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Form 990

## Return of Organization Exempt From Income Tax

2012

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

Open to Public Inspection

## A For the 2012 calendar year, or tax year beginning 10-01-2012, 2012, and ending 09-30-2013

B Check if applicable

Address change

Name change

Initial return

Terminated

Amended return

Application pending

C Name of organization  
SILVERTON HEALTH

Doing Business As

Number and street (or P O box if mail is not delivered to street address)  
342 FAIRVIEW STREETCity or town, state or country, and ZIP + 4  
SILVERTON, OR 97381

D Employer identification number

93-0281321

E Telephone number

(503) 873-1500

G Gross receipts \$ 111,023,852

F Name and address of principal officer  
RICHARD CAGEN  
342 FAIRVIEW STREET  
SILVERTON, OR 97381H(a) Is this a group return for affiliates?  
 Yes  NoH(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: ► SILVERTONHEALTH.ORG

K Form of organization  Corporation  Trust  Association  Other ►

L Year of formation 1918

M State of legal domicile OR

## Part I Summary

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

THROUGH SILVERTON HEALTH WE COME TOGETHER TO IMPROVE THE HEALTH OF OUR COMMUNITIES RECOGNIZING OUR RESPONSIBILITY FOR CAREFUL USE OF RESOURCES, IT IS OUR MISSION TO ENCOURAGE WELLNESS AND DELIVER QUALITY HEALTH CARE, TO ORGANIZE OURSELVES AS A COLLABORATIVE TEAM FOSTERING INTEGRITY, ACCOUNTABILITY AND INNOVATION, AND TO CREATE AN ENVIRONMENT THAT PROMOTES COMPASSION AND RECOGNIZES THE DIGNITY OF ALL, WITH SENSITIVITY TO THE VALUES AND CULTURES OF THOSE WHO ENTRUST US WITH THEIR CARE

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

3 Number of voting members of the governing body (Part VI, line 1a)	3	13
4 Number of independent voting members of the governing body (Part VI, line 1b)	4	12
5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	1,004
6 Total number of volunteers (estimate if necessary)	6	273
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	-292,834
b Net unrelated business taxable income from Form 990-T, line 34	7b	-903,948

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)	635,305	823,174
9 Program service revenue (Part VIII, line 2g)	106,854,625	106,948,982
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	39,768	104,438
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	4,529,500	3,146,163
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	112,059,198	111,022,757

	Prior Year	Current Year
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	161,455	211,254
14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	65,258,463	63,697,974
16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b Total fundraising expenses (Part IX, column (D), line 25) ►0		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	49,640,961	49,969,274
18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	115,060,879	113,878,502
19 Revenue less expenses Subtract line 18 from line 12	-3,001,681	-2,855,745

	Beginning of Current Year	End of Year
20 Total assets (Part X, line 16)	67,380,254	66,076,664
21 Total liabilities (Part X, line 26)	23,952,250	25,674,617
22 Net assets or fund balances Subtract line 21 from line 20	43,428,004	40,402,047

## 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	2014-08-13 Date
	DAN JESSUP CFO Type or print name and title	

Paid Preparer Use Only	Print/Type preparer's name WENDY CAMPOS	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN P00448102
	Firm's name ► MOSS ADAMS LLP			Firm's EIN ► 91-0189318	
	Firm's address ► 805 SW BROADWAY STE 1200 PORTLAND, OR 97205			Phone no (503) 242-1447	

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

### **Part III Statement of Program Service Accomplishments**

**Statement of Program Service Accomplishments**  
Check if Schedule Q contains a response to any question in this Part III

1

**1** Briefly describe the organization's mission

THROUGH SILVERTON HEALTH WE COME TOGETHER TO IMPROVE THE HEALTH OF OUR COMMUNITIES. RECOGNIZING OUR RESPONSIBILITY FOR CAREFUL USE OF RESOURCES, IT IS OUR MISSION TO ENCOURAGE WELLNESS AND DELIVER QUALITY HEALTH CARE, TO ORGANIZE OURSELVES AS A COLLABORATIVE TEAM FOSTERING INTEGRITY, ACCOUNTABILITY AND INNOVATION, AND TO CREATE AN ENVIRONMENT THAT PROMOTES COMPASSION AND RECOGNIZES THE DIGNITY OF ALL, WITH SENSITIVITY TO THE VALUES AND CULTURES OF THOSE WHO ENTRUST US WITH THEIR CARE.

**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 C.

3 Did the organization cease conducting, or make significant changes in how it conducts, any programs or 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 \$ 84,994,177 including grants of \$ 211,254 ) (Revenue \$ 110,387,979

GENERAL HOSPITAL INPATIENT AND OUTPATIENT CARE AND EDUCATION FOR PATIENTS IN THE LOCAL COMMUNITY, INCLUDING MEDICARE AND MEDICAID PATIENTS AND CHARITY CARE CHARGES WRITTEN OFF DUE TO INADEQUATE REIMBURSEMENT - \$66.7 MILLION CHARGES FORGONE FOR CHARITY CARE - \$11.5 MILLION

**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 ► 84,994,177**

**Part IV Checklist of Required Schedules**

1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A

2 Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?

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

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

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

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

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

8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III

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

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

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
- 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
- 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
- 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
- e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X
- f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part XI

12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII

12b 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

13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

14a Did the organization maintain an office, employees, or agents outside of the United States?

14b 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

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

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

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)

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

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

20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H

b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?

	Yes	No
1	Yes	
2	Yes	
3		No
4		No
5		No
6		No
7		No
8		No
9		No
10	Yes	
11a	Yes	
11b		No
11c		No
11d	Yes	
11e	Yes	
11f	Yes	
12a		No
12b	Yes	
13		No
14a		No
14b		No
15		No
16		No
17		No
18		No
19		No
20a	Yes	
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? If "Yes," complete Schedule I, Parts I and II	<input checked="" type="checkbox"/>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	<input checked="" type="checkbox"/>	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? If "Yes," complete Schedule J	<input checked="" type="checkbox"/>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25	<input checked="" type="checkbox"/>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		24b	No	
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		24c	No	
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		24d	No	
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I	<input checked="" type="checkbox"/>	25a	No	
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I	<input checked="" type="checkbox"/>	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? If "Yes," complete Schedule L, Part II	<input checked="" type="checkbox"/>	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? If "Yes," complete Schedule L, Part III	<input checked="" type="checkbox"/>	27	No	
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)				
a	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	<input checked="" type="checkbox"/>	28a	No	
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	<input checked="" type="checkbox"/>	28b	No	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV	<input checked="" type="checkbox"/>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M		29	No	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M		30	No	
31	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I		31	No	
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II		32	No	
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I	<input checked="" type="checkbox"/>	33	No	
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1	<input checked="" type="checkbox"/>	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)? If "Yes," complete Schedule R, Part V, line 2	<input checked="" type="checkbox"/>	35b	No	
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	<input checked="" type="checkbox"/>	36	No	
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI	<input checked="" type="checkbox"/>	37	No	
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O		38	Yes	

**Part V Statements Regarding Other IRS Filings and Tax Compliance**

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

		Yes	No
<b>1a</b> Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	<b>1a</b> 123		
<b>b</b> Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	<b>1b</b> 0		
<b>c</b> Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		<b>1c</b> Yes	
<b>2a</b> 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	<b>2a</b> 1,004		
<b>b</b> If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)		<b>2b</b> Yes	
<b>3a</b> Did the organization have unrelated business gross income of \$1,000 or more during the year?		<b>3a</b> Yes	
<b>b</b> If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O		<b>3b</b> Yes	
<b>4a</b> 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)?		<b>4a</b> No	
<b>b</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			
<b>5a</b> Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		<b>5a</b> No	
<b>b</b> Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		<b>5b</b> No	
<b>c</b> If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		<b>5c</b>	
<b>6a</b> 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?		<b>6a</b> No	
<b>b</b> If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		<b>6b</b>	
<b>7 Organizations that may receive deductible contributions under section 170(c).</b>			
<b>a</b> 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?		<b>7a</b> No	
<b>b</b> If "Yes," did the organization notify the donor of the value of the goods or services provided?		<b>7b</b>	
<b>c</b> Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		<b>7c</b> No	
<b>d</b> If "Yes," indicate the number of Forms 8282 filed during the year	<b>7d</b>		
<b>e</b> Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		<b>7e</b> No	
<b>f</b> Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		<b>7f</b> No	
<b>g</b> If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		<b>7g</b>	
<b>h</b> If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		<b>7h</b>	
<b>8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			
<b>9 Sponsoring organizations maintaining donor advised funds.</b>			
<b>a</b> Did the organization make any taxable distributions under section 4966?		<b>9a</b>	
<b>b</b> Did the organization make a distribution to a donor, donor advisor, or related person?		<b>9b</b>	
<b>10 Section 501(c)(7) organizations.</b> Enter			
<b>a</b> Initiation fees and capital contributions included on Part VIII, line 12	<b>10a</b>		
<b>b</b> Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	<b>10b</b>		
<b>11 Section 501(c)(12) organizations.</b> Enter			
<b>a</b> Gross income from members or shareholders	<b>11a</b>		
<b>b</b> Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	<b>11b</b>		
<b>12a Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?			
<b>b</b> If "Yes," enter the amount of tax-exempt interest received or accrued during the year	<b>12b</b>		
<b>13 Section 501(c)(29) qualified nonprofit health insurance issuers.</b>			
<b>a</b> Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O		<b>13a</b>	
<b>b</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	<b>13b</b>		
<b>c</b> Enter the amount of reserves on hand	<b>13c</b>		
<b>14a</b> Did the organization receive any payments for indoor tanning services during the tax year?			
<b>b</b> If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O		<b>14a</b> No	
		<b>14b</b>	

**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
<b>1a</b> Enter the number of voting members of the governing body at the end of the tax year	<b>1a</b>	13	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
<b>b</b> Enter the number of voting members included in line 1a, above, who are independent	<b>1b</b>	12	
<b>2</b> 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?	<b>2</b>		No
<b>3</b> 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?	<b>3</b>	Yes	
<b>4</b> Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	<b>4</b>		No
<b>5</b> Did the organization become aware during the year of a significant diversion of the organization's assets?	<b>5</b>		No
<b>6</b> Did the organization have members or stockholders?	<b>6</b>		No
<b>7a</b> 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?	<b>7a</b>		No
<b>b</b> Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	<b>7b</b>		No
<b>8</b> Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
<b>a</b> The governing body?	<b>8a</b>	Yes	
<b>b</b> Each committee with authority to act on behalf of the governing body?	<b>8b</b>	Yes	
<b>9</b> 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	<b>9</b>		No

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

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

### 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  
 DAN JESSUP 342 FAIRVIEW STREET SILVERTON, OR (503) 873-1548

**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**Check if Schedule O contains a response to any question in this Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

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

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

(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	Office	Key employee	Highest compensated	Former			
(1) GAYLE GOSCHIE CHAIRMAN	2 00	X		X				0	0	0
(2) DAVE BUCK VICE-CHAIR	2 00	X		X				0	0	0
(3) JOHN WEBSTER SECRETARY	2 00	X		X				0	0	0
(4) DARCY RUEF TREASURER	2 00	X		X				0	0	0
(5) ELIZABETH BLOUNT BOARD MEMBER	2 00	X						0	0	0
(6) BETH DAVISSON BOARD MEMBER	2 00	X						0	0	0
(7) MIKE DICKMAN BOARD MEMBER	2 00	X						0	0	0
(8) BOB ENGLE BOARD MEMBER	2 00	X						0	0	0
(9) FRANK GOLDEN BOARD MEMBER	2 00	X						0	0	0
(10) JANE JONES BOARD MEMBER	2 00	X						0	0	0
(11) GARY SIMON BOARD MEMBER	2 00	X						0	0	0
(12) JOHN ZIELINSKI BOARD MEMBER	2 00	X						0	0	0
(13) BROOKE RENARD BOARD MEMBER	2 00	X						0	0	0
(14) WILLIAM WINTER PRESIDENT EMERITUS	20 00			X				320,317	0	18,380
(15) RICHARD CAGEN PRESIDENT	40 00			X				487,077	0	17,240
(16) JEFF FRITSCHE CFO	40 00			X				0	0	0
(17) DAN JESSUP CFO	40 00			X				0	0	0

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

(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
		Or director	Individual trustee	Insti trustee	Offi ce	Key employee	Highest employee compensat per person			
(18) CHRISTINE DENNING COO	40 00			X				169,062	0	25,856
(19) LINDA DAMIANO COO CLINICS	40 00			X				138,317	0	14,347
(20) JEFF LORENZ VP SHARED SERVICES	40 00				X			229,948	0	30,551
(21) ROB JOHNSON VP PHYSICIAN STRATEGY & SERVICES	40 00				X			199,124	0	26,988
(22) TERRI MERRITT WORDEN VP HEALTH & WELLNESS	40 00				X			174,022	0	26,932
(23) DAVID THORSETT DOCTOR	40 00					X		655,832	0	31,780
(24) BRIAN PUSKAS DOCTOR	40 00					X		634,295	0	20,237
(25) RICHARD BLOCK DOCTOR	40 00					X		453,769	0	34,163
(26) MARC HOUSTON DOCTOR	36 00					X		407,243	0	23,582
(27) ROBERT CHISHOLM DOCTOR	36 00					X		374,906	0	31,528
<b>1b Sub-Total . . . . .</b>										
<b>c Total from continuation sheets to Part VII, Section A . . . . .</b>										
<b>d Total (add lines 1b and 1c) . . . . .</b>								4,243,912	0	301,584

**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 **►102**

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

**Section B. Independent Contractors**

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

(A) Name and business address	(B) Description of services	(C) Compensation
ANDERSON CONSTRUCTION CO INC PO BOX 6712 PORTLAND OR 97228	CONSTRUCTION	1,534,789
PROVIDENCE HEALTH SYSTEM-OREGON 1235 NE 47TH AVE SUITE 260 PORTLAND OR 97213	BILLING SERVICES	983,018
PROVIDENCE SILVERTON REHAB LLC PO BOX 3290 PORTLAND OR 97208	PATIENT SERVICES	777,648
PEACEHEALTH LABORATORIES 123 INTERNATIONAL WAY EUGENE OR 97401	LAB SERVICES	328,741
NETSCRIPT INC PO BOX 408 CLARKSVILLE AR 72830	TRANSCRIPTION	304,611

