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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 MOUNT HOOD MEDICAL CENTER

Doing Business As

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

24800 SE STARK ST

Room/suite

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

GRESHAM, OR 97030

F Name and address of principal officer

GEORGE J BROWN MD
C/O 1919 NW LOVEJOY STREET
PORTLAND, OR 97209

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

☐ Yes☒ No

H(b) Are all affiliates included?

☐ Yes☒ No

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

H(c) Group exemption number

I Tax-exempt status

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

J Website:

WWW.LEGACYHEALTH.ORG

K Form of organization

☒ Corporation☐ Trust☐ Association☐ Other

L Year of formation

1922

M State of legal domicile

OR

Part I

Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities Legacy Mount Hood Medical Center (LMHMC) was founded in 1922 and is a community hospital in Gresham, Oregon with 115 licensed beds. LMHMC offers a wide range of services including family birth, diagnostic services, cancer treatment, surgery and emergency services. LMHMC is part of Legacy Health (Legacy). Our mission: Our legacy is good health for our people, our patients, our communities, and our world. We will work as a team to demonstrate our values: Respect - Treat all people with respect and compassion. Service - Put the needs of our patients and their families first. Quality - Deliver outstanding clinical services within healing environments. Excellence - Set high standards and achieve them. Responsibility - Be good stewards of our resources, ensuring access to care for all. Innovation - Be progressive in our thinking and actions. Leadership - Serve as a role model of good health and good citizenship.			
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets.			
	3	Number of voting members of the governing body (Part VI, line 1a)	16	
	4	Number of independent voting members of the governing body (Part VI, line 1b)	14	
	5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	0	
	6	Total number of volunteers (estimate if necessary)	357	
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	0	
	7b	Net unrelated business taxable income from Form 990-T, line 34		
Revenue	8	Contributions and grants (Part VIII, line 1h)	64,105	85,864
	9	Program service revenue (Part VIII, line 2g)	109,605,728	114,841,668
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	874,811	1,582,074
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		0
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	110,544,644	116,509,606
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)		0
	14	Benefits paid to or for members (Part IX, column (A), line 4)		0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	46,411,094	48,790,285
	16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
	b	Total fundraising expenses (Part IX, column (D), line 25) ☐ 0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	57,650,828	64,332,571
	18	Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)	104,061,922	113,122,856
	19	Revenue less expenses. Subtract line 18 from line 12	6,482,722	3,386,750
Net Assets or Fund Balances				
	20	Total assets (Part X, line 16)	75,067,661	77,190,937
	21	Total liabilities (Part X, line 26)	61,584,381	61,877,159
	22	Net assets or fund balances. Subtract line 21 from line 20	13,483,280	15,313,778

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

2014-02-18

Date

LINDA S HOFF, CFO & TREASURER

Type or print name and title

Pnnt/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)

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

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

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

Yes

No

If “Yes,” describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

Yes

No

If “Yes,” describe these changes on Schedule O

4

Describe the organization’s program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a	(Code)	(Expenses \$ 87,729,603	including grants of \$	(Revenue \$ 114,841,668)
LMHMC provides inpatient and outpatient healthcare services to the communities it serves In support of its mission, LMHMC voluntarily provides medically necessary patient care services that are discounted or free of charge to persons who have insufficient resources and/or who are uninsured During fiscal year 2013, LMHMC provided financial assistance on approximately 16,060 patient accounts (of which 21% received discounts totaling 100% of costs) and resulted in LMHMC incurring roughly \$8,608,550 in uncompensated costs associated with this program In addition to charity care, LMHMC provides services under various states' Medicaid programs for financially needy patients, Medicare beneficiaries and other government programs for which the cost of treating these patients exceeds the government payments received During fiscal year 2013, LMHMC incurred approximately \$7,435,400, \$3,497,100 and \$346,300 in uncompensated costs attributable to Medicaid, Medicare, and other government programs, respectively LMHMC also provides a variety of other community benefit activities such as medical education, donations to other charitable entities, research, and other health improvement services which totaled roughly \$556,150 during fiscal year 2013 LMHMC is part of Legacy, which collectively provided over \$66 million, \$119 million, \$77 million, and \$2 million in uncompensated care attributable to its financial assistance, Medicaid, Medicare, and other government programs, respectively, in fiscal year 2013 In addition, Legacy provided over \$21 million in other community benefit activities during fiscal year 2013				

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

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

4d

Other program services (Describe in Schedule O)

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

4e

Total program service expenses

87,729,603

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 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 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	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <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		No
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	Yes	
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	Section 501(c)(3) organizations. 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? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	0
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	No
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	0
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	No
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	No
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c	
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?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	0
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	No
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	No
9 Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a	No
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	No
10 Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11 Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	No
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	No
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

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	16	
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	Yes
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
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	OR
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☒ Another's website ☒ Upon request ☐ 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** 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			
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								1,235,761	6,757,581	1,568,484

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 ▶ 51

		Yes	No
3	Did the organization list any former 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)	(B)	(C)
Name and business address	Description of services	Compensation
WAVE FORM SYSTEM INC PO BOX 6989 PORTLAND OR 97208	MEDICAL SERVICES	166,630
OREGON ANESTHESIOLOGY GROUP PC 120 NW 14TH AVE 300 PORTLAND OR 97209	MEDICAL SERVICES	462,064
NW CARDIOVASCULAR INSTITUTE 2222 NW Lovejoy st 606 PORTLAND OR 97209	MEDICAL SERVICES	175,768
EXECUTIVE HEALTH RESOURCE PO BOX 822688 PHILADELPHIA PA 19182	MEDICAL SERVICES	173,365
BAUGH SKANSKA INC PO BOX 767 BEAVERTON OR 97075	CONSTRUCTION	758,338

