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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form

▶ Information about Form 990 and its instructions is at www.IRS.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 04-01-2013 , 2013, and ending 03-31-2014

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

C Name of organization
LEGACY MOUNT HOOD MEDICAL CENTER

Doing Business As

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

City or town, state or province, country, and ZIP or foreign postal code
GRESHAM, OR 97030

D Employer identification number
93-0591528

E Telephone number
(503)415-5600

G Gross receipts $ 135,674,867

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

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW LEGACYHEALTH ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1922

M State of legal domicile OR

Part I Summary

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

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	15
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	13
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	0
6	Total number of volunteers (estimate if necessary)	**6**	329
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	85,864	286,926
9	Program service revenue (Part VIII, line 2g)	114,841,668	133,542,186
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,582,074	1,783,290
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		0
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	116,509,606	135,612,402
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)		0
14	Benefits paid to or for members (Part IX, column (A), line 4)		0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	48,790,285	53,932,065
16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	64,332,571	70,937,740
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	113,122,856	124,869,805
19	Revenue less expenses Subtract line 18 from line 12	3,386,750	10,742,597

Revenue / Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	77,190,937	85,951,429
21	Total liabilities (Part X, line 26)	61,877,159	56,369,283
22	Net assets or fund balances Subtract line 21 from line 20	15,313,778	29,582,146

Net Assets or Fund Balances

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

****** | 2015-02-17
Signature of officer | Date

LINDA S HOFF CFO & TREASURER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no	

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

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III . . . . . ☐

1 Briefly describe the organization's mission

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

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 99,477,305 including grants of $) (Revenue $ 133,542,461)

LMHMC provides inpatient and outpatient healthcare services to the communities it serves In support of its mission, LMHMC voluntarily provides medically necessary patient care services that are discounted or free of charge to persons who have insufficient resources and/or who are uninsured During fiscal year 2014, LMHMC provided financial assistance on approximately 15,830 patient accounts (of which 20% received discounts totaling 100% of costs) and resulted in LMHMC incurring roughly $7,355,800 in uncompensated costs associated with this program In addition to charity care, LMHMC provides services under various states' Medicaid programs for financially needy patients, Medicare beneficiaries and other government programs for which the cost of treating these patients exceeds the government payments received During fiscal year 2014, LMHMC incurred approximately $6,560,600, $1,231,120 and $277,300 in uncompensated costs attributable to Medicaid, Medicare, and other government programs, respectively LMHMC also provides a variety of other community benefit activities such as medical education, donations to other charitable entities, research, and other health improvement services which totaled roughly $750,200 during fiscal year 2014 LMHMC is part of Legacy, which collectively provided over $63 million, $112 million, $90 million, and $1 million in uncompensated care attributable to its financial assistance, Medicaid, Medicare, and other government programs, respectively, in fiscal year 2014 In addition, Legacy provided over $22 million in other community benefit activities during fiscal year 2014

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** ▶ 99,477,305

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	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 25a*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? *If so, complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**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*	**35b**		No
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V . . . . . ☐

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

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

Check if Schedule O contains a response or note to any line in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a**	15		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	13		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**			No
6	Did the organization have members or stockholders?	**6**		Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**		Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**		Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	**8a**		Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**			No

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

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

Section C. Disclosure

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

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☑ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

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

▶LINDA S HOFF 1919 NW LOVEJOY STREET
PORTLAND, OR 97209 (503) 415-5600

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

Check if Schedule O contains a response or note to any line 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	Officer	Key employee	Highest compensated employee	Former			

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
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								1,228,519	6,808,609	1,383,915

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 ▶ 82

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
BAUGH SKANSKA INC PO BOX 767 BEAVERTON OR 97075	CONSTRUCTION	348,133
OREGON ANESTHESIOLOGY GROUP PC 120 NW 14TH AVE 300 PORTLAND OR 97209	MEDICAL SERVICES	501,790
ZIMMER GUNSUL FRANSCA ARCHITECTS LLP 1223 SW WASHINGTON ST 200 PORTLAND OR 97205	CONSTRUCTION	384,256
NW CARDIOVASCULAR INSTITUTE 2222 NW Lovejoy st 606 PORTLAND OR 97209	MEDICAL SERVICES	251,560
ECHO VISION INC 7214 NE 72nd PL VANCOUVER WA 98662	MEDICAL SERVICES	191,413

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 ▶ 10

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII . . . . . ☐

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations . . .	1d	286,926			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . . ▶		286,926			
Program Service Revenue			Business Code				
	2a	CAFE, PHARMACY & ETC		622,138	622,138		
	b	CHARITY CARE		-22,373,933	-22,373,933		
	c	CONTRACTUAL ALLOWANCE		-173,915,684	-173,915,684		
	d	PATIENT PROGRAM REV		329,209,665	329,209,665		
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . . ▶		133,542,186			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		1,821,985			1,821,985
	4	Income from investment of tax-exempt bond proceeds . . ▶		0			
	5	Royalties . . . . . ▶		0			
			(i) Real	(ii) Personal			
	6a	Gross rents					
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss) . . . . . ▶		0			
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory		23,770			
	b	Less cost or other basis and sales expenses		62,465			
	c	Gain or (loss)		-38,695			
	d	Net gain or (loss) . . . . . ▶		-38,695			-38,695
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . .	a				
	b	Less direct expenses . . .	b				
	c	Net income or (loss) from fundraising events . . ▶		0			
	9a	Gross income from gaming activities See Part IV, line 19 . . .	a				
	b	Less direct expenses . . .	b				
	c	Net income or (loss) from gaming activities . . ▶		0			
	10a	Gross sales of inventory, less returns and allowances .	a				
	b	Less cost of goods sold . .	b				
	c	Net income or (loss) from sales of inventory . . ▶		0			
		Miscellaneous Revenue	Business Code				
	11a						
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d . . . . . ▶		0			
	12	**Total revenue.** See Instructions . . . . . ▶		135,612,402	133,542,186		1,783,290

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 or note to any line in this Part IX . . . . . ☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21	0			
2 Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	462,349	414,131	48,218	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	42,760,392	38,300,963	4,459,429	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	2,784,392	2,494,011	290,381	
9 Other employee benefits	4,509,984	4,039,643	470,341	
10 Payroll taxes	3,414,948	3,058,807	356,141	
11 Fees for services (non-employees)				
a Management	0			
b Legal	0			
c Accounting	0			
d Lobbying	0			
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	0			
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	2,352,891	2,352,891		
12 Advertising and promotion	0			
13 Office expenses	15,440,655	14,734,780	705,875	
14 Information technology	0			
15 Royalties . .	0			
16 Occupancy	361,398	274,647	86,751	
17 Travel	56,926	43,261	13,665	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	0			
20 Interest	1,170,278	889,362	280,916	
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	6,261,372	4,758,378	1,502,994	
23 Insurance	890,482	809,474	81,008	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a ADMINISTRATIVE SERVICES FEES	16,279,524		16,279,524	
b BAD DEBTS	11,407,655	11,407,655		
c PROVIDER TAX	8,311,340	8,311,340		
d CONTRACT SERVICES	7,745,288	7,473,390	271,898	
e All other expenses	659,931	114,572	545,359	
25 **Total functional expenses.** Add lines 1 through 24e	124,869,805	99,477,305	25,392,500	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X . . . . . ☐

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing		12,189	1	157,296
	2	Savings and temporary cash investments			2	0
	3	Pledges and grants receivable, net			3	0
	4	Accounts receivable, net		12,863,774	4	15,080,920
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	0
	7	Notes and loans receivable, net			7	0
	8	Inventories for sale or use		1,572,421	8	2,114,227
	9	Prepaid expenses and deferred charges		25,605	9	21,142
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 106,234,883			
	b	Less accumulated depreciation	10b 63,454,323	42,997,502	10c	42,780,560
	11	Investments—publicly traded securities			11	0
	12	Investments—other securities See Part IV, line 11		19,719,446	12	25,797,284
	13	Investments—program-related See Part IV, line 11			13	0
	14	Intangible assets			14	0
	15	Other assets See Part IV, line 11			15	0
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		77,190,937	16	85,951,429
Liabilities	17	Accounts payable and accrued expenses		8,475,976	17	9,282,674
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		360,781	23	241,945
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		53,040,402	25	46,844,664
	26	**Total liabilities.** Add lines 17 through 25		61,877,159	26	56,369,283
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		15,313,778	27	29,582,146
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		15,313,778	33	29,582,146
	34	Total liabilities and net assets/fund balances		77,190,937	34	85,951,429

Part XI Reconcilliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI . . . . . ☑

1	Total revenue (must equal Part VIII, column (A), line 12)	1	135,612,402
2	Total expenses (must equal Part IX, column (A), line 25)	2	124,869,805
3	Revenue less expenses Subtract line 2 from line 1	3	10,742,597
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	15,313,778
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	3,525,771
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	29,582,146

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII . . . . . ☐

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

Additional Data

Software ID: 13000170
Software Version: 2013v4.0
EIN: 93-0591528
Name: LEGACY MOUNT HOOD MEDICAL CENTER

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
BISHOP DAVID BRAUER-RIEKE BOARD DIRECTOR	3 00 0 00	X						0	253	0
CHRISTOPHER S THOMING MD BOARD DIRECTOR	3 00 0 00	X						0	17,474	0
SHERYL MANNING BOARD DIRECTOR	4 00 0 00	X						0	543	0
COLLEEN A CAIN Chairman	7 00 0 00	X		X				0	0	0
ROBERT L CORNIE BOARD DIRECTOR	4 00 0 00	X						0	493	0
DIANE PINNEY BOARD DIRECTOR	4 00 0 00	X						0	0	0
JEFFREY D FULLMAN MD BOARD DIRECTOR	3 00 0 00	X						0	495	0
JEFFREY S GORDON Chairman	5 00 0 00	X		X				0	0	0
LESLIE ROOT MD BOARD DIRECTOR	4 00 1 00	X						0	25,100	0
RONALD S KING BOARD DIRECTOR	4 00 0 00	X						0	594	0
ROBERT E DEWITT SR VP & SEC	0 00 40 00	X		X				0	206,879	15,856
DUANE C MCDOUGALL BOARD DIRECTOR	3 00 0 00	X						0	0	0
CORLISS A MCKEEVER BOARD DIRECTOR	3 00 0 00	X						0	367	0
STEPHEN NEWBERRY MD BOARD DIRECTOR	3 00 1 00	X						0	2,000	0
LINDA S HOFF CFO & TREASURER	0 00 40 00	X		X				0	0	0
JOHN W WINTER JR BOARD DIRECTOR	4 00 0 00	X						0	788	0
GEORGE J BROWN MD President & CEO	0 00 40 00	X		X				0	1,422,082	231,478
P CAMPBELL GRONER III SR VP & SEC	0 00 40 00	X		X				0	383,430	124,672
DAVID E EAGER CFO & TREASURER	0 00 40 00	X		X				0	555,532	57,026
JEFFREY BARBER BOARD DIRECTOR	4 00 0 00	X						0	571	0
RT REV MICHAEL J HANLEY BOARD DIRECTOR	3 00 0 00	X						0	253	0
JAMES WALKER BOARD DIRECTOR	4 00 0 00	X						0	447	0
PATRICK REITEN BOARD DIRECTOR	4 00 0 00	X						0	0	0
TRENT S GREEN SR VP	0 00 40 00				X			0	451,684	70,891
SONJA O STEVES SR VP	0 00 40 00				X			0	416,921	109,011

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
GRETCHEN M NICHOLS CAO	40 00 0 00				X			348,460	0	113,889
EVERETT NEWCOMB III SR VP	0 00 40 00				X			0	773,184	176,355
MAUREEN A BRADLEY SR VP	0 00 40 00				X			0	319,348	39,385
JOHN J KENAGY SR VP	0 00 40 00				X			0	465,302	56,762
LEWIS L LOW SR VP	0 00 40 00				X			0	522,523	82,786
CAROL A BRADLEY SR VP	0 00 40 00				X			0	473,127	75,914
TODD NELSON NURSE ANESTHETIST	40 00 0 00					X		161,712	0	36,924
MARCIA S SODERLING NURSE EXECUTIVE	40 00 0 00					X		200,816	0	22,588
ROBERT R ROWBOTHAM PHYSICIST	40 00 0 00					X		175,048	0	40,532
MAURI TRAYLOR NURSE ANES	40 00 0 00					X		180,431	0	25,986
THIEN NGUYEN PHARMACIST	40 00 0 00					X		162,052	0	43,161
PAMELA VUKOVICH FORMER SR VP TREAS	0 00 0 00						X	0	373,672	0
BRYCE HELGERSON FORMER CAO	0 00 40 00						X	0	395,547	60,699

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**
▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? **11g(i)**		
(ii) A family member of a person described in (i) above? **11g(ii)**		
(iii) A 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

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

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

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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

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

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2012 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2013.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2012.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2013.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶☐

Part III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support.** (Add lines 9, 10c, 11, and 12)						

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

Section C. Computation of Public Support Percentage

15	Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2013** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2012** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2013.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2012.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** 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		
Return Reference	Explanation	

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**
▶ **See separate instructions.** ▶ **Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