**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 **►23**

**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
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>	<b>1a</b> Federated campaigns . . . . .	<b>1a</b>			
	<b>b</b> Membership dues . . . . .	<b>1b</b>			
	<b>c</b> Fundraising events . . . . .	<b>1c</b>			
	<b>d</b> Related organizations . . . . .	<b>1d</b>	773,013		
	<b>e</b> Government grants (contributions)	<b>1e</b>	33,777		
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b>	16,384		
	<b>g</b> Noncash contributions included in lines 1a-1f \$		22,695		
	<b>h</b> <b>Total.</b> Add lines 1a-1f . . . . .		823,174		
<b>Program Service Revenue</b>	<b>2a</b> PATIENT SERVICES	Business Code 621990	106,948,982	106,948,982	
	<b>b</b>				
	<b>c</b>				
	<b>d</b>				
	<b>e</b>				
	<b>f</b> All other program service revenue				
	<b>g</b> <b>Total.</b> Add lines 2a-2f . . . . .		106,948,982		
	<b>3</b> Investment income (including dividends, interest, and other similar amounts) . . . . .		105,533		105,533
<b>4</b> Income from investment of tax-exempt bond proceeds					
<b>5</b> Royalties . . . . .					
<b>6a</b> Gross rents	(I) Real	(II) Personal			
<b>b</b> Less rental expenses					
<b>c</b> Rental income or (loss)					
<b>d</b> Net rental income or (loss) . . . . .					
<b>7a</b> Gross amount from sales of assets other than inventory	(I) Securities	(II) Other			
<b>b</b> Less cost or other basis and sales expenses					
<b>c</b> Gain or (loss)					
<b>d</b> Net gain or (loss) . . . . .					
<b>8a</b> Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .	a		-1,095		-1,095
<b>b</b> Less direct expenses . . . . .	b				
<b>c</b> Net income or (loss) from fundraising events . . . . .					
<b>9a</b> Gross income from gaming activities See Part IV, line 19 . . . . .	a				
<b>b</b> Less direct expenses . . . . .	b				
<b>c</b> Net income or (loss) from gaming activities . . . . .					
<b>10a</b> Gross sales of inventory, less returns and allowances . . . . .	a				
<b>b</b> Less cost of goods sold . . . . .	b				
<b>c</b> Net income or (loss) from sales of inventory . . . . .					
<b>Miscellaneous Revenue</b>	Business Code				
<b>11a</b> OTHER OPERATING REVENUES	900099	3,417,684	3,129,089	288,595	
<b>b</b> PASSTHROUGH INCOME	900099	-271,521	309,908	-581,429	
<b>c</b>					
<b>d</b> All other revenue . . . . .					
<b>e</b> <b>Total.</b> Add lines 11a-11d . . . . .		3,146,163			
<b>12</b> <b>Total revenue.</b> See Instructions . . . . .		111,022,757	110,387,979	-292,834	104,438

**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 

<b>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</b>	<b>(A) Total expenses</b>	<b>(B) Program service expenses</b>	<b>(C) Management and general expenses</b>	<b>(D) Fundraising expenses</b>
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21	211,254	211,254		
2 Grants and other assistance to individuals in the United States See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,556,506	1,050,340	506,166	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	49,248,807	34,474,165	14,774,642	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,969,582	1,378,707	590,875	
9 Other employee benefits	7,555,506	5,288,854	2,266,652	
10 Payroll taxes	3,367,573	2,357,301	1,010,272	
11 Fees for services (non-employees)				
a Management				
b Legal	302,161		302,161	
c Accounting	104,637		104,637	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	7,985,116	5,589,581	2,395,535	
12 Advertising and promotion	220,812	220,812		
13 Office expenses	593,943	415,760	178,183	
14 Information technology	978,030	684,621	293,409	
15 Royalties				
16 Occupancy	4,120,519	2,884,363	1,236,156	
17 Travel	84,037	58,826	25,211	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	128,110	89,677	38,433	
20 Interest	513,886	513,886		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	4,183,287	2,928,301	1,254,986	
23 Insurance	313,605	313,605		
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O )				
a SUPPLIES	11,671,619	8,170,133	3,501,486	
b CHARITY CARE	11,483,918	11,483,918		
c BAD DEBT EXPENSE	5,465,077	5,465,077		
d EQUIPMENT RENT	714,166	499,916	214,250	
e All other expenses	1,106,351	915,080	191,271	
<b>25 Total functional expenses.</b> Add lines 1 through 24e	113,878,502	84,994,177	28,884,325	0
<b>26 Joint costs.</b> 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 

		<b>(A)</b> Beginning of year	<b>(B)</b> End of year	
<b>Assets</b>				
1	Cash—non-interest-bearing	419,092	<b>1</b>	5,171,615
2	Savings and temporary cash investments	2		
3	Pledges and grants receivable, net	3		
4	Accounts receivable, net	17,429,647	<b>4</b>	15,017,008
5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		<b>5</b>	
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		<b>6</b>	
7	Notes and loans receivable, net	72,000	<b>7</b>	108,751
8	Inventories for sale or use	1,931,813	<b>8</b>	1,533,228
9	Prepaid expenses and deferred charges	1,509,438	<b>9</b>	1,371,871
10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	78,260,297	
b	Less accumulated depreciation	10b	41,965,451	
		36,350,642	<b>10c</b>	36,294,846
11	Investments—publicly traded securities		<b>11</b>	
12	Investments—other securities See Part IV, line 11		<b>12</b>	
13	Investments—program-related See Part IV, line 11	1,021,838	<b>13</b>	100,000
14	Intangible assets		<b>14</b>	
15	Other assets See Part IV, line 11	8,645,784	<b>15</b>	6,479,345
16	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34)	67,380,254	<b>16</b>	66,076,664
<b>Liabilities</b>				
17	Accounts payable and accrued expenses	10,102,460	<b>17</b>	12,092,528
18	Grants payable		<b>18</b>	
19	Deferred revenue		<b>19</b>	
20	Tax-exempt bond liabilities	6,894,189	<b>20</b>	6,264,423
21	Escrow or custodial account liability Complete Part IV of Schedule D		<b>21</b>	
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		<b>22</b>	
23	Secured mortgages and notes payable to unrelated third parties		<b>23</b>	
24	Unsecured notes and loans payable to unrelated third parties		<b>24</b>	
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	6,955,601	<b>25</b>	7,317,666
26	<b>Total liabilities.</b> Add lines 17 through 25	23,952,250	<b>26</b>	25,674,617
<b>Net Assets or Fund Balances</b>				
	<b>Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>			
27	Unrestricted net assets	43,428,004	<b>27</b>	40,402,047
28	Temporarily restricted net assets		<b>28</b>	
29	Permanently restricted net assets		<b>29</b>	
	<b>Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.</b>			
30	Capital stock or trust principal, or current funds		<b>30</b>	
31	Paid-in or capital surplus, or land, building or equipment fund		<b>31</b>	
32	Retained earnings, endowment, accumulated income, or other funds		<b>32</b>	
33	Total net assets or fund balances	43,428,004	<b>33</b>	40,402,047
34	<b>Total liabilities and net assets/fund balances</b>	67,380,254	<b>34</b>	66,076,664

**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	111,022,757
2	Total expenses (must equal Part IX, column (A), line 25)	2	113,878,502
3	Revenue less expenses Subtract line 2 from line 1	3	-2,855,745
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	43,428,004
5	Net unrealized gains (losses) on investments	5	-105,366
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	-64,846
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	40,402,047

**Part XII Financial Statements and Reporting**Check if Schedule O contains a response to any question in this Part XII 

	Yes	No
1 Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a Were the organization's financial statements compiled or reviewed by an independent accountant? If 'Yes,' check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2a	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 <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2b	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	2c	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? 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	3a	No
	3b	

**SCHEDULE A**  
(Form 990 or 990EZ)**Public Charity Status and Public Support****2012****Open to Public  
Inspection**

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.

Department of the Treasury  
Internal Revenue ServiceName of the organization  
SILVERTON HEALTH

Employer identification number

93-0281321

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

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

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

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

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

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

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

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

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

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

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

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

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

e  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
<b>Total</b>								

**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						
<b>4 Total.</b> 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)						
<b>6 Public support.</b> 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)						
<b>11 Total support</b> (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					<b>12</b>	
<b>13 First five years.</b> 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 <b>stop here</b> . . . . .						

**Section C. Computation of Public Support Percentage**

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))	<b>14</b>	
15 Public support percentage for 2011 Schedule A, Part II, line 14	<b>15</b>	
<b>16a 33 1/3% support test—2012.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		►
<b>b 33 1/3% support test—2011.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization		►
<b>17a 10%-facts-and-circumstances test—2012.</b> 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 <b>stop here</b> . Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		►
<b>b 10%-facts-and-circumstances test—2011.</b> 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 <b>stop here</b> . Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		►
<b>18 Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions		►

**Part III Support Schedule for Organizations Described in Section 509(a)(2)**

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

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 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						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</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						
<b>c</b> Add lines 7a and 7b						
<b>8 Public support</b> (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						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
<b>13 Total support.</b> (Add lines 9, 10c, 11, and 12 )						
<b>14 First five years.</b> 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 <b>stop here</b>						

**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
<b>19a 33 1/3% support tests—2012.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization	
<b>b 33 1/3% support tests—2011.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization	
<b>20 Private foundation.</b> 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**

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**SCHEDULE D**  
(Form 990)**Supplemental Financial Statements****2012****Open to Public  
Inspection**Department of the Treasury  
Internal Revenue Service

► Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b  
 ► Attach to Form 990. ► See separate instructions.

**Name of the organization**  
SILVERTON HEALTH**Employer identification number**

93-0281321

**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)	<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education) <input type="checkbox"/> Preservation of an historically important land area
	<input type="checkbox"/> Protection of natural habitat <input type="checkbox"/> Preservation of a certified historic structure
	<input type="checkbox"/> 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	
a Total number of conservation easements	<b>Held at the End of the Year</b>
b Total acreage restricted by conservation easements	2a
c Number of conservation easements on a certified historic structure included in (a)	2b
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2c
	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ► \_\_\_\_\_

4 Number of states where property subject to conservation easement is located ► \_\_\_\_\_

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

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year  
 ► \_\_\_\_\_

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year  
 ► \$ \_\_\_\_\_

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

9 In Part 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 ► \$ \_\_\_\_\_



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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. (Column (b) must equal Form 990, Part X, col (B) line 12 )		

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

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

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

(a) Description	(b) Book value
(1) OTHER RECEIVABLES	1,334,907
(2) OTHER ASSETS	1,991,057
(3) ASSETS LIMITED AS TO USE	3,153,381
Total. (Column (b) must equal Form 990, Part X, col.(B) line 15.)	6,479,345

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

(a) Description of liability	(b) Book value
Federal income taxes	
ESTIMATED MEDICAL MALPRACTICE LIABILITY	2,232,112
CAPITAL LEASE OBLIGATIONS	5,085,554
Total. (Column (b) must equal Form 990, Part X, col (B) line 25 )	7,317,666

2. Fin 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII

**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
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
e	Add lines 2a through 2d . . . . .	2e
3	Subtract line 2e from line 1 . . . . .	3
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
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

**Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return**

1	Total expenses and losses per audited financial statements . . . . .	1
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
e	Add lines 2a through 2d . . . . .	2e
3	Subtract line 2e from line 1 . . . . .	3
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
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

**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
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	ENDOWMENTS ARE HELD BY A RELATED ORGANIZATION, SILVERTON HEALTH FOUNDATION, FOR THE BENEFIT OF SILVERTON HEALTH. THE EARNINGS OF THE ENDOWMENT FUNDS ARE USED TO SUPPORT THE MISSION OF SILVERTON HEALTH
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	FIN 48 (ASC 740) FOOTNOTE - THE ORGANIZATION HAD NO UNRECOGNIZED TAX LIABILITIES AT SEPTEMBER 30, 2013 AND SEPTEMBER 30, 2012. THE ORGANIZATION RECOGNIZES INTEREST ACCRUED AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AS AN ADMINISTRATIVE EXPENSE DURING THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012, THE ORGANIZATION RECOGNIZED NO INTEREST AND PENALTIES. THE ORGANIZATION FILES AN EXEMPT ORGANIZATION INCOME TAX RETURN IN THE U.S. FEDERAL JURISDICTION AND UNRELATED BUSINESS INCOME TAX RETURNS IN THE U.S. FEDERAL JURISDICTION AND WITH THE OREGON DEPARTMENT OF REVENUE

2012

Open to Public  
InspectionSCHEDULE 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.Name of the organization  
SILVERTON HEALTH

Employer identification number

93-0281321

## Part I Financial Assistance and Certain Other Community Benefits at Cost

**1a** Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .

**b** If "Yes," was it a written policy? . . . . .

**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 *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care

100%  150%  200%  Other \_\_\_\_\_ %

**b** Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care . . . . .

200%  250%  300%  350%  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"? . . . . .

**5a** Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .

**b** If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .

**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? . . . . .

**6a** Did the organization prepare a community benefit report during the tax year? . . . . .

**b** If "Yes," did the organization make it available to the public? . . . . .

	Yes	No
<b>1a</b>	Yes	
<b>1b</b>	Yes	
<b>3a</b>	Yes	
<b>3b</b>	Yes	
<b>4</b>	Yes	
<b>5a</b>	Yes	
<b>5b</b>		No
<b>5c</b>		
<b>6a</b>	Yes	
<b>6b</b>	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) . . . . .		3,517	4,139,316	87,575	4,051,741	3 740 %
b Medicaid (from Worksheet 3, column a) . . . . .		22,130	19,235,710	16,352,040	2,883,670	2 660 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .		25,647	23,375,026	16,439,615	6,935,411	6 400 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .	25	24,975	862,799	81,889	780,910	0 720 %
f Health professions education (from Worksheet 5) . . . . .	18	112	101,550	0	101,550	0 090 %
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .	21	7,199	159,362	90	159,272	0 150 %
<b>j Total. Other Benefits</b> . . . . .	64	32,286	1,123,711	81,979	1,041,732	0 960 %
<b>k Total. Add lines 7d and 7j</b> . . . . .	64	57,933	24,498,737	16,521,594	7,977,143	7 360 %

**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	3	4	525	0	525	0 %
2 Economic development	5	513	14,003	0	14,003	0 010 %
3 Community support	7	2,377	8,972	0	8,972	0 010 %
4 Environmental improvements						
5 Leadership development and training for community members	5	519	6,085	0	6,085	0 010 %
6 Coalition building						
7 Community health improvement advocacy	1		43,159	0	43,159	0 040 %
8 Workforce development	6	445	41,892	0	41,892	0 040 %
9 Other						
<b>10 Total</b>	<b>27</b>	<b>3,858</b>	<b>114,636</b>		<b>114,636</b>	<b>0 110 %</b>

**Part III Bad Debt, Medicare, & Collection Practices**

**Section A. Bad Debt Expense**

1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15? **1** Yes

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** 5,465,077

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**

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** 19,309,368

6 Enter Medicare allowable costs of care relating to payments on line 5 **6** 28,157,794

7 Subtract line 6 from line 5. This is the surplus (or shortfall) **7** -8,848,426

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

Other (Describe)

### Facility reporting group

**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)

## SILVERTON HOSPITAL

**Name of hospital facility or facility reporting group**

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

1

Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		Yes	No
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 . . . . .	1	Yes
	If "Yes," indicate what the CHNA report describes (check all that apply)		
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input checked="" type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted . . . . .	3	Yes
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	Yes
5	Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
a	<input checked="" type="checkbox"/> Hospital facility's website		
b	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
c	<input checked="" type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .	7	No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a	No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b	
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)**

<b>Financial Assistance Policy</b>		<b>Yes</b>	<b>No</b>
<b>9</b> 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?	<b>9</b>	Yes	
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . .	<b>10</b>	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 000000000000%</u>			
If "No," explain in Part VI the criteria the hospital facility used			
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . .	<b>11</b>	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 000000000000%</u>			
If "No," explain in Part VI the criteria the hospital facility used			
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . .	<b>12</b>	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
<b>a</b> <input checked="" type="checkbox"/> Income level			
<b>b</b> <input checked="" type="checkbox"/> Asset level			
<b>c</b> <input checked="" type="checkbox"/> Medical indigency			
<b>d</b> <input type="checkbox"/> Insurance status			
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount			
<b>f</b> <input type="checkbox"/> Medicaid/Medicare			
<b>g</b> <input type="checkbox"/> State regulation			
<b>h</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
<b>13</b> Explained the method for applying for financial assistance? . . . . .	<b>13</b>	Yes	
<b>14</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . .	<b>14</b>	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices			
<b>c</b> <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
<b>d</b> <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
<b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request			
<b>g</b> <input type="checkbox"/> Other (describe in Part VI)			

**Billing and Collections**

<b>15</b> 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? . . . . .	<b>15</b>	Yes	
<b>16</b> 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			
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> 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? . . . . .	<b>17</b>	Yes	
If "Yes," check all actions in which the hospital facility or a third party engaged			
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input checked="" type="checkbox"/> Lawsuits			
<b>c</b> <input checked="" type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			

**Part V Facility Information (continued)**

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

- a  Notified individuals of the financial assistance policy on admission
- b  Notified individuals of the financial assistance policy prior to discharge
- c  Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d  Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e  Other (describe in Part VI)

**Policy Relating to Emergency Medical Care**

**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

- 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)

	Yes	No
<b>19</b> Yes		

**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)

<b>21</b>		No

**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

**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

<b>22</b>		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?