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

Part VIII

Statement of Revenue

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	85,864		
	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 \$		34,704		
	h	Total. Add lines 1a-1f		85,864		
Program Service Revenue			Business Code			
	2a	PATIENT PROGRAM REV		291,266,672	291,266,672	
	b	CONTRACTUAL ALLOWANCE		-151,872,628	-151,872,628	
	c	CHARITY CARE		-25,105,793	-25,105,793	
	d	CAFE, PHARMACY & ETC		553,417	553,417	
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f		114,841,668		
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		1,619,576		1,619,576
	4	Income from investment of tax-exempt bond proceeds		0		
	5	Royalties		0		
	6a	(i) Real				
		(ii) Personal				
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss)		0		
	7a	(i) Securities				
		(ii) Other				
	b	Less cost or other basis and sales expenses				
	c	Gain or (loss)				
	d	Net gain or (loss)		-37,502		-37,502
	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		116,509,606	114,841,668		1,582,074

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.	0			
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	415,644	364,759	50,885	
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.	37,520,567	32,927,096	4,593,471	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	3,077,667	2,700,882	376,785	
9	Other employee benefits.	4,701,373	4,125,805	575,568	
10	Payroll taxes.	3,075,034	2,698,572	376,462	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	2,307		2,307	
c	Accounting.	0			
d	Lobbying.	0			
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).	2,317,400	2,317,400		
12	Advertising and promotion.	0			
13	Office expenses.	13,281,042	12,669,759	611,283	
14	Information technology.	0			
15	Royalties.	0			
16	Occupancy.	245,580	192,556	53,024	
17	Travel.	75,341	59,074	16,267	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	0			
20	Interest.	1,274,567	999,370	275,197	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	5,437,141	4,263,184	1,173,957	
23	Insurance.	24,293	-38,867	63,160	
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	PROVIDER TAX	5,980,672	5,980,672		
b	CONTRACT SERVICES	7,989,446	7,588,125	401,321	
c	BAD DEBTS	10,800,732	10,800,732		
d	ADMINISTRATIVE SERVICES FEES	16,333,560		16,333,560	
e	All other expenses	570,490	80,484	490,006	
25	Total functional expenses. Add lines 1 through 24e.	113,122,856	87,729,603	25,393,253	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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			245,918	1	12,189
	2	Savings and temporary cash investments				2	0
	3	Pledges and grants receivable, net				3	0
	4	Accounts receivable, net			13,118,288	4	12,863,774
	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	0
	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				7	0
	8	Inventories for sale or use			1,478,731	8	1,572,421
	9	Prepaid expenses and deferred charges			24,073	9	25,605
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	103,063,159			
	b	Less accumulated depreciation	10b	60,065,657	39,756,358	10c	42,997,502
	11	Investments—publicly traded securities				11	0
	12	Investments—other securities See Part IV, line 11			20,444,293	12	19,719,446
	13	Investments—program-related See Part IV, line 11				13	0
	14	Intangible assets				14	0
	15	Other assets See Part IV, line 11				15	0
16	Total assets. Add lines 1 through 15 (must equal line 34)			75,067,661	16	77,190,937	
Liabilities	17	Accounts payable and accrued expenses			7,172,575	17	8,475,976
	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			473,721	23	360,781
	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			53,938,085	25	53,040,402
	26	Total liabilities. Add lines 17 through 25			61,584,381	26	61,877,159
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			13,483,280	27	15,313,778
	28	Temporarily restricted net assets				28	
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			13,483,280	33	15,313,778
	34	Total liabilities and net assets/fund balances			75,067,661	34	77,190,937

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	116,509,606
2	Total expenses (must equal Part IX, column (A), line 25)	2	113,122,856
3	Revenue less expenses Subtract line 2 from line 1	3	3,386,750
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	13,483,280
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	-1,556,252
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	15,313,778

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? 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 ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis		No
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 ☐ Separate basis ☒ Consolidated basis ☐ 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	

Additional Data

Software ID: 12000229

Software Version: 2012v2.0

EIN: 93-0591528

Name: LEGACY MOUNT HOOD MEDICAL CENTER

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (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 DIRECTOR	3 00 0 00	X						0	0	0
DAVID E EAGER CFO & TREASURER	0 00 40 00	X		X				0	661,662	59,796
P CAMPBELL GRONER III SR VP & SEC	0 00 40 00	X		X				0	534,857	130,283
GEORGE J BROWN MD President & CEO	0 00 40 00	X		X				0	1,450,450	381,385
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 MCDUGALL 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
CAROL A BRADLEY SR VP	0 00 40 00				X			0	429,479	81,250
LOW L LEWIS SR VP	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
GLEN 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
GRETCHEN M NICHOLS CAO	40 00 0 00				X			346,966	0	60,678

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			
SONJA O STEVES SR VP	0 00 40 00				X			0	388,659	95,849
TRENT S GREEN SR VP	0 00 40 00				X			0	423,222	75,838
GEORGE A CIOFFI MD SR VP	0 00 40 00				X			0	355,597	65,241
JEANNIE C LEE NURSE ANESTHETIST	40 00 0 00					X		170,060	0	34,009
MARCIA S SODERLING NURSE EXECUTIVE	40 00 0 00					X		188,406	0	24,066
ROBERT R ROWBOTHAM PHYSICIST	40 00 0 00					X		176,755	0	38,576
MAURI TRAYLOR NURSE ANES	40 00 0 00					X		188,645	0	24,823
SHARON L TRUJILLO NURSE ANES	40 00 0 00					X		164,929	0	34,613
BRYCE HELGERSON FORMER CAO	0 00 40 00						X	0	382,495	39,729
PAMELA VUKOVICH FORMER SR VP TREAS	0 00 40 00						X	0	230,511	86,196

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 MOUNT HOOD MEDICAL CENTER	Employer identification number 93-0591528
--	--

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - 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 MOUNT HOOD MEDICAL CENTER	Employer identification number 93-0591528
--	--

