus 10 basis points	\$ 150,000	150,000
Hospital Revenue Bonds, Series 2009A, payable in installments from \$1.055 to \$7.715 through 2035, at rates ranging from 3.0% to 5.5%, callable on or after July 2019	105,820	108,580
Hospital Revenue Bonds, Series 2009B and C, subject to mandatory tenders of \$25,000 each in July of 2012 and 2014, respectively, at 5.0%	25,000	50,000
Hospital Revenue Bonds, Series 2010A, payable in installments from \$1.120 to \$12.430 through 2030, at rates ranging from 3.0% to 5.0%, \$24,300 of the bonds are callable on or after March 2020	87,035	99,050
Hospital Revenue Bonds, Series 2011A, payable in installments from \$5.495 to \$22.060 through 2021, at rates ranging from 3.0% to 5.25%	105,975	111,470
Loan agreement with a bank at fixed rate of 1.4%, repayable July 2014	25,000	—
Capital lease obligations, at imputed rates of 3.4% to 5.1%	8,196	9,186
Note payable, matures 2013, interest at 6.73%	535	830
	<u>507,561</u>	<u>529,116</u>
Less current portion	<u>(23,749)</u>	<u>(22,902)</u>
	<u>\$ 483,812</u>	<u>506,214</u>

Interest cost incurred related to funds borrowed was \$17,842 and \$19,929 in 2013 and 2012, respectively. These amounts were reduced by \$381 and \$5,180 in 2013 and 2012, respectively, in the consolidated statements of operations, for amounts capitalized for construction and other capital projects.

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

	<u>Long-term debt</u>	<u>Capital lease obligations</u>
2014	\$ 20.866	3.144
2015	70.644	2.756
2016	21.295	1.638
2017	22.285	1.267
2018	23.245	—
Thereafter	341.040	—
	<u>\$ 499,375</u>	<u>8.805</u>
Less amount representing interest under capital lease obligation		<u>(609)</u>
		<u>\$ 8,196</u>

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

In November 2008, Legacy issued \$150,000 of Revenue Bonds Series 2008 (Series 2008 Bonds), which are unsecured, variable-rate debt in an initial short-term interest rate mode, through the Hospital Facility Authority of Clackamas County, Oregon. The proceeds from the Series 2008 Bonds were restricted for capital expenditures and to pay the expenses incurred with the issuance. The Series 2008 Bonds, while subject to a long-term amortization period, may be put to Legacy at the option of the bondholders in connection with certain remarketing dates. In conjunction with the issuance, in November 2011 Legacy entered into three year letter of credit and reimbursement agreement with a national bank, whereby the bank will purchase any bonds that are put by bondholders and not successfully remarketed. In the event of a draw under this agreement, there are no principal payments due within a year. If the bonds have not been remarketed or redeemed and amounts remain outstanding after a year, such amounts are converted to a term loan due in eight quarterly payments. As a result, the Series 2008 Bonds are classified as long-term, except for the portion that matures within 12 months after March 31, 2013.

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

## **LEGACY HEALTH AND AFFILIATES**

### **Notes to Consolidated Financial Statements**

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

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

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

In June 2012, Legacy entered into an agreement with a bank to borrow \$25,000 at a fixed rate of 1.4%, repayable in July 2014. Proceeds from this borrowing were used to satisfy the mandatory tender of the Series 2009B bonds in 2012. This amount is included in the long-term debt, less current portion on the consolidated balance sheet at March 31, 2013.



## LEGACY HEALTH AND AFFILIATES

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#### (6) Investments

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

	<b>Year ended March 31</b>	
	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 6.834	10.155
Short-term notes	6.797	6.619
State government obligations	3.822	3.823
Small/mid cap domestic equity securities	50.589	33.714
Large cap domestic equity securities	78.697	82.429
International equity securities	50.925	38.924
International common/collective trust	34.526	26.156
Fixed income mutual fund	155.485	212.526
Fixed income common/collective trust	94.100	22.436
Absolute return funds	84.175	74.008
U S Treasury securities	38.199	44.637
Real estate partnerships	76.303	67.687
Private equity funds – funds of funds	3.822	5.484
Interest rate swaps	4.703	4.127
Guaranteed interest investment contracts (GIICs)	1.060	1.597
	\$ 690.037	634.322

As of March 31, 2013, Legacy has a remaining capital commitment of \$942 to private equity funds in the form of limited partnership/trust investments. These commitments are due on demand from the general partners/advisors. These private equity funds invest in emerging companies, venture capital funds, and other alternative investments. The termination of these partnerships/trusts is based upon specific provisions in the agreement. In most cases the life of the trusts are for a minimum of ten years. Legacy can only transfer its interest in the investments with the consent of the general partner/advisor. The fair values of these investments are determined either by the underlying security value on the open market or by the general partner/advisor utilizing fair value principles. Debt service reserve funds and unspent construction funds related to the Series 2009A, B and C Bonds are held in trust at a national bank and are invested in accordance with the respective bond indentures, primarily in government obligations with maturities of one year or less and in money market funds. Equity method investments total \$121.641 and \$111.874 as of March 31, 2013 and 2012, respectively.

#### *Interest Rate Swaps*

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

## LEGACY HEALTH AND AFFILIATES

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

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

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

The fair value of these swaps is determined by the spread in interest rates. The fair value as of March 31, 2013 and 2012 represents a receivable of \$4,703 and \$4,127, respectively, and is included in noncurrent investments in the consolidated balance sheets.