15

Name and address	Type of Facility (describe)
1	See Additional Data Table
2	
3	
4	
5	
6	
7	
8	
9	
10	

**Part VI Supplemental Information**

Complete this part to provide the following information

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.)
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8 Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 5465077
		PART II SILVERTON HEALTH'S COMMUNITY BUILDING ACTIVITIES PROMOTE COMMUNITY HEALTH IN MULTIPLE WAYS OUR PARTICIPATION IN LOCAL CHAMBERS OF COMMERCE AND ECONOMIC DEVELOPMENT GROUPS HELPS SUPPORT THE GROWTH OF JOBS IN OUR COMMUNITY, ENABLING THE UNEMPLOYED TO FIND WORK, AND FROM THAT, THE ABILITY TO AFFORD HEALTHCARE AND FOOD/SHELTER FOR THEIR FAMILIES IN ADDITION, SILVERTON HEALTH STAFF AND EMPLOYEES OFTEN PARTICIPATE IN HIGH SCHOOL CAREER FAIRS, ALLOW STUDENTS TO JOB SHADOW THEM, AND OFFER TOURS OF THE HOSPITAL TO YOUNG CHILDREN THROUGH THIS PARTICIPATION, SILVERTON HEALTH HOPES TO ENCOURAGE STUDENTS TO GO TO COLLEGE AND POSSIBLY CONSIDER A CAREER IN THE HEALTHCARE FIELD, AS OUR STATE HAS A LARGE SHORTAGE IN THIS AREA SILVERTON HEALTH ALSO SUPPORTS LOCAL SCHOOLS BY DONATING ROOM SPACE FOR MEETINGS AND TRAININGS, BY DONATING GIFT BASKETS TO HELP THE SCHOOLS RAISE MONEY, AND BY BEING RESPONSIVE WHEN NEEDS ARISE BY SUPPORTING OUR LOCAL SCHOOLS, WE REDUCE THE GOVERNMENT BURDEN AND ALLOW THE SCHOOLS TO BETTER PROVIDE FOR THE YOUTH IN OUR COMMUNITY, INCLUDING OFFERING STUDENTS FOOD, SHELTER, EDUCATION, AND ASSISTANCE THEY MAY NOT RECEIVE AT HOME SILVERTON HEALTH ALSO PLAYS A CRITICAL ROLE IN EMERGENCY MANAGEMENT FOR OUR RURAL AREA SILVERTON HEALTH AND ITS STAFF ROUTINELY WORK WITH STATE, COUNTY, AND LOCAL ORGANIZATION STAFF TO TRAIN AND PREPARE FOR NATURAL DISASTERS, DISEASE OUTBREAKS, AND CASUALTIES OF MASS QUANTITIES IN PREPARING OUR LOCAL ORGANIZATIONS AND CITIZENS FOR SUCH EVENTS BEFORE THEY HAPPEN, WE ENSURE ACCESS TO CARE IN CRITICAL TIMES AND GREATER EFFICIENCY IN TIMES OF TRAUMA ADDITIONALLY, SILVERTON HEALTH MAKES DONATIONS TO HELP FUND PHYSICAL IMPROVEMENTS LIKE THE CONSTRUCTION OF A SENIOR CENTER IN SILVERTON AND THE CONSTRUCTION OF A WOODBURN BOYS AND GIRLS CLUB THESE FACILITIES PROVIDE COMMUNITY MEMBERS SAFE SHELTER, PHYSICAL ACTIVITY, SOCIAL INTERACTION, SENSE OF COMMUNITY, AND SOMETIMES CLASSES OR MENTORING TO IMPROVE THEIR HEALTH FINALLY, SILVERTON HEALTH PROVIDES MEETING SPACE AND DONATIONS TO GROUPS WHICH HELP KEEP DRIVERS SAFE (AARP DRIVER'S SAFETY CLASS) AND PROMOTE LITERACY (WOODBURN SCHOOL DISTRICT LITERACY PROGRAM) THEREBY PROVIDING LOCAL CITIZENS AND THEIR FAMILIES BETTER ACCESS TO CARE AND OVERALL HEALTH

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 THE ORGANIZATION UTILIZES A COST ACCOUNTING SYSTEM FOR DETERMINING THE ASSOCIATED COST OF PROVIDING SERVICES TO PATIENTS WITHOUT INSURANCE THAT ARE SUBSEQUENTLY WRITTEN OFF AS BAD DEBTS THAT PERCENTAGE IS THEN APPLIED TO THE TOTAL BAD DEBT EXPENSE PER THE GENERAL LEDGER (BASED ON CHARGES) TO DETERMINE THE ASSOCIATED COST COLLECTIONS FROM THE PATIENT/GUARANTOR ARE NETTED AGAINST THAT COST TO DETERMINE A NET COST ANY COLLECTIONS RECEIVED ON ACCOUNTS THAT WERE WRITTEN OFF TO BAD DEBT (EITHER PARTIALLY OR IN FULL) WERE NETTED AGAINST THE COST OF PROVIDING THE SERVICES TO THE PATIENT IN ORDER TO DETERMINE A NET COST THE ORGANIZATION CURRENTLY DOES NOT HAVE THE SYSTEMS NECESSARY TO REASONABLY ESTIMATE THE AMOUNT OF BAD DEBT EXPENSE THAT COULD BE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY THE HOSPITAL REPORTS PATIENT ACCOUNTS RECEIVABLE FOR SERVICES RENDERED AT NET REALIZABLE AMOUNTS FROM THIRD-PARTY PAYORS, PATIENTS AND OTHERS THE HOSPITAL PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON A REVIEW OF OUTSTANDING RECEIVABLES, HISTORICAL COLLECTION INFORMATION AND EXISTING ECONOMIC CONDITIONS AS A SERVICE TO THE PATIENT, THE HOSPITAL BILLS THIRD-PARTY PAYORS DIRECTLY AND BILLS THE PATIENT WHEN THE PATIENT'S LIABILITY IS DETERMINED PATIENT ACCOUNTS RECEIVABLE ARE DUE IN FULL WHEN BILLED ACCOUNTS ARE CONSIDERED DELINQUENT AND SUBSEQUENTLY WRITTEN OFF AS BAD DEBTS BASED ON INDIVIDUAL CREDIT EVALUATION AND SPECIFIC CIRCUMSTANCES OF THE ACCOUNT THE FOOTNOTE THAT DISCUSSES BAD DEBT EXPENSE IS CONTAINED ON PAGE 10 OF THE ATTACHED FINANCIAL STATEMENTS, ENTITLED "PATIENT ACCOUNTS RECEIVABLE "</p>
		<p>PART III, LINE 8 SILVERTON HEALTH'S MISSION IS TO PROVIDE QUALITY HEALTHCARE SERVICES AND LEADERSHIP IN PROMOTING HEALTH IMPROVEMENT TO ALL PERSONS IN ITS SERVICE AREA ON A NON-DISCRIMINATORY BASIS AND WITHOUT REGARD TO ABILITY TO PAY IN KEEPING WITH ITS COMMITMENT TO SERVE ALL MEMBERS OF THE COMMUNITY, THE HOSPITAL PROVIDES CARE TO INDIVIDUALS COVERED BY THE MEDICARE PROGRAM IN SPITE OF THE FACT THAT THE COST OF PROVIDING THOSE SERVICES EXCEEDS THE REVENUE RECEIVED THE HOSPITAL ABSORBS THE SHORTFALL EACH YEAR, AND THIS CONTINUED COMMITMENT SHOULD BE TREATED AS A COMPONENT OF THE HOSPITAL'S COMMUNITY BENEFIT THE ORGANIZATION UTILIZES A COST ACCOUNTING SYSTEM FOR DETERMINING THE ASSOCIATED COST OF PROVIDING SERVICES TO PATIENTS BY INDIVIDUAL PATIENT ACCOUNT THE ACCOUNTS ARE THEN AGGREGATED FOR ALL PATIENT SEGMENTS BOTH BY TYPE OF SERVICE (INPATIENT, OUTPATIENT, EMERGENCY, ETC) AS WELL AS BY PAYOR (PRIVATE INSURANCE, MEDICARE, MEDICAID, SELF PAY, ETC) IN ORDER TO DETERMINE THE COST OF PROVIDING SERVICES TO ALL PATIENTS THE COSTING METHODOLOGY USED FOR DETERMINING MEDICARE ALLOWABLE COSTS IS THAT REQUIRED BY CMS IN PREPARATION OF FORM CMS-2552</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 9B SILVERTON HEALTH STRIVES TO PROVIDE ACCURATE AND TIMELY SERVICE WHEN BILLING AN INSURANCE COMPANY OR PATIENT DIRECTLY. EVERY BILL AND STATEMENT INCLUDES INFORMATION ABOUT HOW TO CONTACT FINANCIAL REPRESENTATIVES AND ARRANGE PAYMENT PLANS. WE ARE COMMITTED TO FINDING WAYS TO HELP EVERY PATIENT PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE RESPONSIBLE WITHOUT EXPERIENCING AN OVERWHELMING FINANCIAL BURDEN. IN ADDITION TO MAKING OUR BILLING PROCESS EASY TO UNDERSTAND AND ENSURING READY ACCESS TO CHARITY CARE AND FINANCIAL ASSISTANCE, WE ARE ABLE TO PROVIDE PATIENT COST INFORMATION IN ADVANCE OF SERVICES OR TREATMENT.
SILVERTON HOSPITAL		PART V, SECTION B, LINE 1J SILVERTON HEALTH ACCOUNTABLE CARE PRIORITIES

Identifier	ReturnReference	Explanation
SILVERTON HOSPITAL		PART V, SECTION B, LINE 3 COMMUNITY MEMBERS AND PARTNERS WERE INVITED TO CHIP MEETINGS, WITH OVER 60 PARTICIPANTS IN ATTENDANCE
SILVERTON HOSPITAL		PART V, SECTION B, LINE 4 SALEM HEALTHSANTIAM HOSPITAL

Identifier	ReturnReference	Explanation
SILVERTON HOSPITAL		PART V, SECTION B, LINE 5C PLACED AT CLINIC AND HOSPITAL RECEIPTION DESKS
SILVERTON HOSPITAL		PART V, SECTION B, LINE 7 ADULT UTI - NOT ON PRIORITIZATION LIST DUE TO NON-SIGNIFICANT COST OF CARE FOR LOCAL POPULATION ADULT ASTHMA - NOT ON PRIORITIZATION LIST DUE TO NON-SIGNIFICANT COST OF CARE FOR LOCAL POPULATION AND ADDRESSING AT PHO LEVEL WITH CARE MANAGEMENT PLAN FOR THOSE WITH HIGH ED UTILIZATION TEEN PREGNANCY RATES - NOT OUR AREA OF EXPERTISE TEEN MARIJUANA USAGE - NOT OUR AREA OF EXPERTISE

Identifier	ReturnReference	Explanation
SILVERTON HOSPITAL		PART V, SECTION B, LINE 12H PATIENTS MUST LIVE IN THE SERVICE ARE OR BE PATIENTS OF SILVERTON HEALTH PCP
SILVERTON HOSPITAL		PART V, SECTION B, LINE 20D INITIALLY BILL BASED ON FULL CHARGES AND THEN PROVIDE A DISCOUNT BASED ON THE CHARITY CARE POLICY

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 NEEDS ASSESSMENT - WE PURCHASED A PRODUCT FROM HEALTHY COMMUNITIES INSTITUTE WHICH PROVIDES HIGH-QUALITY COMMUNITY HEALTH ASSESSMENT DATA, IMPROVED HEALTH INDICATOR TRACKING, BEST PRACTICE SHARING AND COMMUNITY DEVELOPMENT TOOLS THAT FUNCTION TOGETHER TO HELP IMPROVE THE HEALTH AND ENVIRONMENTAL SUSTAINABILITY OF THE COMMUNITY WE USED THE PRODUCT (WHICH HIGHLIGHTS BY COUNTY AND ZIPCODE) IN CONJUNCTION WITH COMMUNITY HEALTH WORK GROUPS WHICH WERE ASSEMBLED IN THREE AREAS OF OUR PSA SALEM, SILVERTON AND WOODBURN WE ALSO WORK WITH LOCAL NOT-FOR-PROFIT COMMUNITY ORGANIZATIONS AND LOCAL SCHOOLS TO IDENTIFY ADDITIONAL SMALLER NEEDS FINALLY, WE RECEIVE DIRECT REQUESTS (VIA EMAIL, CALL, LETTER) FROM STATE, LOCAL, AND NOT-FOR-PROFIT GROUPS/ORGANIZATIONS ASKING US TO ASSIST THEM IN MEETING OTHER HEALTH AND COMMUNITY BUILDING NEEDS
		PART VI, LINE 3 PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE - ALL PATIENTS INQUIRING ABOUT FINANCIAL ASSISTANCE AND/OR CHARITY CARE ARE REFERRED TO THE FINANCIAL COUNSELORS WHERE THE PATIENT IS THEN PROVIDED WITH DETAILED INFORMATION ON THE APPLICATION AND REQUIREMENTS NEEDED TO SUPPORT CHARITY CARE ELIGIBILITY AND DETERMINATION POLICIES EXIST BOTH IN WRITTEN AND ONLINE FORMATS THE POLICY IS CURRENTLY AVAILABLE IN ENGLISH AND SPANISH