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

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

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

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

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$ _____
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt 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 Form 1120-POL for this year?	☐ Yes ☐ No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)			290,854												
c Total lobbying expenditures (add lines 1a and 1b)			290,854												
d Other exempt purpose expenditures		98,560,561	1,288,839,396												
e Total exempt purpose expenditures (add lines 1c and 1d)		98,560,561	1,289,130,250												
f Lobbying nontaxable amount Enter the amount from the following table in both columns		1,000,000	1,000,000												
<table><tr><th>If the amount on line 1e, column (a) or (b) is:</th><th>The lobbying nontaxable amount is:</th></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?		☐ Yes ☒ No													

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 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	185,614	288,019	290,854	1,028,412
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)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

▶ **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 MOUNT HOOD MEDICAL CENTER	Employer identification number 93-0591528
---	---

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes☐ No	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes☐ No	

Part II

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

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or education)☐ 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	

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	99,721	82,987	71,518	115,981	108,298
b Contributions	73,894	34,525	46,401	157,461	43,990
c Net investment earnings, gains, and losses	359	371	40		
d Grants or scholarships					
e Other expenditures for facilities and programs	79,796	18,162	34,972	201,924	36,307
f Administrative expenses					
g End of year balance	94,178	99,721	82,987	71,518	115,981

2

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

a

Board designated or quasi-endowment ▶ 100 000 %

b

Permanent endowment ▶

c

Temporarily restricted endowment ▶

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

3a

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

(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		1,494,569		1,494,569
b Buildings		54,584,025	30,786,123	23,797,902
c Leasehold improvements		1,512,596	1,200,050	312,546
d Equipment		40,286,423	28,079,484	12,206,939
e Other		5,185,546		5,185,546
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) ▶				42,997,502

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	116,286,725
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	252,601		
e	Add lines 2a through 2d			2e	252,601
3	Subtract line 2e from line 1			3	116,034,124
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b	475,482		
c	Add lines 4a and 4b		4c		
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)			5	116,509,606

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return						
1	Total expenses and losses per audited financial statements				1	112,912,397
2	Amounts included on line 1 but not on Form 990, Part IX, line 25					
a	Donated services and use of facilities	2a				
b	Prior year adjustments	2b				
c	Other losses	2c				
d	Other (Describe in Part XIII)	2d	252,601			
e	Add lines 2a through 2d				2e	252,601
3	Subtract line 2e from line 1				3	112,659,796
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:					
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a				
b	Other (Describe in Part XIII)	4b	463,060			
c	Add lines 4a and 4b		4c			
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)				5	113,122,856

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	AUXILIARY EXPENSE \$42050 FOUNDATION CONTRIBUTION \$32548 ROUNDING \$506 OCCUPANCY EXPENSE \$245580 OTHER EXPENSE \$0 MEDICAL STAFF EXPENSE \$104874 GAIN / LOSS OF SALE OF ASSETS \$37502
Part XII, Line 2d	Part XII, Line 2d Other expenses and losses per audited F/S	PROGRAM SERVICE REVENUE RECLASS \$252601
Part XI, Line 4b	Part XI, Line 4b Other revenue amounts included on 990 but not included in F/S	AUXILIARY INCOME \$46038 FOUNDATION CONTRIBUTION \$32548 ROUNDING \$-1171 OCCUPANCY EXPENSE \$245580 OTHER EXPENSE \$0 MEDICAL STAFF INCOME \$114985 GAIN / LOSS OF SALE OF ASSETS \$37502 FOUNDATION CAPITAL CONTRIBUTION \$0
Part XI, Line 2d	Part XI, Line 2d Other revenue amounts included in F/S but not included on form 990	PROGRAM SERVICE REVENUE RECLASS \$252601
Part V, Line 4	Part V, Line 4 Intended uses of the endowment fund	Endowment funds disclosed in Part V are used to improve the healthcare of the community as designated by the donors. Mount Hood Medical Center Foundation (MHMCF) maintains all charitable gifts including endowment funds for the benefit of LMHMC and it's programs. Income from permanently restricted net assets is accounted for in accordance with the donors' instructions. Legacy follows the guidance in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in determining the net asset classification of all donor-restricted endowment funds. In accordance with UPMIFA and board policy, assets classified as permanent endowments in accordance with donor intent are only utilized for current period expenditures to the extent that earnings on the endowment exceed the original fair value of the donation. To the extent earnings on endowment funds exceed identified expenditures on which to apply those earnings, the earnings are classified as temporarily restricted net assets. Legacy has adopted investment and spending policies for endowment assets to provide a predictable stream of funding to programs supported by its endowment and to maintain the value of the endowment assets. Asset allocation is reviewed quarterly with respect to: i) Legacy's tolerance for risk based on its financial condition and need for cash from investments to support operations, ii) expected asset class return, risk and correlation characteristics, iii) changes in accounting guidance or tax law and iv) changes in bond covenants or other restrictions. Legacy's spending practices are intended to comply with donor's wishes and meet all applicable laws and regulations. Spending must be for a purpose that is consistent with the documented intent of the donor, and may not exceed the amounts annually determined by Legacy. Factors that are considered in addressing the annual spending allocation are: i) market value of the fund relative to the principal of the gift and ii) the level of spending in prior years. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Legacy to retain as a fund of perpetual duration. Deficiencies of this nature are reported as a reduction to unrestricted net assets and are excluded from the performance indicator.