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

	<b>Year ended March 31</b>	
	<b>2013</b>	<b>2012</b>
Interest and dividend income	\$ 928	981
Realized gains on investments	24,401	21,172
Equity earnings from investment companies	9,150	7,854
Change in fair value of trading securities and interest rate swaps	16,777	(4,983)
Total investment income	<u>\$ 51,256</u>	<u>25,024</u>

#### (7) Fair Value of Financial Instruments

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

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

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

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

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

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

# LEGACY HEALTH AND AFFILIATES

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The following tables present the financial instruments carried at fair value and financial instruments valued using the equity method of accounting as of March 31, 2013 and 2012, by caption on the consolidated balance sheets, by the valuation hierarchy defined above

	March 31, 2013			Total fair value
	Level 1	Level 2	Level 3	
Assets				
Cash and cash equivalents	\$ 6,834	—	—	6,834
Small/mid cap domestic equity securities	50,590	—	—	50,590
Large cap domestic equity securities	78,697	—	—	78,697
International equity securities	50,925	—	—	50,925
International common/collective trust funds	—	34,526	—	34,526
Fixed income mutual fund	155,485	—	—	155,485
Fixed income common/collective trust funds	—	94,100	—	94,100
Absolute return funds	5,017	79,157	—	84,174
Real estate partnerships	—	76,303	—	76,303
Private equity fund of funds	—	—	3,822	3,822
U S Treasury securities	—	38,199	—	38,199
Short-term notes	—	6,797	—	6,797
State government obligations	—	3,822	—	3,822
Interest rate swaps	—	4,703	—	4,703
GIIC	—	1,060	—	1,060
Total assets at fair value	\$ 347,548	338,667	3,822	690,037

# LEGACY HEALTH AND AFFILIATES

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	Fair value of financial instruments March 31, 2012			Total fair value
	Level 1	Level 2	Level 3	
Assets				
Cash and cash equivalents	\$ 10,155	—	—	10,155
Small/mid cap domestic equity securities	33,714	—	—	33,714
Large cap domestic equity securities	82,429	—	—	82,429
International equity securities	38,924	—	—	38,924
International common/collective trust funds	—	26,156	—	26,156
Fixed income mutual fund	212,526	—	—	212,526
Fixed income common/collective trust funds	—	22,436	—	22,436
Absolute return funds	—	74,008	—	74,008
Real estate partnerships	—	67,687	—	67,687
Private equity fund of funds	—	—	5,484	5,484
U S Treasury securities	—	44,637	—	44,637
Short-term notes	—	6,619	—	6,619
State government obligations	—	3,823	—	3,823
Interest rate swaps	—	4,127	—	4,127
GIIC	—	1,597	—	1,597
Total assets at fair value	\$ 377,748	251,090	5,484	634,322

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

	Fair value measurements Level 3
Fair value March 31, 2011	\$ 6,620
Realized and unrealized (losses) gains, net	508
Purchases and settlements, net	(1,644)
Fair value March 31, 2012	5,484
Realized and unrealized (losses) gains, net	(161)
Purchases and settlements, net	(1,501)
Fair value March 31, 2013	\$ 3,822

## LEGACY HEALTH AND AFFILIATES

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The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at March 31, 2013

	<u>Fair value</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Common/collective trust funds	\$ 128,626	Daily or monthly	1 – 5 days
Absolute return funds	79,157	Quarterly	60 – 95 days
Real estate partnerships	76,303	Quarterly	60 – 95 days

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

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

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

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

The fair value of long-term debt is estimated based on the discounted cash flows that would be paid using current market rates for debt with the same maturities, assuming the debt was repaid as of the first call date as stipulated in the bond indenture. The fair value of long-term debt was \$35,245 and \$32,155 greater than the carrying value as of March 31, 2013 and 2012, respectively. This valuation represents a Level 2 fair value measurement per ASC 820.

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#### (8) Temporarily and Permanently Restricted Net Assets

Restricted net assets are available for the following purposes

	Year ended March 31	
	2013	2012
Temporarily Restricted Net Assets		
Education	\$ 5.608	5.187
Patient care	11.943	11.566
Research	4.723	8.186
Capital acquisition	5.961	5.070
Other	4.869	5.538
	<u>\$ 33.104</u>	<u>35.547</u>
Permanently Restricted Net Assets		
Education	\$ 2.650	2.613
Patient care	8.837	8.452
Research	1.932	1.827
Other	382	383
	<u>\$ 13.801</u>	<u>13.275</u>

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

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

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

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

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From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Legacy to retain as a fund of perpetual duration. Deficiencies of this nature are reported as a reduction to unrestricted net assets and are excluded from the performance indicator. During the years ended March 31, 2013 and 2012, Legacy reimbursed unrestricted net assets for \$4 and \$1, respectively, for amounts transferred in previous years from unrestricted net assets to permanently restricted net assets. Changes in endowment net assets for the years ended March 31, 2013 and 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance as of March 31, 2011	\$ 9,867	17,683	12,699	40,249
Investment income	319	646	—	965
Contributions	—	—	576	576
Appropriated for expenditure	(196)	(1,514)	—	(1,710)
Balance as of March 31, 2012	9,990	16,815	13,275	40,080
Investment income	250	2,711	—	2,961
Contributions	—	—	526	526
Appropriated for expenditure	(307)	(1,626)	—	(1,933)
Balance as of March 31, 2013	<u>\$ 9,933</u>	<u>17,900</u>	<u>13,801</u>	<u>41,634</u>

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

#### (9) Functional Expenses

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

	<u>Year ended March 31</u>	
	<u>2013</u>	<u>2012</u>
Healthcare services	\$ 1,062,738	1,023,948
General and administrative	253,328	247,310
	<u>\$ 1,316,066</u>	<u>1,271,258</u>

#### (10) Retirement Plans

##### (a) *Defined Contribution Pension Plans*

Substantially all employees who are 21 years of age, have worked 1,000 hours or more during the year and have been continuously employed by Legacy for one or more years are eligible to



## LEGACY HEALTH AND AFFILIATES

### Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

participate in a jointly contributory tax-sheltered annuity plan. Under this plan, Legacy matches up to 3.5% of participating employees' annual salaries.

Expenses incurred by Legacy related to this plan were approximately \$12,200 and \$11,700 for 2013 and 2012, respectively.

**(b) Pension Benefit Plans**

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

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

Legacy recognizes adjustments to the funded status of the Plan as increases or decreases to net assets in the corresponding accounting period. As of March 31, 2013 and 2012, Legacy recognized a decrease in net assets of \$26,367 and \$73,666, respectively, related to the change in funded status of the Plan.