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 4 COMMUNITY INFORMATION - SILVERTON HEALTH DEFINES ITS PRIMARY SERVICE AREA BY THE FOLLOWING ZIPCODES 97381, 97362, 97071, 97038, 97375, 97026, 97032, 97301, 97302, 97303, 97305, 97373 AND 97317 THIS INCLUDES THE CITIES OF SILVERTON, MT ANGEL, WOODBURN, GERVERAIS, HUBBARD, SCOTTS MILLS, ST BENEDICT, MOLALLA, KEIZER AND PARTS OF SALEM THESE CITIES MAKE UP THE TOP 85% OF OUR TOTAL BUSINESS OUR COVERAGE IS PRIMARILY IN MARION COUNTY BUT ALSO CLACKAMAS COUNTY (FOR MOLALLA) RESIDENTS OF OUR COMMUNITY ARE PRIMARILY CAUCASIAN AND HISPANIC THERE IS A LARGE MIGRANT WORKER POPULATION IN THIS AREA AND SOME OF OUR SERVICE AREA INCLUDES MEDICALLY UNDERSERVED AREAS AS WELL AS HEALTH PROFESSIONAL SHORTAGE AREAS IN ADDITION, WE HAVE AN UNCHARACTERISTICALLY LARGE POPULATION OF SENIORS IN SOME PORTIONS OF OUR SERVICE AREA, SPECIFICALLY IN WOODBURN AND THE SURROUNDING AREAS</p>
REPORTS FILED WITH STATES	PART VI, LINE 7	OR



## Additional Data

**Software ID:**  
**Software Version:**  
**EIN:** 93-0281321  
**Name:** SILVERTON HEALTH

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

#### Section C. Other 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?

15

Name and address	Type of Facility (describe)
WOODBURN FAMILY MEDICINE 1390 MERIDIAN DRIVE WOODBURN, OR 97071	PRIMARY CARE CLINIC
WOODBURN DIAGNOSTIC IMAGING 693 RAY J GLATT CIRCLE WOODBURN, OR 97071	PRIMARY CARE CLINIC
SH SPECIALISTS CLINIC 452 WELCH STREET SILVERTON, OR 97381	PRIMARY CARE CLINIC
MT ANGEL FAMILY MEDICINE 250 W MARQUAM STREET MT ANGEL, OR 97362	PRIMARY CARE CLINIC
WELLSPRING IMMEDIATE CARE 1475 MT HOOD AVENUE WOODBURN, OR 97071	PRIMARY CARE CLINIC
WELLSPRING GENERAL SURGERY 1475 MT HOOD AVENUE WOODBURN, OR 97071	PRIMARY CARE CLINIC
WOODBURN INTERNAL MEDICINE 693 RAY J GLATT CIRCLE SUITE 5 WOODBURN, OR 97071	PRIMARY CARE CLINIC
WOODBURN STEPS 693 RAY J GLATT CIRCLE WOODBURN, OR 97071	PRIMARY CARE CLINIC
WELLSPRING SURGERY CENTER 1475 MT HOOD AVENUE WOODBURN, OR 97071	PRIMARY CARE CLINIC
MCCLAIN STREET CLINIC 442 MCCLAIN STREET SILVERTON, OR 97381	PRIMARY CARE CLINIC
TUKWILA MENTAL HEALTH 693 RAY J GLATT CIRCLE WOODBURN, OR 97071	PRIMARY CARE CLINIC
KEIZER CLINIC 693 RAY J GLATT CIRCLE WOODBURN, OR 97071	PRIMARY CARE CLINIC
MID-VALLEY MEDICAL MANAGEMENT COMPANY LL 342 FAIRVIEW STREET SILVERTON, OR 97381	PRIMARY CARE CLINIC
COMMUNITY OUTREACH CLINIC 208 S WATER STREET SILVERTON, OR 97381	PRIMARY CARE CLINIC
TUKWILA REHABILITATION SERVICES 1235 NE 47TH SUITE 260 PORTLAND, OR 97213	PRIMARY CARE CLINIC

**Schedule I  
(Form 990)****2012****Open to Public  
Inspection**Department of the Treasury  
Internal Revenue Service**Grants and Other Assistance to Organizations,  
Governments and Individuals in the United States**

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

► Attach to Form 990

Name of the organization  
SILVERTON HEALTHEmployer identification number  
93-0281321**Part I General Information on Grants and Assistance**

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

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

**Part II Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) CITY OF SILVERTON 306 S WATER ST SILVERTON, OR 97381	93-6002256	GOVERNMENT	5,000				SUPPORT SENIOR CENTER OPERATIONS
(2) MARION COUNTY PO BOX 14500 SALEM, OR 97309	93-6002307	GOVERNMENT	13,139				PAYMENT FOR UNINSURED WOMEN IN THE PRENATAL PROJECT
(3) AMERICAN CANCER SOCIETY PO BOX 22538 OKLAHOMA CITY, OK 73123	84-1316555	501(C)(3)	7,507				SPONSORSHIP OF A RELAY FOR LIFE TEAM
(4) SALEM HOSPITAL FOUNDATION PO BOX 14001 SALEM, OR 97309	23-7002687	501(C)(3)	9,000				TO SUPPORT COMMUNITY NEEDS ASSESSMENT FOR OUR AREAS
(5) SALUD MEDICAL CENTER (YAKIMA VALLEY FARM WORKS CLINIC) 3896 BEVERLY AVE NE SALEM, OR 97305	91-1019392	501(C)(3)	42,432				COMMUNITY MEDICAL CARE
(6) SILVERTON HEALTH AUXILIARY PO BOX 573 SILVERTON, OR 97381	93-1081462	501(C)(3)		6,220 FMV	RETAIL ITEMS TO SELL		TO PROMOTE AND ADVANCE THE WELFARE OF SILVERTON HEALTH
(7) ROTARY INTERNATIONAL PO BOX 132 SILVERTON, OR 97381	93-6032688	501(C)(4)		11,669 FMV	ROOM RENTALS		PROVIDE MEETING SPACE TO PLAN COMMUNITY ACTIVITIES
(8) BENEDICTINE FOUNDATION OF OREGON PO BOX 912 MT ANGEL, OR 97362	93-0768332	501(C)(3)		22,003 FMV	CLOTHING/HYGIENE PRODUCTS		PROVIDE CLOTHING AND PERSONAL HYGIENCE PRODUCTS TO THE LOCAL COMMUNITY
(9) WOODBURN AREA CHAMBER OF COMMERCE PO BOX 194 WOODBURN, OR 97071	93-6027273	501(C)(6)		5,577 FMV	ROOM RENTALS		PROVIDE MEETING SPACE TO PLAN COMMUNITY ACTIVITIES
(10) KIWANIS INTERNATIONAL PO BOX 1046 WOODBURN, OR 97071	93-6037102	501(C)(4)		13,650 FMV	ROOM RENTALS		PROVIDE MEETING SPACE TO PLAN COMMUNITY ACTIVITIES
(11) ROTARY INTERNATIONAL PO BOX 247 WOODBURN, OR 97071	93-6032666	501(C)(4)		12,694 FMV	ROOM RENTALS		PROVIDE MEETING SPACE TO PLAN COMMUNITY ACTIVITIES

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ► 7

3 Enter total number of other organizations listed in the line 1 table . . . . . ► 4

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

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

**Part IV Supplemental Information.**

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE GRANTS AND ASSISTANCE PROVIDED TO LOCAL ORGANIZATIONS ARE CONSIDERED TO BE DONATION-TYPE CONTRIBUTIONS SUCH CONTRIBUTIONS ARE GENERALLY MADE TO SECTION 501(C)(3) OR OTHER TAX-EXEMPT ORGANIZATIONS

**Software ID:****Software Version:****EIN:** 93-0281321**Name:** SILVERTON HEALTH**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
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CITY OF SILVERTON 306 S WATER ST SILVERTON, OR 97381	93-6002256	GOVERNMENT	5,000				SUPPORT SENIOR CENTER OPERATIONS
MARION COUNTY PO BOX 14500 SALEM, OR 97309	93-6002307	GOVERNMENT	13,139				PAYMENT FOR UNINSURED WOMEN IN THE PRENATAL PROJECT

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a) Name and address of organization or government</b>	<b>(b) EIN</b>	<b>(c) IRC Code section if applicable</b>	<b>(d) Amount of cash grant</b>	<b>(e) Amount of non-cash assistance</b>	<b>(f) Method of valuation (book, FMV, appraisal, other)</b>	<b>(g) Description of non-cash assistance</b>	<b>(h) Purpose of grant or assistance</b>
AMERICAN CANCER SOCIETY PO BOX 22538 OKLAHOMA CITY, OK 73123	84-1316555	501(C)(3)	7,507				SPONSORSHIP OF A RELAY FOR LIFE TEAM
SALEM HOSPITAL FOUNDATION PO BOX 14001 SALEM, OR 97309	23-7002687	501(C)(3)	9,000				TO SUPPORT COMMUNITY NEEDS ASSESSMENT FOR OUR AREAS

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a) Name and address of organization or government</b>	<b>(b) EIN</b>	<b>(c) IRC Code section if applicable</b>	<b>(d) Amount of cash grant</b>	<b>(e) Amount of non-cash assistance</b>	<b>(f) Method of valuation (book, FMV, appraisal, other)</b>	<b>(g) Description of non-cash assistance</b>	<b>(h) Purpose of grant or assistance</b>
SALUD MEDICAL CENTER (YAKIMA VALLEY FARM WORKS CLINIC)3896 BEVERLY AVE NE SALEM, OR 97305	91-1019392	501(C)(3)	42,432				COMMUNITY MEDICAL CARE
SILVERTON HEALTH AUXILIARYPO BOX 573 SILVERTON, OR 97381	93-1081462	501(C)(3)		6,220	FMV	RETAIL ITEMS TO SELL	TO PROMOTE AND ADVANCE THE WELFARE OF SILVERTON HEALTH

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a) Name and address of organization or government</b>	<b>(b) EIN</b>	<b>(c) IRC Code section if applicable</b>	<b>(d) Amount of cash grant</b>	<b>(e) Amount of non-cash assistance</b>	<b>(f) Method of valuation (book, FMV, appraisal, other)</b>	<b>(g) Description of non-cash assistance</b>	<b>(h) Purpose of grant or assistance</b>
ROTARY INTERNATIONAL PO BOX 132 SILVERTON, OR 97381	93-6032688	501(C)(4)	11,669	FMV	ROOM RENTALS	PROVIDE MEETING SPACE TO PLAN COMMUNITY ACTIVITIES	
BENEDICTINE FOUNDATION OF OREGON PO BOX 912 MT ANGEL, OR 97362	93-0768332	501(C)(3)	22,003	FMV	CLOTHING/HYGIENE PRODUCTS	PROVIDE CLOTHING AND PERSONAL HYGIENCE PRODUCTS TO THE LOCAL COMMUNITY	

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a) Name and address of organization or government</b>	<b>(b) EIN</b>	<b>(c) IRC Code section if applicable</b>	<b>(d) Amount of cash grant</b>	<b>(e) Amount of non-cash assistance</b>	<b>(f) Method of valuation (book, FMV, appraisal, other)</b>	<b>(g) Description of non-cash assistance</b>	<b>(h) Purpose of grant or assistance</b>
WOODBURN AREA CHAMBER OF COMMERCE PO BOX 194 WOODBURN, OR 97071	93-6027273	501(C)(6)		5,577	FMV	ROOM RENTALS	PROVIDE MEETING SPACE TO PLAN COMMUNITY ACTIVITIES
KIWANIS INTERNATIONAL PO BOX 1046 WOODBURN, OR 97071	93-6037102	501(C)(4)		13,650	FMV	ROOM RENTALS	PROVIDE MEETING SPACE TO PLAN COMMUNITY ACTIVITIES

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a) Name and address of organization or government</b>	<b>(b) EIN</b>	<b>(c) IRC Code section if applicable</b>	<b>(d) Amount of cash grant</b>	<b>(e) Amount of non-cash assistance</b>	<b>(f) Method of valuation</b>	<b>(g) Description of non-cash assistance</b>	<b>(h) Purpose of grant or assistance</b>
ROTARY INTERNATIONAL PO BOX 247 WOODBURN, OR 97071	93-6032666	501(C)(4)		12,694	FMV	ROOM RENTALS	PROVIDE MEETING SPACE TO PLAN COMMUNITY ACTIVITIES

**Schedule J**  
(Form 990)**Compensation Information**

OMB No 1545-0047

Department of the Treasury  
Internal Revenue Service

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.**

**2012****Open to Public Inspection**Name of the organization  
SILVERTON HEALTH

Employer identification number

93-0281321

**Part I Questions Regarding Compensation**

**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

<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence
<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> 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

**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?

**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

<input type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract
<input checked="" type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study
<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> 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?

**b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?

**c** Participate in, or receive payment from, an equity-based compensation arrangement?

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?

**b** Any related organization?

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?

**b** Any related organization?

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

**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

**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
<b>1b</b>		
<b>2</b>		
<b>4a</b>	Yes	
<b>4b</b>		No
<b>4c</b>		No
<b>5a</b>		No
<b>5b</b>		No
<b>6a</b>		No
<b>6b</b>		No
<b>7</b>		No
<b>8</b>		No
<b>9</b>		

**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.

<b>Identifier</b>	<b>Return Reference</b>	<b>Explanation</b>
	PART I, LINE 4A	JEFF LORENZ - A SEVERENCE ARRANGEMENT WAS ENTERED INTO FOR 1 YEAR BEGINNING JUNE 2012 AFTER EMPLOYEE WAS TERMINATED

**Software ID:****Software Version:****EIN:** 93-0281321**Name:** SILVERTON HEALTH**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				
WILLIAM WINTER	(i) 131,909 (ii) 0	0	188,408 0	17,600 0	780 0	338,697 0	0 0
RICHARD CAGEN	(i) 304,000 (ii) 0	0	183,077 0	1,520 0	15,720 0	504,317 0	0 0
CHRISTINE DENNING	(i) 169,062 (ii) 0	0	0 0	10,124 0	15,732 0	194,918 0	0 0
LINDA DAMIANO	(i) 131,688 (ii) 0	6,629 0	0 0	8,232 0	6,115 0	152,664 0	0 0
JEFF LORENZ	(i) 96,741 (ii) 0	110 0	133,097 0	9,771 0	20,780 0	260,499 0	0 0
ROB JOHNSON	(i) 194,001 (ii) 0	0 0	5,123 0	11,239 0	15,749 0	226,112 0	0 0
TERRI MERRITT WORDEN	(i) 169,104 (ii) 0	0 0	4,918 0	9,024 0	17,908 0	200,954 0	0 0
DAVID THORSETT	(i) 559,610 (ii) 0	96,222 0	0 0	11,000 0	20,780 0	687,612 0	0 0
BRIAN PUSKAS	(i) 400,005 (ii) 0	222,259 0	12,031 0	0 0	20,237 0	654,532 0	0 0
RICHARD BLOCK	(i) 453,769 (ii) 0	0 0	0 0	13,200 0	20,963 0	487,932 0	0 0
MARC HOUSTON	(i) 407,243 (ii) 0	0 0	0 0	4,400 0	19,182 0	430,825 0	0 0
ROBERT CHISHOLM	(i) 374,906 (ii) 0	0 0	0 0	12,162 0	19,366 0	406,434 0	0 0

**Schedule K  
(Form 990)****2012****Open to Public  
Inspection**Department of the Treasury  
Internal Revenue Service**Supplemental Information on Tax Exempt Bonds**

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

Name of the organization  
SILVERTON HEALTHEmployer identification number  
93-0281321**Part I Bond Issues**

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A HOSPITAL FACILITY AUTHORITY - SILVERTONOR	93-1074291		10-26-2006	10,097,600	CAPITAL IMPROVEMENTS AND EQUIPMENT ACQUISITIONS		X		X		X

**Part II Proceeds**

1	Amount of bonds retired	A		B		C		D	
2	Amount of bonds legally defeased								
3	Total proceeds of issue		10,097,600						
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds		97,600						
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds		6,033,330						
11	Other spent proceeds		3,966,670						
12	Other unspent proceeds								
13	Year of substantial completion	2008							
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

**Part III Private Business Use**

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

**Part III Private Business Use (Continued)**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>3a</b> Are there any management or service contracts that may result in private business use of bond-financed property?		X						
<b>b</b> If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
<b>c</b> Are there any research agreements that may result in private business use of bond-financed property?		X						
<b>d</b> If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
<b>4</b> Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ►	0 00000%		%		%		%	
<b>5</b> Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ►	0 00000%		%		%		%	
<b>6</b> Total of lines 4 and 5	0 00000%		%		%		%	
<b>7</b> Does the bond issue meet the private security or payment test?		X						
<b>8a</b> Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
<b>b</b> If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
<b>c</b> If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
<b>9</b> Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?		X						

**Part IV Arbitrage**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>1</b> Has the issuer filed Form 8038-T?		X						
<b>2</b> If "No" to line 1, did the following apply?								
<b>a</b> Rebate not due yet?		X						
<b>b</b> Exception to rebate?	X							
<b>c</b> No rebate due?		X						
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
<b>3</b> Is the bond issue a variable rate issue?		X						
<b>4a</b> Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
<b>b</b> Name of provider								
<b>c</b> Term of hedge								
<b>d</b> Was the hedge superintegrated?								
<b>e</b> Was a hedge terminated?								