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 MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," 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 ☒ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) 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 ☐ 100% ☐ 150% ☒ 200% ☐ 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 ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☒ 400% ☐ 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)			8,608,550		8,608,550	7 610 %
b Medicaid (from Worksheet 3, column a)			19,957,941	12,522,557	7,435,384	6 570 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			28,566,491	12,522,557	16,043,934	14 180 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			49,754		49,754	0 040 %
f Health professions education (from Worksheet 5)			341,841		341,841	0 300 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			164,534		164,534	0 150 %
j Total Other Benefits			556,129		556,129	0 490 %
k Total. Add lines 7d and 7j			29,122,620	12,522,557	16,600,063	14 670 %

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

10,800,732

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

7,668,520

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

15,163,798

6

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

6

19,370,746

7

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

7

-4,206,948

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 MT HOOD MEDICAL CENTER 24800 SE STARK ST PORTLAND, OR 97030 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 MT HOOD MEDICAL CENTER

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	☒ A definition of the community served by the hospital facility		
b	☒ Demographics of the community		
c	☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	☒ How data was obtained		
e	☒ The health needs of the community		
f	☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	☒ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	☒ The process for consulting with persons representing the community's interests		
i	☒ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	☐ Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a 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	☒ Hospital facility's website		
b	☐ Available upon request from the hospital facility		
c	☐ Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	☒ Execution of the implementation strategy		
c	☒ Participation in the development of a community-wide plan		
d	☒ Participation in the execution of a community-wide plan		
e	☒ Inclusion of a community benefit section in operational plans		
f	☒ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	☒ Prioritization of health needs in its community		
h	☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	☒ Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted 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 ☒ Income level			
b ☒ Asset level			
c ☒ Medical indigency			
d ☒ Insurance status			
e ☒ Uninsured discount			
f ☒ Medicaid/Medicare			
g ☒ State regulation			
h ☐ Other (describe in Part VI)			
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 ☒ The policy was posted on the hospital facility's website			
b ☒ The policy was attached to billing invoices			
c ☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☒ The policy was posted in the hospital facility's admissions offices			
e ☒ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☒ The policy was available upon request			
g ☐ 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 ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ 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 ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ 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	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

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	☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	☒ Other (describe in Part VI)		
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, 6l, 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, 6l, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
	Part VI - States Where Community Benefit Report Filed	OR
	Part VI - Affiliated Health Care System Roles and Promotion	LMHMC is a subsidiary of Legacy Health (Legacy) Legacy is an integrated health system based in Portland, Oregon and primarily operates five acute care hospitals and related services (e g , physician practices, hospice, preferred provider network) in the four county metro area of Portland and SW Washington The Legacy Board is comprised of community and business leaders as well as representatives of the medical staff The LMHMC medical staff is open, with physicians submitting credentialing information reviewed according to LMHMC policies and standards In 1998, the Legacy Board approved a \$10 million Community Health Fund from operating revenue to address major community health issues About \$500,000 annually has been granted to community-based projects addressing racial and ethnic inequities and root causes These dollars are in addition to the system's generous charitable contributions The Community Health Fund has provided 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 Wallace Medical Concern, SnowCap and the local schools

Identifier	ReturnReference	Explanation
	Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	Non-cash donations of resources include clinical and non-clinical services and items such as screenings and support services, internships, information and referral services and health fairs Legacy's warehouse is located on Legacy Good Samaritan's campus and is open to nonprofit organizations to obtain surplus equipment and furniture In addition, conference room space is made available to local nonprofits for Board and community meetings Clinical staff at Legacy hospitals are involved with local communities through many child safety programs In 1986, nurses in Emanuel Hospital's Level I Trauma Center developed the Trauma Nurses Talk Tough (TNTT) program Taught by trauma and emergency medical professionals, the program reaches 56,000 people each year The American Hospital Association awarded the TNTT program its NOVA Award In addition, Legacy staff members conduct free education sessions to show parents how to properly install car seats Last year, Legacy staff fit and sold more than 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
	Part VI - Community Information	LMHMC is located in Gresham, a suburban area about 35 miles east of downtown Portland The total service area extends from the Columbia River in the north to Estacada in the south and from 122nd Avenue in the west to Mt Hood in the east The five mile primary service area includes the cities/towns of Gresham, Troutdale, Fairview and Wood Village Zip codes for the primary service area include 97030, 97060, 97230, 97233, 97236, 97019 and 97080 While Gresham is the fourth largest city in Oregon, the other communities are much smaller in population The communities are contiguous to each other People living in this area perceive themselves as distinct from Portland, Oregon, although the majority works in Portland The towns have strong local governments and identities The primary service area is situated in the eastern third of the same county as the larger urban core--Portland (referred to as East Multnomah County) This presents challenges as the urban center/county seat consumes the majority of dollars and services and East Multnomah County often feels ignored The situation is especially pressing as demographics are shifting such that East Multnomah County requires additional services and dollars, but struggles to be heard relative to Portland The area is working diligently to have a stronger employment base which is critical for schools, public sector services and autonomy within the county In November 2010, the Portland State University (PSU) Population Research Center reported the Oregon metro area tri-county population at 1,644,535 residents, with Clark County, the four county area was 2,080,926 The population of the five mile primary service area was 116,486 in 2010 Annual growth from 2010 to 2015 is projected to be 1.5% East Multnomah County is expected to grow at a higher rate than West Multnomah County In 2009, the median age in Oregon was 37.8 years and 36.9 years in Multnomah County In 2010 the LMHMC primary service area was 78.9% non-Hispanic white, 11.9% Hispanic, 1.9% African American, 3.2% Asian, 3.0% bi-racial and 0.7% Native American It is commonly recognized that communities of color may be undercounted in census numbers As home and rental costs in the City of Portland have increased significantly in the past decade, communities of color have sought housing in the surrounding communities The range of languages spoken at home is significant within segmented areas of East Multnomah County More than 45 languages are spoken in the East County public schools The African American/Black population continues to be most concentrated in the historical neighborhoods of North/Northeast Portland, but increased housing prices in those areas have resulted in this population shifting toward East Multnomah County Hispanics are moving into the LMHMC service area at a higher rate than any other group (more than doubling in numbers in the past 15 years) Additionally, they have a higher birth rate than other communities of color The Hispanic population accounts for about one-fifth of the births in Oregon, while they make up just one-tenth of the population Between 1995 and 2004 babies born to Hispanic mothers increased 67 percent It is projected that communities of color will make up the majority of the Oregon population by 2040, and that 25 percent of the population will be Hispanic A number of the elementary schools in East County are 50 percent Hispanic The Slavic community, in addition to the Hispanic community, has settled in the area While still a small population relative to the entire metro area, specific geographic areas are experiencing significant growth in the Slavic population, particularly in the southern East Multnomah 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 population The immigrant and refugee population is growing significantly in the region Recent immigrants and refugees are more likely to be culturally and linguistically isolated Speaking a language other than English at home has increased significantly, particularly in East County and specific neighborhoods such as Rockwood which is located on the edge of west Gresham Spanish is the most common language spoken followed by Slavic languages Catholic Healthcare West and Thomson Reuters developed the Community Needs Index (CNI), a tool that produces a composite picture of needs using a variety of demographic and socioeconomic indicators The CNI is increasingly being used as the national standard in identifying communities with health disparities and comparing relative need A higher score indicated a greater need The location of one of the top four self-pay zip codes for all Legacy hospitals is in the LMHMC service area The LMHMC is the sole hospital in the primary service area Three other health systems have a strong clinic presence With the long-standing income disparities and increase in diversity in the LMHMC area, safety net services have expanded and emerged Multnomah County Health Department operates FQHCs in inner Gresham and Rockwood, a neighborhood on the western edge of Gresham (the site of one of the highest Community Needs Index scores in the entire metro area) One-fourth of the census tracts in Rockwood have "Medically Underserved Population" designation with an uninsured population of 30% Two safety net clinics serve the area One is a physician staffed nonprofit in Gresham The other in Rockwood is Wallace Medical Concern a volunteer staffed clinic which receives Legacy's financial support, donated laboratory services and board representation Wallace recently moved into a permanent expanded space and is seeking FQHC look-alike status and projects serving 5900 patients annually within the second year of the move Legacy Medical Group Clinic in Sandy is 13 miles from the hospital and is a designated Rural Health Center A local non-profit, Project Access NOW, links uninsured low income individuals to no-cost healthcare services All of the health systems in the metro area are very involved with this program Legacy Health provides cash donations, free administrative office space for Project Access NOW as well as clinical services In FY 13, LMHMC provided \$8.6 million in charity care and \$19.8 million in total unpaid costs of care for those in need LMHMC has historically been among the highest charity care provider as percent of charges among all metro area hospitals