# LEGACY HEALTH AND AFFILIATES

## Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

A summary of changes in benefit obligations, fair values of plan assets, and the pension liability at March 31, 2013 and 2012 and for the fiscal years then ended is as follows

	<u>2013</u>	<u>2012</u>
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	\$ 641.731	530.641
Service cost	28.888	26.221
Interest cost	30.271	29.630
Actuarial loss	52.578	76.402
Benefits paid	<u>(24.565)</u>	<u>(21.163)</u>
Projected benefit obligation at end of year	<u>\$ 728.903</u>	<u>641.731</u>
Change in plan assets		
Fair value of assets at beginning of year	\$ 478.516	435.128
Actual return on plan assets	47.387	28.551
Employer contribution	50.209	36.000
Benefits paid	<u>(24.565)</u>	<u>(21.163)</u>
Fair value of assets at end of year	<u>\$ 551.547</u>	<u>478.516</u>
Reconciliation of funded status		
Funded status	<u>\$ (177.355)</u>	<u>(163.215)</u>
Net amount recognized	<u>\$ (177.355)</u>	<u>(163.215)</u>

Included in unrestricted net assets at March 31, 2013 are unrecognized prior service credits of \$50.785 and unrecognized actuarial losses of \$256.212 that have not yet been recognized in net periodic pension cost. The prior service credit and actuarial losses included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending March 31, 2013 are \$8.839 and \$17.580, respectively. The accumulated benefit obligation as of March 31, 2013 and 2012 was \$715.533 and \$632.555, respectively.

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

	<u>2013</u>	<u>2012</u>
Service cost	\$ 28.887	26.220
Interest cost	30.271	29.630
Expected return on plan assets	(35.705)	(32.120)
Amortization of prior service costs	(8.839)	(8.839)
Recognized net actuarial loss	<u>23.369</u>	<u>15.144</u>
Net periodic pension cost	<u>\$ 37.983</u>	<u>30.035</u>

# LEGACY HEALTH AND AFFILIATES

## Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

### (c) Assumptions

Legacy used the following actuarial assumptions to determine its benefit obligations at March 31, 2013 and 2012, and its net periodic benefit cost for the years ended March 31, 2013 and 2012

	2013	2012
Benefit obligation (measured as of March 31, 2013 and 2012)		
Discount rate	4.34%	4.83%
Rate of increase in future compensation levels	4% plus longevity scale	4% plus longevity scale
Net periodic benefit cost (measured as of March 31, 2012 and 2011)		
Discount rate	4.83%	5.73%
Expected long-term discount rate of return on plan assets	7.50	7.50
Rate of increase in future compensation levels	4% plus longevity scale	4% plus longevity scale

The expected long-term rate of return on plan assets was based on Legacy's asset allocation mix and the long-term historical return for each asset class, taking into account current and expected market conditions. Legacy utilizes a nationally recognized investment consultant to assist in the return assumptions used in determining the expected long-term rate of return. The actual return on pension plan assets was a net gain of approximately 9.5% and 5.9% for the years ended March 31, 2013 and 2012, respectively. In the calculation of pension plan expense, the expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes changes in fair value over a four-year period. This practice is intended to reduce year-to-year volatility in pension expense, but it can have the effect of delaying the recognition of differences between actual returns and expected returns based on the long-term rate-of-return assumptions. The source data for the discount rate used to determine the benefit obligation was a universe of AA or higher rated U.S. dollar denominated bonds with similar maturities to the projected benefit payments.

## LEGACY HEALTH AND AFFILIATES

### Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

**(d) Pension Plan Assets**

The asset allocation of Legacy's pension plans at March 31, 2013 and 2012, and the target allocation were as follows

	<b>Target allocation</b>	<b>2013</b>	<b>2012</b>
Equity securities	28% – 46%	37%	35%
Fixed income	21% – 34%	32	32
Real estate	0% – 17%	11	11
Absolute return funds	0% – 18%	13	12
Alternative investments	0% – 11%	7	10

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

# LEGACY HEALTH AND AFFILIATES

## Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

In accordance with ASC SubTopic 820-10, financial assets and financial liabilities measured at fair value are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to estimate fair value. These levels and associated valuation methodologies are described in note 7. The following tables set forth by level, within the fair value hierarchy, list the Plan's assets at fair value as of March 31, 2013 and 2012.

Fair value of financial instruments				
March 31, 2013				
	Level 1	Level 2	Level 3	Total fair value
Assets				
Cash and cash equivalents	\$ 10,075	—	—	10,075
Small/mid cap domestic equity securities	46,238	—	—	46,238
Large cap domestic equity securities	60,931	—	—	60,931
International equity securities	17,961	—	—	17,961
International common/collective trust	—	70,427	—	70,427
Fixed income mutual fund	87,845	—	—	87,845
Fixed income common/collective trust	—	86,872	—	86,872
Absolute return funds	12,521	58,765	—	71,286
Private equity funds				
Funds of funds	—	—	32,174	32,174
Distressed situations	—	—	7,841	7,841
Real estate partnerships	—	53,570	6,327	59,897
Total assets at fair value	\$ 235,571	269,634	46,342	551,547

# LEGACY HEALTH AND AFFILIATES

## Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

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

## LEGACY HEALTH AND AFFILIATES

### Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

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

	<b>Fair value measurements Level 3</b>
Fair value March 31, 2011	\$ 66,389
Realized and unrealized (losses) gains, net	7,285
Purchases and settlements, net	4,214
Fair value March 31, 2012	77,888
Realized and unrealized (losses) gains, net	2,384
Purchases and settlements, net	(10,035)
Transfers, net	(23,895)
Fair value March 31, 2013	\$ 46,342

The transfers noted above from Level 3 to Level 2 were the result of lifting the termination restrictions previously established by the investment manager, which allowed increased use of observable inputs for the noted security

#### *(e) Cash Flows*

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

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

2013	\$ 30,607
2014	33,065
2015	36,269
2016	40,236
2017	44,275
2018 – 2021	271,392

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

Management is not aware of any expected settlements or curtailments that would require additional recognition during 2013.