**Part IV Arbitrage (Continued)**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
5a Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6 Were any gross proceeds invested beyond an available temporary period?		X						
7 Has the organization established written procedures to monitor the requirements of section 148?		X						

**Part V Procedures To Undertake Corrective Action**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?		X						

**Part VI Supplemental Information.** Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

Identifier	Return Reference	Explanation
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**Schedule L**  
(Form 990 or 990-EZ)

## Transactions with Interested Persons

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

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

OMB No 1545-0047

2012

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
**SILVERTON HEALTH**

**Employer identification number**

93-028132

**Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only)**

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

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

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

**Part II      Loans to and/or From Interested Persons.**

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

### **Part III Grants or Assistance Benefitting Interested Persons.**

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

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

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

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) BOB ENGLE	HOSPITAL BOARD MEMBER/OWNER OF PARTNERSHIPS LEASING PROPERTY TO HOSPITAL	2,367,731	BOB ENGLE IS A GREATER THAN 5% OWNER OF 3 PARTNERSHIPS, WHICH EACH LEASE PROPERTY TO THE HOSPITAL. THE TRANSACTION AMOUNT IS TOTAL LEASE PAYMENTS PAID TO THE 3 PARTNERSHIPS DURING THE FISCAL YEAR		No
(2) JEFF FRITSCHE	HOSPITAL CFO/EMPLOYEE OF MANAGEMENT COMPANY PROVIDING SERVICES TO HOSPITAL	260,832	JEFF FRITSCHE WAS THE CFO OF THE HOSPITAL BY CONTRACT WITH A THIRD-PARTY MANAGEMENT COMPANY AND WAS AN EMPLOYEE OF THAT MANAGEMENT COMPANY, THE MANAGEMENT COMPANY PROVIDES VARIOUS SERVICES TO THE HOSPITAL, WHICH INCLUDE THE CFO POSITION. THE TRANSACTION AMOUNT IS THE AMOUNT THE HOSPITAL PAID THE MANAGEMENT COMPANY FOR JEFF FRITSCHE'S FINANCIAL SERVICES		No
(3) DAN JESSUP	HOSPITAL CFO/EMPLOYEE OF MANAGEMENT COMPANY PROVIDING SERVICES TO HOSPITAL	91,248	DAN JESSUP IS THE CFO OF THE HOSPITAL BY CONTRACT WITH A THIRD-PARTY MANAGEMENT COMPANY AND IS AN EMPLOYEE OF THAT MANAGEMENT COMPANY, THE MANAGEMENT COMPANY PROVIDES VARIOUS SERVICES TO THE HOSPITAL, WHICH INCLUDE THE CFO POSITION. THE TRANSACTION AMOUNT IS THE AMOUNT THE HOSPITAL PAID THE MANAGEMENT COMPANY FOR DAN JESSUP'S FINANCIAL SERVICES		No

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation

**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.

**2012****Open to Public  
Inspection**Name of the organization  
SILVERTON HEALTH**Employer identification number**

93-0281321

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 3	
	FORM 990, PART VI, SECTION B, LINE 11	FORM 990 IS REVIEWED IN DETAIL BY THE CONTROLLER AND CFO AND APPROVED BY THE CEO FORM 990 IS E-MAILED TO THE GOVERNING BOARD PRIOR TO FILING FOR REVIEW AND APPROVAL IT IS THEN PRESENTED BY THE CFO TO THE FULL GOVERNING BOARD DURING AN EXECUTIVE SESSION OF THE REGULAR BOARD MEETING AT A LATER TIME
	FORM 990, PART VI, SECTION B, LINE 12C	THE CONFLICT OF INTEREST POLICY IS SENT OUT ANNUALLY FOR OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES TO REVIEW THE POLICY AND COMPLETE THE CONFLICT OF INTEREST STATEMENT ANY CONFLICTS ARE DISCLOSED TO THE BOARD AND THE BOARD VOTES ON WHETHER OR NOT A CONFLICT EXISTS IF A CONFLICT DOES EXIST, A DIFFERENT ALTERNATIVE WILL BE LOOKED AT WITH POSSIBLY AN EXTERNAL PARTY TO AVOID A CONFLICT IF NONE EXISTS, THE BOARD SHALL DETERMINE BY MAJORITY WHETHER THE TRANSACTION IS IN THE ORGANIZATION'S BEST INTEREST AND FAIR AND REASONABLE AND WILL MAKE A DETERMINATION AS TO WHETHER TO ENTER INTO THE TRANSACTION
	FORM 990, PART VI, SECTION B, LINE 15	LEGAL COUNSEL DEVELOPED A PROCESS TO DETERMINE COMPENSATION OF THE CEO, WHICH INCLUDES COMPARABILITY DATA AND DEVELOPMENT OF A COMPENSATION GRID COMPARABILITY DATA WAS USED FROM NORTHWEST EXECUTIVE COMPENSATION SURVEY AND A STANDARD PROCESS WAS FOLLOWED IN DETERMINING COMPENSATION FOR KEY EMPLOYEES, WHEREIN JOBS ARE EVALUATED BY THE HUMAN RESOURCES DEPARTMENT USING SURVEY DATA AND INTERNAL EQUITY TO DETERMINE THE SLOTTING OF JOBS INTO ESTABLISHED PAY GRADES WHEN EVALUATING A PAY GRADE THE 50TH PERCENTILE ON A SALARY SURVEY IS USED AS A STARTING PLACE FOR MIDPOINT TO DETERMINE IF THE RANGE IS APPROPRIATE WITHIN A PAY GRADE WE THEN USE ESTABLISHED PAY GUIDELINES TO HELP US DETERMINE AT WHICH POINT IN THE PAY GRADE WE PLACE AN EMPLOYEE THE GUIDELINES PROVIDE RECOMMENDED PERCENTAGE POINTS ABOVE MINIMUM - BASED ON EDUCATION, TRAINING, CERTIFICATION AND SKILL SETS
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE MADE AVAILABLE TO THE PUBLIC UPON REQUEST
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	BOOK/TAX DIFFERENCE FROM PASSTHROUGH INVESTMENT INCOME -64,846

# **SCHEDULE R (Form 990)**

## Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2012

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
SEYFERTH HEALTH

## SILVERTON HEALTH

**Employer identification number**

93-028132

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

**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.)

**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.)

**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.)

**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		No
1b		No
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h	Yes	
1i		No
1j		No
1k	Yes	
1l		No
1m		No
1n	Yes	
1o		No
1p		No
1q		No
1r		No
1s		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) MID-VALLY MEDICAL MANAGEMENT COMPANY LLC	K	113,886	CASH TRANSFERRED
(2) MID-VALLY MEDICAL MANAGEMENT COMPANY LLC	N	213,040	CASH TRANSFERRED

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

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

**Software ID:****Software Version:****EIN:** 93-0281321**Name:** SILVERTON HEALTH**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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Report of Independent Auditors and  
Consolidated Financial Statements  
(with supplementary information) for

**Silverton Health and Affiliates**

September 30, 2013 and 2012

**MOSS-ADAMS LLP**

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Consolidating statement of changes in net assets – 2012	35



## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees  
Silverton Health and Affiliates

### Report on Financial Statements

We have audited the accompanying consolidated balance sheets of Silverton Health and Affiliates (the Organization) as of September 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended.

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

The Organization's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with auditing standards generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's 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 of 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 auditor's 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.

## REPORT OF INDEPENDENT AUDITORS (continued)

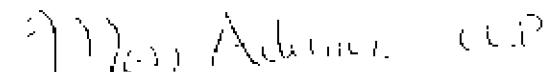
### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Silverton Health and Affiliates as of September 30, 2013 and 2012, and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Report on Consolidating Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating balance sheets as of September 30, 2013 and 2012 and the consolidating statements of operations, changes in net assets and cash flows for the years ended September 30, 2013 and 2012 included on pages 28 through 35 are presented for purposes of additional analysis and are 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.



Portland, Oregon  
February 25, 2014

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**SILVERTON HEALTH AND AFFILIATES**  
**CONSOLIDATED BALANCE SHEETS**

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**ASSETS**

	September 30,	
	2013	2012
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,622,620	\$ 722,372
Patient accounts receivable, net of allowance for doubtful accounts of \$6,943,000 in 2013 and \$6,645,000 in 2012	15,017,008	17,429,647
Current portion of physician notes receivable	74,739	12,000
Supplies inventories	1,533,228	1,931,813
Prepaid expenses	1,371,871	1,509,438
Other receivables	1,342,772	309,415
 Total current assets	 24,962,238	 21,914,685
 <b>ASSETS LIMITED AS TO USE</b>		
Board designated cash and investments	2,060,138	6,069,235
Investments restricted by State of Oregon	1,093,243	1,055,134
 Total assets limited as to use	 3,153,381	 7,124,369
 <b>PROPERTY AND EQUIPMENT, net</b>		
	 36,294,846	 36,350,642
 <b>OTHER ASSETS</b>		
Physician notes receivable, net of current portion	34,012	60,000
Investments	2,898,422	4,017,435
Beneficial interest in endowment fund	120,130	114,143
Other	1,991,057	1,253,394
 Total other assets	 5,043,621	 5,444,972
 Total assets	 \$ 69,454,086	 \$ 70,834,668

**SILVERTON HEALTH AND AFFILIATES**  
**CONSOLIDATED BALANCE SHEETS**

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**LIABILITIES AND NET ASSETS**

	September 30,	
	2013	2012
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,238,878	\$ 2,000,081
Accrued payroll	5,088,801	5,516,313
Accrued payroll taxes and withhold	516,511	574,715
Other accrued expenses	3,660,827	2,011,350
Estimated third-party payor settlements	1,587,510	-
Current portion of long-term debt	6,264,424	6,894,190
Current portion of capital lease obligations	<u>1,870,811</u>	<u>1,534,308</u>
 Total current liabilities	 <u>20,227,762</u>	 <u>18,530,957</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, net of current portion	-	-
Capital lease obligations, net of current portion	3,214,743	3,641,749
Estimated medical malpractice liability	<u>2,232,112</u>	<u>1,779,544</u>
 Total long-term liabilities	 <u>5,446,855</u>	 <u>5,421,293</u>
 Total liabilities	 <u>25,674,617</u>	 <u>23,952,250</u>
<b>NET ASSETS</b>		
Unrestricted		
Unrestricted	39,325,824	38,593,738
Board designated	2,060,138	6,069,235
Funds functioning as endowments	172,716	187,011
Temporarily restricted	2,195,715	1,987,358
Permanently restricted	<u>25,076</u>	<u>45,076</u>
 Total net assets	 <u>43,779,469</u>	 <u>46,882,418</u>
 Total liabilities and net assets	 <u>\$ 69,454,086</u>	 <u>\$ 70,834,668</u>

**SILVERTON HEALTH AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<u>Years Ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Patient service revenue, net of contractuals and discounts	\$ 95,465,064	\$ 96,745,526
Provision for bad debts	<u>(5,465,077)</u>	<u>(6,183,167)</u>
Net patient service revenue	89,999,987	90,562,359
Other revenue	3,540,540	4,595,132
Net assets released from restrictions used for operations	<u>239,494</u>	<u>204,598</u>
<b>Total revenues</b>	<b><u>93,780,021</u></b>	<b><u>95,362,089</u></b>
<b>EXPENSES</b>		
Salaries and benefits	63,697,975	65,258,463
Supplies	11,671,619	13,198,731
Purchased services	7,985,115	6,778,240
Building and maintenance	7,105,925	7,072,828
Depreciation and amortization	4,183,287	3,762,035
Insurance	363,093	740,551
Interest expense	513,887	430,943
Other	<u>1,242,042</u>	<u>1,138,018</u>
<b>Total expenses</b>	<b><u>96,762,943</u></b>	<b><u>98,379,809</u></b>
<b>OPERATING LOSS</b>	<b><u>(2,982,922)</u></b>	<b><u>(3,017,720)</u></b>
<b>OTHER INCOME (EXPENSE)</b>		
Investment income	145,030	310,470
Other non-operating expense	<u>(406,017)</u>	<u>(175,446)</u>
<b>Total other income (expense)</b>	<b><u>(260,987)</u></b>	<b><u>135,024</u></b>
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	<b><u>\$ (3,243,909)</u></b>	<b><u>\$ (2,882,696)</u></b>

**SILVERTON HEALTH AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

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	Years Ended September 30,	
	2013	2012
<b>UNRESTRICTED NET ASSETS</b>		
Deficiency of revenues over expenses	\$ (3,243,909)	\$ (2,882,696)
Net change in unrealized gains and losses on other-than-trading securities	<u>(47,397)</u>	<u>(37,621)</u>
Decrease in unrestricted net assets	<u>(3,291,306)</u>	<u>(2,920,317)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	255,519	260,821
Donor release from permanently to temporarily restricted	20,000	-
Investment income	172,332	231,405
Net assets released from restrictions	<u>(239,494)</u>	<u>(204,598)</u>
Increase in temporarily restricted net assets	<u>208,357</u>	<u>287,628</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Donor release from permanently to temporarily restricted	<u>(20,000)</u>	<u>-</u>
Decrease in permanently restricted net assets	<u>(20,000)</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<b>(3,102,949)</b>	<b>(2,632,689)</b>
<b>NET ASSETS, beginning of year</b>	<b>46,882,418</b>	<b>49,515,107</b>
<b>NET ASSETS, end of year</b>	<b><u>\$ 43,779,469</u></b>	<b><u>\$ 46,882,418</u></b>