Identifier	ReturnReference	Explanation
	Part VI - Patient Education of Eligibility for Assistance	LMHMC employs financial counselors and social workers that assist patients in obtaining coverage for their healthcare needs This includes assistance with workers compensation, motor vehicle accident policies, COBRA , veterans' assistance, LMHMC's financial assistance program, and public assistance programs, such as Medicaid The criteria for financial assistance under LMHMC's program is determined based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient's inability to pay for medically necessary services provided Specifically, the LMHMC Financial Assistance Program provides an uninsured discount of 15% to patients who have resided within LMHMC's primary service area for a period of six months, are uninsured for hospital care, and have a household income of less than \$100,000 annually Further discounts are available for patients, on a sliding scale, whose household income is less than 400% of the federal poverty level or roughly \$92,200 for a family of four in Portland, Oregon For patients whose household income is at or below 200% of the federal poverty level, a full subsidy is available In addition to the household income criteria, the patients' qualified assets (e g 25% of household assets), and other catastrophic or economic circumstances are considered in determining eligibility In addition to financial counselors and social workers, LMHMC makes every effort to communicate its Financial Assistance Program to all patients This includes signage in main admitting areas of each hospital and brochures explaining financial assistance in all patient care areas, as well as in appropriate languages Financial counselors are available to assist patients in understanding and applying for available resources, including the LMHMC Financial Assistance Program LMHMC's website also has information about the availability of financial assistance LMHMC offers financial assistance customer service Monday through Friday, as well as the availability of voice mail so patients can leave confidential, detailed messages during non-business hours Finally all of Legacy's billing statements include information regarding the availability of financial assistance If LMHMC requires the use of a collection agency, those agencies are required to provide a telephone number that patients can call to request financial assistance In 2010, Legacy Health established the Health Literacy initiative Nearly all Legacy employees are touch points to patients and families and health literacy is involved in every touch pointWhat 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 way 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 LMHMC provides copies of the latest policies in main admitting areas, as well as through newsletters and other publications Since 2008, the four county metro area health delivery systems (encompassing all hospitals in the area) and safety net clinics have partnered to establish a seamless, coordinated program to provide care for the low income uninsured, Project Access This program enables low income uninsured patients to receive continuity of care in earlier stages of acuity due to the collaboration among 2800 providers and all health systems
	Part VI - Needs Assessment	Senior leadership, in conjunction with the Board of Directors, continually assesses the needs of the communities it serves through a compilation of primary and secondary market research (qualitative and quantitative), medical staff input, reviewing national trends and practices, working with local foundations and funders regarding their assessments, and working with local community-based partners to understand their needs The goal is to understand the needs and develop programs specific to the community Involvement is both proactive and responsive - a leadership role in initiating programs as well as being readily available as a collaborative partner when the community asks The outcome of these assessments is the development of both long-term and fiscal year plans that are supported by a yearly budget that is proposed by staff and approved by the Board of Directors During 2010, Legacy Health conducted a community needs assessment The results of the assessment were available in July of 2011 and can be found at www.LegacyHealth.org The region served by Legacy Mount Hood Medical Center (LMHMC), along with most of Oregon, is experiencing significant challenges in population growth, economic development, education and health care Recognizing that social and economic determinants impact health, LMHMC has been and will remain committed to addressing these issues to improve the health of all residents in the community, including equity among ethnically diverse populations

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 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.
Number of Hospital Facility - 1	Part V, Line 7 - Explanation of Needs Not Addressed and Reasons Why	Legacy Mount Hood did not address needs identified in the Community Needs Assessment for the reasons explained in the following, by need. These are included in the Community Needs Assessment and Implementation Strategies Plan: NEED: Mental Health. Limited financial and labor resources prevent addressing as need. NEED: Addiction/Substance Abuse. Limited financial and labor resources prevent addressing as need. NEED: Public Health. Limited financial and labor resources prevent addressing as need. NEED: Dental. Limited financial and labor resources prevent addressing as need. NEED: Childhood Obesity and Physical Activity. Limited financial and labor resources prevent addressing as need. NEED: Natural Environment. Limited financial and labor resources prevent addressing as need. NEED: Early Childhood. Limited financial and labor resources prevent addressing as need. NEED: HIV/AIDS. Limited financial and labor resources prevent addressing as need. NEED: Transgender Care. Limited financial and labor resources prevent addressing as need. NEED: Autism. Limited financial and labor resources prevent addressing as need.