## LEGACY HEALTH AND AFFILIATES

### Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

#### (11) Commitments and Contingencies

##### (a) *Professional and General Liability*

Legacy is self-insured for professional and general liability coverage. Coverage in excess of the self-insurance limits is provided on a claims-made basis through commercial insurance for claims made prior to June 1, 2004 and through its captive insurance company, LHSIC, effective June 1, 2004. LHSIC is a Cayman Islands domiciled insurance company created to access the reinsurance markets. General and professional liability costs have been accrued based upon an actuarial determination. In 2013 and 2012, Legacy recognized favorable adjustments to its professional and general liability reserves associated with actuarial estimates on prior year activity of \$5.918 and \$3.827, respectively, as a reduction to utilities, insurance and other expenses. Legacy is involved in litigation arising in the ordinary course of business. Claims, including alleged malpractice, have been asserted against Legacy and are currently in various stages of litigation. Additional claims may be asserted against Legacy arising from services provided to patients through March 31, 2013. In management's opinion, however, the estimated liability accrued at March 31, 2013 is adequate to provide for potential losses resulting from pending or threatened litigation.

##### (b) *Operating Leases*

Legacy leases various equipment and real property under operating leases expiring at various dates through March 2020. The following is a schedule by year of future minimum lease payments under operating leases as of March 31, 2013, with an initial or remaining lease term in excess of one year:

Year ending March 31	
2014	\$ 3,341
2015	3,329
2016	2,946
2017	2,432
2018	1,676
Thereafter	1,986
	<u>\$ 15,710</u>

Rent expense for 2013 and 2012 totaled \$6,460 and \$6,361, respectively.

##### (c) *Employee Benefits*

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

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



## **LEGACY HEALTH AND AFFILIATES**

### **Notes to Consolidated Financial Statements**

March 31, 2013 and 2012

(Dollars in thousands)

Legacy recognizes a severance obligation when the amount can be reasonably estimated, typically at the date of a triggering event (e.g., a reduction in force). During 2013 and 2012, Legacy expensed \$13 and \$3,744, respectively, associated with these plans.

**(d) *Collective Bargaining Agreements***

Approximately 10% of Legacy employees were covered under collective bargaining agreements at March 31, 2013, including certain service and maintenance employees. Approximately 23 employees are covered by collective bargaining agreements that expire within one year.

**(12) Compliance with Laws and Regulations**

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

**(13) Subsequent Events**

Legacy evaluated and disclosed all material subsequent events through June 28, 2013, the date the consolidated financial statements were issued.



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

## **Independent Auditors' Report on Supplementary Information**

The Board of Directors  
Legacy Health

We have audited the consolidated financial statements of Legacy Health (an Oregon nonprofit corporation) and Affiliates as of and for the years ended March 31, 2013 and 2012, and have issued our report thereon dated June 28, 2013, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in the consolidating balance sheets, consolidating statements of operations, and consolidating statements of changes in net assets is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The schedule of consolidated financial and statistical highlights and the schedule of consolidating financial and statistical highlights are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**KPMG LLP**

Portland, Oregon  
June 28, 2013

**LEGACY HEALTH AND AFFILIATES**

Consolidating Balance Sheet

March 31, 2013

(Dollars in thousands)

<b>Assets</b>	<b>Legacy Health</b>	<b>Legacy Emanuel Hospital &amp; Health Center</b>	<b>Legacy Good Samaritan Hospital and Medical Center</b>	<b>Legacy Meridian Park Hospital</b>
Current assets				
Cash and cash equivalents	\$ 49,561	2,023	119	349
Short-term investments	46,241	—	—	—
Accounts receivable from patients	—	99,950	34,498	24,540
Allowance for uncollectible accounts	—	(21,168)	(5,031)	(4,541)
	—	78,782	29,467	19,999
Settlements receivable from third-party payors, net	—	133	1,180	991
Other receivables	706	9,496	3,053	1,748
Inventories, at cost	—	6,842	3,822	3,203
Prepaid expenses	8,607	526	235	142
Total current assets	105,115	97,802	37,876	26,432
Assets limited as to use				
Held by trustee	—	12,265	—	—
Community health fund	9,933	—	—	—
Noncurrent investments restricted for capital acquisitions	784	—	—	—
	10,717	12,265	—	—
Other assets				
Property, plant and equipment	396,874	566,155	286,741	157,053
Accumulated depreciation	(258,993)	(245,462)	(215,653)	(118,923)
	137,881	320,693	71,088	38,130
Noncurrent investments	619,481	14	—	—
Property held for development or sale	13,294	—	—	7,065
Goodwill and other intangibles	436	—	—	—
Other assets	16,727	7,181	313	—
	787,819	327,888	71,401	45,195
Intercompany affiliate receivable (payable)	(630,839)	107,465	137,177	200,513
	\$ 272,812	545,420	246,454	272,140

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Credit Reporting Group	Other affiliates and eliminations	March 31, 2013 consolidated
(115)	(175)	(74)	18	51.706	1.907	53.613
—	—	—	—	46.241	—	46.241
17.643	32.045	2.097	—	210.773	4.514	215.287
(6.410)	(7.251)	—	—	(44.401)	(835)	(45.236)
11.233	24.794	2.097	—	166.372	3.679	170.051
796	258	—	—	3.358	—	3.358
1.631	385	—	4,559	21.578	1.587	23.165
1.573	1,654	—	—	17.094	288	17.382
26	573	(3)	—	10.106	392	10.498
15.144	27.489	2.020	4,577	316.455	7.853	324.308
—	—	—	—	12.265	—	12.265
—	—	—	—	9.933	—	9.933
—	—	—	—	784	—	784
—	—	—	—	22.982	—	22.982
103.063	336.826	3,595	—	1,850.307	5.166	1,855.473
(60.066)	(141.830)	(1,248)	—	(1,042.175)	(2,500)	(1,044.675)
42.997	194.996	2,347	—	808.132	2.666	810.798
—	—	—	1,319	620.814	—	620.814
—	3,203	—	—	23.562	—	23.562
—	—	—	—	436	26.482	26.918
1.092	—	1,404	3,819	30.536	(12.239)	18.297
44.089	198.199	3,751	5,138	1,483.480	16.909	1,500.389
18.627	63.196	(2,148)	105,122	(887)	887	—
77.860	288.884	3,623	114,837	1,822.030	25.649	1,847.679