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

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

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

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

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ **Yes** ☑ **No**

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)	13,662	341,876
c Total lobbying expenditures (add lines 1a and 1b)	13,662	341,876
d Other exempt purpose expenditures	109,501,703	1,394,990,230
e Total exempt purpose expenditures (add lines 1c and 1d)	109,515,365	1,395,332,106
f Lobbying nontaxable amount Enter the amount from the following table in both columns	1,000,000	1,000,000
g Grassroots nontaxable amount (enter 25% of line 1f)	250,000	250,000
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					12,000,000
c Total lobbying expenditures	185,614	288,019	290,854	355,538	1,120,025
d Grassroots nontaxable amount	500,000	500,000	500,000	500,000	2,000,000
e Grassroots ceiling amount (150% of line 2d, column (e))					3,000,000
f Grassroots lobbying expenditures					

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

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

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

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

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

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

Part IV Supplemental Information

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

Return Reference	Explanation

Part IV Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions. ▶ Information about Schedule D (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

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

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

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

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

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

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

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	(a) Current year	(b) Prior year	(b) (c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	94,178	99,721	82,987	71,518	115,981
b Contributions	54,005	73,894	34,525	46,401	157,461
c Net investment earnings, gains, and losses	684	359	371	40	
d Grants or scholarships					
e Other expenditures for facilities and programs	84,628	79,796	18,162	34,972	201,924
f Administrative expenses					
g End of year balance	64,239	94,178	99,721	82,987	71,518

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

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

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

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

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

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

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,494,569		1,494,569
b Buildings		58,764,363	33,062,059	25,702,304
c Leasehold improvements		1,532,446	1,261,318	271,128
d Equipment		42,354,541	29,130,946	13,223,595
e Other		2,088,964		2,088,964
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				42,780,560

Part VII **Investments—Other Securities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11b. 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	442,700	C
Other		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	25,797,284	

Part VIII **Investments—Program Related.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(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.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11d See Form 990, Part X, line 15

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

Part X **Other Liabilities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1 (a) Description of liability	(b) Book value
Federal income taxes	
I/C AFFILIATE DEBT	41,027,242
NONCURRENT PENSION LIABILITY	5,588,575
NONCURRENT WORKERS' COMP LIABILITY	228,845
ROUNDING	2
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	46,844,664

2. Liability for uncertain tax positions 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 Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements			1	135,497,000
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	315,127		
e	Add lines **2a** through **2d**			2e	315,127
3	Subtract line **2e** from line **1**			3	135,181,873
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	430,529		
c	Add lines **4a** and **4b**			4c	430,529
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	135,612,402

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return. Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements			1	124,915,000
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIII)	2d	315,127		
e	Add lines **2a** through **2d**			2e	315,127
3	Subtract line **2e** from line **1**			3	124,599,873
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	269,932		
c	Add lines **4a** and **4b**			4c	269,932
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	124,869,805

Part XIII Supplemental Information

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

Return Reference	Explanation
Part V, Line 4 Intended uses of the endowment fund	Endowment funds disclosed in Part V are used to improve the healthcare of the community as designated by the donors Mount Hood Medical Center Foundation (MHMCF) maintains all charitable gifts including endowment funds for the benefit of LMHMC and it's programs Income from permanently restricted net assets is accounted for in accordance with the donors' instructions Legacy follows the guidance in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in determining the net asset classification of all donor-restricted endowment funds In accordance with UPMIFA and board policy, assets classified as permanent endowments in accordance with donor intent are only utilized for current period expenditures to the extent that earnings on the endowment exceed the original fair value of the donation To the extent earnings on endowment funds exceed identified expenditures on which to apply those earnings, the earnings are classified as temporarily restricted net assets Legacy has adopted investment and spending policies for endowment assets to provide a predictable stream of funding to programs supported by its endowment and to maintain the value of the endowment assets Asset allocation is reviewed quarterly with respect to i) Legacy's tolerance for risk based on its financial condition and need for cash from investments to support operations, ii) expected asset class return, risk and correlation characteristics, iii) changes in accounting guidance or tax law and iv) changes in bond covenants or other restrictions Legacy's spending practices are intended to comply with donor's wishes and meet all applicable laws and regulations Spending must be for a purpose that is consistent with the documented intent of the donor, and may not exceed the amounts annually determined by Legacy Factors that are considered in addressing the annual spending allocation are i) market value of the fund relative to the principal of the gift and ii) the level of spending in prior years From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Legacy to retain as a fund of perpetual duration Deficiencies of this nature are reported as a reduction to unrestricted net assets and are excluded from the performance indicator
Part XI, Line 2d Other revenue amounts included in F/S but not included on form 990	PROGRAM SERVICE REVENUE RECLASS $315127
Part XI, Line 4b Other revenue amounts included on 990 but not included in F/S	AUXILIARY INCOME $27800 FOUNDATION CONTRIBUTION $286926 ROUNDING $-559 OCCUPANCY EXPENSE $5056 MEDICAL STAFF INCOME $150000 GAIN / LOSS OF SALE OF ASSETS $-38694
Part XII, Line 2d Other expenses and losses per audited F/S	PROGRAM SERVICE REVENUE RECLASS $315127
Part XII, Line 4b Other revenue amounts included on 990 but not included in F/S	AUXILIARY EXPENSE $32474 FOUNDATION CONTRIBUTION $146926 ROUNDING $-405 OCCUPANCY EXPENSE $5056 MEDICAL STAFF EXPENSE $124575 GAIN / LOSS OF SALE OF ASSETS $-38694

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990.*

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
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 _____ %	3b	Yes	
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"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 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)			7,355,809		7,355,809	5 890 %
b Medicaid (from Worksheet 3, column a)			23,080,242	16,519,657	6,560,585	5 250 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			1,439,676	1,162,410	277,266	0 220 %
d **Total** Financial Assistance and Means-Tested Government Programs			31,875,727	17,682,067	14,193,660	11 360 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			75,731		75,731	0 060 %
f Health professions education (from Worksheet 5)			441,673		441,673	0 350 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			232,807		232,807	0 190 %
j **Total.** Other Benefits			750,211		750,211	0 600 %
k **Total.** Add lines 7d and 7j			32,625,938	17,682,067	14,943,871	11 960 %

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

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1		No
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount 2 11,407,655			
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit 3 7,414,976			
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	18,850,651
6	Enter Medicare allowable costs of care relating to payments on line 5	6	21,458,251
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-2,607,600
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, primary website address, and state license number	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

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)

Name of hospital facility or facility reporting group LEGACY MT HOOD MEDICAL CENTER

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A) 1

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

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 0000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☑ State regulation			
h ☑ Residency			
i ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☑ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			

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 individuals regarding the individuals' bills
- **d** ☑ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Section C)

Policy Relating to Emergency Medical Care

		Yes	No
19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☑ Other (describe in Part VI)			
21 During the tax year, did the hospital facility charge any FAP-eligible individual 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?	**21**		No
If "Yes," explain in Part VI			
22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?	**22**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
See Additional Data Table	

Part V Facility Information *(continued)*

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

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

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

Part VI Supplemental Information

Provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

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

Form and Line Reference	Explanation
Part III, Line 3 - Methodology of Estimated Amount & Rationale for Including in Community Benefit	The estimated amount of bad debt expenses attributable to charity care policy was calculated using the demographic profile of household income and average household size in the zip code areas around the hospital 65% of Households in the LMHMC service area would qualify for financial assistance with incomes under 400% of the Federal Poverty Guidelines under this methodology

Form and Line Reference	Explanation
Part III, Line 4 - Bad Debt Expense	The footnote that describes the Legacy bad debt expense can be found on Page 13 of the attached audited financial statements

Form and Line Reference	Explanation
Part III, Line 8 - Explanation Of Shortfall As Community Benefit	The entire Medicare shortfall should be considered a community benefit Medicare shortfalls must be absorbed by the hospital in order to continue treating the elderly in the community served by the hospital The hospital provides care regardless of this shortfall and thereby relieves the federal government of the burden of paying the full cost for Medicare beneficiaries The Medicare amounts listed in Part III Section B on lines 5, 6, and 7 do not represent all of the organization's revenues and costs associated with its participation in Medicare programs The methodology used in reporting in Part III Section B Medicare is inconsistent with the other sections in Schedule H, as the instructions limit Medicare revenues and allowable cost to those from only the Medicare Cost Report Revenue and costs from Medicare Part C patients, Part B physician services billed by the organization, and clinical laboratory services weren't included In addition, hospitals incur other costs to provide care that Medicare does not allow in the cost report, such as Physician Call pay to ensure adequate physician coverage for the ED The total revenues and costs attributable to all Medicare services are $42,452,446 and $43,683,566 respectively This results in a total Medicare shortfall of $1,231,120 Costing Methodology (Part III, Line 8) Medicare allowable costs were calculated using the costing methodologies in the Medicare Cost Report The cost report arrives at total allowable hospital cost through a cost finding process that includes direct cost allocations and a step-down allocation of indirect or overhead costs Inpatient operating costs are composed of general inpatient routine and ICU unit costs derived from cost per diems, as well as inpatient ancillary service costs that utilize cost to charge ratios to arrive at cost Apportionment of cost applicable to hospital outpatient services is through the application of cost to charge ratios This excludes other costs incurred to provide services of the hospital to the community that the cost report deems as unallowable costs, such as Physician on-call pay

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

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

Form and Line Reference	Explanation
Part VI - Patient Education of Eligibility for Assistance	LMHMC employs financial counselors and social workers that assist patients in obtaining coverage for their healthcare needs This includes assistance with workers compensation, motor vehicle accident policies, COBRA, veterans' assistance, LMHMC's financial assistance program, and public assistance programs, such as Medicaid The criteria for financial assistance under LMHMC's program is determined based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient's inability to pay for medically necessary services provided Specifically, the LMHMC Financial Assistance Program provides an uninsured discount of 15% to patients who have resided within LMHMC's primary service area for a period of six months, are uninsured for hospital care, and have a household income of less than $100,000 annually Further discounts are available for patients, on a sliding scale, whose household income is less than 400% of the federal poverty level or roughly $95,400 for a family of four in Portland, Oregon For patients whose household income is at or below 200% of the federal poverty level, a full subsidy is available In addition to the household income criteria, the patients' qualified assets (e g 25% of household assets), and other catastrophic or economic circumstances are considered in determining eligibility In addition to financial counselors and social workers, LMHMC makes every effort to communicate its Financial Assistance Program to all patients This includes signage in main admitting areas of each hospital and brochures explaining financial assistance in all patient care areas, as well as in appropriate languages Financial counselors are available to assist patients in understanding and applying for available resources, including the LMHMC Financial Assistance Program LMHMC's website also has information about the availability of financial assistance LMHMC offers financial assistance customer service Monday through Friday, as well as the availability of voice mail so patients can leave confidential, detailed messages during non-business hours Finally all of Legacy's billing statements include information regarding the availability of financial assistance If LMHMC requires the use of a collection agency, those agencies are required to provide a telephone number that patients can call to request financial assistance In 2010, Legacy Health established the Health Literacy initiative Nearly all Legacy employees are touch points to patients and families and health literacy is involved in every touch pointWhat is health literacy? The Institute of Medicine defines health literacy as the capacity to obtain, understand, and process basic health information and services needed to make appropriate health decisions In short, health literacy is the ability to understand and act on health information Nearly half of the U S adult population has a low level of health literacy Patients with low health literacy are less likely to comply with treatment, less likely to seek preventive care and twice as likely to be hospitalized Quality, safety and cost are all affected by a patient's inability to understand medical instructions and to explain their symptoms/issues Legacy's employees are learning and practicing new way of communicating with patients using health literacy tools such as universal precautions, plain language and teach back methods Annual education is provided to all billing and admitting staff so they can be kept informed of and speak with knowledge about current financial assistance policies and options LMHMC provides copies of the latest policies in main admitting areas, as well as through newsletters and other publications Since 2008, the four county metro area health delivery systems (encompassing all hospitals in the area) and safety net clinics have partnered to establish a seamless, coordinated program to provide care for the low income uninsured, Project Access This program enables low income uninsured patients to receive continuity of care in earlier stages of acuity due to the collaboration among 2800 providers and all health systems

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

Form and Line Reference	Explanation
Part VI - Community Information	sparities and increase in diversity in the LMHMC area, safety net services have expanded a nd emerged Multnomah County Health Department operates FQHCs in inner Gresham and Rockwoo d, a neighborhood on the western edge of Gresham (the site of one of the highest Community Needs Index scores in the entire metro area) One-fourth of the census tracts in Rockwood have "Medically Underserved Population" designation with an uninsured population of 30% Two safety net clinics serve the area One is a physician staffed nonprofit in Gresham Th e other in Rockwood is Wallace Medical Concern a volunteer staffed clinic which receives L egacy's financial support, donated laboratory services and board representation Wallace r ecently moved into a permanent expanded space and is seeking FQHC look-alike status and pr ojects serving 5900 patients annually within the second year of the move Legacy Medical G roup Clinic in Sandy is 13 miles from the hospital and is a designated Rural Health Center A local non-profit, Project Access NOW, links uninsured low income individuals to no-cost healthcare services All of the health systems in the metro area are very involved with t his program Legacy Health provides cash donations, free administrative office space for P roject Access NOW as well as clinical services In FY 14, LMHMC provided $7 4 million in c harity care and $15 5 million in total unpaid costs of care for those in need LMHMC has h istorically been among the highest charity care provider as percent of charges among all m etro area hospitals