**SILVERTON HEALTH AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended September 30,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (3,102,949)	\$ (2,632,689)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	4,128,515	3,762,035
Gain on sale of investments	(89,135)	-
Loss on dissolution of joint venture	971,838	
Change in beneficial interest in endowment fund	(5,987)	(7,285)
Income from investment in joint ventures	(50,000)	(22,990)
Net unrealized (gain) loss on investments	(77,470)	(131,367)
(Decrease) increase in assets		
Patient receivables (net)	2,412,639	(1,477,417)
Supplies inventories	398,585	(15,278)
Prepaid expenses	137,567	(361,269)
Other receivables	(1,033,357)	786,320
Other assets	(737,663)	(1,141,682)
Increase (decrease) in liabilities		
Accounts payable	(761,203)	373,286
Accrued payroll, taxes, and withholdings	(485,716)	206,292
Other accrued expenses	1,649,477	(1,094,851)
Estimated third party payoff settlement	1,587,510	(550,000)
Estimated medical malpractice liability	452,568	1,003,717
Net cash from operating activities	<u>5,395,219</u>	<u>(1,303,178)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Collections of physician notes receivable	(36,751)	11,000
Purchase of property and equipment	(2,409,389)	(4,061,443)
Investment in joint venture	-	97,407
Purchase of investments	(5,231,362)	(9,054,547)
Proceeds from sale of investments	9,566,130	12,990,965
Net cash used in investing activities	<u>1,888,628</u>	<u>(16,618)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Proceeds from capital lease obligations	-	-
Proceeds from long-term debt	-	-
Payments on capital lease obligations	(1,753,833)	(917,501)
Payments on long-term debt	(629,766)	(602,344)
Net cash used in financing activities	<u>(2,383,599)</u>	<u>(1,519,845)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		
CASH AND CASH EQUIVALENTS, beginning of year	4,900,248	(2,839,641)
CASH AND CASH EQUIVALENTS, end of year	<u>722,372</u>	<u>3,562,013</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,622,620</u>	<u>\$ 722,372</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION</b>		
Equipment acquired through capital leases and long-term debt	<u>\$ 1,663,329</u>	<u>\$ 5,016,837</u>

## **SILVERTON HEALTH AND AFFILIATES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 1 – Description of Organization and Summary of Significant Accounting Policies**

**Organization** – Silverton Health (the Hospital) is a nonprofit organization which primarily earns revenue by providing inpatient, outpatient, and emergency services to patients in Silverton, Oregon and surrounding areas. The Hospital has a fully licensed 48-bed general hospital located in Silverton, Oregon. In addition, the Hospital operates eight clinics in Silverton, Woodburn, and Mt. Angel, Oregon. The Hospital's financial statements have been consolidated with Silverton Hospital Foundation (the Foundation). The Foundation is a non-profit corporation whose primary function is to raise funds to carry out the tax-exempt purpose of the Hospital.

**Principles of consolidation** – The consolidated financial statements include the accounts of Silverton Health and Silverton Hospital Foundation (the Organization). All significant intercompany transactions have been eliminated.

**Use of estimates** – The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of presentation** – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

***Unrestricted net assets*** – Net assets that are not subject to donor-imposed stipulations. Absent any donor stipulations, investment earnings for certain temporarily restricted funds are recorded as unrestricted net assets.

***Temporarily restricted net assets*** – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

***Permanently restricted net assets*** – Net assets subject to donor-imposed stipulations that state they be maintained by the Organization in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes.

## **SILVERTON HEALTH AND AFFILIATES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

#### **Note 1 – Description of Organization and Summary of Significant Accounting Policies (continued)**

**Fair value measurements** – Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Market participants are buyers and sellers, who are independent, knowledgeable, and willing and able to transact in the principal (or most advantageous) market for the asset or liability being measured.

Fair value is based on quoted market prices, when available, for identical or similar assets or liabilities. In the absence of quoted market prices, management determines the fair value of the Hospital's assets and liabilities using valuation models or third-party pricing services, both of which rely on market-based parameters when available, such as interest rate yield curves, option volatilities and credit spreads. The valuation techniques used are based on observable and unobservable inputs.

**Cash and cash equivalents** – Cash and cash equivalents include investments in highly-liquid instruments with original maturities of three months or less, excluding amounts classified as assets limited as to use.

**Investments** – Investments in equity securities with readily determinable fair values, debt securities, and certificates of deposit are carried at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities. Investment income that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment income is reflected in the consolidated statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions. Investments in joint ventures are accounted for under the equity method of accounting.

**Promises to give** – Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

**Supplies inventories** – Supplies inventories are stated at the lower of cost (first-in, first-out) or market.

**Assets limited as to use** – Assets limited as to use include cash and investments designated by the board of trustees for capital improvements and restricted for use by the State of Oregon. The Board of Trustees retains control over board designated cash and investments and may, at its discretion, subsequently use it for other purposes.

**SILVERTON HEALTH AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 1 – Description of Organization and Summary of Significant Accounting Policies (continued)**

**Patient accounts receivable** – In the normal course of business, the Hospital provides credit terms to its patients, including billing to third-party insurance carriers, most of whom are local residents and are insured under third-party payor agreements. Patient accounts receivables are reduced by an allowance for doubtful accounts. In evaluating the collectability of receivables, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

There was no change in the methodology used by the Hospital to estimate the allowance for contractual adjustments and bad debt provision in the current year.

**Property and equipment** – Property and equipment acquisitions in excess of \$1,000 are recorded at cost for items purchased and at fair market value for items donated. Expenditures for major renewals and betterments, which extend the useful lives of property and equipment, are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method using these estimated useful lives:

Buildings	10-50 years
Land improvements	5-20 years
Equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

## **SILVERTON HEALTH AND AFFILIATES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **Note 1 – Description of Organization and Summary of Significant Accounting Policies (continued)**

**Coordinated Care Organization** – With the passage of Coordinated Care Organization (CCO) legislation in the State of Oregon, the Hospital and nine other entities developed a new organization, Willamette Valley Community Health LLC (WVCH). WVCH contracted with the State of Oregon to provide capitated health care services to enrollees of OHP in Marion County beginning August 1, 2012 and in Polk County beginning October 1, 2012. The Hospital contributed \$272,728 to WVCH during 2012 and has 9% ownership. See Note 5.

**Health insurance** – The Hospital provides medical, dental, vision, and prescription coverage to its active employees and families through the Silverton Hospital Health Benefit Plan (the Plan). The Plan is self-funded, but is reinsured through Companion Life Insurance Company with a specific attachment point of \$100,000 per covered individual annually with unlimited annual maximum specific benefit. The Hospital has established reserve amounts based upon information as to the status of claims plus development factors for incurred but not yet reported claims and anticipated future changes in underlying case reserves. Such reserve amounts are only estimates and there can be no assurance that the Hospital's future obligations will not exceed the amount of its reserves. The Hospital's reserve for health insurance was \$1,196,204 and \$1,359,161 at September 30, 2013 and 2012, respectively, and is included in other accrued expenses on the consolidated balance sheet.

**Net patient service revenue** – The Hospital has agreements with third-party payors that provide for payments to the Hospital 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 revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Charity care** – The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care provided by the Hospital at cost totaled \$5.7 million and \$5.1 million for the years ended September 30, 2013 and 2012, respectively.

**Donated restricted gifts** – Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

**Donated services, goods and facilities** – Donated non-cash assets are recorded at fair value as of the date of donation. Donated services that create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

**SILVERTON HEALTH AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 1 – Description of Organization and Summary of Significant Accounting Policies (continued)**

**Excess (deficiency) of revenues over expenses** – The consolidated statements of operations include excess of (expenses over revenues) revenues over expenses. Changes in unrestricted net assets, which are excluded from excess (expenses over revenues) revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities.

**Estimated medical malpractice liability** – The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

**Income taxes** – The Organization is a tax-exempt organization and is not subject to state or federal income taxes, except on unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code.

The Organization had no unrecognized tax liabilities at September 30, 2013 and September 30, 2012. The Organization recognizes interest accrued and penalties related to unrecognized tax benefits as an administrative expense. During the years ended September 30, 2013 and 2012, the Organization recognized no interest and penalties.

The Organization files an exempt organization income tax return in the U.S. federal jurisdiction and unrelated business income tax returns in the U.S. federal jurisdiction and with the Oregon Department of Revenue.

The Hospital has unrelated business income that has generated net operating losses to offset future taxable income in the amount of \$9.9 million. Management does not believe the net operating losses will be realized, therefore a full valuation allowance has been recorded against the deferred tax asset. Net operating losses will begin expiring in 2027.

**Subsequent events** – Subsequent events are events or transactions that occur after the consolidated balance sheet date but before consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before the consolidated financial statements are issued.

The Organization has evaluated subsequent events through February 25, 2014 which is the date the consolidated financial statements were issued, and no other items requiring disclosure were noted.

## **SILVERTON HEALTH AND AFFILIATES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **Note 2 – Net Patient Service Revenue**

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

*Medicaid* – Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid primarily under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2010.

*Medicare* – Inpatient acute care services rendered to Medicare program beneficiaries are paid at predetermined, specific rates for each hospital discharge. Discharges are classified according to a list of diagnosis related groups (DRGs). Each DRG has a payment weight assigned to it, based on the average resources used to treat Medicare patients in that DRG. The Hospital's classification of DRGs and the appropriateness of their admission are subject to an independent review by a peer review organization. Those Medicare patient services not subject to prospectively determined rates are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's cost reports have been reviewed and/or audited by the Medicare fiscal intermediary through 2011.

Approximately 40% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2013 and 2012. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

The difference between the Hospital's standard billing rates and the contracted rates results in contractual deductions, which are recorded as adjustments to patient service revenue.

**SILVERTON HEALTH AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 2 – Net Patient Service Revenue (continued)**

The following are the components of net patient service revenue for the years ended September 30:

	<u>2013</u>	<u>2012</u>
Gross patient service charges	\$ 198,429,789	\$ 192,352,294
Adjustments to patient service charges		
Contractual discounts	91,480,807	85,497,669
Charity care (at gross charges)	11,483,918	10,109,099
Provision for bad debts	<u>5,465,077</u>	<u>6,183,167</u>
Total adjustments to patient service charges	<u>108,429,802</u>	<u>101,789,935</u>
Net patient service revenue	<u>\$ 89,999,987</u>	<u>\$ 90,562,359</u>

**Note 3 – Assets Limited as to Use**

Assets limited as to use at September 30 include:

	<u>2013</u>	<u>2012</u>
Board designated cash and investments		
Certificates of deposit	\$ 899,904	\$ 5,743,801
Money market accounts	1,160,234	9,153
Corporate bonds	<u>-</u>	<u>316,281</u>
	<u>2,060,138</u>	<u>6,069,235</u>
Restricted by the Oregon Department of Human Resources as security for reimbursing unemployment claims		
Certificates of deposit	<u>1,093,243</u>	<u>1,055,134</u>
	<u>1,093,243</u>	<u>1,055,134</u>
Total assets limited as to use	<u>\$ 3,153,381</u>	<u>\$ 7,124,369</u>

**SILVERTON HEALTH AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 4 – Property and Equipment**

A summary of property and equipment at September 30 is as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 2,768,949	\$ 2,768,949
Land improvements	812,889	811,439
Buildings and improvements	35,379,453	34,940,510
Equipment	<u>38,143,439</u>	<u>34,817,285</u>
	77,104,730	73,338,183
Less accumulated depreciation	<u>41,965,451</u>	<u>37,883,854</u>
	35,139,279	35,454,329
Construction in progress	<u>1,155,567</u>	<u>896,313</u>
Property and equipment, net	<u><u>\$ 36,294,846</u></u>	<u><u>\$ 36,350,642</u></u>

Depreciation and amortization expense for the years ended September 30, 2013 and 2012 was \$4,183,287 and \$3,762,035, respectively.

**Note 5 – Investments**

Investments at September 30 include:

	<u>2013</u>	<u>2012</u>
Mutual funds	\$ 2,396,703	\$ 2,192,925
Joint venture - Providence/Silverton Rehab, LLC	100,000	134,987
Joint venture - Mid-Valley Medical Management, LLC	-	886,851
Other investments	<u>401,719</u>	<u>802,672</u>
	<u><u>\$ 2,898,422</u></u>	<u><u>\$ 4,017,435</u></u>

**SILVERTON HEALTH AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 5 – Investments (continued)**

Investment income and gains for assets limited as to use, cash equivalents, and other investments comprise the following for the years ended September 30:

	2013	2012
Interest and dividend income	\$ 111,493	\$ 281,325
Net realized and unrealized gains on securities	<u>158,472</u>	<u>222,929</u>
	<u><u>\$ 269,965</u></u>	<u><u>\$ 504,254</u></u>

Total investment return is reflected in the consolidated statements of operations and changes in net assets as follows:

	2013	2012
Unrestricted investment income	\$ 145,030	\$ 310,470
Net change in unrealized gains and losses on other-than trading securities	(47,397)	(37,621)
Temporarily restricted investment income	<u>172,332</u>	<u>231,405</u>
	<u><u>\$ 269,965</u></u>	<u><u>\$ 504,254</u></u>

*Willamette Valley Community Health, LLC* – With the passage of CCO legislation in the State of Oregon, the Hospital and nine other entities developed Willamette Valley Community Health, LLC (WVCH). The Company contributed \$272,728 to WVCH during 2012 and has 9% ownership.

*Providence/Silverton Rehab, LLC* – The Hospital formed a joint venture with Providence Health & Services to provide outpatient rehabilitation services. The joint venture is organized as Providence/Silverton Rehab, LLC, dba Wellspring Rehabilitation Services. Silverton Health owns 50% of the joint venture and accounts for this interest under the equity method. On December 31, 2012, the Hospital entered into an Asset Purchase Agreement with Providence/Silverton Rehab, LLC. As part of this agreement, the Hospital expects to receive \$100,000 which is included in other assets.

## **SILVERTON HEALTH AND AFFILIATES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **Note 5 – Investments (continued)**

The following information is a summary of Providence/Silverton Rehab, LLC's most recent available balance sheets (unaudited) as of September 30:

	<u>2012</u>
Current assets	\$ 580,877
Property and equipment, net	<u>5,912</u>
 Total assets	 <u>\$ 586,789</u>
 Current liabilities	 \$ 316,816
Retained earnings	<u>269,973</u>
 Total liabilities and net assets	 <u>\$ 586,789</u>

The Hospital's investment in Providence/Silverton Rehab, LLC was \$134,987 at September 30, 2013. The Hospital's portion of the net income for the period ended September 30, 2013 was approximately \$22,990, and is included in other revenue.

*Mid-Valley Medical Management, LLC* – The Hospital formed a joint venture with Cardiologist and Orthopedist of Oregon, LLC to provide cardiac catheterization services in May 2010. Silverton Health owns 51% of the joint venture and accounts for this interest under the equity method. This agreement was terminated and Mid-Valley Medical Management, LLC has been dissolved.

The following information is a summary of Mid-Valley Medical Management, LLC's most recent available balance sheets (unaudited) as of September 30:

	<u>2012</u>
Current assets	\$ 272,988
Property and equipment, net	<u>1,475,203</u>
 Total assets	 <u>\$ 1,748,191</u>
 Current liabilities	 \$ 9,268
Retained earnings	<u>1,738,923</u>
 Total liabilities and net assets	 <u>\$ 1,748,191</u>

The Hospital's investment in Mid-Valley Medical Management, LLC was \$886,851 at September 30, 2013. The Hospital's portion of the net (loss) for the period ended September 30, 2013 was approximately (\$97,407), respectively, and is included in other revenue.