**LEGACY HEALTH AND AFFILIATES**

Consolidating Balance Sheet

March 31, 2013

(Dollars in thousands)

<b>Liabilities and Net Assets</b>	<b>Legacy Health</b>	<b>Legacy Emanuel Hospital &amp; Health Center</b>	<b>Legacy Good Samaritan Hospital and Medical Center</b>	<b>Legacy Meridian Park Hospital</b>
Current liabilities				
Accounts payable	\$ 18,060	13,234	5,311	2,772
Accrued wages, salaries, and benefits	16,154	28,232	9,587	5,776
Accrued interest	2,332	1,418	—	—
Other current liabilities	21,121	6,170	3,356	2,191
Current portion of long-term debt	6,953	8,218	2,997	3,585
Total current liabilities	64,620	57,272	21,251	14,324
Long-term debt, less current portion	64,731	267,574	66,139	42,336
Other liabilities				
Estimated general and professional claims liability	22,236	—	—	—
Accrued pension liability	17,932	74,107	36,718	14,420
Other noncurrent liabilities	15,946	2,599	747	538
Total liabilities	185,465	401,552	124,855	71,618
Net assets				
Unrestricted	87,347	143,401	121,599	200,522
Unrestricted, noncontrolling interest	—	—	—	—
Temporarily restricted	—	467	—	—
Permanently restricted	—	—	—	—
	87,347	143,868	121,599	200,522
\$	272,812	545,420	246,454	272,140

See accompanying independent auditors' report on other financial information

<b>Legacy Mount Hood Medical Center</b>	<b>Legacy Salmon Creek Hospital</b>	<b>Legacy Visiting Nurse Association</b>	<b>Foundations</b>	<b>Credit Reporting Group</b>	<b>Other affiliates and eliminations</b>	<b>March 31, 2013 consolidated</b>
1,778	3,137	146	—	44,438	747	45,185
3,838	10,904	603	—	75,094	418	75,512
—	—	—	—	3,750	—	3,750
2,043	1,890	1	835	37,607	2,285	39,892
1,614	—	—	—	23,367	382	23,749
9,273	15,931	750	835	184,256	3,832	188,088
42,879	—	—	—	483,659	153	483,812
—	—	—	—	22,236	236	22,472
10,150	23,027	1,002	—	177,356	(1)	177,355
372	322	41	—	20,565	211	20,776
10,522	23,349	1,043	—	220,157	446	220,603
62,674	39,280	1,793	835	888,072	4,431	892,503
15,186	249,604	1,830	67,564	887,053	343	887,396
—	—	—	—	—	20,875	20,875
—	—	—	32,637	33,104	—	33,104
—	—	—	13,801	13,801	—	13,801
15,186	249,604	1,830	114,002	933,958	21,218	955,176
77,860	288,884	3,623	114,837	1,822,030	25,649	1,847,679

**LEGACY HEALTH AND AFFILIATES**

Consolidating Balance Sheet

March 31, 2012

(Dollars in thousands)

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

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



**LEGACY HEALTH AND AFFILIATES**

Consolidating Balance Sheet

March 31, 2012

(Dollars in thousands)

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

See accompanying independent auditors' report on other financial information

<b>Legacy Mount Hood Medical Center</b>	<b>Legacy Salmon Creek Hospital</b>	<b>Legacy Visiting Nurse Association</b>	<b>Foundations</b>	<b>Credit Reporting Group</b>	<b>Other affiliates and eliminations</b>	<b>March 31, 2012 consolidated</b>
1.187	2.944	146	—	44.029	529	44.558
3.344	9.429	547	—	70.667	385	71.052
—	—	—	—	4.109	—	4.109
2.926	966	8	833	52.154	891	53.045
1.587	—	—	—	22.415	487	22.902
9.044	13.339	701	833	193.374	2.292	195.666
44.706	—	—	—	505.871	343	506.214
—	—	—	—	27.969	287	28.256
9.448	21.050	1.022	—	163.215	—	163.215
259	346	43	—	19.132	132	19.264
9.707	21.396	1.065	—	210.316	419	210.735
63.457	34.735	1.766	833	909.561	3.054	912.615
13.370	242.967	1.775	62.682	823.637	311	823.948
—	—	—	—	—	21.382	21.382
—	—	—	35.078	35.547	—	35.547
—	—	—	13.275	13.275	—	13.275
13.370	242.967	1.775	111.035	872.459	21.693	894.152
76.827	277.702	3.541	111.868	1.782.020	24.747	1.806.767

**LEGACY HEALTH AND AFFILIATES**

Consolidating Statement of Operations

Year ended March 31, 2013

(Dollars in thousands)