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 1	Part V, Line 6 - Describe Other Needs Identified	The action plan for Legacy Mt Hood can be found at www.legacyhealth.org Using these criteria and the lens of racial and ethnic equity, a Legacy Mount Hood Medical Center Implementation Strategies Plan details needs and implementation strategies in order of priority. All needs expressed by stakeholders related to health, health care and public health are listed, including those not addressed as a focus priority due to lack of financial and labor resources. Many needs beyond the five focus areas are addressed within hospital services and activities and these can be found in the Plan. Legacy Mount Hood's resources and strengths are on 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 Mount Hood will focus on communities of color, charity care, access to health care, health literacy and youth and education.
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 Salmon Creek Medical Center.

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 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 www.Legacyhealth.org Input from persons who represent the community consisted of one on one personal interviews conducted by leadership with 56 elected officials (state, county and city) and public sector (public health, human services), faith, business and community nonprofit organization members, including representatives of culturally, racially and ethnically diverse and low income communities Interviewees were intentionally designated based on their direct involvement with organizations Venetta Abdellatif, Director, Multnomah County Health DepartmentJudy Alley, Executive Director, Snow CapThomas D Aschenbrener, President/CEO, Northwest Health FoundationMichael Balter, Executive Director, Boys and Girls Aid SocietyCarolyn Becic, Executive Director, Oregon MentorsCindy Becker, Administrator, Clackamas County Health and Human ServicesThe Right Rev David Brauer-Rieke, Bishop, Oregon Lutheran Synod ELCARachel Bristol, Executive Director, Oregon Food BankSam Brooks, Former President, Oregon Association of Minority EntrepreneursLorena Campbell, Liaison, East Multnomah County Schools LiaisonMargaret Carter, Deputy Director of Human Services, Oregon Department of Human ServicesGale Castillo, Executive Director, Hispanic Metropolitan ChamberRobin Christian, Executive Director, Children First for OregonLisa Cline, Executive Director,The Wallace Medical ConcernJeff Cogen, Chair, Multnomah CountyRodney Cook, Director, Clackamas Office of Children and FamiliesCarlos Crespo, DrPh, Director, Portland State University School of Community HealthMarie Dahlstrom, Executive Director, Familias en AccionAndy Davidson, President/CEO, Oregon Association of Hospitals and Healthcare SystemsMarty Davis, Publisher, Just OutChris DeMars, Program Officer, NW Health FoundationJean DeMaster, Executive Director, Human SolutionsKevin Dowling, Program Manager,CARES NWErin Fair, Policy Director, Care OregonPietro Ferrari, Executive Director, HaciendaJeana Frazzini, Executive Director, Basic Rights OregonJoanne Fuller, Director, Human ServicesMultnomah CountyBruce Goldberg, MD, Director, Oregon Department of Human Services Janie Griffin, Dean, Mt Hood Community CollegeGuadalupe Guajardo, Senior Consultant,Nonprofit Association of OregonMary Lou Hennrich, Executive Director, Oregon Public Health InstituteDonna Larson, Dean of Allied Health, Mt Hood Community CollegeDavid Leslie, Executive Director, Ecumenical Ministries of OregonMarc Levy, Executive Director, United Way of the Columbia WillametteAdrienne Livingston, Executive Director, Black United FundNichole Maher, Executive Director, Native American Youth and Family CenterDiane McKeel, Commissioner, Multnomah CountyCorliss McKeever, President/CEO, African American Health CoalitionLaurie Monnes-Anderson, State Senator, Oregon State SenateVicki Nakashima, Partners in DiversityCarol Neilson-Hood, Executive Director,Gresham Area Chamber of CommerceLinda Nilsen-Solares, Executive Director, Project Access NOWCarman Rubio, Executive Director, Latino NetworkJim Schlachter, Superintendent, Gresham Barlow School DistrictLillian Shirley, Director, Multnomah County Health DepartmentJohn Sygielski, EdD,President, Mt Hood Community CollegeLynn Thompson, CEO, Big Brothers Big Sisters Columbia NorthwestTricia Tillman, Administrator,Oregon Multicultural Health and ServicesJoshua Todd, Director,Multnomah County Commission on Children, Families and CommunityGreg Van Pelt, Chief Executive Oregon,Providence Health and Services Oregon RegionMaree Wacker, CEO, American Red Cross Oregon Trail ChapterLarry Wallack, DrPH, Dean, Portland State University College of Urban and Public AffairsJoyce White, Executive Director, Grantmakers of OR and SW WAWim Wievel, PhD, President, Portland State UniversityGloria Wiggins, Division Manager, El Programa Hispano
	Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	Legacy provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its financial assistance policy Since Legacy does not pursue collection of amounts determined to qualify as charity care, they are excluded from net patient service revenues

Identifier	ReturnReference	Explanation
	Part III, Line 8 - Explanation Of Shortfall As Community Benefit	The entire Medicare shortfall should be considered a community benefit. Medicare shortfalls must be absorbed by the hospital in order to continue treating the elderly in the community served by the hospital. The hospital provides care regardless of this shortfall and thereby relieves the federal government of the burden of paying the full cost for Medicare beneficiaries. The Medicare amounts listed in Part III Section B on lines 5, 6, and 7 do not represent all of the organization's revenues and costs associated with its participation in Medicare programs. The methodology used in reporting in Part III Section B Medicare is inconsistent with the other sections in Schedule H, as the instructions limit Medicare revenues and allowable cost to those from only the Medicare Cost Report. Revenue and costs from Medicare Part C patients, Part B physician services billed by the organization, and clinical laboratory services weren't included. In addition, hospitals incur other costs to provide care that Medicare does not allow in the cost report, such as Physician Call pay to ensure adequate physician coverage for the ED. The total revenues and costs attributable to all Medicare services are \$35,208,373 and \$38,705,448 respectively. This results in a total Medicare shortfall of \$3,497,075. 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.
	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.