## **SILVERTON HEALTH AND AFFILIATES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 6 – Fair Value Measurements**

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

**Level 2** – Inputs to the valuation methodology are quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. At September 30, 2013 and 2012, the Organization does not have any liabilities that are required to be measured in accordance with the fair value standards.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2013 and 2012.

*Common stocks* – Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate bonds and U.S. government securities* – Valued at the closing price reported on the major market on which the individual securities are traded or have reported broker trades which may be considered indicative of an active market. Where quoted prices are available in an active market, the investments are classified within level 1 of the valuation hierarchy. If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, discounted cash flows and other observable inputs. Such securities are classified within level 2 of the valuation hierarchy.

*Mutual funds* – Mutual funds and exchange traded mutual funds are carried at fair value based upon quoted market prices for those or similar investments.

*Certificates of deposit* – Certificates of deposit values are obtained from third party pricing services based on comparable assets.

**SILVERTON HEALTH AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 6 – Fair Value Measurements (continued)**

*Beneficial interest in endowment fund* – The Organization's beneficial interest in endowment fund is recorded at fair value based on discounted future cashflows expected to be received from the endowment fund. The endowment fund controls the investments in the endowment fund and makes all management and investment decisions.

The following tables present the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques utilized by the Organization to determine such fair value:

Fair Value Measurements at September 30, 2013				
	Total Fair Value	Level One	Level Two	Level Three
Money market funds	\$ 1,160,234	\$ 1,160,234	\$ -	\$ -
Mutual funds				
Bond funds	290,184	290,184	- -	- -
Value funds	990,229	990,229	- -	- -
Growth funds	1,088,059	1,088,059	- -	- -
Money market funds	28,231	28,231	- -	- -
Certificates of deposit	2,394,866	- -	2,394,866	- -
Beneficial interest in endowment fund	<u>120,130</u>	<u>- -</u>	<u>- -</u>	<u>120,130</u>
	<u><u>\$ 6,071,933</u></u>	<u><u>\$ 3,556,937</u></u>	<u><u>\$ 2,394,866</u></u>	<u><u>\$ 120,130</u></u>

Fair Value Measurements at September 30, 2012				
	Total Fair Value	Level One	Level Two	Level Three
Money market funds	\$ 9,153	\$ 9,153	\$ -	\$ -
Mutual funds				
Bond funds	298,542	298,542	- -	- -
Value funds	824,239	824,239	- -	- -
Growth funds	1,026,493	1,026,493	- -	- -
Money market funds	43,651	43,651	- -	- -
Certificates of deposit	7,601,608	- -	7,601,608	- -
Corporate bonds	316,281	- -	316,281	- -
Beneficial interest in endowment fund	<u>114,143</u>	<u>- -</u>	<u>- -</u>	<u>114,143</u>
	<u><u>\$ 10,234,110</u></u>	<u><u>\$ 2,202,078</u></u>	<u><u>\$ 7,917,889</u></u>	<u><u>\$ 114,143</u></u>

The Organization's policy is to recognize transfers in and out as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, 2 or 3 for the years ended September 30, 2013 and 2012.

**SILVERTON HEALTH AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 6 – Fair Value Measurements (continued)**

The following table provides a reconciliation of assets measured at fair value using significant unobservable inputs (Level 3) on a recurring basis during the years ended September 30, 2013 and 2012:

	<u>Beneficial Interest in Endowment Fund</u>
Balance, October 1, 2012	\$ 114,143
Adjustment to fair value included in earnings	<u>5,987</u>
 Balance, September 30, 2013	 <u>\$ 120,130</u>
	<u>Beneficial Interest in Endowment Fund</u>
Balance, October 1, 2011	\$ 106,858
Adjustment to fair value included in earnings	<u>7,285</u>
 Balance, September 30, 2012	 <u>\$ 114,143</u>

The total amount of gains for the period included in changes in net assets attributable to the net investment income relating to assets still held at September 30, 2013 was \$12,062.

**Note 7 – Beneficial Interest in Endowment Fund**

The Foundation has established the Silverton Hospital Foundation Endowment Fund with the Oregon Community Foundation (OCF). Under the terms establishing the fund, OCF has title and variance power over the assets and, at least annually, OCF can distribute a portion of the value of the fund to the Foundation. These transactions are considered reciprocal in nature and, accordingly, the Hospital recognizes a beneficial interest in the amount of \$120,130 and \$114,143 at September 30, 2013 and 2012, respectively.

**SILVERTON HEALTH AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 8 – Long-Term Debt**

A summary of long-term debt at September 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Hospital Facility Authority of the City of Silverton, Oregon, Series 2006, payable in monthly installments of \$77,040, including interest at 4.46%, collateralized by a pledge of the Hospital's gross receipts. Matures October 2021.	\$ 6,264,424	\$ 6,894,190
Less amounts due within one year	<u>6,264,424</u>	<u>6,894,190</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

At September 30, 2013 and 2012, the Hospital was not in compliance with various covenants related to their long-term debt. The Hospital has not received a waiver for these violations and caused the Hospital to be in breach of the debt agreement. Accordingly, all related borrowings are classified as current at September 30, 2013 and 2012.

**SILVERTON HEALTH AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 9 – Capital Leases**

The Hospital entered into various equipment lease-purchase agreements. Capital lease obligations at September 30, 2013 consisted of the following:

	<u>2013</u>	<u>2012</u>
Equipment lease-purchase agreement with First American Finance with monthly payments of \$55,007 at 2.69%. Matures March 2016.	\$ 1,594,153	\$ 2,202,387
Equipment lease-purchase agreement with First American Finance with monthly payments of \$40,085 at 2.69%. Matures April 2016.	1,199,090	1,641,332
Equipment lease-purchase agreement with Webstar ASC, LLC with interest only payments ranging from \$6,242 and \$6,636 through January 2015 and principal and interest payments beginning February 2015 of \$14,317 at 12.00%. Matures January 2020.	643,634	-
Equipment lease-purchase agreement with First American Finance with monthly payments of \$14,674 at 2.69%. Matures September 2016.	506,928	-
Equipment lease-purchase agreement with US Bank with monthly payments of \$15,081 at 2.76%. Matures December 2015.	394,351	561,917
Equipment lease-purchase agreement with Med One Capital Funding with monthly payments of \$7,995 at 6.33%. Matures January 2016.	207,493	-
Equipment lease-purchase agreement with US Bank with monthly payments of \$10,850 at 3.84%. Matures January 2015.	168,966	290,141
Equipment lease-purchase agreement with US Bank with monthly payments of \$7,592 at 2.72%. Matures July 2015.	162,751	248,165
Equipment lease-purchase agreement with US Bank with monthly payments of \$9,578 at 2.89%. Matures October 2014.	122,439	232,115
Equipment lease-purchase agreement with Oregon Employers Trust Assessment with monthly payments of \$4,022 at 7.70%. Matures August 2015.	85,749	-
<b>Total capital lease obligations</b>	<b>5,085,554</b>	<b>5,176,057</b>
<b>Less amounts due within one year</b>	<b>1,870,811</b>	<b>1,534,308</b>
<b>Capital lease obligations, net of current portion</b>	<b>\$ 3,214,743</b>	<b>\$ 3,641,749</b>

**SILVERTON HEALTH AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 9 – Capital Leases (continued)**

Scheduled payments on capital lease obligations for the years ending September 30 are as follows:

2014	\$ 2,058,239
2015	1,908,329
2016	1,035,615
2017	171,807
Thereafter	<u>400,884</u>
Total minimum lease payments	5,574,874
Less: Amount representing interest	<u>(489,320)</u>
Present value of net minimum lease payments	<u>\$ 5,085,554</u>

**Note 10 – Functional Expenses**

The Hospital provides healthcare services to residents within its geographic location. Expenses related to providing these services for the years ended September 30, are as follows:

	2013	2012
Healthcare services	\$ 68,374,190	\$ 67,051,581
General and administrative	<u>28,388,753</u>	<u>31,328,228</u>
Total operating expenses	<u>\$ 96,762,943</u>	<u>\$ 98,379,809</u>

**SILVERTON HEALTH AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 11 – Restrictions on Net Assets**

Temporarily restricted net assets at September 30 are available for the following purposes or periods:

	<u>2013</u>	<u>2012</u>
Community outreach fund	\$ 1,920,545	\$ 1,535,530
Building fund	123,114	123,114
Seniors plus fund	36,518	34,401
Community Outreach Clinic fund	28,081	65,293
Volunteer support fund	24,104	19,375
Medical advancement fund	11,508	9,400
Winter nursing education fund	10,545	10,069
Annual fund	10,290	10,260
Employee emergency fund	9,473	-
Wellspring health management fund	8,169	76,113
Scholarship fund	6,092	6,771
Outreach and support fund	4,057	3,232
Family birth center fund	3,219	2,883
Hospital matching fund	-	90,000
Other funds	-	917
 Total temporarily restricted net assets	 <u>\$ 2,195,715</u>	 <u>\$ 1,987,358</u>

Permanently restricted net assets consist of endowment fund investments of \$25,076 and \$45,076 at September 30, 2013 and 2012 respectively, are to be held indefinitely, the income from which is expendable to support the general operations of the Foundation.

**Note 12 – Employee Retirement Plan**

Effective January 1, 1998, the Hospital established a defined contribution retirement plan covering substantially all employees under the guidelines of Internal Revenue Code (IRC) 403(b) Tax Deferred Annuity Plan. The employees may elect to contribute, according to a salary reduction agreement, a percentage of their annual compensation. The Hospital will contribute \$.50 for every dollar contributed up to a maximum of six percent of the employee's compensation. There is also an additional discretionary contribution of up to five percent of employee gross wages based on completed years of service. Employer contributions determined in accordance with the plan formula were \$2,025,699 and \$1,982,528 for the years ended September 30, 2013 and 2012, respectively.

## **SILVERTON HEALTH AND AFFILIATES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **Note 13 – Operating Leases**

The Hospital leases clinics and other property under various long-term operating leases. Rental expense for the years ended September 30, 2013 and 2012 was approximately \$3,736,000 and \$3,763,000, respectively. Generally, these leases include escalation clauses based on increases in the local Consumer Price Index and renewal options.

The Hospital has a lease for a 90,000 square-foot medical center located in Woodburn, Oregon that expires in 2021. The Woodburn Health Center lease provides the option for the Hospital to buy the medical center at a floating price below fair market value at the time the option is exercised.

Following is a schedule of future minimum rental payments required under the operating leases that have initial or remaining terms in excess of one year as of September 30, 2013:

2014	\$ 3,234,791
2015	3,036,641
2016	2,887,421
2017	2,837,085
2018	2,836,273
Thereafter	<u>22,015,378</u>
	 <u>\$ 36,847,589</u>

#### **Note 14 – Community Benefits**

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

- Free and/or subsidized care,
- Care to persons covered by governmental programs at/or below cost, and
- Health activities and programs to support the community, which are considered in the context of the individual's ability to pay, and/or community need.

These activities include wellness programs, community education programs, health screenings, special programs for the elderly, handicapped, medically underserved, and a wide variety of broad community support activities. Additionally, the Hospital's Board of Trustees has designated funds for charitable causes.

**SILVERTON HEALTH AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## **Note 14 – Community Benefits (continued)**

The Hospital provides care to persons covered by governmental programs, such as Medicare and Medicaid, which reimburse at levels below actual cost. The amount of charges written off by the Hospital under these programs was approximately \$66,675,000 and \$62,901,000 for the years ended September 30, 2013 and 2012, respectively.

The Hospital also provides additional free care under its charity care policy. The amount of charges forgone for charity care provided by the Hospital for the years ended September 30, 2013 and 2012 was \$11,483,918 and \$10,109,099, respectively.

## **Note 15 – Concentrations of Credit Risk**

**Cash and cash equivalents** – Financial instruments potentially subjecting the Organization to concentrations of credit risk consist primarily of bank demand deposits in excess of FDIC limits.

**Assets limited as to use** – Financial instruments potentially subjecting the Hospital to concentrations of credit risk consist primarily of money market funds with one financial institution of approximately \$1 million.

**Accounts receivable** – The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30 was as follows:

	<u>2013</u>	<u>2012</u>
Medicare	23%	22%
Medicaid	14%	19%
Other third-party payors	24%	25%
Patients (self-pay)	<u>39%</u>	<u>34%</u>
	<u>100%</u>	<u>100%</u>

## **Note 16 – Commitments and Contingencies**

**Professional liability claims** – The Hospital purchases professional liability insurance to cover medical malpractice claims. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. To reduce its risk and related monetary exposures, the Hospital has established a comprehensive quality assurance program. Management is aware of no potential professional liability claims whose settlement, if any, would have a material adverse effect on the Hospital's consolidated financial position.

## **SILVERTON HEALTH AND AFFILIATES**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **Note 16 – Commitments and Contingencies (continued)**

**Compliance with laws and regulations** – The Hospital is subject to many complex federal, state and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation, and unknown or unasserted regulatory actions. Government activity with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity and coding and billing for services, has increased significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past patient service revenue. The Hospital has implemented a voluntary corporate compliance program which includes guidance for all Hospital employees' adherence to applicable laws and regulations. Management believes any actions that may result from investigations of non-compliance with laws and regulations will not have a material effect on the Hospital's future financial position or results of operations.

**Risk management** – The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

**Collective bargaining agreement** – The Hospital has a three-year collective bargaining agreement with the Oregon Nurses Association (ONA) through June 2016. ONA members represented approximately 25% of the Hospital's salaries and wages during the year ended September 30, 2013.

#### **Note 17 – Healthcare Reform**

On March 23, 2010, the Patient Protection and Affordable Care Act ("PPACA") was signed into law. On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed, amending the PPACA (collectively the "Affordable Care Act"). The Affordable Care Act addresses a broad range of topics affecting the health care industry, including a significant expansion of healthcare coverage. The coverage expansion is accomplished primarily through incentives to individuals to obtain and employers to provide healthcare coverage and an expansion in Medicaid eligibility. The Affordable Care Act also includes incentives for medical research and the use of electronic health records, changes designed to curb fraud, waste and abuse, and creates new agencies and demonstration projects to promote the innovation and efficiency in the healthcare delivery system. Some provisions of the healthcare reform legislation were effective immediately; others will be phased in through 2016. Further legislative policies are required for several provisions that will be effective in future years. The effect of the changes that will be required in future years are not determinable at this time.