	<b>Legacy Health</b>	<b>Legacy Emanuel Hospital &amp; Health Center</b>	<b>Legacy Good Samaritan Hospital and Medical Center</b>	<b>Legacy Meridian Park Hospital</b>	<b>Legacy Mount Hood Medical Center</b>
Gross patient charges	\$ —	1,293,948	657,672	417,427	289,256
Adjustments to gross patient charges:					
Charity allowances	—	69,585	32,773	15,945	25,106
Third-party contractual adjustments	—	631,905	343,600	218,438	151,872
Patient service revenue	—	592,458	281,299	183,044	112,278
Less provision for bad debts	—	26,366	9,446	8,583	10,801
Net patient service revenues	—	566,092	271,853	174,461	101,477
Other revenues	178,849	27,539	4,870	1,955	2,656
Total operating revenues	178,849	593,631	276,723	176,416	104,133
Operating expenses:					
Wages, salaries, and benefits	80,969	335,224	127,122	74,594	48,790
Supplies	2,514	81,810	46,403	28,041	12,152
Professional fees	3,487	25,134	7,341	2,533	2,641
Purchased services	46,762	(8,574)	15,925	9,619	7,989
Utilities, insurance and other expenses	13,321	37,975	7,380	6,908	7794
Depreciation	26,181	28,795	14,343	8,973	5,507
Interest and amortization	3,036	9,793	1,843	1,630	1,205
Management fees	—	86,162	44,624	27,129	16,334
Income (loss) from operations	176,270	596,319	264,981	159,427	102,412
Other income (expenses):					
Investment income (loss), net	1,922	10,232	9,547	13,542	1,620
Loss on extinguishment of debt	—	—	—	—	—
Other, net	(589)	(1,303)	(4)	(14)	(21)
Revenues in excess of (less than) expenses	\$ 3,912	6,241	21,285	30,517	3,320

See accompanying independent auditors' report on other financial information.

Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2013 consolidated
523 691	12 589	—	(346)	3 194 237	55 345	3 249 582
23 810	119	—	—	167 338	—	167 338
285 167	965	—	33 053	1 665 000	34 146	1 699 146
214 714	11 505	—	(33 399)	1 361 899	21 199	1 383 098
15 138	(9)	—	—	70 325	440	70 765
199 576	11 514	—	(33 399)	1 291 574	20 759	1 312 333
6 814	960	6 555	(177 449)	52 749	78	52 827
206 390	12 474	6 555	(210 848)	1 344 323	20 837	1 365 160
134 354	9 092	—	(42 145)	768 000	5 815	773 815
25 280	737	—	8 323	205 260	4 831	210 091
3 749	76	—	(549)	44 412	567	44 979
5 424	269	—	(232)	77 182	2 535	79 717
15 114	772	8 010	(8 093)	89 181	1 590	90 771
14 376	184	—	—	98 359	772	99 131
—	—	—	—	17 507	55	17 562
985	1 100	—	(176 334)	—	—	—
199 282	12 230	8 010	(219 030)	1 299 901	16 165	1 316 066
7 108	244	(1 455)	8 182	44 422	4 672	49 094
4 779	1	6 799	—	48 442	7	48 449
—	—	—	—	—	—	—
(1 187)	—	(305)	(5 575)	(8 998)	33	(8 965)
3 592	1	6 494	(5 575)	39 444	40	39 484
10 700	245	5 039	2 607	83 866	4 712	88 578

# LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Operations

Year ended March 31, 2012

(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center
Gross patient charges	\$ —	1,208,539	637,967	377,789	263,438
Adjustments to gross patient charges:					
Charity allowances	—	73,093	33,849	16,536	26,192
Third-party contractual adjustments	—	564,445	318,340	193,261	130,760
Patient service revenue	—	571,001	285,778	167,992	106,486
Less provision for bad debts	—	26,463	9,856	7,098	7,453
Net patient service revenues	—	544,538	275,922	160,894	99,033
Other revenues	182,938	26,746	6,925	3,164	3,240
Total operating revenues	182,938	571,284	282,847	164,058	102,273
Operating expenses:					
Wages, salaries, and benefits	83,982	327,402	131,562	64,270	46,411
Supplies	2,437	76,792	46,047	25,981	10,557
Professional fees	2,952	24,819	8,787	2,474	2,559
Purchased services	47,074	(10,079)	15,723	8,796	6,885
Utilities, insurance and other expenses	10,987	39,718	8,703	7,175	7,498
Depreciation	25,249	207,48	15,275	8,977	5,554
Interest and amortization	3,517	5,978	2,085	1,874	1,356
Management fees	—	87,881	47,782	25,982	15,881
	176,198	573,259	275,964	145,529	96,701
Income (loss) from operations	6,740	(1,975)	6,883	18,529	5,572
Other income (expenses):					
Investment income (loss), net	1,027	6,995	4,793	6,777	1,021
Loss on extinguishment of debt	(1,216)	—	—	—	—
Other, net	(1,589)	(1,508)	(228)	(144)	(148)
	(1,778)	5,487	4,565	6,633	873
Revenues in excess of (less than) expenses	\$ 4,962	3,512	11,448	25,162	6,445

See accompanying independent auditors' report on other financial information.

Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2012 consolidated
492,896	12,634	—	(193)	2,993,070	53,389	3,046,459
25,374	311	—	—	175,355	—	175,355
258,625	1,086	—	34,672	1,501,189	31,940	1,533,129
208,897	11,237	—	(34,865)	1,316,526	21,449	1,337,975
15,896	61	—	—	66,827	1,118	67,945
193,001	11,176	—	(34,865)	1,249,699	20,331	1,270,030
77,24	1,131	4,900	(180,646)	56,122	276	56,398
200,725	12,307	4,900	(215,511)	1,305,821	20,607	1,326,428
131,300	8,991	—	(45,166)	748,752	5,895	754,647
24,817	704	—	10,864	198,199	4,077	202,276
3,628	69	—	(436)	44,852	558	45,410
1,362	306	—	(369)	69,698	2,645	72,343
14,967	906	5,172	(6,468)	88,658	1713	90,371
14,620	187	—	—	90,610	750	91,360
—	—	—	—	14,810	41	14,851
937	1,617	—	(180,080)	—	—	—
191,631	12,780	5,172	(221,655)	1,255,579	15,679	1,271,258
9,094	(473)	(272)	6,144	50,242	4,928	55,170
1,968	—	1758	—	24,339	10	24,349
—	—	—	—	(1,216)	—	(1,216)
(1,165)	1	(333)	(6,063)	(11,177)	7	(11,170)
803	1	1,425	(6,063)	11,946	17	11,963
9,897	(472)	1,153	81	62,188	4,945	67,133