Form and Line Reference	Explanation
Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	Non-cash donations of resources include clinical and non-clinical services and items such as screenings and support services, internships, information and referral services and health fairs Legacy's warehouse is located on Legacy Good Samaritan's campus and is open to nonprofit organizations to obtain surplus equipment and furniture In addition, conference room space is made available to local nonprofits for Board and community meetings Clinical staff at Legacy hospitals are involved with local communities through many child safety programs In 1986, nurses in Emanuel Hospital's Level I Trauma Center developed the Trauma Nurses Talk Tough (TNTT) program Taught by trauma and emergency medical professionals, the program reaches 56,000 people each year The American Hospital Association awarded the TNTT program its NOVA Award In addition, Legacy staff members conduct free education sessions to show parents how to properly install car seats Last year, Legacy staff fit and sold more than 11,000 bicycle and snow helmets for children at a nominal or no fee based on need Legacy staff members also provide new parents with training to reduce the incidences of shaken baby syndrome and our in-house Safety Store sells child protection devices for the home at a nominal charge

Form and Line Reference	Explanation
Part VI - Affilated Health Care System Roles and Promotion	LMHMC is a subsidiary of Legacy Health (Legacy) Legacy is an integrated health system based in Portland, Oregon and primarily operates five acute care hospitals and related services (e g , physician practices, hospice, preferred provider network) in the four county metro area of Portland and SW Washington The Legacy Board is comprised of community and business leaders as well as representatives of the medical staff The LMHMC medical staff is open, with physicians submitting credentialing information reviewed according to LMHMC policies and standards In 1998, the Legacy Board approved a $10 million Community Health Fund from operating revenue to address major community health issues For more than a decade, $500,000 has been granted annually to community-based projects addressing racial and ethnic inequities and root causes These dollars are in addition to Legacy's other charitable contributions The Community Health Fund has provided more than 50 grants since 1998 totaling more than $7 1 million In 2010, Legacy established the Health Literacy Initiative The ability of patients to both understand and act upon the medical information provided to them is critical to their health outcomes Patients must use information to navigate the health system (complete insurance and government forms, sign consents, schedule appointments), manage diseases and acquire preventive screenings Providers (defined as all staff interacting with or developing materials used by patients) are responsible for ensuring that patients can act on the information provided Funded by the Community Health Fund in 2012, Legacy hosted the first Oregon and SW Washington Health Literacy Conference 360 people from 69 organizations attended In 2014, the Health Literacy Conference once again had more than 500 health professionals attend and ensuring this conference as an annual event Legacy is now the recognized leader in moving health literacy forward both in the health delivery system and broader community Recognizing that education, employment and income inequities exist for communities of diversity, and that health professions are lacking in diversity, Legacy established the Youth Employment in Summer program in 1999 Annually, 13-15 African American, Hispanic and Native American youth receive paid summer employment in departments where they work with health professionals and earn college scholarships between $2,500 and $5,000 annually Students must remain in school and pursued health careers in order to continue in the program Some students remain in the program as long as seven years and graduated with degrees in a variety of healthcare fields The vast majority of the students are the first in the families to go to college In addition to the Community Health Fund, Legacy provided cash donations to local health and human service, education, economic development and civic organizations Donations focus on organizations with year-round relationships through programs and board representation A few examples include The Wallace Medical Concern, SnowCap and the local schools

Form and Line Reference	Explanation
Part VI - States Where Community Benefit Report Filed	OR

Additional Data

Software ID: 13000170
Software Version: 2013v4.0
EIN: 93-0591528
Name: LEGACY MOUNT HOOD MEDICAL CENTER

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Part V, Line 3 - Account Input from Person Who Represent the Community	In July of 2011, the results of Legacy's community needs assessment were available and can be found at www Legacyhealth org Input from persons who represent the community consisted of one on one personal interviews conducted by leadership with 56 elected officials (state, county and city) and public sector (public health, human services), faith, business and community nonprofit organization members, including representatives of culturally, racially and ethnically diverse and low income communities Interviewees were intentionally designated based on their direct involvement with organizations Venetta Abdellatif, Director, Multnomah County Health DepartmentJudy Alley, Executive Director, Snow CapThomas D Aschenbrener, President/CEO, Northwest Health FoundationMichael Balter, Executive Director, Boys and Girls Aid SocietyCarolyn Becic, Executive Director, Oregon MentorsCindy Becker, Administrator, Clackamas County Health and Human ServicesThe Right Rev David Brauer-Rieke, Bishop, Oregon Lutheran Synod ELCARachel Bristol, Executive Director, Oregon Food BankSam Brooks, Former President, Oregon Association of Minority EntrepreneursLorena Campbell, Liaison, East Multnomah County Schools LiaisonMargaret Carter, Deputy Director of Human Services, Oregon Department of Human ServicesGale Castillo, Executive Director, Hispanic Metropolitan ChamberRobin Christian, Executive Director, Children First for OregonLisa Cline, Executive Director,The Wallace Medical ConcernJeff Cogen, Chair, Multnomah CountyRodney Cook, Director, Clackamas Office of Children and FamiliesCarlos Crespo, DrPh, Director, Portland State University School of Community HealthMarie Dahlstrom, Executive Director, Familias en AccionAndy Davidson, President/CEO, Oregon Association of Hospitals and Healthcare SystemsMarty Davis, Publisher, Just OutChris DeMars, Program Officer, NW Health FoundationJean DeMaster, Executive Director, Human SolutionsKevin Dowling, Program Manager,CARES NWErin Fair, Policy Director, Care OregonPietro Ferrari, Executive Director, HaciendaJeana Frazzini, Executive Director, Basic Rights OregonJoanne Fuller, Director, Human ServicesMultnomah CountyBruce Goldberg, MD, Director, Oregon Department of Human Services Janie Griffin, Dean, Mt Hood Community CollegeGuadalupe Guajardo, Senior Consultant,Nonprofit Association of OregonMary Lou Hennrich, Executive Director, Oregon Public Health InstituteDonna Larson, Dean of Allied Health, Mt Hood Community CollegeDavid Leslie, Executive Director, Ecumenical Ministries of OregonMarc Levy, Executive Director, United Way of the Columbia WillametteAdrienne Livingston, Executive Director, Black United FundNichole Maher, Executive Director, Native American Youth and Family CenterDiane McKeel, Commissioner, Multnomah CountyCorliss McKeever, President/CEO, African American Health CoalitionLaurie Monnes-Anderson, State Senator, Oregon State SenateVicki Nakashima, Partners in DiversityCarol Neilson-Hood, Executive Director,Gresham Area Chamber of CommerceLinda Nilsen-Solares, Executive Director, Project Access NOWCarman Rubio, Executive Director, Latino NetworkJim Schlachter, Superintendent, Gresham Barlow School DistrictLillian Shirley, Director, Multnomah County Health DepartmentJohn Sygielski, EdD,President, Mt Hood Community CollegeLynn Thompson, CEO, Big Brothers Big Sisters Columbia NorthwestTricia Tillman, Administrator,Oregon Multicultural Health and ServicesJoshua Todd, Director,Multnomah County Commission on Children, Families and CommunityGreg Van Pelt, Chief Executive Oregon,Providence Health and Services Oregon RegionMaree Wacker, CEO, American Red Cross Oregon Trail ChapterLarry Wallack, DrPH, Dean, Portland State University College of Urban and Public AffairsJoyce White, Executive Director, Grantmakers of OR and SW WAWim Wievel, PhD, President, Portland State UniversityGloria Wiggins, Division Manager, El Programa Hispano

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

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

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Part V, Line 6i - Describe Other Needs Identified	The action plan for Legacy Mt Hood can be found at www legacyhealth orgUsing these criteria and the lens of racial and ethnic equity, a Legacy Mount Hood Medical Center Implementation Strategies Plan details needs and implementation strategies in order of priority All needs expressed by stakeholders related to health, health care and public health are listed, including those not addressed as a focus priority due to lack of financial and labor resources Many needs beyond the five focus areas are addressed within hospital services and activities and these can be found in the Plan Legacy Mount Hoods resources and strengths are on health-related services and, thus, the five focus areas are health-related needs and actions Community stakeholders clearly stressed recommending focused attention in contrast to a broader superficial approach in addressing issues Based on the criteria, Legacy Mount Hood will focus on communities of color, charity care, access to health care, health literacy and youth and education

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

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

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Part V, Line 20d - Other Billing Determination of Individuals Without Insurance	The hospital facility used the Federal Poverty Guidelines to determine the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care Discounts are available for patients, on a sliding scale, whose household income is less than 400% of the federal poverty level A full subsidy is available for patients whose income is at or below 200% of the federal poverty level

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 23.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**
▶ **Information about Schedule J (Form 990) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

Part I Questions Regarding Compensation

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

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

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

Return Reference	Explanation
Part I, Line 5b Explanation of organization compensation based on revenues of related organization	Physicians employed by Legacy affiliates are paid a bonus contingent upon their revenue generated during the year measured by industry standard relative value units (RVU)
Part I, Line 6b Explanation of organization compensation contingent on net earnings from related or	Legacy has an at-risk incentive compensation plan for management The plan is based on meeting goals related to employee engagement, work processes, customer service, clinical quality, financial management, and certain key strategic tactics In order to payout any at-risk incentive compensation, Legacy must exceed operating margin targets
Part I, Line 8 Amounts reported on 990 VII pursuant to initial contract exemption described in Regs	Legacy enters into initial employment agreements with executives that qualify under the initial contract exception The Compensation Committee of the Board of Directors, none of whom is a Legacy employee, reviews the compensation for key executive positions The Committee relies on comparable market data and all decisions are documented
Part III, Additional Information	Sch J, Part 1, Question 3 Regarding Compensation PracticesDirectors for Legacy are not compensated, but receive expense reimbursements related to their duties Any expense reimbursements to board members are reviewed by the Director of Tax for determining 1099 tax reporting Compensation received by Dr Newberry during 2013 related to his duties for the Medical Staff at Legacy Meridian Park Hospital Dr Root received compensation relating to her duties as President of the Legacy Emanuel Medical Staff & compensation for medical services provided to Legacy Emanuel Hospital Dr Thoming received compensation during 2013 relating to his duties as President-Elect of the Legacy Salmon Creek Medical Staff Executive compensation for Legacy is designed to recruit, retain and motivate qualified senior management personnel The comprehensive compensation plan is designed for positions that have a significant impact on the high-level strategic and policy direction of Legacy and its affiliates Base pay and total compensation (including incentive compensation) for similar positions is established at a level comparable to market compensation for healthcare organizations External consultants are regularly used to review published compensation surveys of comparable organizations and comparable benchmark positions in the market The Compensation Committee of the Board of Directors, none of whom is a Legacy employee, reviews the compensation for executive positions The Committee oversees the system's governance procedures with respect to intermediate sanctions legislation and the evaluation of reasonableness of compensation The Committee reports to the Board in sufficient detail to enable the entire Board to take such actions as are required to obtain the rebuttable presumption of reasonableness The Compensation Committee also reviews tax-reporting disclosures Sch J, Part II, Column Breakdown Of W-2 Or Misc-1099 Column B(i) - Base compensation consists of regular base pay including employee elected deferrals for retirement plans (403(b) and 457(b) plans) Column B(ii) - The incentive compensation program for Legacy is based on predetermined criteria and reviewed and approved by the Board Bonuses are paid to key employees for interim duties outside their primary responsibilities (e g Acting in Capacity) Column B(iii) - Other compensation consists of deferred compensation amounts paid to executives during the current year and were reported on prior form 990 returns These amounts include arrangements that contain elements of a substantial risk of forfeiture conditioned on continued employment, vesting and/or a noncompete provision upon termination of employment Distributions from 457(b) plans, reported to the employee on a 1099-R, are also included as other compensation In addition, imputed income for insurance, cell phone and other benefits is included in other compensation as well as any severance related payments Column C - Deferred compensation includes the value of defined benefit plans, contributions to defined contribution plans, amounts deferred under the 457(f) plan including earnings, earnings in the 457(b) plan, and the value of the pension restoration plan Earnings on the 457(f) and 457(b) include gains and losses on the underlying investments The defined contribution plan is available to all employees as they become qualified to participate The pension restoration plan provides executive pension benefits in excess of IRS mandated limits on eligible compensation to key executives The benefits are unfunded and subject to forfeiture Executive pension benefits are intended to make the executive's retirement benefit, as a proportion of their final average salary, comparable to all other employees, and are treated as income when paid The Legacy Health Board approved an Executive Long Term Incentive Plan effective April 1, 2011 for 3 years ending on March 31, 2014 The initial participants include the CEO, CFO and COO The Plan is discretionary and can be terminated at any time The purpose of the Plan is to attract and retain highly qualified senior executives, to focus management performance and reward participants for contributing to the accomplishments of Legacys long-term objectives The long-term strategic goals include improving the quality of care by preventing serious adverse events by ensuring a culture of safety for employee, growth and strategy by achieving meaningful use and optimal care outcomes, and financial management with improved bond rating and increased philanthropic support for programs Targets for operating margins are required over the three year period and all goals are measured at March 31, 2014 Payout is after approval from the Legacy Health Compensation committee and the Legacy Health Board Although the Plan is not funded and is subject to substantial risk of forfeiture, Part II, Schedule J, column C reporting is required as deferred compensation for FY2014 Included in the CEO and COOs deferred compensation amount for the Plan is $122,136, and $68,667 respectively The CFO left Legacy in 2013 and is not eligible to receive any payout Column D - Nontaxable benefits include company paid health and welfare and long term care and disability benefits under group plans Column F - Current year compensation reported as deferred in prior years