**SUPPLEMENTARY INFORMATION**

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**SILVERTON HEALTH AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**SEPTEMBER 30, 2013**

**ASSETS**

	2013				
	Silverton Hospital	Silverton Hospital Foundation	Total	Elimination Entries	Consolidated
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 5,171,615	\$ 451,005	\$ 5,622,620	\$ -	\$ 5,622,620
Patient accounts receivable, net	15,017,008	-	15,017,008	-	15,017,008
Current portion of physician notes receivable	74,739	-	74,739	-	74,739
Supplies inventories	1,533,228	-	1,533,228	-	1,533,228
Prepaid expenses	1,371,871	-	1,371,871	-	1,371,871
Other receivables	1,334,907	7,865	1,342,772	-	1,342,772
Total current assets	24,503,368	458,870	24,962,238	-	24,962,238
<b>ASSETS LIMITED AS TO USE</b>					
Board designated cash and investments	2,060,138	-	2,060,138	-	2,060,138
Investments restricted by State of Oregon	1,093,243	-	1,093,243	-	1,093,243
Total assets limited as to use	3,153,381	-	3,153,381	-	3,153,381
PROPERTY AND EQUIPMENT, net	36,294,846		36,294,846	-	36,294,846
<b>OTHER ASSETS</b>					
Physician notes receivable, net	34,012	-	34,012	-	34,012
Investments	100,000	2,798,422	2,898,422	-	2,898,422
Beneficial interest in endowment fund		120,130	120,130	-	120,130
Other	1,991,057	-	1,991,057	-	1,991,057
Total other assets	2,125,069	2,918,552	5,043,621	-	5,043,621
<b>Total assets</b>	<b>\$ 66,076,664</b>	<b>\$ 3,377,422</b>	<b>\$ 69,454,086</b>	<b>\$ -</b>	<b>\$ 69,454,086</b>

**SILVERTON HEALTH AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**SEPTEMBER 30, 2013**

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**LIABILITIES AND NET ASSETS**

	Silverton Hospital	Silverton Hospital Foundation	Total	Elimination Entries	Consolidated
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 1,238,878	\$ -	\$ 1,238,878	\$ -	\$ 1,238,878
Accrued payroll	5,088,801	-	5,088,801	-	5,088,801
Accrued payroll taxes and withhold	516,511	-	516,511	-	516,511
Other accrued expenses	3,660,827	-	3,660,827	-	3,660,827
Estimated third-party payor settlements	1,587,510	-	1,587,510	-	1,587,510
Current portion of long-term debt	6,264,424	-	6,264,424	-	6,264,424
Current portion of capital lease obligations	1,870,811	-	1,870,811	-	1,870,811
Total current liabilities	<b>20,227,762</b>	-	<b>20,227,762</b>	-	<b>20,227,762</b>
<b>LONG-TERM LIABILITIES</b>					
Long term debt, net of current portion	-	-	-	-	-
Capital lease obligations, net of current portion	3,214,743	-	3,214,743	-	3,214,743
Estimated medical malpractice liability	2,232,112	-	2,232,112	-	2,232,112
Total long-term liabilities	<b>5,446,855</b>	-	<b>5,446,855</b>	-	<b>5,446,855</b>
Total liabilities	<b>25,674,617</b>	-	<b>25,674,617</b>	-	<b>25,674,617</b>
<b>NET ASSETS</b>					
Unrestricted					
Unrestricted	38,341,909	983,915	39,325,824	-	39,325,824
Board designated	2,060,138	-	2,060,138	-	2,060,138
Funds functioning as endowments	-	172,716	172,716	-	172,716
Temporarily restricted	-	2,195,715	2,195,715	-	2,195,715
Permanently restricted	-	25,076	25,076	-	25,076
Total net assets	<b>40,402,047</b>	<b>3,377,422</b>	<b>43,779,469</b>	-	<b>43,779,469</b>
Total liabilities and net assets	<b>\$ 66,076,664</b>	<b>\$ 3,377,422</b>	<b>\$ 69,454,086</b>	<b>\$ -</b>	<b>\$ 69,454,086</b>

**SILVERTON HEALTH AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Silverton Hospital	Silverton Hospital Foundation	Total	Elimination Entries	Consolidated
<b>REVENUES</b>					
Patient service revenue, net of contractuals and discounts	\$ 95,465,064	\$ -	\$ 95,465,064	\$ -	\$ 95,465,064
Provision for bad debts	<u>(5,465,077)</u>	<u>-</u>	<u>(5,465,077)</u>	<u>-</u>	<u>(5,465,077)</u>
Net patient service revenue	89,999,987	-	89,999,987	-	89,999,987
Contributions	-	441,047	441,047	(441,047)	-
Other revenue	4,290,858	97,466	4,388,324	(847,784)	3,540,540
Net assets released from restrictions used for operations	-	463,169	463,169	(223,675)	239,494
Total revenues	94,290,845	1,001,682	95,292,527	(1,512,506)	93,780,021
<b>EXPENSES</b>					
Salaries and benefits	63,697,975	226,137	63,924,112	(226,137)	63,697,975
Supplies	11,671,619	-	11,671,619	-	11,671,619
Building and maintenance	7,105,925	-	7,105,925	-	7,105,925
Purchased services	7,985,115	-	7,985,115	-	7,985,115
Depreciation and amortization	4,183,287	-	4,183,287	-	4,183,287
Insurance	363,093	-	363,093	-	363,093
Interest expense	513,887	-	513,887	-	513,887
Other	1,196,709	817,219	2,013,928	(771,886)	1,242,042
Total expenses	96,717,610	1,043,356	97,760,966	(998,023)	96,762,943
OPERATING LOSS	<u>(2,426,765)</u>	<u>(41,674)</u>	<u>(2,468,439)</u>	<u>(514,483)</u>	<u>(2,982,922)</u>
<b>OTHER INCOME (EXPENSE)</b>					
Investment income	105,533	-	105,533	39,497	145,030
Other non-operating expense	<u>(599,359)</u>	<u>-</u>	<u>(599,359)</u>	<u>193,342</u>	<u>(406,017)</u>
Total other income (expense)	<u>(493,826)</u>	<u>-</u>	<u>(493,826)</u>	<u>232,839</u>	<u>(260,987)</u>
DEFICIENCY OF EXPENSES OVER REVENUES	<u>\$ (2,920,591)</u>	<u>\$ (41,674)</u>	<u>\$ (2,962,265)</u>	<u>\$ (281,644)</u>	<u>\$ (3,243,909)</u>

**SILVERTON HEALTH AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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	Silverton Hospital	Silverton Hospital Foundation	Total	Eliminating Entries	Consolidated Totals
<b>UNRESTRICTED NET ASSETS</b>					
Excess of expenses over revenues	\$ (2,920,591)	\$ (41,674)	\$ (2,962,265)	\$ (281,644)	\$ (3,243,909)
Net change in unrealized gains and losses on other-than-trading securities	(105,366)	-	(105,366)	57,969	(47,397)
Contribution for capital additions	-	-	-	-	-
Increase in unrestricted net assets	<u>(3,025,957)</u>	<u>(41,674)</u>	<u>(3,067,631)</u>	<u>(223,675)</u>	<u>(3,291,306)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>					
Contributions	-	255,519	255,519	-	255,519
Investment income	-	172,332	172,332	-	172,332
Transfer from permanently restricted	-	20,000	20,000	-	20,000
Net assets released from restrictions	-	(463,169)	(463,169)	223,675	(239,494)
Decrease in temporarily restricted net assets	-	<u>(15,318)</u>	<u>(15,318)</u>	<u>223,675</u>	<u>208,357</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>					
Transfers to temporarily restricted	-	(20,000)	(20,000)	-	(20,000)
Increase in permanently restricted net assets	-	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
DECREASE IN NET ASSETS	<u>(3,025,957)</u>	<u>(76,992)</u>	<u>(3,102,949)</u>	<u>-</u>	<u>(3,102,949)</u>
NET ASSETS, beginning of year	<u>43,428,004</u>	<u>3,454,414</u>	<u>46,882,418</u>	<u>-</u>	<u>46,882,418</u>
NET ASSETS, end of year	<u>\$ 40,402,047</u>	<u>\$ 3,377,422</u>	<u>\$ 43,779,469</u>	<u>\$ -</u>	<u>\$ 43,779,469</u>

**SILVERTON HEALTH AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**SEPTEMBER 30, 2012**

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**ASSETS**

	Silverton Hospital	Silverton Hospital Foundation	Total	Elimination Entries	Consolidated
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 419,092	\$ 303,280	\$ 722,372	\$ -	\$ 722,372
Patient accounts receivable, net	17,429,647	-	17,429,647	-	17,429,647
Current portion of physician notes receivable	12,000	-	12,000	-	12,000
Supplies inventories	1,931,813	-	1,931,813	-	1,931,813
Prepaid expenses	1,509,438	-	1,509,438	-	1,509,438
Other receivables	268,021	41,394	309,415		309,415
Total current assets	21,570,011	344,674	21,914,685	-	21,914,685
<b>ASSETS LIMITED AS TO USE</b>					
Board designated cash and investments	6,069,235	-	6,069,235	-	6,069,235
Investments restricted by State of Oregon	1,055,134	-	1,055,134	-	1,055,134
Total assets limited as to use	7,124,369	-	7,124,369	-	7,124,369
PROPERTY AND EQUIPMENT, net	36,350,642	-	36,350,642	-	36,350,642
<b>OTHER ASSETS</b>					
Physician notes receivable, net	60,000	-	60,000	-	60,000
Investments	1,021,838	2,995,597	4,017,435	-	4,017,435
Beneficial interest in endowment fund	-	114,143	114,143	-	114,143
Other	1,253,394	-	1,253,394	-	1,253,394
Total other assets	2,335,232	3,109,740	5,444,972	-	5,444,972
<b>Total assets</b>	<b>\$ 67,380,254</b>	<b>\$ 3,454,414</b>	<b>\$ 70,834,668</b>	<b>\$ -</b>	<b>\$ 70,834,668</b>

**SILVERTON HEALTH AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**SEPTEMBER 30, 2012**

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**LIABILITIES AND NET ASSETS**

	Silverton Hospital	Silverton Hospital Foundation	Total	Elimination Entries	Consolidated
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 2,000,081	\$ -	\$ 2,000,081	\$ -	\$ 2,000,081
Accrued payroll	5,516,313	-	5,516,313	-	5,516,313
Accrued payroll taxes and withhold	574,715	-	574,715	-	574,715
Other accrued expenses	2,011,350	-	2,011,350	-	2,011,350
Current portion of long-term debt	6,894,190	-	6,894,190	-	6,894,190
Current portion of capital lease obligations	1,534,308	-	1,534,308	-	1,534,308
Total current liabilities	<u>18,530,957</u>	<u>-</u>	<u>18,530,957</u>	<u>-</u>	<u>18,530,957</u>
<b>LONG-TERM LIABILITIES</b>					
Capital lease of obligations, net of current portion	3,641,749	-	3,641,749	-	3,641,749
Estimated medical malpractice liability	1,779,544	-	1,779,544	-	1,779,544
Total long-term liabilities	<u>5,421,293</u>	<u>-</u>	<u>5,421,293</u>	<u>-</u>	<u>5,421,293</u>
Total liabilities	<u>23,952,250</u>	<u>-</u>	<u>23,952,250</u>	<u>-</u>	<u>23,952,250</u>
<b>NET ASSETS</b>					
Unrestricted					
Unrestricted	37,358,769	1,011,294	38,370,063	223,675	38,593,738
Board designated	6,069,235	-	6,069,235	-	6,069,235
Funds functioning as endowments	-	187,011	187,011	-	187,011
Temporarily restricted	-	2,211,033	2,211,033	(223,675)	1,987,358
Permanently restricted	-	45,076	45,076	-	45,076
Total net assets	<u>43,428,004</u>	<u>3,454,414</u>	<u>46,882,418</u>	<u>-</u>	<u>46,882,418</u>
Total liabilities and net assets	<u>\$ 67,380,254</u>	<u>\$ 3,454,414</u>	<u>\$ 70,834,668</u>	<u>\$ -</u>	<u>\$ 70,834,668</u>

**SILVERTON HEALTH AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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	Silverton Hospital	Silverton Hospital Foundation	Total	Elimination Entries	Consolidated
<b>REVENUES</b>					
Net patient service revenue	\$ 96,745,526	\$ -	\$ 96,745,526	\$ -	\$ 96,745,526
Provision for bad debts	(6,183,167)	-	(6,183,167)	-	(6,183,167)
Net patient service revenue	\$ 90,562,359	\$ -	\$ 90,562,359	\$ -	\$ 90,562,359
Contributions	-	438,722	438,722	(438,722)	-
Other revenue	4,968,278	118,283	5,086,561	(491,429)	4,595,132
Net assets released from restrictions used for operations	-	204,598	204,598	-	204,598
Total revenues	95,530,637	761,603	96,292,240	(930,151)	95,362,089
<b>EXPENSES</b>					
Salaries and benefits	65,258,463	243,896	65,502,359	(243,896)	65,258,463
Supplies	13,198,731	-	13,198,731	-	13,198,731
Building and maintenance	7,072,828	-	7,072,828	-	7,072,828
Purchased services	6,778,240	-	6,778,240	-	6,778,240
Depreciation and amortization	3,762,035	-	3,762,035	-	3,762,035
Insurance	740,551	-	740,551	-	740,551
Interest expense	430,943	-	430,943	-	430,943
Other	1,365,367	175,473	1,540,840	(402,822)	1,138,018
Total expenses	98,607,158	419,369	99,026,527	(646,718)	98,379,809
OPERATING INCOME	(3,076,521)	342,234	(2,734,287)	(283,433)	(3,017,720)
<b>OTHER INCOME (EXPENSE)</b>					
Investment income	226,007	-	226,007	84,463	310,470
Other non-operating revenue (expense)	(347,694)	-	(347,694)	172,248	(175,446)
Total other income (expense)	(121,687)	-	(121,687)	256,711	135,024
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (3,198,208)	\$ 342,234	\$ (2,855,974)	\$ (26,722)	\$ (2,882,696)

**SILVERTON HEALTH AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Silverton Hospital	Silverton Hospital Foundation	Total	Eliminating Entries	Consolidated Totals
<b>UNRESTRICTED NET ASSETS</b>					
Excess (deficiency) of revenues over expenses	\$ (3,198,208)	\$ 342,234	\$ (2,855,974)	\$ (26,722)	\$ (2,882,696)
Net change in unrealized gains and losses on other-than-trading securities	(64,343)	-	(64,343)	26,722	(37,621)
Contribution for capital additions	<u>350,000</u>	<u>(350,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Decrease in unrestricted net assets	<u>(2,912,551)</u>	<u>(7,766)</u>	<u>(2,920,317)</u>	<u>-</u>	<u>(2,920,317)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>					
Contributions	-	260,821	260,821	-	260,821
Investment income	-	231,405	231,405	-	231,405
Net assets released from restrictions	-	<u>(204,598)</u>	<u>(204,598)</u>	<u>-</u>	<u>(204,598)</u>
Increase in temporarily restricted net assets	-	<u>287,628</u>	<u>287,628</u>	<u>-</u>	<u>287,628</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>					
Contributions	-	-	-	-	-
Change in permanently restricted net assets	-	-	-	-	-
(DECREASE) INCREASE IN NET ASSETS	<u>(2,912,551)</u>	<u>279,862</u>	<u>(2,632,689)</u>	<u>-</u>	<u>(2,632,689)</u>
NET ASSETS, beginning of year	<u>46,340,555</u>	<u>3,174,552</u>	<u>49,515,107</u>	<u>-</u>	<u>49,515,107</u>
NET ASSETS, end of year	<u>\$ 43,428,004</u>	<u>\$ 3,454,414</u>	<u>\$ 46,882,418</u>	<u>\$ -</u>	<u>\$ 46,882,418</u>