**LEGACY HEALTH AND AFFILIATES**  
Consolidating Statement of Changes in Net Assets  
Year ended March 31, 2013  
(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center
Unrestricted net assets, controlling interest					
Revenues in excess of (less than) expenses	\$ 3,912	6,241	21,285	30,517	3,320
Net assets released from restriction used for property, plant and equipment	16	5,981	2,567	64	18
Pension and other postretirement adjustments	(3,057)	(10,557)	(4,534)	(2,400)	(1,522)
Distributions	—	—	—	—	—
Other transfers	—	(9)	—	—	—
Change in unrestricted net assets, controlling interest	871	1,656	19,318	28,181	1,816
Unrestricted net assets, noncontrolling interest					
Revenues in excess of expenses	—	—	—	—	—
Distributions	—	—	—	—	—
Change in unrestricted net assets, noncontrolling interest	—	—	—	—	—
Temporarily restricted net assets					
Donor-restricted contributions and grants	—	7,555	—	—	—
Investment income, net	—	—	—	—	—
Net assets released from restriction	—	(7,566)	—	—	—
Transfers	—	9	—	—	—
Change in temporarily restricted net assets	—	(2)	—	—	—
Permanently restricted net assets					
Donor-restricted contributions and grants	—	—	—	—	—
Other transfers	—	—	—	—	—
Change in permanently restricted net assets	—	—	—	—	—
Change in net assets	871	1,654	19,318	28,181	1,816
Net assets, beginning of year	86,476	142,214	102,281	172,341	13,370
Net assets, end of year	\$ 87,347	143,868	121,599	200,522	15,186

See accompanying independent auditors' report on other financial information

Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2013 consolidated
10,700	245	5,039	2,607	83,866	(95)	83,771
35	9	(157)	(2,607)	5,926	—	5,926
(4,098)	(199)	—	—	(26,367)	—	(26,367)
—	—	—	—	—	127	127
—	—	—	—	(9)	—	(9)
6,637	55	4,882	—	63,416	32	63,448
—	—	—	—	—	4,807	4,807
—	—	—	—	—	(5,314)	(5,314)
—	—	—	—	—	(507)	(507)
—	—	4,490	—	12,045	—	12,045
—	—	2,803	—	2,803	—	2,803
—	—	(9,651)	—	(17,217)	—	(17,217)
—	—	(83)	—	(74)	—	(74)
—	—	(2,441)	—	(2,443)	—	(2,443)
—	—	443	—	443	—	443
—	—	83	—	83	—	83
—	—	526	—	526	—	526
6,637	55	2,967	—	61,499	(475)	61,024
242,967	1,775	111,035	—	872,459	21,693	894,152
249,604	1,830	114,002	—	933,958	21,218	955,176



**LEGACY HEALTH AND AFFILIATES**  
Consolidating Statement of Changes in Net Assets  
Year ended March 31, 2012  
(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center
Unrestricted net assets, controlling interest					
Revenues in excess of (less than) expenses	\$ 4,962	3,512	11,448	25,162	6,445
Net assets released from restriction used for property, plant and equipment	—	12,077	767	149	14
Pension and other postretirement adjustments	(8,535)	(30,681)	(13,424)	(6,296)	(4,261)
Distributions	—	—	—	—	—
Other transfers	—	16,731	(7,416)	(6,265)	(3,050)
Change in unrestricted net assets, controlling interest	(3,573)	1,639	(8,625)	12,750	(852)
Unrestricted net assets, noncontrolling interest					
Revenues in excess of expenses	—	—	—	—	—
Distributions	—	—	—	—	—
Change in unrestricted net assets, noncontrolling interest	—	—	—	—	—
Temporarily restricted net assets					
Donor-restricted contributions and grants	—	7,386	—	—	—
Investment income, net	—	—	—	—	—
Net assets released from restriction	—	(19,870)	—	—	—
Transfers	—	4,430	—	—	—
Change in temporarily restricted net assets	—	(8,054)	—	—	—
Permanently restricted net assets					
Donor-restricted contributions and grants	—	—	—	—	—
Change in permanently restricted net assets	—	—	—	—	—
Change in net assets	(3,573)	(6,415)	(8,625)	12,750	(852)
Net assets, beginning of year	90,049	148,629	110,906	159,591	14,222
Net assets, end of year	\$ 86,476	142,214	102,281	172,341	13,370

See accompanying independent auditors' report on other financial information

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

**LEGACY HEALTH AND AFFILIATES**  
Consolidated Financial and Statistical Highlights  
Years ended March 31  
(Unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Utilization				
Average number of available beds	1,068	1,071	1,064	1,027
Percentage occupancy	61.7%	60.0%	60.7%	65.2%
Patient days	240,395	235,358	235,569	244,257
Medicare percent of discharge revenue	37.1%	35.5%	33.6%	32.6%
Average length of stay	4.4	4.3	4.5	4.4
Discharges	54,533	54,896	52,915	55,822
Outpatient revenues as a percent of gross patient revenue	42.9%	41.8%	42.4%	40.9%
Average full-time equivalent (FTE) employees				
Number of paid FTEs	7,941	8,020	7,997	7,767
Worked FTEs	6,854	6,926	6,894	6,821
FTEs per adjusted occupied bed	6.9	7.3	7.1	6.9
Ratios				
Deductions from revenues	59.6%	58.3%	58.3%	57.7%
Operating margin	3.6%	4.2%	3.4%	3.8%
Debt service coverage (A)	4.4	4.5	5.0	5.3
Net days in accounts receivable	46.4	48.2	46.4	45.1
Days cash on hand	214.9	201.1	198.1	175.6

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

See accompanying independent auditors' report on other financial information

**LEGACY HEALTH AND AFFILIATES**  
Consolidating Financial and Statistical Highlights  
Years ended March 31, 2013 and 2012  
(Unaudited)