Additional Data

Software ID: 13000170
Software Version: 2013v4.0
EIN: 93-0591528
Name: LEGACY MOUNT HOOD MEDICAL CENTER

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
BRYCE HELGERSON FORMER CAO	(I) (II)	298,947	74,452	22,148	47,523	13,176	456,246	22,519
CAROL A BRADLEY SR VP	(I) (II)	335,629	84,414	53,084	41,060	34,854	549,041	23,263
DAVID E EAGER CFO & TREASURER	(I) (II)	357,237	162,278	36,017	35,930	21,096	612,558	
EVERETT NEWCOMB III SR VP	(I) (II)	586,617	171,342	15,225	141,919	34,436	949,539	
GEORGE J BROWN MD President & CEO	(I) (II)	960,288	340,000	121,794	178,969	52,509	1,653,560	91,675
GRETCHEN M NICHOLS CAO	(I) (II)	273,972	59,697	14,791	88,726	25,163	462,349	19,493
JOHN J KENAGY SR VP	(I) (II)	360,006	96,982	8,314	21,016	35,746	522,064	
LEWIS L LOW SR VP	(I) (II)	389,224	86,104	47,195	53,987	28,799	605,309	13,263
MARCIA S SODERLING NURSE EXECUTIVE	(I) (II)	177,282	20,886	2,648	11,065	11,523	223,404	
MAUREEN A BRADLEY SR VP	(I) (II)	236,867	63,611	18,870	20,502	18,883	358,733	
MAURI TRAYLOR NURSE ANES	(I) (II)	181,303	500	-1,372	16,362	9,624	206,417	
P CAMPBELL GRONER III SR VP & SEC	(I) (II)	268,272	76,447	38,711	93,579	31,093	508,102	29,839
PAMELA VUKOVICH FORMER SR VP TREAS	(I) (II)			373,672			373,672	373,672
ROBERT E DEWITT SR VP & SEC	(I) (II)	195,144	11,952	-217	4,618	11,238	222,735	
ROBERT R ROWBOTHAM PHYSICIST	(I) (II)	177,652	500	-3,104	16,034	24,498	215,580	
SONJA O STEVES SR VP	(I) (II)	314,875	79,503	22,543	87,875	21,136	525,932	22,058
THIEN NGUYEN PHARMACIST	(I) (II)	152,870	500	8,682	15,080	28,081	205,213	
TODD NELSON NURSE ANESTHETIST	(I) (II)	164,823	500	-3,611	12,082	24,842	198,636	
TRENT S GREEN SR VP	(I) (II)	346,828	84,148	20,708	37,816	33,075	522,575	24,483

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

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

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

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

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

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

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

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

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

Return Reference	Explanation
Other Changes In Net Assets Or Fund Balances - Other Increases	ADDITIONAL MINIMUM PENSION LIABILITY = $3690116

Return Reference	Explanation
Other Changes In Net Assets Or Fund Balances - Other Decreases	MHN INCOME = -$164345

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

Return Reference	Explanation
Form 990, Part VI, question 2	Legacy Health System CPC, LLC (CPC) is a common pay agent for Legacy and its affiliates The CPC files all required federal employment tax returns for Legacy and its affiliates The number of employees reported on Form W-3 for LMHMC is 753

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

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

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
LEGACY MOUNT HOOD MEDICAL CENTER

Employer identification number
93-0591528

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

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

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

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

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) MANAGED HEALTHCARE NORTHWEST 1919 NW LOVEJOY ST PORTLAND, OR 97209 93-0914759	MEDICAL	OR	LEGACY MT HOOD MEDICAL CENTER	C	-359,051	417,785	75 000 %	Yes	

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule			
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b	Yes	
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h	Yes	
i Exchange of assets with related organization(s)	1i	Yes	
j Lease of facilities, equipment, or other assets to related organization(s)	1j	Yes	
k Lease of facilities, equipment, or other assets from related organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	Yes	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	Yes	
o Sharing of paid employees with related organization(s)	1o		No
p Reimbursement paid to related organization(s) for expenses	1p		No
q Reimbursement paid by related organization(s) for expenses	1q		No
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	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 related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) MT HOOD MEDICAL CENTER FOUNDATION	c	286,926	Cash
(2) MT HOOD MEDICAL CENTER FOUNDATION	m	128,026	Actual Cost

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

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

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

Part VII Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation

Additional Data

Software ID: 13000170
Software Version: 2013v4.0
EIN: 93-0591528
Name: LEGACY MOUNT HOOD MEDICAL CENTER

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) LEGACY HEALTH 1919 NW LOVEJOY ST PORTLAND, OR 97209 23-7426300	HEALTHCARE	OR	501(C)(3)	11b	N/A		No
(1) LEGACY EMANUEL HOSPITAL & HEALTH CENTER 2801 N GANTENBEIN AVE PORTLAND, OR 97227 93-0386823	HOSPITAL	OR	501(C)(3)	3	N/A		No
(2) LEGACY GOOD SAMARITAN HOSPITAL & MEDICAL 1015 NW 22ND AVE PORTLAND, OR 97210 93-0386793	HOSPITAL	OR	501(C)(3)	3	N/A		No
(3) LEGACY MERIDIAN PARK HOSPITAL 19300 SW 65TH AVE TUALATIN, OR 97062 93-0618975	HOSPITAL	OR	501(C)(3)	3	N/A		No
(4) LEGACY SALMON CREEK HOSPITAL 2211 NE 139TH ST VANCOUVER, WA 98686 33-1065485	HOSPITAL	WA	501(C)(3)	3	N/A		No
(5) LEGACY VISITING NURSE ASSOCIATION 815 NE DAVIS ST PORTLAND, OR 97210 93-0848530	HOSPICE	OR	501(C)(3)	9	N/A		No
(6) MT HOOD MEDICAL CENTER FOUNDATION PO BOX 4484 PORTLAND, OR 97208 93-0794951	CHARITABLE FOUNDATION	OR	501(C)(3)	11a	N/A	Yes	
(7) EMANUEL MEDICAL CENTER FOUNDATION PO BOX 4484 PORTLAND, OR 97208 93-6095667	CHARITABLE FOUNDATION	OR	501(C)(3)	7	N/A		No
(8) THE CHILDRENS HOSPITAL FOUNDATION PO BOX 4484 PORTLAND, OR 97208 93-1314469	CHARITABLE FOUNDATION	OR	501(C)(3)	7	N/A		No
(9) GOOD SAMARITAN FOUNDATION PO BOX 4484 PORTLAND, OR 97208 23-7017276	CHARITABLE FOUNDATION	OR	501(C)(3)	11a	N/A		No
(10) MERIDIAN PARK MEDICAL FOUNDATION PO BOX 4484 PORTLAND, OR 97208 93-0773410	CHARITABLE FOUNDATION	OR	501(C)(3)	11a	N/A		No
(11) SALMON CREEK HOSPITAL FOUNDATION PO BOX 4484 PORTLAND, OR 97208 83-0433165	CHARITABLE FOUNDATION	WA	501(C)(3)	7	N/A		No
(12) LEGACY ADVENTIST VENTURE 1919 NW LOVEJOY ST PORTLAND, OR 97209 93-1121816	HEALTHCARE	OR	501(C)(3)	9	N/A		No
(13) LEGACY HEALTH FOUNDATION 1919 NW LOVEJOY ST PORTLAND, OR 97209 46-5562403	CHARITABLE FOUNDATION	OR	501(C)(3)	Pending	N/A		No

LEGACY HEALTH AND AFFILIATES

Consolidated Financial Statements and Other Financial Information

March 31, 2014 and 2013

(With Independent Auditors' Reports Thereon)

LEGACY HEALTH AND AFFILIATES

Table of Contents

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

Independent Auditors' Report

The Board of Directors
Legacy Health and Affiliates:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Legacy Health (an Oregon nonprofit corporation) and Affiliates, which comprise the consolidated balance sheets as of March 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Legacy Health and Affiliates as of March 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Portland, Oregon
June 27, 2014

LEGACY HEALTH AND AFFILIATES

Consolidated Balance Sheets

March 31, 2014 and 2013

(Dollars in thousands)

Assets		2014	2013
Current assets:			
Cash and cash equivalents	$	71,007	53,613
Short-term investments		46,434	46,241
Accounts receivable from patients, less allowance for uncollectible accounts of $46,750 in 2014 and $45,236 in 2013		200,624	170,051
Settlements receivable from third-party payors, net		1,565	3,358
Other receivables		28,148	23,165
Inventories, at cost		19,035	17,382
Prepaid expenses		14,315	10,498
Total current assets		381,128	324,308
Assets limited as to use:			
Held by trustee		12,318	12,265
Community health fund		9,930	9,933
Noncurrent investments restricted for capital acquisitions		1,072	784
		23,320	22,982
Other assets:			
Property, plant and equipment, net		778,742	810,798
Noncurrent investments		675,706	620,814
Property held for development		23,555	23,562
Goodwill and other intangibles		26,862	26,918
Other assets		17,308	18,297
		1,522,173	1,500,389
	$	1,926,621	1,847,679

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets		2014	2013
Current liabilities:			
Accounts payable	$	34,484	45,185
Accrued wages, salaries, and benefits		86,249	75,512
Accrued interest		3,614	3,750
Other current liabilities		44,050	39,892
Current portion of long-term debt		23,228	23,749
Total current liabilities		191,625	188,088
Long-term debt, less current portion		460,680	483,812
Other liabilities:			
Estimated general and professional claims liability		35,356	22,472
Accrued pension liability		99,610	177,355
Other noncurrent liabilities		23,343	20,776
		158,309	220,603
Total liabilities		810,614	892,503
Net assets:			
Unrestricted		1,047,857	887,396
Unrestricted, noncontrolling interest		20,206	20,875
Temporarily restricted		32,828	33,104
Permanently restricted		15,116	13,801
		1,116,007	955,176
	$	1,926,621	1,847,679

LEGACY HEALTH AND AFFILIATES

Consolidated Statements of Operations

Years ended March 31, 2014 and 2013

(Dollars in thousands)

	2014	2013
Patient service revenues	$ 1,495,952	1,383,098
Less provision for bad debts	70,556	70,765
Net patient service revenues	1,425,396	1,312,333
Other revenues	59,724	52,827
Total operating revenues	1,485,120	1,365,160
Operating expenses:		
Wages, salaries, and benefits	831,404	773,815
Supplies	226,997	210,091
Professional fees	45,171	44,979
Purchased services	86,081	79,717
Utilities, insurance, and other expenses	127,804	90,771
Depreciation	100,634	99,131
Interest and amortization	16,919	17,562
Total operating expenses	1,435,010	1,316,066
Income from operations	50,110	49,094
Other income (expenses):		
Investment income, net	55,507	48,449
Other, net	(10,614)	(8,965)
Total other income	44,893	39,484
Revenues in excess of expenses	95,003	88,578
Net assets released from restriction used for property, plant and equipment	5,840	5,926
Pension and other postretirement adjustments	62,808	(26,367)
Distributions to joint venture partners	(3,859)	(5,187)
Other transfers, net	—	(9)
Change in unrestricted net assets	$ 159,792	62,941

See accompanying notes to consolidated financial statements.

LEGACY HEALTH AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2014 and 2013

(Dollars in thousands)

	2014	2013
Unrestricted net assets, controlling interest:		
Revenues in excess of expenses	$ 91,813	83,771
Net assets released from restriction used for property, plant and equipment	5,840	5,926
Pension and other postretirement adjustments	62,808	(26,367)
Distributions	—	127
Other transfers	—	(9)
Change in unrestricted net assets, controlling interest	160,461	63,448
Unrestricted net assets, noncontrolling interest:		
Revenues in excess of expenses	3,190	4,807
Distributions	(3,859)	(5,314)
Change in unrestricted net assets, noncontrolling interest	(669)	(507)
Temporarily restricted net assets:		
Donor-restricted contributions and grants	6,566	12,045
Investment gain, net	4,273	2,803
Net assets released from restriction	(11,115)	(17,217)
Other transfers	—	(74)
Change in temporarily restricted net assets	(276)	(2,443)
Permanently restricted net assets:		
Donor-restricted contributions and grants	1,315	443
Other transfers	—	83
Change in permanently restricted net assets	1,315	526
Change in net assets	160,831	61,024
Net assets, beginning of year	955,176	894,152
Net assets, end of year	$ 1,116,007	955,176

See accompanying notes to consolidated financial statements.