Identifier	ReturnReference	Explanation
	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 71% of Households in the LMHMC service area would qualify for financial assistance with incomes under 400% of the Federal Poverty Guidelines under this methodology
	Part III, Line 2 - Methodology Used To Estimate Bad Debt Expense	LMHMC uses many different approaches to inform and educate patients on the availability of financial assistance as is described later in Part VI of Schedule H Still, many patients do not respond to requests for information or provide appropriate documentation to benefit from financial assistance As a result, LMHMC must report these amounts as bad debt A portion of bad debt expense should be considered as charity care, using reasonable methodologies to analyze the information

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 MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

Part I

Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☐ Health or social club dues or initiation fees ☐ Personal services (e g , maid, chauffeur, chef)		
b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement 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 ☐ Compensation committee ☐ Independent compensation consultant ☐ Form 990 of other organizations ☐ Written employment contract ☐ Compensation survey or study ☐ Approval by the board or compensation committee		
4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a Receive a severance payment or change-of-control payment?	4a	Yes
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes
c Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a The organization?	5a	No
b Any related organization?	5b	No
If "Yes," to line 5a or 5b, describe in Part III		
6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a The organization?	6a	Yes
b Any related organization?	6b	Yes
If "Yes," to line 6a or 6b, describe in Part III		
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	No
8 Were any amounts reported in Form 990, Part VII, paid or 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.

Software ID: 12000229

Software Version: 2012v2.0

EIN: 93-0591528

Name: LEGACY MOUNT HOOD MEDICAL CENTER

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
TRENT S GREEN	(i) (ii)	325,288	59,154	38,780	45,194	30,644	499,060	40,454
SONJA O STEVES	(i) (ii)	299,746	52,572	36,341	71,639	24,210	484,508	35,749
SHARON L TRUJILLO	(i) (ii)	166,239	825	-2,135	10,859	23,754	199,542	
ROBERT R ROWBOTHAM	(i) (ii)	172,795	875	3,085	14,380	24,196	215,331	
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
MAURI TRAYLOR	(i) (ii)	189,219	875	-1,449	15,208	9,615	213,468	
MAUREEN A BRADLEY	(i) (ii)	235,001	53,468	5,169	19,568	19,731	332,937	
MARCIA S SODERLING	(i) (ii)	169,477	16,560	2,369	12,208	11,858	212,472	
LOW L LEWIS	(i) (ii)	333,181	39,176	81,026	36,931	26,199	516,513	16,213
JOHN J KENAGY	(i) (ii)	274,619	10,000	5,133	23,607	15,662	329,021	
JEANNIE C LEE	(i) (ii)	170,737	837	-1,514	16,299	17,710	204,069	
GRETCHEN M NICHOLS	(i) (ii)	261,734	57,828	27,404	36,997	23,681	407,644	30,719
GLEN 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
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
BRYCE HELGERSON	(i) (ii)	288,346	56,052	38,097	29,808	9,921	422,224	35,276

SCHEDULE M
(Form 990)

Noncash Contributions

OMB No 1545-0047

2012

Open to Public Inspection

►Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
► Attach to Form 990.

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

Part I

Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods	X		34,704	
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ► ()				
26 Other ►()				
27 Other ►()				
28 Other ► ()				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement29

30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?

30a

No

b If "Yes," describe the arrangement in Part II

31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?

31

No

32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?

32a

No

b If "Yes," describe in Part II

33 If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II

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

Cat No 51227J

Schedule M (Form 990) (2012)

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

**Open to Public
Inspection**

Name of the organization LEGACY MOUNT HOOD MEDICAL CENTER	Employer identification number 93-0591528
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Identifier	Return Reference	Explanation
	Form 990, Schedule J	Schedule J Reporting of Officers and Senior Management on Legacy Affiliate Returns The Legacy Officers, Senior Vice Presidents and other key employees may have responsibilities for the operations of the entire health system, including the affiliated entities Their compensation is paid from and reported on the Legacy return(EIN 23-7426300) The compensation is reported again for informational purposes on related affiliated entity returns including, Legacy Emanuel Hospital & Health Center, Legacy Good Samaritan Hospital and Medical Center, Legacy Meridian Park Hospital, Legacy Mount Hood Medical Center, Legacy Salmon Creek Hospital, Legacy Visiting Nurse Association, and Legacy Adventist Venture

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

Identifier	Return Reference	Explanation
	Form 990, Part VI, question 2	Legacy Health System CPC, LLC (CPC) is a common pay agent for Legacy and its affiliates. The CPC files all required federal employment tax returns for Legacy and its affiliates. The number of employees reported on Form W-3 for LMHMC is 712.

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

Identifier	Return Reference	Explanation
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Decreases	Rounding = -\$5

Identifier	Return Reference	Explanation
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Decreases	IN KIND DONATION = -\$34704

Identifier	Return Reference	Explanation
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Decreases	Change in additional minimum pension liability = - \$1521543

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

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

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	The following is a summary of Legacy's policy and procedures for conflict of interest disclosure, monitoring and resolution All Legacy employees and non-employees in leadership positions (e g , Board members, Foundation Trustees, Medical Directors) are required to disclose potential conflicts of interest as the conflict arises All employees 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)

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 Mount Hood Medical Center were discussed with the Board Audit Committee.