	<u>Consolidated</u>	<u>Legacy Emanuel Hospital &amp; Health Center</u>	<u>Legacy Good Samaritan Hospital and Medical Center</u>	<u>Legacy Meridian Park Hospital</u>	<u>Legacy Mount Hood Medical Center</u>	<u>Legacy Salmon Creek Hospital</u>
Utilization						
Average available beds						
2013	1,068	419	233	130	91	195
2012	1,071	408	249	130	90	194
Percentage occupancy						
2013	61.7%	67.3%	60.4%	57.5%	55.5%	56.7%
2012	60.0	66.0	59.3	56.1	54.6	54.5
Patient days						
2013	240,395	102,910	51,366	27,300	18,440	40,379
2012	235,358	97,966	54,032	26,702	17,988	38,670
Medicare percentage of discharge revenue						
2013	37.1%	23.5%	49.1%	51.2%	42.3%	37.6%
2012	35.5	20.8	48.6	50.1	36.6	37.2
Average length of stay (days)						
2013	4.4	5.5	4.7	3.4	3.4	3.7
2012	4.3	5.3	4.6	3.4	3.3	3.5
Discharges						
2013	54,533	18,880	11,030	8,069	5,512	11,042
2012	54,896	18,589	11,870	7,863	5,410	11,164
Outpatient revenues as a percentage of gross patient revenue						
2013	42.9%	26.2%	42.8%	46.1%	52.4%	38.2%
2012	41.8	25.5	40.3	46.3	52.6	39.8
Average full-time equivalent (FTE) employees						
Number of paid FTEs						
2013	7,941	2,163	1,284	659	482	860
2012	8,020	2,135	1,360	673	473	860
FTEs per adjusted occupied bed						
Paid FTEs						
2013	6.9	5.7	5.2	4.8	4.5	4.8
2012	7.3	6.0	5.5	5.0	4.6	5.2
Worked FTEs						
2013	5.9	4.9	4.5	4.1	3.9	4.2
2012	6.3	5.2	4.8	4.3	3.9	4.5
Ratios						
Deductions from revenues						
2013	59.6%	56.6%	58.7%	59.1%	64.9%	62.5%
2012	58.3	55.6	56.7	57.4	62.4	61.4
Operating margin						
2013	3.6%	5.8%	4.2%	12.2%	1.7%	7.0%
2012	4.2	5.9	2.4	11.3	5.4	8.5

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

See accompanying independent auditors' report on other financial information.

Additional Data

Software ID: 12000229

Software Version: 2012v2.0

EIN: 33-1065485

Name: LEGACY SALMON CREEK HOSPITAL

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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			
RT REV MICHAEL J HANLEY BOARD MEMBER	3 00 0 00	X						0	0	0
JOHN W WINTER JR BOARD DIRECTOR	4 00 0 00	X						0	0	0
STEPHEN NEWBERRY MD BOARD DIRECTOR	3 00 1 00	X						0	8,000	0
CORLISS A MCKEEVER BOARD DIRECTOR	3 00 0 00	X						0	499	0
DUANE C MCDOUGALL BOARD DIRECTOR	3 00 0 00	X						0	0	0
RONALD S KING BOARD DIRECTOR	4 00 0 00	X						0	0	0
LESLIE ROOT MD BOARD DIRECTOR	4 00 1 00	X						0	21,460	0
JEFFREY S GORDON VICE CHAIR	5 00 0 00	X		X				0	0	0
JEFFREY D FULLMAN MD BOARD DIRECTOR	3 00 0 00	X						0	0	0
DIANE PINNEY BOARD DIRECTOR	4 00 0 00	X						0	0	0
ROBERT L CORNIE BOARD DIRECTOR	4 00 0 00	X						0	0	0
COLLEEN A CAIN Chairman	7 00 0 00	X		X				0	0	0
SHERYL MANNING BOARD DIRECTOR	4 00 0 00	X						0	0	0
CHRISTOPHER S THOMING MD BOARD DIRECTOR	3 00 0 00	X						0	0	0
BISHOP DAVID BRAUER-RIEKE BOARD DIRECTOR	3 00 0 00	X						0	0	0
DAVID E EAGER CFO & TREAS	0 00 40 00			X				0	661,662	59,796
P CAMPBELL GRONER III SR VP & SEC	0 00 40 00			X				0	534,857	130,283
GEORGE J BROWN MD President & CEO	0 00 40 00			X				0	1,450,450	381,385
LOW L LEWIS SR VP CHIEF MEDICAL OFFICER	0 00 40 00				X			0	453,383	63,130
JOHN J KENAGY SR VP	0 00 40 00				X			0	289,752	39,269
TERESA L HANDY VP REVENUE CYCLE OPERATIONS	40 00 0 00				X			179,842	0	42,606
GLEN C LUTZ SR VP	0 00 40 00				X			0	142,360	8,017
MAUREEN A BRADLEY SR VP	0 00 40 00				X			0	293,638	39,299
EVERETT NEWCOMB III SR VP	0 00 40 00				X			0	691,557	186,437
SONJA O STEVES SR VP	0 00 40 00				X			0	388,659	95,849

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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			
TRENT S GREEN SR VP	0 00 40 00				X			0	423,222	75,838
CAROL A BRADLEY SR VP	0 00 40 00				X			0	429,479	81,250
GEORGE A CIOFFI MD SR VP	0 00 40 00				X			0	355,597	65,241
JONATHAN E AVERY VP	40 00 0 00				X			426,052	0	84,146
FRED H COLEMAN PHYSICIAN	40 00 0 00					X		390,737	0	26,771
JOHN G BUCKMASTER PHYSICIAN	40 00 0 00					X		372,714	0	49,810
LANI GASKILL NURSE EXECUTIVE	40 00 0 00					X		469,087	0	29,540
TIMOTHY J RODDY PHYSICIAN	40 00 0 00					X		434,796	0	58,879
LIAN R SHAW PHYSICIAN	40 00 0 00					X		465,201	0	18,904
PAMELA VUKOVICH FORMER SR VP & TREAS	0 00 0 00						X	0	230,511	86,196