LEGACY HEALTH AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended March 31, 2014 and 2013

(Dollars in thousands)

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 160,831	61,024
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net distributions to noncontrolling partners	3,859	5,314
Depreciation and amortization	105,973	105,062
Loss on disposal of assets	374	402
Change in net realized and unrealized gains on investments	(44,678)	(40,811)
Restricted contributions	(3,029)	(2,488)
Equity earnings from joint ventures and investment companies, net	(15,711)	(11,404)
Pension and other postretirement adjustments	(62,808)	26,367
Change in certain current assets and current liabilities	(37,518)	14,710
Change in long-term operating assets and liabilities	1,785	(14,883)
Net cash provided by operating activities	109,078	143,293
Cash flows from investing activities:		
Purchase of property, plant and equipment, net	(72,003)	(99,849)
Proceeds from sale of assets	331	146
Change in funds held by trustee	(53)	(92)
Change in other long-term assets	(221)	(96)
Investment in joint ventures and investment companies	(100)	(5,000)
Distributions from joint ventures and investment companies	3,726	4,646
Purchases of trading securities	(265,187)	(203,057)
Sales of trading securities	266,306	198,925
Net cash used in investing activities	(67,201)	(104,377)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	66	26,718
Repayment of long-term debt	(23,719)	(48,273)
Distributions to noncontrolling partners	(3,859)	(5,314)
Proceeds from restricted contributions	3,029	2,488
Net cash used in financing activities	(24,483)	(24,381)
Increase in cash and cash equivalents	17,394	14,535
Cash and cash equivalents, beginning of year	53,613	39,078
Cash and cash equivalents, end of year	$ 71,007	53,613
Supplemental disclosures of cash flow information:		
Cash paid for interest (net of amount capitalized)	$ 17,390	18,826
Amounts accrued for property, plant and equipment, net	2,392	5,252

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Basis of Consolidation

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

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

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

All significant interentity accounts and transactions have been eliminated.

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

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

(b) Use of Estimates

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

(Continued)

(c) Income Taxes

Legacy, except for MHN, LHSIC, and LUSC, is exempt from federal income taxes under Section 501(a) of the IRC as an organization described in Section 501(c)(3) of the IRC, except on unrelated business income under the provisions of the Internal Revenue Code.

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

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

Accounting principles generally accepted in the United States of America require Legacy management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed tax positions taken by the organization and has concluded that as of March 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. Legacy is subject to routine audits by taxing jurisdictions and currently the State of Washington is auditing excise taxes from January 2009 through March 2013 for Legacy Salmon Creek Hospital. Legacy management believes it is no longer subject to income tax examinations for years prior to 2009.

(d) Net Patient Service Revenues

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

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

(e) Other Revenues

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

revenue is recognized when there is reasonable assurance that the grant will be received and that the organization will comply with the conditions attached to the grant. In fiscal 2014 and 2013, respectively, Legacy recorded meaningful use revenues of $6,498 and $7,046, which were recognized in other revenues in the consolidated statements of operations. The amount recognized is based on management's best estimate and is subject to audit and potential retrospective adjustment.

(f) Income from Operations

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

(g) Performance Indicator

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

(h) Charity Care

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

(i) Cash and Cash Equivalents

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

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

(j) Short-Term Investments

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

(k) Inventories

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

(l) Assets Limited as to Use

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

(m) Property, Plant and Equipment

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

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of acquiring those assets. In 2014 and 2013, Legacy capitalized $154 and $381, respectively, of interest expense. Legacy assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made recovery of an asset's carrying value unlikely. An impairment loss is indicated when the sum of expected undiscounted future net cash flows is less than the carrying amount. The loss recognized is the difference between the fair value and the carrying amount. No impairment losses were recorded in 2014 or 2013.

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

(n) Noncurrent Investments

Noncurrent investments include investments in equity securities of publicly traded U.S. and international companies, investments in foreign government and commercial bank obligations, real estate, market neutral hedge funds, alternative investments (which include private equity and distressed debt) and interest rate swaps. Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the consolidated balance sheets. Investments in limited liability partnerships or companies, which are investment companies, are recorded at the fair value of the underlying assets using the equity method of accounting. As of March 31, 2014, approximately 13.3% of noncurrent investments require advance written notice of 90 days or longer to redeem the securities. For certain of these investments, it may take up to 90 days to receive the funds after the requested redemption date and certain redemptions may be subject to other restrictions in accordance with subscription agreements.

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

the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in investment income.

(o) Temporarily and Permanently Restricted Net Assets

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

(p) Donor-Restricted Gifts

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

(q) Charitable Gift Annuities

Legacy has a certificate of authority from the State of Oregon and from the State of Washington to receive transfers of money or property upon agreement to pay an annuity. A charitable gift annuity is an arrangement between a donor and Legacy in which the donor contributes assets to Legacy in exchange for Legacy's agreement to pay a fixed amount for a specified period of time to the donor or other individuals and organizations as designated by the donor (annuitant). Upon execution of such an arrangement, Legacy recognizes the assets received at fair value and an annuity payment liability at the present value of future cash flows expected to be paid. Unrestricted or restricted contribution revenue is recognized based upon the difference between these two amounts based on donor intent for the proceeds. In subsequent periods, payments to the annuitant reduce the annuity liability. Adjustments to the annuity liability to reflect amortization of the discount, changes in life expectancy, and death of the annuitant are recognized as other operating expenses. The annuity liability included in other current liabilities as of March 31, 2014 and 2013 was $67 and $78, respectively. The annuities are not issued by an insurance company and are not subject to regulation by the State of Oregon or protected by an insurance guaranty association.

Although Legacy is exempt under Oregon Revised Statute (ORS) 731.039 from the requirement to maintain a separate and distinct trust fund adequate to meet the actuarially determined future payments of the charitable gift annuities. Legacy does maintain trust accounts with a bank for all gift annuities. The amounts under trust were $69 and $78 as of March 31, 2014 and 2013, respectively. These marketable securities are comprised of cash, cash equivalents and other fixed income instruments. No annuity contracts have been issued in the State of Washington as of March 31, 2014.

(Dollars in thousands)

(2) Net Patient Service Revenues

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

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

Revenue from the Medicare and Medicaid programs accounted for approximately 36.9% and 20.1%, respectively, of Legacy's gross patient charges for the year ended March 31, 2014, and 37.1% and 18.5%, respectively, of Legacy's gross patient charges for the year ended March 31, 2013. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. In 2014 and 2013, respectively, Legacy recorded an increase to net patient service revenue of approximately $1,446 and $3,263 relating to favorable settlements of prior years' reimbursement from Medicare and Medicaid programs.

Legacy grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The proportion of net accounts receivable from significant third-party payors for 2014 and 2013 was as follows:

	2014	2013
Medicare	24.2%	23.0%
Medicaid	11.7	11.3
Blue cross	17.2	14.0
Private pay	8.0	9.3
Other	38.9	42.4
	100.0%	100.0%

Legacy provides an allowance against accounts receivable for amounts that could become uncollectible in the future. Collection risks relate primarily to uninsured patient accounts and patient accounts under third-party payor agreements for which deductibles and coinsurance are due from the patient. Legacy estimates the allowance for each category of patient accounts based on the respective aging of accounts

(Dollars in thousands)

receivable, historical collections, business and economic conditions, trends in federal and state governmental and private employer healthcare coverage and other collection indicators.

(3) Benefits to the Community

The Board of Directors allocated $10,000 to establish a Community Health Fund (the Fund) in 1999. An amount equal to five percent of the principal of this Fund ($500 annually) may be dedicated to community-sponsored initiatives geared toward improving the health of the community. The Fund is intended to be a permanent source of funding for health initiatives and programs capable of impacting the health of the community either by prevention or health improvement. Contributions made to community-sponsored initiatives were $419 and $307 in 2014 and 2013, respectively.

In addition to funding selected community health initiatives, Legacy provides services to the community both for people in need and to enhance the health status of the broader community as part of its charitable mission. The following represents the estimated cost of providing certain services to the community, along with a description of selected activities sponsored by Legacy during 2014 and 2013:

	Year ended March 31, 2014			
	In-kind costs	Other costs	Offsetting revenue	Net cost
Services for people in need:				
Charity care	$ —	63,197	—	63,197
Medicaid	—	285,489	173,050	112,439
Medicare	—	499,424	409,682	89,742
Other government programs	—	15,695	14,466	1,229
	—	863,805	597,198	266,607
Benefits to the community:				
Medical education and support of research	—	23,133	6,011	17,122
Community health services	—	7,828	5,629	2,199
Community benefit activities	483	39	—	522
Donations to charitable organizations	353	1,071	—	1,424
Community Health Fund contributions	—	419	—	419
	836	32,490	11,640	21,686
	$ 836	896,295	608,838	288,293
Percentage of total operating expenses				20.1%

(Continued)

(Dollars in thousands)

	Year ended March 31, 2013			
	In-kind costs	Other costs	Offsetting revenue	Net cost
Services for people in need:				
Charity care	$ —	66,164	—	66,164
Medicaid	—	255,055	136,251	118,804
Medicare	—	455,213	378,873	76,340
Other government programs	—	17,877	15,583	2,294
	—	794,309	530,707	263,602
Benefits to the community:				
Medical education and support of research	—	22,579	6,162	16,417
Community health services	—	6,590	4,497	2,093
Community benefit activities	629	35	—	664
Donations to charitable organizations	243	833	—	1,076
Community Health Fund contributions	—	307	—	307
	872	30,344	10,659	20,557
	$ 872	824,653	541,366	284,159
Percentage of total operating expenses				21.6%

(a) Services for People in Need

In support of its mission, Legacy voluntarily provides medically necessary patient care services that are discounted or free of charge to persons who have insufficient resources and/or who are uninsured. The criteria for charity care is determined based on eligibility for insurance coverage, household income, qualified assets, catastrophic medical events, or other information supporting a patient's inability to pay for services provided. Specifically, Legacy provides an uninsured discount of 15% to patients who have resided within Legacy's primary service area for a period of six months, are uninsured for hospital care, and have a household income of less than $100,000 annually. Further discounts are available for patients, on a sliding scale, whose household income is less than 400% of the federal poverty level or roughly $95,400 for a family of four in Portland, Oregon. For patients whose household income is at or below 200% of the federal poverty level, a full subsidy is available. In addition to the household income criteria, the patients' qualified assets (e.g., 25% of household assets), and other catastrophic or economic circumstances are considered in determining eligibility for charity care.

During 2014 and 2013, Legacy provided charity care benefiting patients associated with 72,633 and 76,847 patient accounts, respectively, representing 7,471 and 7,944 inpatient accounts, respectively, and 65,192 and 68,903 outpatient accounts, respectively. In 2014 and 2013, 6% and 6%,

respectively, of the patients receiving charity care received a full subsidy representing roughly 3% and 4%, respectively, of the total charity provided in those years.

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

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

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

Legacy also employs financial counselors and social workers who assist patients in obtaining coverage for their healthcare needs. This includes assistance with workers' compensation, motor vehicle accident policies, COBRA, veterans' assistance, and public assistance programs, such as Medicaid. This program assisted many patients in obtaining coverage through a third party, reducing the patients' financial responsibility. The costs associated with this program were $1,173 and $672 in 2014 and 2013, respectively.

(b) Benefits to the Community

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

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

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

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

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

(Dollars in thousands)

(c) Other Benefits

In furtherance of its mission, Legacy also commits significant time and resources to endeavors and critical services that meet unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include hospice, mental and behavioral health, primary care clinics in underserved neighborhoods, free patient transportation, lodging, meals and medications for transient patients when needed, participation in blood drives, and the provision of educational opportunities for students interested in pursuing medical-related careers.

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

Legacy also pays taxes associated with various states' local business and occupation taxes, and property taxes that local and state governments use to fund healthcare services, civil and education services to the community. Legacy paid $6,190 and $5,511 in local and state taxes in 2014 and 2013, respectively.

(4) Property, Plant, and Equipment

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

		2014	2013
Buildings and improvements	$	1,082,209	1,055,639
Equipment and software		750,645	729,804
Land improvements		10,284	10,117
		1,843,138	1,795,560
Accumulated depreciation		(1,109,081)	(1,044,675)
		734,057	750,885
Construction in progress		19,593	34,821
Land		25,092	25,092
	$	778,742	810,798

There were capital expenditure purchase commitments outstanding as of March 31, 2014 for various construction and equipment projects. The estimated cost to complete such projects at March 31, 2014 was $73,580, of which $23,163 was contractually committed.

(Dollars in thousands)

(5) Long-Term Debt

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

	2014	2013
Hospital Revenue Bonds, Series 2008, payable in installments through 2038, subject to a seven-day put provision; interest at SIFMA index (0.6% at March 31, 2014) plus 10 basis points	$ 150,000	150,000
Hospital Revenue Bonds, Series 2009A, payable in installments from $1,055 to $7,715 through 2035, at rates ranging from 3.0% to 5.5%, callable on or after July 2019	102,970	105,820
Hospital Revenue Bonds, Series 2009B, subject to mandatory tender of $25,000 in July of 2014 at 5.0%	25,000	25,000
Hospital Revenue Bonds, Series 2010A, payable in installments from $1,120 to $12,430 through 2030, at rates ranging from 3.0% to 5.0%, $24,300 of the bonds are callable on or after March 2020	75,190	87,035
Hospital Revenue Bonds, Series 2011A, payable in installments from $5,495 to $22,060 through 2021, at rates ranging from 3.0% to 5.25%.	100,165	105,975
Loan agreement with a bank at fixed rate of 1.4%, repayable July 2014.	25,000	25,000
Capital lease obligations, at imputed rates of 3.4% to 5.1%	5,363	8,196
Note payable, matures 2013, interest at 6.73%	220	535
	483,908	507,561
Less current portion	(23,228)	(23,749)
	$ 460,680	483,812

Interest cost incurred related to funds borrowed was $16,971 and $17,842 in 2014 and 2013, respectively. These amounts were reduced by $154 and $381 in 2014 and 2013, respectively, in the consolidated statements of operations, for amounts capitalized for construction and other capital projects.