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

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

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

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 MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

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
(1) MANAGED HEALTHCARE NORTHWEST 1919 NW LOVEJOY ST PORTLAND, OR 97208 93-0914759	MEDICAL	OR	LEGACY MOUNT HOOD MEDICAL CENTER	C	-746	804,550	75 000 %	Yes	

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

No

No

No

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) MT HOOD MEDICAL CENTER FOUNDATION	m	86,199	Actual Cost
(2) MT HOOD MEDICAL CENTER FOUNDATION	c	85,864	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: 93-0591528
Name: LEGACY MOUNT HOOD MEDICAL CENTER

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.

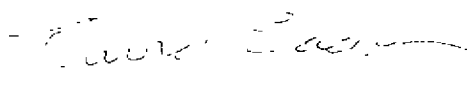
Management is responsible for establishing and maintaining a system of internal controls over financial reporting and safeguarding assets against unauthorized acquisition, use or disposition. This system is designed to provide reasonable assurance as to the integrity and reliability of financial reporting 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

Liabilities and Net Assets		2013	2012
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)

	<u>2013</u>	<u>2012</u>
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	<u>1,365,160</u>	<u>1,326,428</u>
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	<u>1,316,066</u>	<u>1,271,258</u>
Income from operations	<u>49,094</u>	<u>55,170</u>
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	<u>39,484</u>	<u>11,963</u>
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	<u>\$ 62,941</u>	<u>808</u>

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
	<u>63,448</u>	<u>1,405</u>
Change in unrestricted net assets, controlling interest		
Unrestricted net assets, noncontrolling interest		
Revenues in excess of expenses	4,807	4,988
Distributions	(5,314)	(5,585)
	<u>(507)</u>	<u>(597)</u>
Change in unrestricted net assets, noncontrolling interest		
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)	—
	<u>(2,443)</u>	<u>(2,020)</u>
Change in temporarily restricted net assets		
Permanently restricted net assets		
Donor-restricted contributions and grants	443	576
Other transfers	83	—
	<u>526</u>	<u>576</u>
Change in permanently restricted net assets		
Change in net assets	61,024	(636)
Net assets, beginning of year	894,152	894,788
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.

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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.

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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	—	66,164
Medicaid	—	255,055	136,251	118,804
Medicare	—	455,213	378,873	76,340
Other government programs	—	17,877	15,583	2,294
	—	794,309	530,707	263,602
Benefits to the community				
Medical education and support of research	—	22,579	6,162	16,417
Community health services	—	6,590	4,497	2,093
Community benefit activities	629	35	—	664
Donations to charitable organizations	243	833	—	1,076
Community Health Fund contributions	—	—	—	—
	—	307	—	307
	872	30,344	10,659	20,557
	\$ 872	824,653	541,366	284,159
Percentage of total operating expenses				21.6%

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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%,

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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

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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.

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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

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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.

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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:

	Year ended March 31	
	2013	2012
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%.

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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:

	Year ended March 31	
	2013	2012
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	\$ 51,256	25,024

(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.

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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

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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

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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.

LEGACY HEALTH AND AFFILIATES

Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

(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.

LEGACY HEALTH AND AFFILIATES

Notes to Consolidated Financial Statements

March 31, 2013 and 2012

(Dollars in thousands)

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

	Target allocation	2013	2012
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
Assets				
Cash and cash equivalents	\$ 5,731	—	—	5,731
Receivable under securities lending agreement	—	1,762	—	1,762
Small/mid cap domestic equity securities	25,761	—	—	25,761
Large cap domestic equity securities	60,796	—	—	60,796
International equity securities	14,487	—	—	14,487
International common/ collective trust	—	60,826	—	60,826
Fixed income mutual fund	127,286	—	—	127,286
Fixed income common/ collective trust	—	24,264	—	24,264
Absolute return funds	—	54,996	—	54,996
Private equity funds				
Funds of funds	—	—	35,069	35,069
Distressed situations	—	—	12,469	12,469
Real estate partnerships	—	26,508	30,350	56,858
Total assets at fair value	\$ 234,061	168,356	77,888	480,305
Liabilities				
Payable under securities lending agreement	\$ 1,789	—	—	1,789
Total liabilities at fair value	\$ 1,789	—	—	1,789

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

	Fair value measurements Level 3
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)

Assets	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Current assets				
Cash and cash equivalents	\$ 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)

Liabilities and Net Assets	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Current liabilities				
Accounts payable	\$ 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

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
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)

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

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)

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

See accompanying independent auditors' report on other financial information

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

LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Operations

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
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
	176,270	596,319	264,981	159,427	102,412
Income (loss) from operations	2,579	(2,688)	11,742	16,989	1,721
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)
	1,333	8,929	9,543	13,528	1,599
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	20,748	15,275	8,977	5,554
Interest and amortization	3,517	5,978	2,085	1,874	1,356
Management fees	—	87,881	47,782	25,982	15,881
	176,198	573,259	275,964	145,529	96,701
Income (loss) from operations	6,740	(1,975)	6,883	18,529	5,572
Other income (expenses):					
Investment income (loss), net	1,027	6,995	4,793	6,777	1,021
Loss on extinguishment of debt	(1,216)	—	—	—	—
Other, net	(1,589)	(1,508)	(228)	(144)	(148)
	(1,778)	5,487	4,565	6,633	873
Revenues in excess of (less than) expenses	\$ 4,962	3,512	11,448	25,162	6,445

See accompanying independent auditors' report on other financial information.

Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2012 consolidated
492,896	12,634	—	(193)	2,993,070	53,389	3,046,459
25,374	311	—	—	175,355	—	175,355
258,625	1,086	—	34,672	1,501,189	31,940	1,533,129
208,897	11,237	—	(34,865)	1,316,526	21,449	1,337,975
15,896	61	—	—	66,827	1,118	67,945
193,001	11,176	—	(34,865)	1,249,699	20,331	1,270,030
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)

	2013	2012	2011	2010
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 & 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.