(Continued)

(Dollars in thousands)

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

	Long-term debt	Capital lease obligations
2015	$ 20,668	2,756
2016	21,336	1,638
2017	22,286	1,266
2018	23,245	—
2019	14,690	—
Thereafter	376,320	—
	$ 478,545	5,660
Less amount representing interest under capital lease obligation		(297)
		$ 5,363

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

In November 2008, Legacy issued $150,000 of Revenue Bonds Series 2008 (Series 2008 Bonds), which are unsecured, variable-rate debt in an initial short-term interest rate mode, through the Hospital Facility Authority of Clackamas County, Oregon. The proceeds from the Series 2008 Bonds were restricted for capital expenditures and to pay the expenses incurred with the issuance. The Series 2008 Bonds, while subject to a long-term amortization period, may be put to Legacy at the option of the bondholders in connection with certain remarketing dates. In conjunction with the issuance, in November 2013 Legacy entered into three year letter of credit and reimbursement agreement with a national bank, whereby the bank will purchase any bonds that are put by bondholders and not successfully remarketed. In the event of a draw under this agreement, there are no principal payments due within a year. If the bonds have not been remarketed or redeemed and amounts remain outstanding after a year, such amounts are converted to a term loan due in eight quarterly payments. As a result, the Series 2008 Bonds are classified as long-term, except for the portion that matures within 12 months after March 31, 2014.

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

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

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

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

In June 2012, Legacy entered into an agreement with a bank to borrow $25,000 at a fixed rate of 1.4%, repayable in July 2014. Proceeds from this borrowing were used to refinance the Series 2009B bonds in 2012. In March 2014, Legacy entered into a binding Bond Purchase Agreement (BPA) with the Oregon Facilities Authority and a commercial bank to refinance this debt, the Series 2009C bonds that have a mandatory tender in July 2014 and portions of the 2009A bonds that are callable in July 2014. The BPA anticipates issuance of bonds totaling $71.7 million that will mature in 2021 and carry a fixed rate of 2.42%. As a result of the BPA, the debt that is scheduled to be tendered or mature in July 2014 is reflected as long-term debt less current portion on the consolidated balance sheet at March 31, 2014. Bonds issued under the BPA will be obligations of the 2009 Master Trust Indenture.

(Dollars in thousands)

(6) Investments

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

	Year ended March 31	
	2014	2013
Cash and cash equivalents	$ 5,331	6,834
Short-term notes	6,644	6,797
State government obligations	3,939	3,822
Small/mid cap domestic equity securities	39,118	50,589
Large cap domestic equity securities	94,963	78,697
International equity securities	108,269	50,925
International common/collective trust	—	34,526
Fixed income mutual fund	159,958	155,485
Fixed income common/collective trust	99,234	94,100
Absolute return funds	101,458	84,175
U.S. Treasury securities	35,716	38,199
Real estate partnerships	82,134	76,303
Private equity funds – funds of funds	4,804	3,822
Interest rate swaps	3,892	4,703
Guaranteed interest investment contracts (GIICs)	—	1,060
	$ 745,460	690,037

As of March 31, 2014, Legacy has a remaining capital commitment of $854 to private equity funds in the form of limited partnership/trust investments. These commitments are due on demand from the general partners/advisors. These private equity funds invest in emerging companies, venture capital funds, and other alternative investments. The termination of these partnerships/trusts is based upon specific provisions in the agreement. In most cases the life of the trusts are for a minimum of 10 years. Legacy can only transfer its interest in the investments with the consent of the general partner/advisor. The fair values of these investments are determined either by the underlying security value on the open market or by the general partner/advisor utilizing fair value principles. Debt service reserve funds and unspent construction funds related to the Series 2009A, B and C Bonds are held in trust at a national bank and are invested in accordance with the respective bond indentures, primarily in government obligations with maturities of one year or less and in money market funds. Equity method investments total $132,107 and $121,641 as of March 31, 2014 and 2013, respectively. Because the underlying investments of these equity method investment funds are valued at fair value, equity method accounting produces a value similar to the net asset value practical expedient used for certain investments at fair value.

(Dollars in thousands)

Interest Rate Swaps

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

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

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

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

The fair value of these swaps is determined by the spread in interest rates. The fair value as of March 31, 2014 and 2013 represents a receivable of $3,892 and $4,703, respectively, and is included in noncurrent investments in the consolidated balance sheets.

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

	Year ended March 31	
	2014	2013
Interest and dividend income	$ 608	928
Realized gains on investments	51,901	24,401
Equity earnings from investment companies	14,402	9,150
Change in fair value of trading securities and interest rate swaps, net	(7,131)	16,777
Total investment income	$ 59,780	51,256

(7) Fair Value of Financial Instruments

Legacy applies Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices

in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

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

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

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

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

(Dollars in thousands)

The following tables present the financial instruments carried at fair value and financial instruments valued using the equity method of accounting as of March 31, 2014 and 2013, by caption on the consolidated balance sheets, by the valuation hierarchy defined above:

	Fair value of financial instruments March 31, 2014			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Cash and cash equivalents	$ 5,331	—	—	5,331
Small/mid cap domestic equity securities	39,118	—	—	39,118
Large cap domestic equity securities	94,963	—	—	94,963
International equity securities	108,269	—	—	108,269
International common/ collective trust funds	—	—	—	—
Fixed income mutual fund	159,958	—	—	159,958
Fixed income common/ collective trust funds	—	99,234	—	99,234
Absolute return funds	14,669	86,789	—	101,458
Real estate partnerships	—	82,134	—	82,134
Private equity fund of funds	—	—	4,804	4,804
U S Treasury securities	—	35,716	—	35,716
Short-term notes	—	6,644	—	6,644
State government obligations	—	3,939	—	3,939
Interest rate swaps	—	3,892	—	3,892
GIIC	—	—	—	—
Total assets at fair value	$ 422,308	318,348	4,804	745,460

(Continued)

(Dollars in thousands)

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

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

	Fair value measurements Level 3
Fair value March 31, 2012	$ 5,484
Realized and unrealized (losses) gains, net	(161)
Purchases and settlements, net	(1,501)
Fair value March 31, 2013	3,822
Realized and unrealized (losses) gains, net	1,443
Purchases and settlements, net	(461)
Fair value March 31, 2014	$ 4,804

(Continued)

(Dollars in thousands)

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at March 31, 2014:

	Fair value	Redemption frequency	Redemption notice period
Common/collective trust funds	$ 99,234	Daily or monthly	1 – 5 days
Absolute return funds	86,789	Quarterly	60 – 95 days
Real estate partnerships	82,133	Quarterly	60 – 95 days

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

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

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

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

The fair value of long-term debt is estimated based on the discounted cash flows that would be paid using current market rates for debt with the same maturities, assuming the debt was repaid as of the first call date as stipulated in the bond indenture. The fair value of long-term debt was $22,736 and $35,245 greater than the carrying value as of March 31, 2014 and 2013, respectively. This valuation represents a Level 2 fair value measurement per ASC 820.

(Continued)

(Dollars in thousands)

(8) Temporarily and Permanently Restricted Net Assets

Restricted net assets are available for the following purposes:

	Year ended March 31	
	2014	2013
Temporarily restricted net assets:		
Education	$ 6,784	5,608
Patient care	13,865	11,943
Research	1,309	4,723
Capital acquisition	6,448	5,961
Other	4,422	4,869
	$ 32,828	33,104

	Year ended March 31	
	2014	2013
Permanently restricted net assets:		
Education	$ 2,681	2,650
Patient care	10,109	8,837
Research	1,943	1,932
Other	383	382
	$ 15,116	13,801

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

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

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

Legacy's spending practices are intended to comply with donors' wishes and meet all applicable laws and regulations. Spending must be for a purpose that is consistent with the documented intent of the donor, and may not exceed the amounts annually determined by Legacy. Factors that are considered in addressing the

(Dollars in thousands)

annual spending allocation are i) market value of the fund relative to the principal of the gift and ii) the level of spending in prior years.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Legacy to retain as a fund of perpetual duration. Deficiencies of this nature are reported as a reduction to unrestricted net assets and are excluded from the performance indicator. During the years ended March 31, 2014 and 2013, Legacy reimbursed unrestricted net assets for $1 and $4, respectively, for amounts transferred in previous years from unrestricted net assets to permanently restricted net assets. Changes in endowment net assets for the years ended March 31, 2014 and 2013 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Balance as of March 31, 2012	$ 9,990	16,815	13,275	40,080
Investment income	250	2,711	—	2,961
Contributions	—	—	526	526
Appropriated for expenditure	(307)	(1,626)	—	(1,933)
Balance as of March 31, 2013	9,933	17,900	13,801	41,634
Investment income	416	4,152	—	4,568
Contributions	(419)	—	1,315	896
Appropriated for expenditure	—	(1,107)	—	(1,107)
Balance as of March 31, 2014	$ 9,930	20,945	15,116	45,991

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

(9) Functional Expenses

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

	Year ended March 31	
	2014	2013
Healthcare services	$ 1,164,177	1,062,738
General and administrative	270,833	253,328
	$ 1,435,010	1,316,066

(Continued)

(10) Retirement Plans

(a) Defined Contribution Pension Plans

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

Expenses incurred by Legacy related to this plan were approximately $13,300 and $12,200 for 2014 and 2013, respectively.

(b) Pension Benefit Plans

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

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

Legacy recognizes adjustments to the funded status of the Plan as increases or decreases to net assets in the corresponding accounting period. During the years ended March 31, 2014 and 2013, Legacy recognized an increase (decrease) in net assets of $62,808 and ($26,367), respectively, related to the change in funded status of the Plan.

(Continued)

(Dollars in thousands)

A summary of changes in benefit obligations, fair values of plan assets, and the pension liability at March 31, 2014 and 2013 and for the fiscal years then ended is as follows:

		2014	2013
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	728,902	641,731
Service cost		30,882	28,887
Interest cost		30,969	30,271
Actuarial (gain) loss		(34,386)	52,578
Benefits paid		(25,756)	(24,565)
Plan amendments		(1,646)	—
Projected benefit obligation at end of year	$	728,965	728,902
Change in plan assets:			
Fair value of assets at beginning of year	$	551,547	478,516
Actual return on plan assets		58,629	47,387
Employer contribution		44,935	50,209
Benefits paid		(25,756)	(24,565)
Fair value of assets at end of year	$	629,355	551,547
Reconciliation of funded status:			
Funded status	$	(99,610)	(177,355)
Net amount recognized	$	(99,610)	(177,355)

Included in unrestricted net assets at March 31, 2014 are unrecognized prior service credits of $43,606 and unrecognized actuarial losses of $186,213 that have not yet been recognized in net periodic pension cost. The prior service credit and actuarial losses included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending March 31, 2015 are $8,989 and $11,816, respectively. The accumulated benefit obligation as of March 31, 2014 and 2013 was $714,178 and $715,533, respectively.

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

		2014	2013
Service cost	$	30,882	28,887
Interest cost		30,969	30,271
Expected return on plan assets		(40,733)	(35,705)
Amortization of prior service costs		(8,839)	(8,839)
Recognized net actuarial loss		17,580	23,369
Special recognition curtailments and settlements		137	—
Net periodic pension cost	$	29,996	37,983

(Continued)

(Dollars in thousands)

(c) Assumptions

Legacy used the following actuarial assumptions to determine its benefit obligations at March 31, 2014 and 2013, and its net periodic benefit cost for the years ended March 31, 2014 and 2013:

	2014	2013
Benefit obligation (measured as of March 31, 2014 and 2013)		
Discount rate	4.77%	4.34%
Rate of increase in future compensation levels	2.50% for 2014, 3.75% thereafter plus longevity scale	4% plus longevity scale
Net periodic benefit cost (measured as of March 31, 2014 and 2013)		
Discount rate	4.34%	4.83%
Expected long-term discount rate of return on plan assets	7.50%	7.50%
Rate of increase in future compensation levels	4% plus longevity scale	4% plus longevity scale

The expected long-term rate of return on plan assets was based on Legacy's asset allocation mix and the long-term historical return for each asset class, taking into account current and expected market conditions. Legacy utilizes a nationally recognized investment consultant to assist in the return assumptions used in determining the expected long-term rate of return. The actual return on pension plan assets was a net gain of approximately 10.5% and 9.6% for the years ended March 31, 2014 and 2013, respectively. In the calculation of pension plan expense, the expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes changes in fair value over a four-year period. This practice is intended to reduce year-to-year volatility in pension expense, but it can have the effect of delaying the recognition of differences between actual returns and expected returns based on the long-term rate-of-return assumptions. The source data for the discount rate used to determine the benefit obligation was a universe of AA or higher rated U.S. dollar denominated bonds with similar maturities to the projected benefit payments.

(Continued)

(Dollars in thousands)

(d) Pension Plan Assets

The asset allocation of Legacy's pension plans at March 31, 2014 and 2013, and the target allocation were as follows:

	Target allocation	2014	2013
Equity securities	28% – 46%	36%	37%
Fixed income	21% – 34%	33%	32%
Real estate	0% – 17%	10%	11%
Absolute return funds	0% – 18%	15%	13%
Alternative investments	0% – 11%	6%	7%

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

(Continued)

(Dollars in thousands)

In accordance with ASC SubTopic 820-10, financial assets and financial liabilities measured at fair value are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to estimate fair value. These levels and associated valuation methodologies are described in note 7. The following tables set forth by level, within the fair value hierarchy, list the Plan's assets at fair value as of March 31, 2014 and 2013:

	Fair value of financial instruments March 31, 2014			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Cash and cash equivalents	$ 6,235	—	—	6,235
Small/mid cap domestic equity securities	39,180	—	—	39,180
Large cap domestic equity securities	73,666	—	—	73,666
International equity securities	66,479	—	—	66,479
International common/ collective trust	—	43,209	—	43,209
Fixed income mutual fund	104,545	—	—	104,545
Fixed income common/ collective trust	—	103,394	—	103,394
Absolute return funds	28,863	64,410	—	93,273
Private equity funds				
Funds of funds	—	—	31,788	31,788
Distressed situations	—	—	4,065	4,065
Real estate partnerships	—	57,439	6,082	63,521
Total assets at fair value	$ 318,968	268,452	41,935	629,355

(Continued)

(Dollars in thousands)

	Fair value of financial instruments March 31, 2013			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Cash and cash equivalents	$ 10,075	—	—	10,075
Small/mid cap domestic equity securities	30,420	—	—	30,420
Large cap domestic equity securities	73,749	—	—	73,749
International equity securities	17,961	—	—	17,961
International common/ collective trust	—	70,427	—	70,427
Fixed income mutual fund	87,845	—	—	87,845
Fixed income common/ collective trust	—	86,872	—	86,872
Absolute return funds	12,521	58,765	—	71,286
Private equity funds				
Funds of funds	—	—	32,174	32,174
Distressed situations	—	—	7,841	7,841
Real estate partnerships	—	53,570	6,327	59,897
Total assets at fair value	$ 232,571	269,634	46,342	548,547

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

	Fair value measurements Level 3
Fair value March 31, 2012	$ 77,888
Realized and unrealized (losses) gains, net	2,384
Purchases and settlements, net	(10,035)
Transfers, net	(23,895)
Fair value March 31, 2013	46,342
Realized and unrealized (losses) gains, net	6,248
Purchases and settlements, net	(10,655)
Fair value March 31, 2014	$ 41,935

(Continued)

(Dollars in thousands)

The transfers noted above from Level 3 to Level 2 during the year ended March 31, 2013 were the result of lifting the termination restrictions previously established by the investment manager, which allowed increased use of observable inputs for the noted security.

(e) Cash Flows

Legacy's policy with respect to funding the qualified plans is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974 (ERISA), as amended, plus such additional amounts as deemed appropriate. In fiscal year 2015, Legacy expects to contribute, from ongoing cash flows and current assets, approximately $34,000 to its defined-benefit pension plans.

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

2014	$	56,769
2015		37,399
2016		41,449
2017		45,246
2018		49,075
2019–2023		286,172

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

Management is not aware of any expected settlements or curtailments that would require additional recognition during 2014.

(11) Commitments and Contingencies

(a) Professional and General Liability

Legacy is self-insured for professional and general liability coverage. Coverage in excess of the self-insurance limits is provided on a claims-made basis through commercial insurance for claims made prior to June 1, 2004 and through its captive insurance company, LHSIC, effective June 1, 2004. LHSIC is a Cayman Islands domiciled insurance company created to access the reinsurance markets. General and professional liability costs have been accrued based upon an actuarial determination. Legacy recognizes adjustments to its professional and general liability reserves associated with actuarial estimates on prior year activity as an increase or decrease to utilities, insurance and other expenses in the financial statements. In 2014 Legacy recorded additional expense of $12,000 and in 2013 recorded a reduction to expense of $5,918 related to changes in estimate of professional liabilities. Legacy is involved in litigation arising in the ordinary course of business. Claims, including alleged malpractice, have been asserted against Legacy and are currently in various stages of litigation. Additional claims may be asserted against Legacy arising from services provided to patients through March 31, 2014. In management's opinion, however, the estimated liability accrued at March 31, 2014 is adequate to provide for potential losses resulting from pending or threatened litigation.

(Dollars in thousands)

(b) Operating Leases

Legacy leases various equipment and real property under operating leases expiring at various dates through March 2020. The following is a schedule by year of future minimum lease payments under operating leases as of March 31, 2014, with an initial or remaining lease term in excess of one year.

Year ending March 31:		
2015	$	4,092
2016		3,743
2017		3,176
2018		2,421
2019		2,029
Thereafter		816
	$	16,277

Rent expense for 2014 and 2013 totaled $6,671 and $6,460, respectively.

(c) Employee Benefits

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

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

Legacy recognizes a severance obligation when the amount can be reasonably estimated, typically at the date of a triggering event (e.g., a reduction in force). During 2014 and 2013, Legacy expensed $445 and $13, respectively, associated with these plans.

(d) Collective Bargaining Agreements

Approximately 10% of Legacy employees were covered under collective bargaining agreements at March 31, 2014, including certain service and maintenance employees. Approximately 586 employees are covered by collective bargaining agreements that expire within one year.

(Continued)

(12) Compliance with Laws and Regulations

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

(13) Subsequent Events

Legacy evaluated and disclosed all material subsequent events through June 27, 2014, the date the consolidated financial statements were issued.

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

Independent Auditors' Report on Supplementary Information

The Board of Directors
Legacy Health:

We have audited the consolidated financial statements of Legacy Health (an Oregon nonprofit corporation) and Affiliates as of and for the years ended March 31, 2014 and 2013, and have issued our report thereon dated June 27, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in the consolidating balance sheets, consolidating statements of operations, and consolidating statements of changes in net assets is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

KPMG LLP

Portland, Oregon
June 27, 2014

LEGACY HEALTH AND AFFILIATES

Consolidating Balance Sheet

March 31, 2014

(Dollars in thousands)

Assets	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Current assets				
Cash and cash equivalents	$ 69,826	638	177	105
Short-term investments	46,434	—	—	—
Accounts receivable from patients	—	125,911	37,743	25,243
Allowance for uncollectible accounts	—	(25,791)	(4,429)	(4,347)
	—	100,120	33,314	20,896
Settlements receivable from third-party payors, net	—	959	1,048	350
Other receivables	3,514	11,614	3,669	2,263
Inventories, at cost	—	7,558	4,318	2,926
Prepaid expenses	12,411	548	209	100
Total current assets	132,185	121,437	42,735	26,640
Assets limited as to use				
Held by trustee	—	12,318	—	—
Community health fund	9,930	—	—	—
Noncurrent investments restricted for capital acquisitions	1,072	—	—	—
	11,002	12,318	—	—
Other assets				
Property, plant and equipment	413,125	570,194	288,052	157,913
Accumulated depreciation	(287,030)	(260,935)	(220,753)	(119,703)
	126,095	309,259	67,299	38,210
Noncurrent investments	674,418	14	—	—
Property held for development or sale	13,287	—	—	7,065
Goodwill and other intangibles	379	—	—	—
Other assets	16,518	7,763	153	—
	830,697	317,036	67,452	45,275
Intercompany affiliate receivable (payable)	(697,704)	91,215	155,846	227,907
	$ 276,180	542,006	266,033	299,822

(Continued)

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Credit Reporting Group	Other affiliates and eliminations	March 31, 2014 consolidated
9	11	22	9	70,797	210	71,007
—	—	—	—	46,434	—	46,434
18,193	35,551	1,855	—	244,496	3,084	247,580
(5,072)	(6,712)	(207)	—	(46,558)	(398)	(46,956)
13,121	28,839	1,648	—	197,938	2,686	200,624
487	(1,279)	—	—	1,565	—	1,565
1,960	547	—	1,420	24,987	3,161	28,148
2,114	1,801	—	—	18,717	318	19,035
21	671	8	—	13,968	347	14,315
17,712	30,590	1,678	1,429	374,406	6,722	381,128
—	—	—	—	12,318	—	12,318
—	—	—	—	9,930	—	9,930
—	—	—	—	1,072	—	1,072
—	—	—	—	23,320	—	23,320
106,234	343,443	3,486	—	1,882,447	5,376	1,887,823
(63,454)	(152,786)	(1,320)	—	(1,105,981)	(3,100)	(1,109,081)
42,780	190,657	2,166	—	776,466	2,276	778,742
—	—	—	1,274	675,706	—	675,706
—	3,203	—	—	23,555	—	23,555
—	—	—	—	379	26,483	26,862
443	—	1,350	3,244	29,471	(12,163)	17,308
43,223	193,860	3,516	4,518	1,505,577	16,596	1,522,173
25,355	81,762	(1,448)	116,651	(416)	416	—
86,290	306,212	3,746	122,598	1,902,887	23,734	1,926,621

(Continued)

LEGACY HEALTH AND AFFILIATES

Consolidating Balance Sheet

March 31, 2014

(Dollars in thousands)

Liabilities and Net Assets		Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Current liabilities					
Accounts payable	$	8,304	10,660	6,189	3,530
Accrued wages, salaries, and benefits		18,245	31,986	10,220	6,440
Accrued interest		2,228	1,386	—	—
Other current liabilities		22,872	9,216	4,370	2,644
Current portion of long-term debt		6,568	8,314	2,989	3,569
Total current liabilities		58,217	61,562	23,768	16,183
Long-term debt, less current portion		58,200	259,255	63,149	38,766
Other liabilities					
Estimated general and professional claims liability		35,120	—	—	—
Accrued pension liability		8,899	43,899	23,800	6,246
Other noncurrent liabilities		18,856	2,452	691	510
		62,875	46,351	24,491	6,756
Total liabilities		179,292	367,168	111,408	61,705
Net assets					
Unrestricted		96,888	174,297	154,625	238,117
Unrestricted, noncontrolling interest		—	—	—	—
Temporarily restricted		—	541	—	—
Permanently restricted		—	—	—	—
		96,888	174,838	154,625	238,117
	$	276,180	542,006	266,033	299,822

See accompanying independent auditors' report on other financial information

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Credit Reporting Group	Other affiliates and eliminations	March 31, 2014 consolidated
1,623	3,453	357	—	34,116	368	34,484
4,392	13,848	733	—	85,864	385	86,249
—	—	—	—	3,614	—	3,614
2,145	21	1	804	42,073	1,977	44,050
1,609	—	—	—	23,049	179	23,228
9,769	17,322	1,091	804	188,716	2,909	191,625
41,269	—	—	—	460,639	41	460,680
—	—	—	—	35,120	236	35,356
5,589	10,780	397	—	99,610	—	99,610
229	344	38	—	23,120	223	23,343
5,818	11,124	435	—	157,850	459	158,309
56,856	28,446	1,526	804	807,205	3,409	810,614
29,434	277,766	2,220	74,391	1,047,738	119	1,047,857
—	—	—	—	—	20,206	20,206
—	—	—	32,287	32,828	—	32,828
—	—	—	15,116	15,116	—	15,116
29,434	277,766	2,220	121,794	1,095,682	20,325	1,116,007
86,290	306,212	3,746	122,598	1,902,887	23,734	1,926,621

LEGACY HEALTH AND AFFILIATES

Consolidating Balance Sheet

March 31, 2013

(Dollars in thousands)

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

(Continued)

Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Credit Reporting Group	Other affiliates and eliminations	March 31, 2013 consolidated
(115)	(175)	(74)	18	51,706	1,907	53,613
—	—	—	—	46,241	—	46,241
17,643	32,045	2,097	—	210,773	4,514	215,287
(6,410)	(7,251)	—	—	(44,401)	(835)	(45,236)
11,233	24,794	2,097	—	166,372	3,679	170,051
796	258	—	—	3,358	—	3,358
1,631	385	—	4,559	21,578	1,587	23,165
1,573	1,654	—	—	17,094	288	17,382
26	573	(3)	—	10,106	392	10,498
15,144	27,489	2,020	4,577	316,455	7,853	324,308
—	—	—	—	12,265	—	12,265
—	—	—	—	9,933	—	9,933
—	—	—	—	784	—	784
—	—	—	—	22,982	—	22,982
103,063	336,826	3,595	—	1,850,307	5,166	1,855,473
(60,066)	(141,830)	(1,248)	—	(1,042,175)	(2,500)	(1,044,675)
42,997	194,996	2,347	—	808,132	2,666	810,798
—	—	—	1,319	620,814	—	620,814
—	3,203	—	—	23,562	—	23,562
—	—	—	—	436	26,482	26,918
1,092	—	1,404	3,819	30,536	(12,239)	18,297
44,089	198,199	3,751	5,138	1,483,480	16,909	1,500,389
18,627	63,196	(2,148)	105,122	(887)	887	—
77,860	288,884	3,623	114,837	1,822,030	25,649	1,847,679

(Continued)

LEGACY HEALTH AND AFFILIATES

Consolidating Balance Sheet

March 31, 2013

(Dollars in thousands)

Liabilities and Net Assets		Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital
Current liabilities					
Accounts payable	$	18,060	13,234	5,311	2,772
Accrued wages, salaries, and benefits		16,154	28,232	9,587	5,776
Accrued interest		2,332	1,418	—	—
Other current liabilities		21,121	6,170	3,356	2,191
Current portion of long-term debt		6,953	8,218	2,997	3,585
Total current liabilities		64,620	57,272	21,251	14,324
Long-term debt, less current portion		64,731	267,574	66,139	42,336
Other liabilities					
Estimated general and professional claims liability		22,236	—	—	—
Accrued pension liability		17,932	74,107	36,718	14,420
Other noncurrent liabilities		15,946	2,599	747	538
		56,114	76,706	37,465	14,958
Total liabilities		185,465	401,552	124,855	71,618
Net assets					
Unrestricted		87,347	143,401	121,599	200,522
Unrestricted, noncontrolling interest		—	—	—	—
Temporarily restricted		—	467	—	—
Permanently restricted		—	—	—	—
		87,347	143,868	121,599	200,522
	$	272,812	545,420	246,454	272,140

See accompanying independent auditors' report on other financial information

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

LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Operations

Year ended March 31, 2014

(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center
Gross patient charges	$ —	1,398,325	679,742	449,074	326,155
Adjustments to gross patient charges					
Charity allowances	—	71,768	27,817	15,182	22,374
Third-party contractual adjustments	—	675,605	365,535	239,952	173,915
Patient service revenue	—	650,952	286,390	193,940	129,866
Less provision for bad debts	—	30,287	7,640	8,033	11,408
Net patient service revenues	—	620,665	278,750	185,907	118,458
Other revenues	183,057	29,135	6,604	2,185	3,814
Total operating revenues	183,057	649,800	285,354	188,092	122,272
Operating expenses					
Wages, salaries and benefits	87,754	358,903	131,543	78,582	53,933
Supplies	3,397	88,537	46,096	30,708	14,238
Professional fees	2,744	25,519	6,265	2,858	2,705
Purchased services	46,796	(8,003)	18,163	9,717	7,745
Utilities, insurance and other expenses	12,516	61,898	12,851	13,297	11,174
Depreciation	26,305	30,149	14,113	8,524	6,302
Interest and amortization	2,886	9,635	1,713	1,539	1,130
Management fees	—	90,710	43,655	28,228	16,280
	182,398	657,348	274,399	173,453	113,507
Income (loss) from operations	659	(7,548)	10,955	14,639	8,765
Other income (expenses)					
Investment income (loss), net	2,335	10,223	10,459	14,918	1,822
Loss on extinguishment of debt	—	—	—	—	—
Other, net	(668)	(1,596)	(49)	11	(5)
	1,667	8,627	10,410	14,929	1,817
Revenues in excess of (less than) expenses	$ 2,326	1,079	21,365	29,568	10,582

See accompanying independent auditors' report on other financial information

Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2014 consolidated
615 763	13 506	—	(207)	3 482 358	50 601	3 532 959
23 834	112	—	—	161 087	—	161 087
354 427	967	—	32 107	1 842 508	33 412	1 875 920
237 502	12 427	—	(32 314)	1 478 763	17 189	1 495 952
12 912	266	—	—	70 546	10	70 556
224 590	12 161	—	(32 314)	1 408 217	17 179	1 425 396
9 204	696	6 599	(182 244)	59 050	674	59 724
233 794	12 857	6 599	(214 558)	1 467 267	17 853	1 485 120
147 430	9 297	—	(41 553)	825 889	5 515	831 404
30 249	732	—	8 672	222 629	4 368	226 997
4 933	35	—	(474)	44 585	586	45 171
8 554	1 034	—	(221)	83 785	2 296	86 081
13 473	677	8 517	(8 232)	126 171	1 633	127 804
14 452	180	—	—	100 025	609	100 634
—	—	—	—	16 903	16	16 919
1 008	1 000	—	(180 881)	—	—	—
220 099	12 955	8 517	(222 689)	1 419 987	15 023	1 435 010
13 695	(98)	(1 918)	8 131	47 280	2 830	50 110
5 683	—	10 067	—	55 507	—	55 507
—	—	—	—	—	—	—
(1 141)	—	(1 179)	(5 959)	(10 586)	(28)	(10 614)
4 542	—	8 888	(5 959)	44 921	(28)	44 893
18 237	(98)	6 970	2 172	92 201	2 802	95 003

LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Operations

Year ended March 31, 2013

(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center
Gross patient charges	$ —	1,293,948	657,672	417,427	289,256
Adjustments to gross patient charges					
Charity allowances	—	69,585	32,773	15,945	25,106
Third-party contractual adjustments	—	631,905	343,600	218,438	151,872
Patient service revenue	—	592,458	281,299	183,044	112,278
Less provision for bad debts	—	26,366	9,446	8,583	10,801
Net patient service revenues	—	566,092	271,853	174,461	101,477
Other revenues	178,849	27,539	4,870	1,955	2,656
Total operating revenues	178,849	593,631	276,723	176,416	104,133
Operating expenses					
Wages, salaries and benefits	80,969	335,224	127,122	74,594	48,790
Supplies	2,514	81,810	46,403	28,041	12,152
Professional fees	3,487	25,134	7,341	2,533	2,641
Purchased services	46,762	(8,574)	15,925	9,619	7,989
Utilities, insurance and other expenses	13,321	37,975	7,380	6,908	7,794
Depreciation	26,181	28,795	14,343	8,973	5,507
Interest and amortization	3,036	9,793	1,843	1,630	1,205
Management fees	—	86,162	44,624	27,129	16,334
	176,270	596,319	264,981	159,427	102,412
Income (loss) from operations	2,579	(2,688)	11,742	16,989	1,721
Other income (expenses)					
Investment income (loss), net	1,922	10,232	9,547	13,542	1,620
Loss on extinguishment of debt	—	—	—	—	—
Other, net	(589)	(1,303)	(4)	(14)	(21)
	1,333	8,929	9,543	13,528	1,599
Revenues in excess of (less than) expenses	$ 3,912	6,241	21,285	30,517	3,320

See accompanying independent auditors' report on other financial information

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

LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Changes in Net Assets

Year ended March 31, 2014

(Dollars in thousands)

	Legacy Health	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center
Unrestricted net assets – controlling interest					
Revenues in excess of (less than) expenses	$ 2,326	1,079	21,365	29,568	10,582
Net assets released from restriction used for property, plant and equipment	—	5,376	1,209	1,413	140
Pension and other postretirement adjustments	7,215	24,440	10,452	6,614	3,690
Distributions	—	—	—	—	—
Other transfers	—	—	—	—	(164)
Change in unrestricted net assets – controlling interest	9,541	30,895	33,026	37,595	14,248
Unrestricted net assets – noncontrolling interest					
Revenues in excess of expenses	—	—	—	—	—
Distributions	—	—	—	—	—
Change in unrestricted net assets – noncontrolling interest	—	—	—	—	—
Temporarily restricted net assets					
Donor-restricted contributions and grants	—	7,135	—	—	—
Investment income, net	—	—	—	—	—
Net assets released from restriction	—	(7,060)	—	—	—
Transfers	—	—	—	—	—
Change in temporarily restricted net assets	—	75	—	—	—
Permanently restricted net assets					
Donor-restricted contributions and grants	—	—	—	—	—
Other transfers	—	—	—	—	—
Change in permanently restricted net assets	—	—	—	—	—
Change in net assets	9,541	30,970	33,026	37,595	14,248
Net assets, beginning of year	87,347	143,868	121,599	200,522	15,186
Net assets, end of year	$ 96,888	174,838	154,625	238,117	29,434

See accompanying independent auditors' report on other financial information

Legacy Salmon Creek Hospital	Legacy Visiting Nurse Association	Foundations	Interentity eliminations	Credit Reporting Group	Other affiliates and eliminations	Year ended March 31, 2014 consolidated
18 237	(98)	6 970	2 172	92 201	(388)	91 813
16	—	(142)	(2 172)	5 840	—	5 840
9 909	488	—	—	62 808	—	62 808
—	—	—	—	—	—	—
—	—	—	—	(164)	164	—
28 162	390	6 828	—	160 685	(224)	160 461
—	—	—	—	—	3 190	3 190
—	—	—	—	—	(3 859)	(3 859)
—	—	—	—	—	(669)	(669)
—	—	(569)	—	6 566	—	6 566
—	—	4 273	—	4 273	—	4 273
—	—	(4 055)	—	(11 115)	—	(11 115)
—	—	—	—	—	—	—
—	—	(351)	—	(276)	—	(276)
—	—	1 315	—	1 315	—	1 315
—	—	—	—	—	—	—
—	—	1 315	—	1 315	—	1 315
28 162	390	7 792	—	161 724	(893)	160 831
249 604	1 830	114 002	—	933 958	21 218	955 176
277 766	2 220	121 794	—	1 095 682	20 325	1 116 007

LEGACY HEALTH AND AFFILIATES

Consolidating Statement of Changes in Net Assets

Year ended March 31, 2013

(Dollars in thousands)

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

See accompanying independent auditors' report on other financial information

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

LEGACY HEALTH AND AFFILIATES

Consolidated Financial and Statistical Highlights

Years ended March 31

(Unaudited)

	2014	2013	2012	2011
Utilization				
Average number of available beds	1,102	1,068	1,071	1,064
Percentage occupancy	61 7%	61 7%	60 0%	60 7%
Patient days	242,208	240,395	235,358	235,569
Medicare percent of discharge revenue	36 9%	37 1%	35 5%	33 6%
Average length of stay	4 5	4 4	4 3	4 5
Discharges	54,348	54,533	54,896	52,915
Outpatient revenues as a percent of gross patient revenue	42 5%	42 9%	41 8%	42 4%
Average full-time equivalent (FTE) employees				
Number of paid FTEs	8,368	7,941	8,020	7,997
Worked FTEs	7,109	6,854	6,926	6,894
FTEs per adjusted occupied bed	7 3	6 9	7 3	7 1
Ratios				
Deductions from revenues	59 7%	59 6%	58 3%	58 3%
Operating margin	3 8%	3 6%	4 2%	3 4%
Debt service coverage (A)	5 4	4 4	4 5	5 0
Net days in accounts receivable	47 6	46 4	48 2	46 4
Days cash on hand	215 8	214 9	201 1	198 1

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

See accompanying independent auditors' report on other financial information

LEGACY HEALTH AND AFFILIATES

Consolidating Financial and Statistical Highlights

Years ended March 31, 2014 and 2013

(Unaudited)

	Consolidated	Legacy Emanuel Hospital & Health Center	Legacy Good Samaritan Hospital and Medical Center	Legacy Meridian Park Hospital	Legacy Mount Hood Medical Center	Legacy Salmon Creek Hospital
Utilization						
Average available beds						
2014	1,102	427	247	130	92	206
2013	1,068	419	233	130	91	195
Percentage occupancy						
2014	61.4%	65.1%	57.9%	56.1%	62.2%	60.9%
2013	61.7	67.3	60.4	57.5	55.5	56.7
Patient days						
2014	242,208	99,550	50,070	27,316	20,092	45,180
2013	240,395	102,910	51,366	27,300	18,440	40,379
Medicare percentage of discharge revenue						
2014	36.9%	22.3%	49.6%	50.6%	41.7%	39.5%
2013	37.1	23.5	49.1	51.2	42.3	37.6
Average length of stay (days)						
2014	4.5	5.6	5.0	3.3	3.5	3.6
2013	4.4	5.5	4.7	3.4	3.4	3.7
Discharges						
2014	54,348	17,852	10,087	8,169	5,785	12,455
2013	54,533	18,880	11,030	8,069	5,512	11,042
Outpatient revenues as a percentage of gross patient revenue						
2014	42.5%	26.6%	43.3%	45.1%	50.1%	61.7%
2013	42.9	26.2	42.8	46.1	52.4	38.2
Average full-time equivalent (FTE) employees						
Number of paid FTEs						
2014	8,368	2,232	1,308	684	507	988
2013	7,941	2,163	1,284	659	482	860
FTEs per adjusted occupied bed						
Paid FTEs						
2014	7.3	6.0	5.4	5.0	4.6	4.9
2013	6.9	5.7	5.2	4.8	4.5	4.8
Worked FTEs						
2014	6.2	5.2	4.6	4.3	3.9	4.2
2013	5.9	4.9	4.5	4.1	3.9	4.2
Ratios						
Deductions from revenues						
2014	59.7%	55.7%	59.0%	59.4%	63.9%	64.1%
2013	59.6	56.6	58.7	59.1	64.9	62.5
Operating margin						
2014	0.0%	10.0%	0.0%	10.0%	10.0%	10.0%
2013	3.6	5.8	4.2	12.2	1.7	7.0

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

See accompanying independent auditors' report on other financial information.